

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

ANTHONY WHITEHOUSE

Plaintiff

- and -

BDO CANADA LLP

Defendant

VOLUME I OF II

**Responding Motion Record of BDO Canada LLP
in Respect of Certification**

August 30, 2019

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TAB 1

Court File No. CV-17-579357-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

ANTHONY WHITEHOUSE

Plaintiff

- and -

BDO CANADA LLP

Defendant

AFFIDAVIT OF NIGEL MEAKIN

(Sworn August 22, 2019)

I, Nigel Meakin of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

A. PROFESSIONAL TRAINING, DESIGNATIONS AND EXPERIENCE

1. I am a Senior Managing Director in the turnaround & restructuring practice of FTI Consulting Canada Inc. ("FTI"). FTI, together with its affiliates, is a prominent, global leader in the restructuring and insolvency field. In this role I assist financially troubled companies by, amongst other things, managing insolvency administrations, including acting as court-appointed receiver. Prior to joining FTI, I was a partner in the Financial Advisory Services group of PricewaterhouseCoopers LLP where I specialized in corporate restructuring and insolvency. Over the course of my 29-year career as a restructuring professional, I have served as the lead person in many court-appointed insolvency mandates, including several receiverships. A select list of my court-appointed

mandates since joining FTI is attached hereto as Exhibit "A". Additional information regarding these mandates can be found on FTI's website:
<http://cfcanada.fticonsulting.com/>

2. I hold a B.Sc. (Hons.) in chemistry from the University of Nottingham. I am a Fellow of the Institute of Chartered Accountants of England and Wales, a Chartered Insolvency and Restructuring Professional, and a Licenced Insolvency Trustee. I was the joint winner of the National Insolvency Examination Gold Medal in 2000. I am also a member of the Insolvency Institute of Canada, an invitation-only association of Canada's most senior and accomplished insolvency professionals. Further details of my experience and professional qualifications are set out in my *curriculum vitae*, which is attached as Exhibit "B".

B. MANDATE AND SCOPE OF REVIEW

3. I have been retained by Blake Cassels & Graydon LLP, counsel to the defendant BDO Canada LLP ("BDO") in the proposed class proceeding, *Whitehouse v BDO Canada LLP* (CV-17-579357-00CP) ("Whitehouse") to assist the court by providing my expert opinion with respect to the role, duties and powers of court-appointed receivers. I have been asked to comment, in particular, on the role, duties and powers of Grant Thornton Limited in its capacity as court-appointed receiver and manager of the assets, undertakings and properties of the Crystal Wealth Group (as defined below) (in such capacity, "GTL"). The receivership proceedings in respect of the Crystal Wealth Group will be referred to below as the "**Crystal Wealth Receivership**". I define the Crystal Wealth Group and describe it in more detail at paragraph 10 below. I understand that my

evidence is relevant to the “preferable procedure” analysis that the Court will conduct in order to determine whether *Whitehouse* should be certified and proceed as a class action. I understand that BDO takes the position that the Crystal Wealth Receivership, including an action that GTL has commenced on the Commercial List against BDO in its capacity as auditor of the Crystal Wealth Group having Court File #CV-18-595063-00CL (the “**Receivership Action**”), is the preferable procedure for resolving the unitholder claims at issue in *Whitehouse*. Accordingly, I have been asked to address the following questions:

- i) Please comment generally on the role, duties and powers of court-appointed receivers.
 - ii) Please provide your view as to whether GTL can adequately represent and advance the interests of unitholders in the Crystal Wealth Funds.
4. This Affidavit solely considers the above questions in the context of court-appointed receiverships commenced in Ontario.

5. For the purposes of preparing this report, I have reviewed and considered the following:

- (a) Various documents made publicly available by GTL through GTL’s website, including the Statement of Claim in the Receivership Action and reports to the Court prepared by GTL,¹

¹ A report to the court is a document prepared by a court-officer, such as a receiver, to provide the court and stakeholders with information relating to matters pertaining of the insolvency proceedings, commentary in respect of motions before the Court and the independent views and recommendations of the court-officer. Copies of the reports filed by GTL, and supplements thereto, are attached as Exhibits “C” through “I” (without appendices).

- (b) The Motion Record of the proposed Class Action Plaintiff, dated June 15, 2018, including the Statement of Claim in *Whitehouse*; and
- (c) The Model Receivership Order, case law precedents and other public materials that bear on the issues I address in this affidavit.
- (collectively, the “**Documents**”).

6. I swear this affidavit to provide my expert opinion with respect to the matters set out above and for no other purpose. I have also executed Form 53, an acknowledgement of my duties as an expert, which is attached as Exhibit “J”.

C. SUMMARY OF CONCLUSIONS

7. While my conclusions are set out in more detail at paragraphs 73-77 below, I am of the view that GTL is an adequate representative of unitholders of the Crystal Wealth Funds such that unitholders do not require supplemental representation for the purposes of pursuing recoveries against third parties, including BDO. In my view, GTL has, to date, acted in a manner that is consistent with its duty to maximize recoveries for all stakeholders, including unitholders.

D. BACKGROUND TO THE CRYSTAL WEALTH RECEIVERSHIP

8. The following is based on my review and understanding of the Documents. Unless otherwise noted herein, when I refer to “unitholders” or “investors”, I am referring to the equity investors in the Crystal Wealth Funds (as defined below). When I refer to “creditors”, I am referring to the secured and unsecured creditors who have debt (as

opposed to equity) claims against the Crystal Wealth Group in the Crystal Wealth Receivership. When I refer to "stakeholders", I am referring to the unitholders and creditors collectively.

9. I understand that on April 26, 2017, on application by the Ontario Securities Commission (the "OSC") to the Ontario Superior Court of Justice (Commercial List), the Honourable Mr. Justice Newbould issued an Order (the "**Appointment Order**")² appointing GTL as receiver without security, of all the assets, undertakings and properties of the Crystal Wealth Group pursuant to section 129 of the *Securities Act* (Ontario).

10. The "**Crystal Wealth Group**" refers to the Crystal Wealth Management System Ltd. ("**CWMS**") and its 14 proprietary investment funds (the "**Crystal Wealth Funds**").³

11. I understand that CWMS was a Burlington, Ontario-based Investment Fund Manager, Portfolio Manager, and Commodity Trading Manager which was operated by its founder, Chief Executive Officer and Chief Compliance Officer, Clayton Smith. Smith was also the controlling shareholder, sole officer and director of CWMS during its period of operation, and along with his associate, Al Housego, one of two portfolio managers tasked with managing the Crystal Wealth Funds.

12. The 14 Crystal Wealth Funds were mutual fund trusts. Collectively, the Crystal Wealth Funds invested in a variety of investment vehicles. A schedule setting out the

² Appointment Order dated April 16, 2017 (CV-17-11779-00CL) attached as Exhibit "K".

³ The Appointment Order appointed GTL as receiver over certain parties outside the definition of "Crystal Wealth Group" as used herein, such as Clayton Smith, CLJ Everest Ltd., and 1150752 Ontario Limited and Chrysalis Yoga Inc.

names of the Crystal Wealth Funds as well as their respective portfolio managers and years of inception is attached hereto as Exhibit "L".

13. On April 25, 2017, the OSC filed an application record (the "**OSC Application**") outlining its concerns and reasons for seeking the appointment of a receiver over the Crystal Wealth Group. As outlined in the OSC Application, the appointment of GTL was based on concerns that one of the funds within the Crystal Wealth Funds, the Crystal Wealth Media Strategy Fund, had made improper advances and was overstating the value of certain assets. The OSC believed that the Crystal Wealth Media Strategy Fund and Clayton Smith, may have participated in a course of conduct relating to securities that perpetrated fraud, failed to act fairly, honestly and in good faith with respect to unitholders, and failed to comply with the standard of care expected of investment fund managers under section 116 of the *Securities Act* (Ontario).⁴

14. Since its appointment, GTL has taken several significant steps in the Crystal Wealth Receivership, all of which are discussed in greater detail below. These steps include:

- (a) taking possession of and exercising control over the Property (as defined below), including the books and records of the Crystal Wealth Group;

⁴ First Report of GTL dated June 22, 2017 (the "**First Report**") at paras 2-5.

- (b) obtaining an order providing for a procedure for the submission, evaluation and adjudication of claims against the Crystal Wealth Group, other than those of unitholders (the “**Creditor CPO**”);
- (c) obtaining an order authorizing GTL to rely on a unitholder listing (the “**Third-Party Unitholder Listing**”) maintained by an external, third-party entity, International Financial Data Services, to make distributions to unitholders, without further approval of the Court, of the proceeds obtained from the divestiture of certain assets of the Crystal Wealth Funds;
- (d) holding back from the proceeds obtained from the divestiture of certain assets of the Crystal Wealth Funds an amount equal to the full value of the creditor claims as filed pursuant to the Creditor CPO, to ensure that there are sufficient funds to pay valid creditor claims in full;⁵
- (e) making two interim distributions to unitholders, on the basis of the Third-Party Unitholder Listing, in the aggregate amounts of approximately \$31.4 million and \$25.3 million respectively; and
- (f) pursuing various avenues to realize value from the assets of the Crystal Wealth Group for distribution to stakeholders, including commencing various litigation actions, including the Receivership Action.

⁵ Second Report of the Receiver dated November 24, 2017 at para 57.

15. The Fourth Report to the Court filed by GTL, dated July 20, 2018 (the “**Fourth Report**”)⁶, shows that, at that date, GTL had recovered or realized a total of approximately \$65 million in the Crystal Wealth Receivership before costs and expenses. Of that amount, Unitholders had received distributions totalling approximately \$31.4 million. In the Fourth Report, GTL requested an Order of the Court authorizing a second interim distribution in the aggregate amount of approximately \$25.3 million. An Order authorizing the second interim distribution was granted on August 20, 2018.⁷ The second interim distribution was made on September 27, 2018.⁸

16. As at the date of the Fourth Report, no distributions had been made to creditors of the Crystal Wealth Group. As described in the Fourth Report, GTL held back approximately \$7.6 million from proceeds available for the second interim distribution to unitholders, being the full value of claims filed pursuant to the Creditor CPO, in order to ensure that GTL had sufficient funds to pay all valid creditor claims in full. This holdback was designed to ensure that the valid claims of creditors would be satisfied in priority to those of unitholders, as described further below. In addition, approximately \$1.3 million was retained for actual and future estimated fees of GTL and its legal counsel.⁹ GTL also reported that it anticipates further distributions to unitholders as it continues its realization efforts.¹⁰

⁶ Based on GTL’s website for the Crystal Wealth Receivership, no report to the Court has been filed by GTL since the Fourth Report.

⁷ Order dated August 20, 2018 (CV-17-11779-00CL) (the “**August 20 Order**”) attached as Exhibit “M”.

⁸ Notice to Investors dated September 28, 2018 attached as Exhibit “N”.

⁹ Fourth Report at paras 39-45.

¹⁰ Fourth Report at para 4.

RECEIVERSHIPS GENERALLY

Officers of the Court

17. In insolvency proceedings, court-appointed officers consider the interests of all stakeholders to ensure a fair and efficient proceeding.
18. The court-appointed officer is an independent officer of the court, put in place by the court to discharge certain duties and obligations, which must be done honestly and in good faith. These duties and obligations typically include supervising and/or directing the affairs of the debtor corporation in some capacity. In furtherance of their duties and obligations, court-appointed officers generally have the ability to apply to the court for advice and direction when necessary.
19. Court-appointed officers will obtain court-approval of their activities from time-to-time in a proceeding. Interested parties typically have the ability to challenge actions and decisions made by a court-officer, either in response to motions filed for approval of actions undertaken or for other relief or on a stand-alone motion to the court by the objecting party. Parties may also seek leave to appeal decisions of the court approving the court officer's actions.

A Receiver's Role

20. In Ontario, a receiver may be appointed by the court under various statutes including the *Bankruptcy and Insolvency Act* (Canada), the *Courts of Justice Act* (Ontario)

or the *Securities Act* (Ontario).¹¹ In the case of receivers appointed under the *Securities Act* (Ontario), the purpose of the receivership proceeding is to protect and preserve the interests of stakeholders and due administration of Ontario securities law.¹²

21. A receiver is appointed by an order of the court, generally referred to as an "appointment order" or a "receivership order". Although the role and duties of a receiver may be limited, typically a receivership order gives the receiver exclusive control over the assets and affairs of the company, subject to any necessary court approvals, and the authority of the company's Board of Directors is removed.

22. A court-appointed receiver acts in a fiduciary capacity and must exercise such reasonable care, supervision and control of the debtor's property as an ordinary person would give to his or her own property.

23. In a receivership proceeding, certain actions to be taken by the receiver require the prior authorization or approval of the court, for example, the sale, transfer or assignment of major assets or the implementation of a procedure for ascertaining and quantifying stakeholder claims. The receiver seeks such approval by filing a motion, supported by evidence, typically in the form of a receiver's report to the court. In deciding whether to grant the motion, the court will consider the interests of all parties with an economic interest, which may include secured creditors, employees, retirees, and other

¹¹ A receiver may also be appointed by contract as a private receiver to represent the interests of an individual creditor. When referring to a "receiver" in this Affidavit, I am referring solely to receivers that have been appointed by court order.

¹² Securities Act, Section 129(2).

creditors. In the context of a receiver appointed under the *Securities Act* (Ontario), the interests of investors may also be considered.

24. In addition, as noted above, the receiver will from time-to-time seek approval of its activities. This is typically done in conjunction with a motion for authorization or approval to undertake certain actions, as described above, in conjunction with a motion for approval of the receiver's fees and disbursements.

Duties and Powers of a Receiver

25. A fundamental duty of a receiver is to realize value from the assets of the debtor company for the benefit of stakeholders. In this respect, a court-appointed receiver owes duties not only to the court, but to all parties who may have an interest in the debtor entity's assets, property and undertakings.

26. Although statutes providing for the appointment of a receiver set out certain duties, these statutes do not set out a comprehensive list of such duties, nor are the duties included in the statutes set out in detail. Instead, in each case, the specific duties and powers of the receiver are set out in the appointment order and subsequent orders of the court according to what the court determines, in its discretion, to be necessary and appropriate in the particular set of circumstances.

27. The Commercial List Users Committee¹³ has developed the "Model Receivership Order" which sets out the provisions, including the range of powers, that the court will typically consider appropriate to grant in an appointment order. A copy of the Model Receivership Order is attached hereto as Exhibit "O".

28. The Commercial List Court in Toronto will rely on the Model Receivership Order as the "standard". Parties applying for a receivership under the *Bankruptcy and Insolvency Act* and/or the *Courts of Justice Act* will use the Model Receivership Order as a template when drafting a proposed receivership order, with changes made as necessary to reflect the particular circumstances. Where modifications are made, the court will typically be provided with a "blackline" comparison specifically showing these proposed changes.

29. The powers of a receiver contained in the Model Receivership Order include the power to:

- (a) take possession of and exercise control over the assets, undertakings and properties of the debtor company (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;

¹³ The Commercial List Users Committee is comprised of Toronto-based experienced restructuring and insolvency professionals including former judges, lawyers and trustees in bankruptcy, with expertise in the nature of receivership proceedings.

- (c) to manage, operate, and carry on the business of the debtor company, including the power to enter into agreements and incur obligations in the ordinary course of business or cease to carry on all or any part of the business, or cease to perform any contracts of the debtor;
- (d) to settle, extend or compromise any indebtedness owing to the debtor;
- (e) 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, the Property or the receiver and to settle or compromise any such proceedings. This authority extends to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (f) to market any or all of the Property;
- (g) to sell, convey, transfer, lease or assign the Property out of the ordinary course of business, typically subject to certain thresholds, exceeding which court approval will be required; and
- (h) to report to, meet with and engage in discussion with all affected persons as the receiver deems appropriate on all matters relating to the Property and the receivership.

30. These powers facilitate the receiver's ability to manage and operate the business, preserve and protect assets and realize value from the assets of the business for the benefit of creditors.

Proving of Claims in a Receivership

31. As noted above, the receiver may be granted additional powers beyond those provided for in the appointment order by subsequent orders of the court. For example, the appointment order does not typically provide the receiver with powers to solicit, evaluate and adjudicate claims against the debtor company. Where there is a need to establish such claims in a receivership, the receiver will seek the approval of a procedure for the submission, evaluation and adjudication of claims (the "**Claims Procedure**") pursuant to a "Claims Procedure Order" ("CPO").

32. The specific terms of a CPO will depend on the particular circumstances of the case, including the nature and number of anticipated claims. Over time, the key components of CPOs have become somewhat standardized and I understand that the Commercial List Users Committee is currently in the process of developing a model CPO.

33. The CPO will typically set out the procedures and deadlines for the submission, evaluation and adjudication of claims against the debtor company. The CPO may apply to all creditors of the debtor company, or to only a subset of such creditors (for example, to only unsecured creditors).

34. The CPO will typically also approve the manner in which potential claimants will be notified of the CPO and its provisions and the form of the documents to be used in the Claims Procedure, including:

- (a) a procedure and form for providing notice to potential claimants of the commencement of the Claims Procedure, to ensure that all parties with potential claims against the debtor entity have the opportunity to participate. Typical methods of providing notice include by mail or email directly to known creditors, posting notice on the receiver's website and posting notice in local or national newspapers or industry specific publications;
- (b) a "proof of claim" form in which creditors submit proof of the quantum of their claim against the debtor company and its basis, often together with detailed instructions for the completion of the proof of claim;
- (c) a notice of dispute, revision or disallowance, which the receiver will send to stakeholders after evaluating the validity of their claim, unless such claim is accepted in full; and
- (d) a notice of dispute which stakeholders may use to dispute the receiver's initial assessment of their claim.

35. The CPO will establish a "claims bar date", which is the deadline by which all claims against the debtor entity must be filed with the receiver. Typically the CPO will provide that if a claim is not filed by the Claims Bar Date, the claim is extinguished and the claimant is forever barred from asserting or enforcing such claim against the debtor

company, unless leave of the court is granted to assert such claim notwithstanding the Claims Bar Date.

36. The CPO will provide a claimant the opportunity to dispute the receiver's initial evaluation of its claim. If the dispute cannot be resolved between the receiver and the claimant, the CPO will provide that the claim may be referred for adjudication by either the court or a "claims officer". The claims officer is an independent person,¹⁴ the appointment of whom is authorized by the CPO, responsible for adjudicating disputes between the receiver and stakeholders with respect to the quantum or validity of disputed claims.

37. As an alternative to the above proof of claim procedure requiring the submission of proofs of claim, a procedure sometimes referred to as a "notice of claims procedure" or a "negative claims procedure" may be used. In a notice of claims procedure, the receiver will issue notices of claim based on the books and records of the debtor company; the amount stated in the notice of claim will be deemed to be the proven claim of the creditor unless the creditor disputes the notice. Any claimant that does not receive a notice of claim has the opportunity to submit a proof of claim. The notice of claim procedure will also have a claims bar date and the same kind of process for the resolution of disputed claims as that included in the proof of claim procedure. A notice of claims procedure eliminates the need for the majority of creditors to have to go through the process of submitting a proof of claim and the necessary supporting documentation.

¹⁴ Claims Officers are typically senior lawyers, mediators or retired judges.

Distributions to Stakeholders in a Receivership

38. In an insolvency proceeding, there is an order of priority amongst claims, summarized as follows:

- (a) claims that have priority by operation of statute or court order;
- (b) ordinary secured claims;
- (c) unsecured claims; and
- (d) lastly, if all other debt claims have been satisfied, equity claims.

39. The appointment order will not typically provide the receiver with the power to make distributions from the proceeds of realization of the debtor company's estate. Accordingly, prior to making any distribution, the receiver will seek authorization from the court to make a distribution and, if necessary, approval of the aggregate amount of the proposed distribution or the methodology for determining such amount, and the methodology for calculating the amount to be distributed to each individual creditor with a proven claim as determined by the Claims Procedure.

E. GTL AS RECEIVER OF THE CRYSTAL WEALTH FUNDS*The Appointment Order*

40. As with receivership proceedings under the *Bankruptcy and Insolvency Act*, the duties and powers of a receiver appointed under the *Securities Act* (Ontario) are set out

in the relevant statute, the Appointment Order and subsequent orders of the court made in the proceeding.

41. All of the powers contained in the Model Receivership Order are included in the Appointment Order in respect of the Crystal Wealth Group, including the power to:

- (a) report to, meet with and discuss with any person or entity deemed necessary or advisable by GTL on all matters GTL deems appropriate related to the Property, the affairs of the Crystal Wealth Group and the Crystal Wealth Receivership, and to share information with such persons and entities, subject to such terms as to confidentiality as GTL deems advisable;¹⁵ and
- (b) 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 Crystal Wealth Group, the Property or GTL, and to settle or compromise any such proceedings.¹⁶

42. The Appointment Order also includes additional powers beyond those provided in the Model Receivership Order, including the following:

- (a) the power to share information, meet with and discuss with any regulatory bodies and their advisors, including without limitation, the OSC and any

¹⁵ Appointment Order at para 6(m).

¹⁶ Appointment Order at para 6(i).

other regulatory authorities GTL deems appropriate on all matters relating to the Property, the affairs of the Crystal Wealth Group and the Crystal Wealth Receivership, subject to such terms as to confidentiality as GTL deems advisable, including, without limitation, the Communications Protocol attached as Schedule "C" to the Appointment Order with respect to communications with regulatory bodies;¹⁷ and

- (b) the power to, examine under oath any person that GTL reasonably considers to have knowledge of the affairs of the Crystal Wealth Group, including, without limitation, any present or former director, officer, employee or person registered or previously registered with the OSC or subject to or formerly subject to the jurisdiction of the OSC or any other regulatory body respecting the Property and affairs of the Crystal Wealth Group.¹⁸

43. The Appointment Order provides that in each case where GTL takes any actions or steps pursuant to its powers, it is exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined in the Appointment Order)¹⁹ including the Crystal Wealth Group, and without interference from any other Person.²⁰

¹⁷ Appointment Order at para 6(r) and Schedule "C".

¹⁸ Appointment Order at para 6(s).

¹⁹ The Appointment Order defines "Persons" as (i) the Respondents, (ii) all of their current and former directors, officers, employees, persons registered or previously registered or subject or formerly subject to the jurisdiction of the OSC or any other regulatory body, agents, accountants, legal counsel and shareholders, and all other persons acting on their behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of the Appointment Order.

²⁰ Appointment Order at para 6(u).

Representation of Unitholders

44. In certain insolvency cases, the Court may order the appointment of representative counsel to represent the interests of a certain group of stakeholders. The most common representative counsel mandate is to represent employees and retirees of a debtor company. Representative counsel is appointed where the court is of the opinion that a large group of stakeholders with common interests in the insolvency proceeding has a particular vulnerability, including economic vulnerability, such that most members of the group would be unable to effectively participate in the insolvency proceeding. Where representative counsel is appointed, its fees are usually paid by the estate. While the appointment of representative counsel has become more commonplace in recent years, such appointments are not the norm and are typically only made in larger or more complex cases. The appointment of representative counsel is also more common in proceedings under the *Companies' Creditors Arrangement Act* (Canada), where the debtor remains in control, than in receivership proceedings where the receiver takes control and considers the interests of all stakeholders.

45. In the Crystal Wealth Receivership, the law firm of Crawley Meredith Brush (“CMB”) brought a motion seeking to be appointed as representative counsel to unitholders of the Crystal Wealth Group (referred to as “investors” in Justice Hainey’s endorsement in respect of the motion). GTL, the OSC and certain investors opposed the appointment of CMB on, amongst other grounds, that it would be duplicative of GTL’s

role, would result in confusion for investors and in unnecessary professional fees that would be incurred by all investors.²¹

46. Attached as Exhibit "Q" is the responding factum that GTL filed on CMB's motion.

In it, GTL asserted:

The Receiver, as a court-appointed officer, has as its primary objective the interests and needs of the Investors and has and will continue to advance them in an objective, impartial manner, and in a way that recognizes the unique interest of the Investors in each different and unique fund.²²

47. GTL also emphasized the advantage of the Receiver being "one focussed point of contact for all Investors", and points that the appointment or representative counsel could "only serve to create mixed messages and create confusion among Investors as to the status and role of the Receiver."²³

48. Justice Hainey rejected the need for representative counsel in the Crystal Wealth Receivership and made the following observations about the role and conduct of GTL (identified as the "Receiver" in the passage below):

The Receiver's role is to protect and advance the interests of the Investors. Since its appointment, I am satisfied that the Receiver has maintained regular communications with the Investors while investigating and evaluating the Crystal Wealth funds to determine the appropriate approach to maximize Investors' returns.

The Receiver, as a court-appointed officer, has as its primary objective the interests and needs of the Investors. I am satisfied, based upon the Receiver's actions to date, that it has and will continue to advance the interests of the Investors in an objective and impartial

²¹ *Ontario Securities Commission v Crystal Wealth Management System Limited*, 2017 ONSC 4160 (the "Hainey Decision") at paras 2 and 7. A copy of the Hainey Decision is attached as Exhibit "P".

²² Responding Factum of the Court-Appointed Receiver in respect of CMB's Motion to be Appointed as Representative Counsel (the "GTL Factum"), at para. 4.

²³ GTL Factum, at para 27.

manner with a view to recognizing the unique interests of the Investors in each of Crystal Wealth's different and unique funds.²⁴

49. Justice Hainey concluded:

The Investors' interests are being protected and advanced by the Receiver which is why the appointment was made by Newbould J. in the first instance;

Although the Investors may be vulnerable, their vulnerability will be protected by the Receiver, who has been appointed by the Court for the sole purpose of acting in their best interest;

The appointment of representative counsel will add unnecessary expense to the receivership which will adversely affect Investors; and

There is no good reason to appoint representative counsel to effectively replicate the Receiver's role.²⁵

50. This decision illustrates that both Justice Newbould, who made the original Appointment Order, and Justice Hainey, who ruled on the motion for representative counsel, viewed the protection of investor interests as central to GTL's mandate. I also note the Court's concern that GTL's efforts not be duplicated by other professionals, as duplication would have the effect of increasing the overall professional costs associated with the Crystal Wealth Receivership and erode stakeholder recovery.

51. Furthermore, GTL has repeatedly noted in its communications with investors that it views the protection and enhancement of the interests of investors as its central objective and mandate.²⁶

²⁴ Hainey Decision at paras 4 and 5.

²⁵ Hainey Decision at para 8.

²⁶ Notice to Investors in the Crystal Wealth Funds dated July 7, 2017, August 18, 2017, October 30, 2017, attached as Exhibit "R".

GTL's Activities

52. Although the Crystal Wealth Receivership is not complete, in my opinion to the date of the Fourth Report (being the last report available on GTL's website), the steps taken by GTL towards its primary objective of recovering value for stakeholders of the Crystal Wealth Group were appropriate. In particular, GTL appears to have made effective use of its powers to (i) realize on assets, (ii) investigate potential causes of action against third parties and (ii) to initiate litigation proceedings when it considers it appropriate to do so.

53. As mentioned above, as at the date of the Fourth Report, GTL had recovered or realized approximately \$65 million of proceeds in the Crystal Wealth Receivership.²⁷

54. GTL has also engaged in negotiations with and investigations of several debtors of the Crystal Wealth Group in an attempt to recover amounts owed to the Crystal Wealth Group.²⁸

55. Pursuant to an order granted December 11, 2017, GTL was authorized to conduct examinations under oath of several individuals including Clayton Smith, the controlling mind, sole officer, director, chief executive officer, and chief compliance officer of Crystal Wealth Management Systems Limited and representatives of certain debtors of the

²⁷ Fourth Report at para 4.

²⁸ Fourth Report.

Crystal Wealth Group. As at the date of the Fourth Report, GTL had conducted examinations of the following individuals²⁹:

- (a) Joanne Bentley, a former registered associate advising representative of the Crystal Wealth Group;
- (b) Clayton Smith;
- (c) Craig Clydesdale, the principal of OOM Energy Group. The entities comprising the OOM Energy Group are indebted to the Mortgage Fund, Infrastructure Fund and Sustainable Property Fund pursuant to commercial loans;
- (d) David DenHollander, the President of 647 BC, a company indebted to the Factoring Fund;
- (e) Darcy Pahl, the President of Dome Mountain. Dome Mountain is indebted to the Factoring Fund and the Hedge Fund;
- (f) Robert Maljaars, a representative of Dome Mountain and 156 Alberta, debtors of the Factoring Fund;
- (g) Jeffrey Maljaars, the President of 156 Alberta;

²⁹ Fourth Report at para 25.

- (h) Al Housego, the former Lead Portfolio Strategist for several of the Funds; and
- (i) Jerry Froese, the President and Chief Executive Officer of Frontline Factoring Inc. Frontline Factoring Inc. administered the Factoring Contracts on behalf of two of the Crystal Wealth Funds.

56. GTL has also advanced claims against various third parties in an effort generate additional realizations, including the following:

- (a) the Receivership Action which, like the Whitehouse action, alleges that audit services provided by BDO to the Crystal Wealth Group prior to the Appointment Order were negligently performed.³⁰
- (b) the issuance of notices of intention to enforce security pursuant to subsection 244(1) of the *Bankruptcy and Insolvency Act* to Dome Mountain, 1566496 Alberta Ltd., 647497 B.C. Ltd., and Restoration Energy Inc.³¹ GTL has since obtained bankruptcy orders against 1566496 Alberta Ltd., 647497 B.C. Ltd. and Restoration Energy Inc.³²
- (c) an action against Martin McCready, the original proposed purchaser of a property owned by the Crystal Wealth Group at the outset of the Crystal

³⁰ Fourth Report at para 330.

³¹ Fourth Report at para 84.

³² Notice to Investors dated December 5, 2018, attached as Exhibit "S".

Wealth Receivership, claiming damages in the amount of \$1,250,000 for breach of contract as a result of Martin McCready's failure to complete the Agreement of Purchase and Sale, along with additional damages and costs.³³

57. As stated in the Fourth Report, through the holdback of monies realized, GTL has made provision for creditors with claims proven in accordance with the Creditor CPO, as defined and described below, to be paid in full. Provided that the holdback is sufficient to pay valid creditor claims in full, any additional realizations achieved by GTL, net of costs, will be available for distribution to unitholders.

58. GTL has sought and obtained court approval of its activities from time to time. To date, the activities of GTL have been considered and approved by the Court on five separate occasions.³⁴

Creditor CPO

59. On June 30, 2017, GTL obtained the Creditor CPO in respect of all creditor claims against the Crystal Wealth Group.³⁵

60. Under the Creditor CPO, claims packages providing instructions on submitting claims were to be sent to all known creditors of the Crystal Wealth Group and potential

³³ Fourth Report at para 332.

³⁴ Orders dated June 30, 2017 attached hereto as Exhibit "T" (the "**June 30 Order**"), December 11, 2017 attached as Exhibit "U", February 20, 2018 attached as Exhibit "V", May 15, 2018, attached as Exhibit "W" and the August 20 Order (CV-17-11779-00CL)

³⁵ Creditor CPO dated June 30, 2017 (CV-11779-00CL), attached as Exhibit "X".

creditors that requested a claims package. The Creditor CPO also required that notice be posted in the *Globe & Mail* and on the GTL's website.³⁶

61. The Creditor CPO set a claims bar date of August 3, 2017 at 5:00 p.m. Pursuant to the Creditor CPO, any claims not filed by that date are forever barred, extinguished, released and discharged.³⁷ However, I note that leave to file a claim against the debtor company after the claims bar date could still be granted by the court.

62. As noted above, the Creditor CPO did not address unitholder claims against the Crystal Wealth Group. Instead, the court authorized GTL to rely on the Third-Party Unitholder Listing as being determinative of investor claims, as described below.

Treatment of Unitholders in the Receivership Proceedings

63. At various points in the Crystal Wealth Receivership, GTL has communicated with unitholders and kept them apprised of the status of the proceedings. GTL has delivered four detailed reports to the Court setting out its activities, including recovery and realization efforts. The GTL website contains twenty-five notices to unitholders, dated between May 1, 2017 and March 28, 2019, providing updates on the status of the Crystal Wealth Receivership. Furthermore, GTL held a "town hall" meeting for unitholders by teleconference on December 7, 2017, at which meeting the unitholders had the

³⁶ First Report at paras 152-154.

³⁷ Creditor CPO at para 2(e).

opportunity to ask questions of GTL. In addition, unitholders have access to the seven court reports posted on the GTL website and all the other material posted on the website.

64. GTL also took positive steps to quickly make distributions to unitholders.

65. On June 30, 2017, GTL sought and obtained approval of the Court to rely on the Third Party Unitholder Database for the purposes of making distributions to unitholders of the Crystal Wealth Group.³⁸ GTL disclosed its intention to seek this order in its First Report.³⁹ A notice was distributed to unitholders informing them of the motion on June 30, 2017 and of the filing of the First Report on June 23, 2017.

66. GTL noted that the Third-Party Unitholder Listing was maintained solely by an independent third party and concluded that the Third-Party Unitholder Listing would accurately reflect the units held by each unitholder and that a separate process for validation of unitholder holdings would not present a materially different result than the Third-Party Unitholder Listing. GTL therefore decided to seek approval from the Court to rely on the Third-Party Unitholder Listing as the most efficient means of identifying and quantifying investor claims for the purposes of making distributions to unitholders, rather than establishing a claims procedure for unitholders.⁴⁰

67. The Court agreed with this approach and approved an interim distribution to unitholders on the basis of the Third-Party Unitholder Listing for the purposes of

³⁸ June 30 Order at section 5.

³⁹ First Report at para 175.

⁴⁰ First Report at para 172.

quantifying and validating unitholder claims on June 30, 2017 (the “**First Interim Distribution Order**”). No unitholders nor any other party objected to the First Interim Distribution Order or the reliance on the Third-Party Unitholder Listing.

68. The consequence of the Court being satisfied that the Third-Party Unitholder Listing was a reliable source of information with respect to unitholder claims and that GTL could rely on the Third-Party Unitholder Listing for the purposes of making distributions to unitholders was that unitholders were not required to take any action for their claims to be quantified and validated and no unitholder claims procedure was necessary prior to GTL making interim distributions to unitholders. Accordingly, GTL was able to make interim distributions to unitholders early in the Crystal Wealth Receivership.

69. As noted earlier in this affidavit, interim distributions to unitholders in the aggregate amounts of approximately \$31.4 million and approximately \$25.3 million have made by GTL, in each case relying on the Third-Party Unitholder Listing.⁴¹

70. Further details regarding the interim distributions to investors to date can be found on Exhibit “Y”.

Payment of the Receiver’s Fees

71. The provisions of the Appointment Order with respect to of the fees of GTL and its legal counsel are consistent with the provisions in the Model Receivership Order.

⁴¹ See the Fourth Report at para 4, the August 20 Order and Notice to Investors in the Crystal Wealth Funds dated September 28, 2018 attached as Exhibit “N”.

Pursuant to the Appointment Order, GTL and its counsel are entitled to be paid fees at their standard rates and were granted a charge on the Property as security for their fees and disbursements. GTL and its counsel are required to pass their accounts from time to time and are referred to a judge of the Commercial List for this purpose.⁴² Stakeholders, including unitholders, of the Crystal Wealth Group have the opportunity to challenge the fees and disbursements of GTL and its counsel when GTL seeks to pass such accounts.

72. The fees and disbursements of GTL and its counsel for the period from April 26, 2017 to May 31, 2017, were approved by the Court on June 30, 2017. The fees and disbursements of GTL and its counsel for the period June 1, 2017 to September 30, 2017, were approved by the court on December 11, 2017. The fees and disbursements of GTL and its counsel for the period October 1, 2017, to May 31 2018 were approved by the court on August 20, 2018. In total, the court has so far approved \$1,300,625.88 in fees of GTL and \$1,067,435 in fees of its counsel.

CONCLUSIONS REGARDING THE ADEQUACY OF GTL TO REPRESENT THE INTERESTS OF UNITHOLDERS

73. Based on my review of the relevant orders and other public materials relating to the Crystal Wealth Receivership and my professional experience, I am of the view that GTL adequately represents the interests of the unitholders in the Crystal Wealth Funds such that unitholders do not require supplemental representation for the purposes of pursuing recoveries against third parties, including BDO. This view is consistent with the

⁴² Appointment Order at paras 23 and 24.

determination of Justice Hainey in respect of the CMB motion that I discuss at paragraphs 44-50 above.

74. Further, I observe that GTL has taken certain concrete steps to advance the interests of unitholders. For example, in my view, GTL has made appropriate and efficient use of existing records to facilitate distributions to unitholders. The result has been that unitholders have not been required to engage in a complex process to substantiate their claims.

75. Further, notwithstanding that unitholders rank after creditors in order of priority, GTL has obtained authority to make interim distributions to unitholders, notwithstanding that creditor claims remain outstanding. This has allowed unitholders to recover some of their investment while GTL continues its work, rather than requiring unitholders to wait for a final resolution of creditor claims.

76. My view as to the adequacy of GTL as a representative of the interests of unitholders is further supported by the following factors:

- (a) As evidenced by the Appointment Order and the Hainey Decision, GTL has authority from the Court to:
 - i. pursue the Receivership Action and/or to settle the case on behalf of the Crystal Wealth Group, subject to necessary court approval;⁴³

⁴³ Appointment Order at para 6(i).

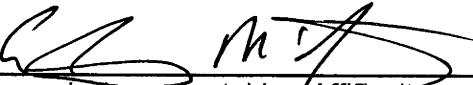
- ii. take possession of all the Property of the Crystal Wealth Group, including the documentary records of the Crystal Wealth Group that may be necessary to investigate and prosecute the Receivership Action;
- (b) As described in greater detail above, GTL has already conducted investigations with respect to potential litigation that could be commenced on behalf of the Crystal Wealth Group, including conducting multiple witness examinations;
- (c) GTL has the ability to develop and seek approval of a court-authorized methodology for (i) distribution of any proceeds of any litigation, and (ii) a court authorized claims procedure, if necessary, to determine the claims of unitholders with respect to proceeds of litigation;⁴⁴
- (d) Various procedural safeguards are in place to ensure that, consistent with its fiduciary duty, GTL continues to act in the best interests of all stakeholders, including unitholders, in pursuing the Receivership Action including:
- i. the gatekeeper role of the Court in approving significant steps, such as the settlement of an action; and

⁴⁴ The June 30 Order authorized the Receiver to use the Third Party Unit Holder Listing to make distributions without further approval of the court of proceeds obtained from the divesture of certain assets. Depending on the circumstances, GTL may be required to commence a claims procedure for the purposes of distributing any proceeds obtained from litigation.

ii. the ongoing ability of stakeholders to dispute activities undertaken by GTL as part of its mandate as receiver, and the fees and disbursements associated therewith.

77. I am of the view that GTL is an appropriate and adequate representative of unitholders and, has acted in a manner that is consistent with its duty to maximize recoveries for all stakeholders, including unitholders.

SWORN BEFORE ME at City of
Toronto, Ontario on August 22, 2019


A Commissioner for taking Affidavits or Notary
Public

LSO #72306R


Nigel Meakin

This is **Exhibit "A"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

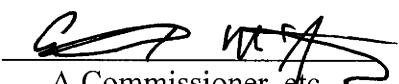
Nigel Meakin – Select List of Court Appointed Mandates

1. Banro Corporation - Banro Corporation, Banro Group (Barbados) Limited, Banro Congo (Barbados) Limited, Namoya (Barbados) Limited, Lugushwa (Barados) Limited, Twangiza (Barbados) Limited and Kamituga (Barbados) Limited
2. Bloomlake/Wabush Mines - Bloom Lake General Partner Limited, Quinto Mining Corporation, 8568391 Canada Limited, Cliffs Quebec Iron Mining ULC, The Bloom Lake Iron Ore Mine Limited Partnership, and Bloom Lake Railway Company Limited (collectively, "Bloom Lake" or the "Bloom Lake CCAA Parties")
3. Carpathian - Carpathian Gold Inc.
4. Indalex - Indalex Limited, Indalex Holdings (B.C.) Ltd., 6326765 Canada Inc. and Novar Inc.
5. Nelson Education Ltd.- Nelson Education Ltd. and Nelson Education Holdings Ltd.
6. Northstar - Northstar Aerospace Inc., Northstar Aerospace (Canada) Inc., 2007775 Ontario Inc., and 3024308 Nova Scotia Company (collectively, "Northstar Canada")
7. Primus - PT Holdco, Inc. ("Holdco"), Primus Telecommunications Canada Inc. ("Primus Canada"), PTUS, Inc. ("PTUS"), Primus Telecommunications, Inc. ("PTI") and Lingo, Inc. ("Lingo", and together with PTUS, PTI, Holdco and Primus Canada, the "Primus Entities")
8. Prizm - Prizm Income Fund, Prizm Canadian Operating Trust, Prizm Inc. and Kit Finance Inc.
9. Renin Corp - Renin Corp., Renin Corp. US, Kingstar Products (Western) Inc.,
10. Seacliff - Seacliff Energy Ltd.
11. Signature - Signature Aluminum Canada Inc.
12. SkyService - Skyservice Airlines Inc.
13. Talon International Inc. et al - Talon International Inc., TFB Inc., Midland Development Inc., 1456253 Ontario Inc., 2025401 Ontario Limited, Barrel Tower Holdings Inc., Harvester Developments Inc., Talon International Development Inc., 2263847 Ontario Limited, and 2270039 Ontario Limited
14. Tercon - Tercon Investments Ltd.
15. Timminco/Becancour Silicon Inc.
16. Trident - Trident Exploration Corp. ULC, Fort Energy Corp. ULC, Fenergy Corp. ULC, 981384 Alberta Ltd., 981405 Alberta Ltd., 981422 Alberta Ltd., Trident Resources Corp., Trident CBM Corp., Aurora Energy LLC, Nexgen Energy Canada, Inc. and Trident USA Corp.

This is **Exhibit “B”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019


A Commissioner, etc.

Nigel Meakin

Senior Managing Director



(1) 416.649.8065
nigel.meakin@fticonsulting.com

Nigel Meakin is a Senior Managing Director in the Turnaround & Restructuring practice. Mr. Meakin has experience that includes assisting financially troubled companies, undertaking business reviews and managing insolvency administrations, and he has extensive experience in developing and implementing reorganisation strategies and providing advice and support to lending institutions, corporate clients and legal counsel. He has industry expertise in a wide variety of areas, including aerospace, retail, telecommunications, real estate, manufacturing, healthcare, technology, agricultural products, oil and gas, steel, mining and natural resources.

LOCATION
Toronto

CERTIFICATIONS

Fellow of the Institute of Chartered Accountants in England and Wales
Turnaround Management Association, Toronto Chapter

Mr. Meakin has been involved in and supervised a large number of reorganisation, insolvency and investigation assignments. He currently devotes most of his time to advising corporations and financial institutions across Canada with the proposed reorganisations of companies in financial distress, performing in-depth analysis of companies' business affairs to develop restructuring and recapitalisation plans. Mr. Meakin has extensive experience on cross-border assignments. He has served as Chief Restructuring Officer and has also been called on to provide expert testimony in restructuring proceedings.

EDUCATION

B.S., Chemistry,
University of
Nottingham

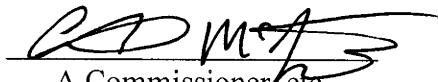
Prior to joining FTI Consulting, Mr. Meakin was a Partner in the Financial Advisory Services group of PricewaterhouseCoopers ("PwC"), where he specialised in corporate restructuring and insolvency. He had been with PwC and its predecessors since 1989, during which his primary focus was on restructuring work. Mr. Meakin was also a contributing author for the 2004 and 2008 editions of *The Americas Restructuring and Insolvency Guide*.

Mr. Meakin holds a B.Sc., with honors, in chemistry from the University of Nottingham. He is a former Director and Treasurer of the Turnaround Management Association's Toronto chapter. Mr. Meakin is a Chartered Insolvency and Restructuring Professional, a Fellow of the Institute of

This is **Exhibit "C"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

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

B E T W E E N :

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**FIRST REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

JUNE 22, 2017



**Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario, M5H 3T4**

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- Appendix 2** Extension Order dated April 28, 2017
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- Appendix 4** Vesting Order dated April 26, 2017
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- Appendix 6** Receiver's Interim R&D dated June 16, 2017
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- Appendix 9** Summary of Crystal Wealth Fund's Investments as at April 20, 2017
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- Appendix 13** Media Loan Summary provided by the Company
- Appendix 14** US Real Estate LP Organizational Structure
- Appendix 15** Draft Claims Procedure Order
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- Appendix 18** Smith Email dated May 1, 2017
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- Appendix 34** Krieger Affidavit dated June 21, 2017
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CONFIDENTIAL APPENDICES

- Appendix 1** Securityholder Services Agreement dated February 17, 2004, unsigned Securityholder Services Agreement dated May, 2009, and unsigned Amending Agreement dated November 30, 2016
- Appendix 2** Summary of Mount Nemo Property Proposals Received
- Appendix 3** Mount Nemo Property Listing Agreement dated June 8, 2017

Court File No. CV-17-11779-00CL

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

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

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Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**FIRST REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER OF THE RESPONDENTS**

JUNE 22, 2017

INTRODUCTION AND PURPOSE OF THE FIRST REPORT

- 1 On April 7, 2017, the Ontario Securities Commission (the “**OSC**”) issued a temporary order (the “**Temporary Order**”) providing that the trading of units of all of the Crystal Wealth Funds (defined herein) cease, that trading in securities held by the Crystal Wealth Funds cease, and prohibiting the trading in or acquisition of securities by Clayton Smith (“**Smith**”) and Crystal Wealth Management System Limited (the “**Company**”), with limited exceptions that permitted Smith and the Company to liquidate exchange-traded securities in the Crystal Wealth Funds with such proceeds being deposited into the bank account of the relevant fund. A copy of the Temporary Order is attached as **Appendix “1”** to this First Report of the Receiver (the “**First Report**”). On April 28, 2017, the OSC extended the Temporary Order to October 3, 2017 (the “**Extension Order**”). The Extension Order is attached as **Appendix “2”** to this First Report.
- 2 On April 26, 2017, on application of the OSC to the Ontario Superior Court of Justice (Commercial List), the Honourable Mr. Justice Newbould issued an Order (the “**Appointment Order**”) appointing Grant Thornton Limited: (i) as receiver and manager (in such capacities, the “**Receiver**”), without security, of all of the assets, undertakings and properties (collectively, the “**Property**”) of each of the Respondents, except the Respondent, Chrysalis Yoga Inc. (“**Chrysalis Yoga**”) (each of the Respondents except for Chrysalis Yoga being individually and collectively, the “**Crystal Wealth Group**”); and (ii) as Receiver of the account of the Respondent, Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia (the “**Chrysalis Account**”), and of all contents, including funds, contained in the Chrysalis Account. The proceedings were commenced by way of application made by the OSC (the “**Application**”) under section 129 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Act**”). The said receivership proceedings, shall be referred to herein as the “**Receivership Proceedings**”. A copy of the Appointment Order and the endorsement of the Honourable Mr. Justice Newbould are attached as **Appendix “3”** to this First Report of the Receiver (the “**First Report**”).
- 3 On April 26, 2017, the Honourable Mr. Justice Newbould issued an Order (the “**Vesting Order**”) that, among other things, authorized the Receiver to complete, on behalf of the Respondent, CLJ Everest Ltd. (“**CLJ Everest**”), the sale transaction of the property located at 5043 Mount Nemo Crescent in Burlington, Ontario (the “**Mount Nemo Property**”) to Martin McCready (the “**Purchaser**”) pursuant to and in accordance with an

agreement of purchase and sale dated April 12, 2017 (the “**Mount Nemo Sale Agreement**”). A copy of the Vesting Order is attached to this First Report as **Appendix “4”**.

4 As outlined in the OSC's Application, the appointment of the Receiver was based on concerns the OSC had regarding, among other things, the Respondent, Crystal Wealth Media Strategy (the “**Media Fund**”). The OSC presented evidence that:

- a) ...*Smith advanced approximately \$9.6M from the Media Fund (which are investors' monies) to a third-party, Media House Capital (Canada) Corp., and another entity related to it, purportedly to purchase film loans for the Media Fund (“Film Loans”, also referred to herein as “Media Loans”), when in fact at least \$329,930 was transferred to Smith's personal account, and \$2,307,347.50 was transferred to his personal holding company, CLJ Everest. It was stated that Smith used these monies to, among other things, make credit card payments, purchase the Mount Nemo Property, and fund his then common-law spouse's yoga studio.*¹
- b) ...*raised concerns about the existence and validity of the Film Loans owned by the Media Fund, and whether the value of the Film Loans as reflected in the net asset value (“NAV”) of the Media Fund has been materially overstated. Smith appears to have acknowledged that the Film Loans should be written down in value, but nevertheless he has not caused that to happen and the NAV of the Media Fund remained substantially unchanged.*²

5 The OSC stated that it believed that Smith and the Company may have:

- a) participated in a course of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud, contrary to s. 126.1(1)(b) of the Act;
- b) failed to act fairly, honestly and in good faith with clients, contrary to s. 2.1 of Rule 31-505 - *Conditions of Registration*; and

¹ Affidavit of Marcel Tillie, sworn April 17, 2017, para. 26; Affidavit of Michael Ho, sworn April 17, 2017, paras. 17-63

² Affidavit of Marcel Tillie, sworn April 17, 2017, paras. 32 and 41-57.

- c) failed to comply with the standard of care expected of investment fund managers under s. 116 of the Act.
- 6 The potential breaches of the Act identified with respect to the Media Fund have an impact on several of the other Crystal Wealth Funds due to the significant number of inter-fund investments between the Crystal Wealth Funds which inter-fund transactions, as discussed in detail later in this First Report, are particularly prevalent with respect to the Media Fund.
- 7 More detailed information pertaining to the Crystal Wealth Group, including the circumstances leading to the appointment of the Receiver, are contained in the affidavits of:
- a) Marcel Tillie sworn April 17, 2017;
 - b) Michael Ho sworn April 17, 2017;
 - c) David Adler sworn April 24, 2017; and
 - d) the supplementary affidavit of Michael Ho sworn April 24, 2017;
- (collectively, the “**Commission Affidavits**”), all filed in support of the Application. Copies of the Commission Affidavits, without exhibits, are attached hereto as **Appendix “5”**.
- 8 The purpose of this First Report is to inform the Court of the Receiver’s activities since the date of the Appointment Order, to inform the Court of the Receiver’s recommendations for the sale of certain investments of the Crystal Wealth Group, and to support the Receiver’s request for an order, among other things, approving:
- a) this First Report, including the actions and activities of the Receiver as described in this First Report;
 - b) a claims process to be conducted by the Receiver in respect of creditor claims against the Crystal Wealth Group, other than those of investors (the “**Creditor Claims Procedure Order**”);
 - c) the Receiver’s reliance on the Unit Holder Listing (as defined herein) to make interim distributions to investors, where possible, without further approval of the

Court, of the proceeds obtained from the divestiture of certain assets of the Crystal Wealth Funds;

- d) the Receiver's request for an Order approving the proposed sale process ("Sale Process") with respect to certain Crystal Wealth Funds and authorizing the Receiver to carry out its functions in accordance with the Sale Process;
- e) the Receiver's Interim Statement of Receipts and Disbursements for the period from April 26, 2017 to May 31, 2017 appended as **Appendix "6"** to the First Report;
- f) the fees and disbursements of the Receiver and Aird & Berlis LLP, legal counsel to the Receiver ("A&B"), as described herein; and
- g) sealing **Confidential Appendices "1", "2", and "3"** of this First Report until further Order of the Court.

9 The Receiver's activities since its appointment are detailed throughout this First Report, with specific details of particular activities being described at paragraph 178 below.

RESTRICTIONS AND TERMS OF REFERENCE

- 10 In preparing this First Report, the Receiver has relied upon unaudited financial information, the Crystal Wealth Group's books and records, certain financial information, discussions with the Crystal Wealth Group's former management and employees, and discussions with various interested parties (collectively, the "**Information**"). Except as described in this First Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
- 11 This First Report has been prepared for the use of this Court to provide general information and an update relating to the Receivership Proceedings for the purpose of assisting the Court in making a determination as to whether to approve the relief sought. This First Report should not be relied on for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

- 12 Capitalized terms not defined in this First Report are as defined in the Appointment Order. All references to dollars are in Canadian currency unless otherwise noted.
- 13 Copies of materials filed in these Receivership Proceedings are available on the Receiver's Case Website at: www.grantthornton.ca/crystalwealth.

BACKGROUND

- 14 The Company is a corporation registered with the OSC in the categories of: "Exempt Market Dealer", "Investment Fund Manager", "Portfolio Manager", and "Commodity Trading Manager". Prior to the commencement of the Receivership Proceedings, it operated out of an office located at 192 Plains Road E., Burlington, Ontario (the "**Premises**").
- 15 Smith is the controlling mind of the Company, is listed as the sole director and officer, and holds a controlling interest of 91.76% in the Company. Smith's ownership is held indirectly through CLJ Everest, a holding company incorporated in Ontario of which Smith is the sole shareholder, officer, and director. CLJ Everest holds 28.26% of the Company's outstanding shares and 100% of the shares of the Respondent, 1150752 Ontario Limited ("**115 Ontario**"). 115 Ontario in turn holds 63.50% of the Company's outstanding shares. The remaining 8.24% of the Company's shares are held by an individual named Gary Allen who, as the Receiver understand, acts as a silent shareholder. A copy of the legal corporate structure provided by Smith to the Receiver is attached hereto as **Appendix "7"**.
- 16 At the time of the Appointment Order, Smith was registered in Ontario with the OSC as a dealing representative, an advising representative in the category of "Portfolio Manager", and an advising representative in the category of "Commodity Trading Manager". Smith was also registered as the Company's chief executive officer, chief compliance officer and ultimate designated person. In fulfilling his responsibilities in the latter two roles, Smith bears responsibility for the Company's compliance with Ontario securities laws, including, without limitation, the Act.
- 17 The Company created and managed the following 15 proprietary investment funds (collectively referred to as the "**Crystal Wealth Funds**"):
 - a) Crystal Wealth Mortgage Strategy (the "**Mortgage Fund**");

- b) Crystal Enlightened Resource and Precious Metals Fund (the "**Resource Fund**");
- c) Crystal Wealth Enlightened Factoring Strategy (the "**Factoring Fund**");
- d) Crystal Wealth Medical Strategy (the "**Medical Fund**");
- e) Crystal Enlightened Bullion Fund (the "**Bullion Fund**");
- f) Crystal Wealth Media Strategy (the Media Fund);
- g) Crystal Wealth High Yield Mortgage Strategy (the "**High Yield Mortgage Fund**");
- h) Crystal Wealth Infrastructure Strategy (the "**Infrastructure Fund**");
- i) Crystal Wealth Enlightened Hedge Fund (the "**Hedge Fund**");
- j) Crystal Wealth Conscious Capital Strategy (the "**Conscious Capital Fund**");
- k) ACM Income Fund;
- l) ACM Growth Fund;
- m) Absolute Sustainable Dividend Fund (the "**Sustainable Dividend Fund**")
- n) Absolute Sustainable Property Fund (the "**Sustainable Property Fund**"); and
- o) Crystal Wealth Retirement One Fund (the "**Retirement Fund**").

A detailed description of the Crystal Wealth Funds and the work performed by the Receiver with respect to each of them is included later in this First Report.

- 18 The Crystal Wealth Funds are structured as open-ended mutual fund trusts. Units in each of the funds were distributed to investors on an exempt basis, pursuant to offering memoranda ("**OMs**"). The Company managed the day-to-day business of the Crystal Wealth Funds and was required to make investment decisions consistent with each fund's investment objectives. Based on internal information provided by Smith, the assets under management ("**AUM**") of the Crystal Wealth Funds, as at April 20, 2017, was approximately \$193,198,912. The Receiver believes this amount is materially overstated.

OVERVIEW OF THE CRYSTAL WEALTH FUNDS

- 19 During the initial stages of its appointment, the Receiver obtained a general understanding of the Company and, in particular, the Crystal Wealth Funds. The following sections of this First Report provide a summary of the Crystal Wealth Funds and details regarding the steps and actions taken by the Receiver in this regard.
- 20 The Receiver conducted a series of discussions with Smith focusing on the process of administering the Crystal Wealth Funds, the individuals who made investment decisions, how buy/sell orders were executed by the Company, the entities involved in recording trades, and the identity of investors within the Crystal Wealth Funds at any given time, and the frequency and methodology for the pricing of the funds.
- 21 On May 4, 2017, the Receiver met with Smith and Joanne Bentley ("**Bentley**") (the Company's trading officer and an associate advising representative at the time of the Appointment Order), to review each of the Crystal Wealth Funds in detail, for the purpose of understanding the investment objective of each fund and the underlying investments contained within. During the meeting, Smith provided the Receiver with the most recent valuation package for each of the Crystal Wealth Funds prepared by the Company prior to the Appointment Order. The valuation package, dated April 20, 2017 (the "**April 20th Package**"), outlines the investments in, and respective values of, each investment for each of the funds. This information includes the acquisition cost and the supposed market value of each investment, which are referred to herein as the "**Recorded Cost**" and the "**Recorded Value**", respectively. A copy of the April 20th Package is attached to this First Report as **Appendix "8"**.
- 22 In general, each of the Crystal Wealth Funds contains one or more of the following types of investments:
- a) cash and money market securities ("**Cash**") held with two third parties, NBCN Inc. (otherwise known as National Bank Correspondent Network) ("**NBCN**") and Interactive Brokers Canada Inc. ("**IBCI**");
 - b) investments where the underlying security is held and recorded by NBCN ("**On-Book Assets**"); and
 - c) investments not held or recorded by NBCN but rather administered by the

Company and/or a third-party (“**Off-Book Assets**”)

(collectively referred to as the “**Investment Categories**”).

- 23 At the conclusion of the meeting, the Receiver provided Smith with a more detailed request to provide supporting documentation verifying the existence, value, and ownership of the investments contained in each of the Crystal Wealth Funds, with specific emphasis on the Off-Book Assets.
- 24 Shortly thereafter, Smith compiled and delivered to the Receiver a set of documents in response to the Receiver’s request (the “**Provided Documents**”). The Provided Documents, particularly as they relate to the Off-Book Assets, are largely incomplete. In order to supplement the Provided Documents, the Receiver has been concurrently contacting various third parties to obtain the information required to support and corroborate the assets recorded on the Company’s records.
- 25 Through discussions with Smith and the Receiver’s review of the Provided Documents, it became apparent to the Receiver that the governance and management of the Crystal Wealth Funds, again more relating to the Off-Book Assets, was insufficient for a Company managing AUM of purportedly approximately \$200M. Through a continued review of the additional documentation obtained from various sources, the Receiver noted that there are little to no internal tracking mechanisms in place at the Company with respect to the Off-Book Assets. In addition, there appears to be no protocol for organizing documentation with respect to the investments and no central location or repository for same. This has continued to further impact the Receiver’s efforts to gain a comprehensive understanding of the Off-Book Assets.
- 26 Notwithstanding the foregoing, the following is a summary of the Crystal Wealth Funds and the Investment Categories outlined in the April 20th Package:

Fund ¹	Portfolio Manager	Cash	On-Book Assets	Off-Book Assets	Accruals	Total
Mortgage Fund	Smith	\$ 1,217,989	\$ 2,578,364	\$ 23,242,421	\$ 44,162	\$ 27,082,935
Resource Fund	A. Housego	185,489	1,908,151	966	(6,799)	2,087,807
Factoring Fund	A. Housego	411,706	11,026,656	27,771,688	(1,085,882)	38,124,168
Medical Fund	Smith	449,770	1,540,927	7,277,553	1,840	9,270,090
Bullion Fund	A. Housego	268,830	763,006	-	(2,280)	1,029,555
Media Fund	Smith	731,305	1,018,720	53,520,539	(803,721)	54,466,843
High Yield Mortgage Fund	Smith	760,006	1,378,897	3,344,820	(41,557)	5,442,165
Infrastructure Fund	Smith	2,087,302	315,000	5,362,300	-	7,764,601
Hedge Fund	A. Housego	531,692	1,561,271	11,862,643	(36,657)	13,918,950
Conscious Capital Fund	Smith	27,905	658,198	(274,000)	(2,897)	409,206
ACM Income Fund	Smith	371,053	10,458,518	-	(14,153)	10,815,417
ACM Growth Fund	Smith	(2,040,779)	13,674,671	-	(24,828)	11,609,064
Sustainable Dividend Fund	Smith	121,340	6,524,987	3,475	(19,627)	6,630,175
Sustainable Property Fund	Smith	245,796	-	4,314,619	(12,480)	4,547,935
		\$ 5,369,403	\$ 53,407,366	\$ 136,427,023	\$ (2,004,879)	\$ 193,198,912
<i>1-USD to CAD Rate: 1.3481001</i>						

27 The general types of investments contained within each of the Investment Categories, all of which are discussed in detail later in this First Report, are as follows:

a) ***On-Book Assets include:***

- i. investments in units of Crystal Wealth Funds (“**Inter-fund Investments**”);
- ii. equity investments in companies whereby the securities of same are traded on active market exchanges and readily saleable (“**Equities**”) as well as warrant options for the purchase of similar shares at a stated price in respect of equities traded on active market exchanges (“**Warrants**”);
- iii. equity investments in companies whereby the securities were obtained through private placements or direct purchases and are not traded on active market exchanges and therefore are not readily saleable (“**Private Equities**”) and warrant options for the purchase of shares in same at a stated price (“**Private Warrants**”);
- iv. gold purchase agreements for the right to purchase a stated number of gold bullion ounces (“**Gold**”) at a discount (“**Gold Contracts**”);
- v. fixed income debentures with the option for the holder to convert the instrument into a set number of shares in the borrower (“**Convertible Debentures**”);

- vi. unit holdings in mutual funds not managed by the Company and thus external to the Crystal Wealth Group, which the Receiver understands should be reasonably redeemable or monetizable ("External Mutual Funds"); and
- vii. currency future contracts, entered into with the purpose of hedging against a decline of the U.S. Dollar in relation to the Canadian Dollar ("USD Futures").

b) Off-Book Assets include:

- i. investments in first or second non-conventional residential mortgages administered by third parties ("Residential Mortgages");
- ii. term loans issued to private corporations and entities for various purposes ("Commercial Loans");
- iii. term loans purchased from Media House Capital (Canada) Corp. ("MHC") reflecting loans made to various production companies for the production of films ("Media Loans");
- iv. contracts with commercial businesses under which specific Crystal Wealth Funds purchased accounts of such businesses at a discount ("Factoring Contracts");
- v. participation rights in contracts with healthcare providers to purchase medical accounts receivable at a discount ("Medical Factoring Contracts"); and
- vi. preferred and common partnership units in 1076874 Properties Limited Partnership ("107 LP"), an entity that owns an interest in various rental properties located in the United States.

A detailed summary of the Crystal Wealth Funds and the Recorded Values of the investments as at April 20, 2017, prepared by the Receiver, is attached as **Appendix "9"** to this First Report.

CRYSTAL WEALTH FUND DESCRIPTIONS

28 For the purposes of this section, noted Cash balances and investment values are based on the Recorded Values in the April 20th Package, unless otherwise stated. They should not be taken as any statement, representation or reflection of actual or realizable value.

Mortgage Fund

29 The Mortgage Fund is the oldest active fund of the Crystal Wealth Group initially launched on or about April 12, 2007 with the objective of generating "a consistently high level of interest income with no downside volatility by investing primarily in first and second Canadian residential mortgages"³.

30 As at April 20, 2017, the Mortgage Fund held Cash of \$1,217,989 along with the following investments:

a) On-Book Assets:

- i. a 90 day GIC with HSBC Canada with a Recorded Value of \$522,765; and
- ii. Inter-fund Investment in the Media Fund with a Recorded Value of \$2,055,599.

b) Off-Book Assets:

- i. one hundred thirty four (134) individual Residential Mortgages managed by Spectrum Canada Mortgage Services Inc. ("Spectrum") and Squire Management Inc. ("Squire"), with a Recorded Value of \$14,322,861;
- ii. Commercial Loans with a Recorded Value of \$8,543,500 made to the following entities:
 - 1. MCSnoxrecovery Inc. ("MCSnox") – \$2,000,000;
 - 2. 2441472 Ontario Inc. ("1472") – \$1,800,000;

³ <http://crystalwealth.com/quartz-strategies/crystal-wealth-mortgage-strategy/>, Mortgage Fund OM, Nov. 21, 2016.

3. Magnitude CS Energy Inc. ("Magnitude") – \$1,133,500;
4. Pond Technologies Inc. (formerly known as Pond Biofuels Inc.) ("Pond") – \$3,110,000; and
5. Kanwal Development Inc. ("Kanwal") – \$500,000.

A detailed discussion of the Commercial Loans appears later in this First Report.

- iii. accrued and uncollected interest related to Residential Mortgages and Commercial Loans with a Recorded Value of \$376,060.

Resource Fund

- 31 The Resource Fund was launched on or about August 14, 2009, and its objective was to "...generate positive absolute annual returns by investing primarily in securities with economic exposure to the global resource and precious metals sector"⁴.
- 32 As at April 20, 2017, the Resource Fund held Cash of \$185,489. The Resource Fund also held the following investments:
- a) On-Book Assets:
 - i. thirty nine (39) Equities in the resource and precious metals sector with a Recorded Value of \$1,563,820 along with 21 Warrants with a Recorded Value of \$36,878;
 - ii. one (1) 5% Convertible Debenture with a Recorded Value of \$50,000 plus accrued interest with a Recorded Value of \$966 (recorded as an Off-Book Asset);
 - iii. one (1) USD foreign exchange contract with a Recorded Value of negative \$4,718; and

⁴ crystalwealth.com/sapphire-funds/crystal-enlightened-resource-and-precious-metals-fund, Resource Fund OM, Nov. 21, 2016.

- iv. Inter-fund Investments in the Bullion Fund and Factoring Fund with Recorded Values of \$261,643 and \$528, respectively.

Factoring Fund

- 33 The Factoring Fund has an inception date of on or about January 22, 2010 and an objective to “...provide consistently positive total returns while seeking to protect against downside risk by investing primarily in commercial factoring contracts”⁵. In addition, the Factoring Fund is “...authorized to invest in other securities including equities, fixed income securities, investment funds and exchange-traded derivatives”⁶. The exclusive partner of this Crystal Wealth Fund in executing this strategy is Frontline Factoring Inc. (“Frontline”). Frontline is discussed later in this First Report.
- 34 As at April 20, 2017, the Factoring Fund held Cash of \$411,706 and held the following investments:
- a) On-Book Assets:
 - i. six (6) Equities and three (3) Warrants totaling a Recorded Value of \$988,026;
 - ii. one (1) 10% Convertible Debenture, from Garmatex Holdings Ltd. with a Recorded Value of \$30,000;
 - iii. five (5) Gold Contracts with a Recorded Value of \$6,996,654;
 - iv. one (1) External Mutual Fund with a Recorded Value of 67,406;
 - v. USD foreign exchange contracts with a Recorded Value of negative \$8,234; and
 - vi. Inter-fund Investments in the Hedge Fund and Media Fund with Recorded Values of \$2,951,950 and \$854, respectively.

⁵ crystalwealth.com/sapphire-funds/crystal-wealth-enlightened-factoring-strategy, Factoring Fund OM, Nov. 21, 2016

⁶ crystalwealth.com/sapphire-funds/crystal-wealth-enlightened-factoring-strategy, Factoring Fund OM, Nov. 21, 2016

b) Off-Book Assets:

- i. a promissory note with a principal amount owing of USD \$125,000 (Recorded Value of \$168,513) along with an additional conversion option for common shares in the borrower, 1092545 B.C. Ltd. ("109 BC"), along with accrued interest with a Recorded Value of \$41,136;
- ii. twelve (12) Factoring Contracts managed by Frontline with a Recorded Value of \$22,821,205, in addition to accrued interest and fees with a Recorded Value of \$1,641,268; and
- iii. a 31.545% ownership in 107 LP with Recorded Cost and a Recorded Value of \$2,898,415 (US \$2,650,000) in addition to accrued (but uncollected) interest with a Recorded Value of \$201,151.

Medical Fund

35 The Medical Fund was launched on or about January 22, 2010 with an objective to "...generate a high level of interest income with minimal volatility and low correlation to most traditional asset classes by investing in American health care receivables"⁷. The exclusive partner in executing this strategy is Xynergy Medical Capital LLC ("Xynergy"), who is discussed later in this First Report.

36 As at April 20, 2017, the Medical Fund held Cash of \$449,770 and the following investments:

a) On-Book Assets:

- i. one (1) External Mutual Fund with a Recorded Value of \$25,288;
- ii. one (1) USD Equity traded on the "Over-The-Counter Markets Exchange" in the United States with a Recorded Value of \$7,846;
- iii. one (1) USD foreign exchange contract with a Recorded Value of negative \$18,812; and

⁷ <http://crystalwealth.com/quartz-strategies/crystal-wealth-medical-strategy/>, Medical Fund OM, Nov. 21, 2016

iv. Inter-fund Investment in the Media Fund with a Recorded Value of \$1,526,605.

b) Off-Book Assets:

- i. thirty (30) Medical Factoring Contracts managed by Xynergy and accrued fees related to same with Recorded Values of \$6,470,773 (US \$4,800,019) and \$806,780 (US \$598,469), respectively.

Bullion Fund

- 37 The Bullion Fund was launched on or about July 3, 2015. The Bullion Fund's objective was to "...provide investors with the opportunity to invest in gold and silver bullion in a convenient way while simultaneously earning a yield on their bullion holdings"⁸.
- 38 As at April 20, 2017, the Bullion Fund held Cash of \$268,830 and the following investments:

a) On-Book Assets:

- i. two (2) Gold Contracts with a Recorded Value of \$763,006.

Media Fund

- 39 The Media Fund was launched on or about September 2, 2011. This fund's objective was to "...generate a high level of interest income with minimal volatility and low correlation to most traditional asset classes by investing in debt obligations of motion pictures and series television productions"⁹. The exclusive partner in executing this strategy was MHC, who is discussed in detail later in this First Report.
- 40 As at April 20, 2017, the Media Fund held Cash of \$731,305 and the following investments:

a) On-Book Assets:

- i. one (1) External Mutual Fund with a recorded value of \$1,042,228; and

⁸ <http://crystalwealth.com/sapphire-funds/crystal-enlightened-bullion-fund/>, Bullion Fund OM, May 17, 2016

⁹ <http://crystalwealth.com/quartz-strategies/crystal-wealth-media-strategy/>, Media Fund OM, Nov. 21, 2016

- ii. one (1) USD foreign exchange contract with a negative Recorded Value of \$23,508.
- b) Off-Book Assets all managed by MHC:
 - i. twenty one (21) CAD Media Loans with principal and accrued interest Recorded Values of \$33,649,959 and \$11,873,156, respectively; and
 - ii. four (4) USD Media Loans with principal and accrued interest Recorded Values of \$5,325,456 (US \$3,950,423) and \$2,671,968 (US \$1,982,065), respectively.

High Yield Mortgage Fund

- 41 The High Yield Mortgage Fund was launched on or about January 23, 2015. The High Yield Mortgage Fund's objective was to "...generate a consistently high level of interest income while focusing on preservation of capital by investing primarily in residential 2nd mortgages in Canada"¹⁰. The exclusive partner in executing this strategy was and continues to be Spectrum.
- 42 As at April 20, 2017, the High Yield Mortgage Fund held Cash of \$760,006 and the following investments:
- a) On-Book Assets:
 - i. Inter-fund Investments in the Media Fund and Mortgage Fund with Recorded Values of \$516,820 and \$862,077, respectively.
 - b) Off-Book Assets:
 - i. fifty one (51) individual Residential Mortgages, administered by Spectrum, with a principal balance of \$2,467,145 (Recorded Value) plus monthly accrued interest with a Recorded Value of \$437;

¹⁰ <http://crystalwealth.com/quartz-strategies/crystal-wealth-high-yield-mortgage-strategy/>, High Yield Mortgage Fund OM, Nov. 21, 2016

- ii. an inter-fund loan receivable from the Conscious Capital Fund with a Recorded Value of \$274,000; and
- iii. participation in the Pond Loan (as defined below) with a principal balance of \$550,000 plus accrued interest with a Recorded Value of approximately \$53,238;

Infrastructure Fund

- 43 The Infrastructure Fund was launched on or about May 6, 2016. The Infrastructure Fund's objective was to "...generate a consistently high level of interest income along with long-term growth potential while focusing on preservation of capital by investing primarily in debt and equity instruments of infrastructure projects and companies"¹¹.
- 44 As at April 20, 2017, the Infrastructure Fund held Cash of \$2,087,302 and the following investments:
- a) On-Book Assets:
 - i. a Convertible Debenture to Cinnos Mission Critical Incorporated ("Cinnos") with a principal balance of \$315,000 (the note is convertible into common shares of Cinnos at a rate of 85% of the value of such share upon an initial equity raise); and
 - b) Off-Book Assets:
 - i. seven (7) separate loans to two (2) companies for a total principal value of \$5,154,571 called the OOM Energy Loans (defined and discussed herein) with a Recorded Value of accrued interest of \$193,782; and
 - ii. accrued interest related to the Convertible Debenture from Cinnos with a Recorded Value of \$13,947.

¹¹ <http://crystalwealth.com/quartz-strategies/crystal-wealth-infrastructure-strategy/>, Infrastructure Fund OM, Nov. 21, 2016

Hedge Fund

- 45 The Hedge Fund was launched on or about February 26, 2016. The Hedge Fund's objective was to "...generate consistently positive annual returns regardless of the directional movement in equity, interest rates or currency markets"¹².
- 46 As at April 20, 2017, the Hedge Fund held Cash of \$531,692 and the following investments:
- a) On-Book Assets:
 - i. one (1) USD, and three (3) CAD Equities, as well as two (2) Warrants, with a cumulative Recorded Value of \$272,508;
 - ii. four (4) Gold Contracts with a cumulative Recorded Value of \$1,235,773; and
 - iii. one (1) External Mutual Fund with a Recorded Value of \$52,990;
 - b) Off-Book Assets:
 - i. three (3) Factoring Contracts with principal and related accrued interest with Recorded Values of \$2,992,362 and \$568,797, respectively;
 - ii. a 68.45% ownership in 107 LP with a Recorded Cost and Recorded Value of \$7,751,575 (US \$5,750,000) and accrued interest with a Recorded Value of \$503,909 (US \$373,800); and
 - iii. a non-interest bearing promissory note with a face value of \$46,000 issued from the 107 LP due December 31, 2017.

Conscious Capital Fund

- 47 The Conscious Capital Fund was launched on or about May 27, 2016. The Conscious Capital Fund's objective was "...long term capital growth through investment in companies

¹² <http://crystalwealth.com/sapphire-funds/crystal-wealth-enlightened-hedge-fund/>, Hedge Fund OM, Nov. 21, 2016

that are making a positive change in the world”¹³.

48 As at April 20, 2017, the Conscious Capital Fund held Cash of \$27,905 and the following investments:

a) On-Book Assets:

- i. 336,571 common shares in Pond (Private Equities) with a Recorded Value of \$632,753; and
- ii. 212,040 warrants (Private Warrants) in Pond with the right to purchase shares (one share per warrant) at a strike price of \$2.50/share, expiring November 21, 2018 with a Recorded Value of \$25,445.

b) Off-Book Assets (Liabilities):

- i. an inter-fund loan owing to the High Yield Mortgage Fund with a principal balance of \$274,000.

ACM Income Fund

49 The ACM Income Fund was launched on or about July 4, 2014. The ACM Income Fund’s objective was to “...provide a consistent level of current income while protecting against loss of capital”¹⁴.

50 As at April 20, 2017, the ACM Income Fund held Cash of \$371,053 and the following investments:

a) On-Book Assets:

- ii. Manulife Yield Opportunities Fund (External Mutual Fund) with a Recorded Value of \$560,025; and
- iii. Inter-fund Investments with a total Recorded Value of \$9,898,493 in the following four Funds with the respective Recorded Values:

¹³ <http://crystalwealth.com/quartz-strategies/conscious-capital-strategy/>, Conscious Capital Fund OM, Nov. 28, 2016

¹⁴ <http://crystalwealth.com/sapphire-funds/acm-income-fund/>, ACM Income Fund and ACM Growth Fund OM, May 6, 2016

1. Media Fund – \$6,594,529;
2. Factoring Fund – \$2,426,339;
3. Medical Fund – \$560,297; and
4. Hedge Fund – \$317,328.

ACM Growth Fund

- 51 The ACM Growth Fund was launched on or about July 4, 2014. The ACM Growth Fund's objective was to "...provide long term capital appreciation while minimizing the risk of loss of capital"¹⁵.
- 52 As at April 20, 2017, the ACM Growth Fund had a margin balance (negative Cash) of \$2,040,779 and held the following investments:
- a) On-Book Assets:
 - i. fourteen (14) Equities in publicly traded entities with a Recorded Value of \$5,452,400;
 - ii. four (4) External Mutual Funds with a Recorded Value of \$3,482,518; and
 - iii. Inter-fund Investments with a total Recorded Value of \$4,739,753 in the following four Funds with the respective Recorded Values of:
 1. Factoring Fund – \$2,511,933;
 2. Mortgage Fund - \$1;
 3. Hedge Fund – \$1,655,059; and
 4. Media Fund – \$572,761.
 - b) Off-Book Assets:
 - i. accrued interest and dividends related to investments with a Recorded

¹⁵ Ibid.

Value of \$3,475.

Sustainable Dividend Fund

- 53 The Sustainable Dividend Fund was launched on or about February 5, 2016. The Sustainable Dividend Fund's objective was to "...generate long term capital appreciation while focusing on preservation of capital by combining sustainable, responsible and values-based investing principles"¹⁶.
- 54 As at April 20, 2017, the Sustainable Dividend Fund held Cash of \$121,340 and the following investments:
- a) On-Book Assets:
 - i. nine (9) CAD Equities with a Recorded Value of \$1,440,897;
 - ii. twenty Five (25) USD Equities with a Recorded Value of \$5,008,397 (US \$3,715,153); with accrued dividends with a Recorded Value of \$3,475 (classified as an Off-Book Asset); and
 - iii. Inter-fund Investment in the Sustainable Property Fund with a Recorded Value of \$75,693.

Sustainable Property Fund

- 55 The Sustainable Property Fund was launched on or about February 5, 2016. The Sustainable Property Fund's objective was to "...generate a consistently reasonable level of income while focusing on preservation of capital by investing primarily in a diversified portfolio of alternative financing vehicles on real properties, within the residential and commercial sectors while adhering to Responsible, Equitable and Values-Based principles"¹⁷. The exclusive partner in executing this strategy, was and continues to be Spectrum.

¹⁶ <http://crystalwealth.com/sapphire-funds/absolute-sustainable-dividend-fund/>, Sustainable Dividend Fund OM, Nov. 21, 2016

¹⁷ <http://crystalwealth.com/sapphire-funds/absolute-sustainable-property/>, Sustainable Property Fund OM, Nov. 21, 2016

56 As at April 20, 2017, the Sustainable Property Fund held Cash of \$245,796 and the following investments:

- a) Off-Book Assets:
 - i. six (6) individual Residential Mortgages with a principal balance of \$2,219,879 administered by Spectrum; and
 - ii. a Commercial Loan to MCSAB10 Inc. ("MCSAB") with a principal balance of \$2,000,000 plus accrued user fees with a Recorded Value of \$94,740.

Retirement Fund

57 The Retirement Fund was originally launched on or about January 2015 and was discontinued in March 2017. The Unit Holder Listing (defined later in this First Report) provided by International Financial Data Services (Canada) Limited ("IFDS") (a third-party that maintained the listing of investors) indicated that there were zero investors in the Retirement Fund and it had a NAV of \$0.

ON-BOOK ASSETS – SPECIFIC DETAILS

Inter-Fund Investments

58 Upon review of the April 20th Package, the Receiver noted that there were significant Inter-fund Investments between the Crystal Wealth Funds. The Media Fund is the single largest recipient of Inter-fund Investments with a Recorded Cost of \$11,349,768. The Recorded Costs noted for the following Crystal Wealth Funds represent the Inter-fund Investment balance in the Media Fund as at April 20, 2017:

- a) ACM Income Fund – \$6,641,115;
- b) Mortgage Fund – \$2,072,643;
- c) Medical Fund – \$1,537,291;
- d) ACM Growth Fund – \$576,764;
- e) High Yield Mortgage Fund – \$521,098; and

f) Factoring Fund – \$857.

The Receiver has prepared a diagram outlining the Inter-fund Investments between the Crystal Wealth Funds, with the noted Recorded Costs, which is attached as **Appendix “10”**.

- 59 When questioned, Smith advised the Receiver that Inter-fund Investments are common in the mutual fund industry and were utilized to manage cash flow requirements between the Crystal Wealth Funds, specifically for requested redemptions from investors. Based on the transaction data obtained from NBCN for the 12 months ending April 26, 2017, it appears the inter-fund transfers are largely one sided, meaning that the Media Fund is the largest recipient of proceeds from other funds to create liquidity in the Media Fund for redemptions.
- 60 The Receiver intends to conduct a more thorough review of the inter-fund transfers and will report the results of such review in a future report to the Court.

Equities and Warrants

- 61 Certain Equities in the Funds are traded in the following active markets:
 - a) Toronto Stock Exchange;
 - b) TSX – Venture Exchange;
 - c) New York Stock Exchange;
 - d) National Association of Securities Dealers Automated Quotations (“**NASDAQ**”);
 - e) Australian Stock Exchange; and
 - f) Over-The-Counter Markets Exchange in the United States.

As a result, Equities quoted on these exchanges **should be** relatively liquid.

- 62 Based on a preliminary review of supporting documentation, some of the Warrants contain restrictions on their assignability and ultimately their saleability. Therefore, these warrants may not be readily liquid. The Receiver will continue to review the supporting documentation regarding these warrants to determine if and when they may be turned into

cash.

Private Equities and Private Warrants

- 63 Private Equities held in the Crystal Wealth Funds are obtained primarily through private placements or through direct purchases from persons who independently hold same. These investments are not actively traded in external markets. Therefore, they are not easily valued or realizable. The Receiver continues to review documentation and correspond and/or meet with the issuers with respect to these investments to develop a monetization strategy.
- 64 Similar to the Warrants, the Receiver continues to review the documentation with respect to each of the Private Warrants.

Gold Contracts

- 65 The Bullion Fund, Factoring Fund, and Hedge Fund collectively have a total of eleven (11) Gold Contracts:
- a) Onstar Exploration Ltd. (“**Onstar**”) – 4 Gold Contracts with a combined Recorded Value of approximately \$6,447,484 (the “**Onstar Contracts**”);
 - b) 611802 B.C. Ltd. (“**611 BC**”) – 4 Gold Contracts with a combined Recorded Value of approximately \$1,255,819 (the “**611 Contracts**”);
 - c) Inca One Gold Corp. (“**Inca**”) – 2 Gold Contracts with a combined Recorded Value of approximately \$958,797 (the “**Inca Contracts**”); and
 - d) Solid Holdings Ltd. (“**Solid Holdings**”) – 1 Gold Contract with a Recorded Value of \$333,332 (the “**Solid Contract**”).

(Onstar, 611 BC, Inca, and Solid Holdings are referred to as the “**Gold Sellers**”). A summary of the Gold Contracts is attached hereto as **Appendix “11”**.

Onstar Contracts, 611 Contracts, Inca Contracts, and Solid Contract

- 66 The 611 Contracts, the Inca Contracts and the Solid Contract (collectively, the “**Settlement Contracts**”) are similar in nature in that upon expiry, the contract is

completed either through: (i) the delivery of the Gold; or (ii) a cash settlement.

67 In general, the commercial arrangement for the Settlement Contracts is as follows:

- a) the Crystal Wealth Fund enters into a monthly Settlement Contract whereby it becomes entitled to purchase a certain amount of Gold at the current quoted spot price per ounce (the “**Spot Price**”), less a stated discount (between 1% to 5%) (the “**Purchase Price**”) for a stated period of time until the contract matures (the “**Maturity Date**”);
- b) on the anniversary date of each month (the commencement date of the Settlement Contract), there is a settlement in cash between the Gold Seller and the Crystal Wealth Fund whereby the Fund “sells” the Gold to the Seller at the Spot Price and then “re-purchases” the Gold at the Purchase Price (no actual transfer of physical Gold occurs);
- c) at the Maturity Date, a final settlement occurs either through the delivery of Gold to an agreed upon location or through a cash settlement whereby the Gold Seller remits payment to the Crystal Wealth Fund for the current market value of the Gold.

An example of a Settlement Contract under increasing and decreasing Gold prices along with an example of the appendices of such a contract (with financial terms redacted) is attached to this First Report as **Appendix “12”**.

68 Based on the contact information provided by the Company, the Receiver corresponded with the Gold Sellers advising them of the Appointment Order and requested a discussion to be scheduled with the Receiver. A summary of the various correspondence and discussions with each of the Gold Sellers is included below:

- a) 611 BC
 - i. 611 BC explained the nature of the Settlement Contract and 611 BC’s role in same. The 611 Contracts begin to expire in November 2017.
 - ii. The Receiver inquired into the potential for an early exit from the 611 Contracts. 611 BC indicated that since it does not have to settle the 611 Contract until November 2017, the potential for an early exit would not be

possible as 611 BC does not have the funds required to buyout the contract at this time or to deliver the Gold. Mining of the Gold under this contract has not yet commenced.

b) Inca

- i. There are currently two Inca Contracts (“**Inca 1**” and “**Inca 2**”). The third and final tranche of Inca 1 expired on June 1, 2017 while Inca 2 expires December 1, 2017.
- ii. The Receiver conducted a call with Inca on May 24, 2017. Inca indicated that it did not have the funds available to settle the third and final tranche of Inca 1 and that it would prepare a re-payment proposal for the Receiver to review.
- iii. On June 7, 2017, Inca provided a proposal to the Receiver which proposed that Inca settle the Inca Contracts for a cumulative value of \$1,000,000 over the course of 52 weeks beginning June 26, 2017. The proposal also included an alternative for Inca to repay the original face value (i.e. the acquisition cost) of the Inca Contracts plus a 2.5% annual interest rate, for total proceeds of approximately \$725,000 within 60 days. The Receiver has acknowledged receipt of this proposal but has not provided a response to Inca.

c) Solid Holdings

- i. On May 20, 2017, the Receiver obtained a response from a representative from Solid Holdings stating that the president of the company (the contact for the Solid Contract) was very ill, and, therefore, was unable to respond to questions. The Receiver advised the representative to have the president of Solid Holdings contact the Receiver once available. The Solid Contract does not expire until February 2018.
- ii. On June 20, 2017, the Receiver had a discussion with the president of Solid Holdings who indicated the company was undergoing significant financial and operational challenges. The Receiver has requested certain information to better understand this situation.

d) Onstar

- i. The nature of the Onstar Contracts differs slightly from the Settlement Contracts. The Factoring Fund and Hedge Fund entered into Gold Certificate Subscription Agreements whereby the Hedge/Factoring Fund purchased gold certificates for 1,000 ounces of gold per certificate (the “**Gold Certificates**”). The Receiver was able to locate unsigned Gold Certificates in the Company’s books and records which included the following:
 - 1. Gold deliveries to the Owner [the Hedge/Factoring Fund] shall commence on April 30, 2017 F.O.B. Juneau, Alaska and shall occur monthly, until the entire 1,000 ounces of gold due under this Certificate has been delivered to the Owner. It is expected that all gold payments will be completed no later than April 30, 2019.*

The Receiver has confirmed with Onstar that no Gold has been delivered to either the Factoring Fund or the Hedge Fund.

- ii. The Receiver is unable to locate executed versions of the Gold Certificates in the Company’s books and records.
- iii. The Receiver conducted a call with Onstar on May 24, 2017. On this call, Onstar claimed that one of the Company’s former independent investment advisors, Al Housego (“**Housego**”), had verbally agreed to provide a total of US \$10M of funding to Onstar for the development of a mine in Juneau, Alaska. However, to date, the Hedge Fund and Factoring Fund had only provided USD \$4M. As a result, Onstar has had to seek external financing to complete the development of such mine.
- iv. The Receiver had requested that Onstar provide copies of the executed Onstar Contracts which, as at the date of this Report, have not been provided to the Receiver.

External Mutual Funds

69 External Mutual Funds include units in mutual funds managed by large asset management

firms, including: Hollis Canadian Bank, Sentry Investments, National Bank Mutual Funds, Manulife Asset Management Limited, and Sprott Asset Management LP. It is the Receiver's understanding that the units in these External Mutual Funds should be reasonably redeemable.

OFF-BOOK ASSETS – SPECIFIC DETAILS

Residential Mortgages

- 70 The Mortgage Fund, High Yield Mortgage Fund, and Sustainable Property Fund contain a total of 191 Residential Mortgages with a cumulative principal balance owing to the said Funds of \$19,009,884.
- 71 Of the 191 Residential Mortgages, 189 (\$18,813,884) are administered by a third-party, Spectrum, while the remaining two Residential Mortgages (\$196,000) are administered by Squire (the “**Squire Mortgages**”). Spectrum and Squire are both licensed financial intermediaries involved in originating, underwriting, and managing non-conventional first and second Residential Mortgages. Spectrum and Squire both have Mortgage Procurement and Administration Agreements (“**MPAAs**”) with the Company, the Mortgage Fund, the High Yield Mortgage Fund, and the Sustainable Property Fund (collectively the “**Mortgage Related Funds**”) outlining their respective roles in administering Residential Mortgages on behalf of the Mortgage Related Funds.
- 72 Spectrum and Squire evaluate and underwrite Residential Mortgages which are then presented to the Mortgage Related Funds for purchase. Once purchased, Spectrum and Squire administer the Residential Mortgages by performing duties, including, but not limited to:
 - a) collecting and remitting principal and interest payments by the mortgagors on a monthly basis;
 - b) negotiating and settlement of, and collecting payments in arrears;
 - c) the management of any legal actions require to enforce on a Residential Mortgage; and
 - d) administering a trust account(s) on behalf of the Company and Mortgage Related

Funds and remitting monies to same as requested by the Company.

- 73 Shortly after the commencement of the Receivership Proceedings, the Receiver instructed Spectrum to continue to perform its obligations under the MPAA with the Company and remit balances collected in the trust account administered by Spectrum on behalf of the Mortgage Related Funds on a weekly basis to NBCN. The Receiver remains in regular contact with Spectrum with respect to the administration of the Mortgage Related Funds.
- 74 On June 19, 2017, Squire offered to acquire the Squire Mortgages, with an effective date of June 23, 2017, for proceeds of \$197,526 (proceeds include the entire principal value of the Squire Mortgages (\$196,000) plus accrued interest of \$1,526 to June 23, 2017). The Receiver subsequently accepted the offer and intends to close the transaction on June 23, 2017 as permitted by the Appointment Order.

Term Loans & Promissory Notes

- 75 The Funds have a total of fourteen (14) individually issued Commercial Loans with a cumulative principal balance of \$16,416,584 issued to:
 - a) Pond;
 - b) MCSnox, Magnitude, 1472, 2445958 Ontario Inc. (“**5958 Ontario**”), MCSAB (each of these entities are under the control of a common individual, Craig Clydesdale (“**Clydesdale**”)), and are collectively referred to as the “**OOM Energy Group**”);
 - c) Kanwal; and
 - d) 109 BC.

Pond Loan

- 76 A term-loan in the amount of \$4,500,000 was advanced to Pond by the Company on December 15, 2015 (the “**Pond Loan**”). Subsequent to its advance, the Company executed various participation agreements assigning the rights to a stated portion of the Pond Loan to the Mortgage Fund, High Yield Mortgage Fund, and an individual, Suzanne West, resulting in the following participation amounts of the Pond Loan:
 - a) Mortgage Fund – \$2,950,000;

b) High Yield Mortgage Fund – \$550,000; and

c) Suzanne West - \$1,000,000.

77 Shortly after the Receiver's appointment, the Receiver contacted Pond to notify it of the Receivership Proceedings at which time Pond acknowledged the outstanding amount of \$4,500,000. Subject to the review of all documentation related to these loans, it appears that the Company is the first secured creditor over all of the assets of Pond.

78 Pond was incorporated on May 27, 2008 under the laws of Canada, with the purpose of pursuing microalgal biomass production using raw stack gas emissions from industrial emitters. Pond remains in the development stage, has not yet reached profitably, and has relied on non-conventional sources of financing to fund operations.

79 The Receiver has continued discussions with Pond and reviewed certain documentation, but is currently not in a position to advise the Court regarding monetization of these loans for the benefit of the investors. The Receiver will update the Court in a future report.

OOM Energy Group

80 The following term loans and promissory notes with a cumulative principal sum of \$12,090,607 were advanced to the entities under the OOM Energy Group as follows:

- a) MCSnox – a ten year term-loan with a principal value of \$2,000,000 issued on November 2, 2016 held by the Mortgage Fund (the “**MCSnox Loan**”);
- b) 5958 Ontario – advances reflected by four (4) promissory notes totaling \$967,107 issued between May 26, 2016 and August 4, 2016 all held by the Infrastructure Fund and all of which are repayable on demand (the “**5958 Ontario Notes**”);
- c) MCSAB – a three year term-loan with a principal value of \$2,000,000 advanced on December 9, 2016 held by the Infrastructure Fund (the “**MCSAB Loan**”);
- d) Magnitude – a five year term-loan with a principal value of \$3,000,000 advanced on July 6, 2016 held by the Infrastructure Fund (the “**Magnitude Loan**”), further advances reflected by two (2) promissory notes with a cumulative value of \$1,190,000 issued on July 8, 2016 and January 12, 2017 (the “**Magnitude Notes**”), and a \$1,133,500 loan advanced on April 28, 2016 administered by Spectrum (the

"Magnitude Spectrum Loan"); and

- e) 1472 – a fifteen year term-loan with a principal value of \$1,800,000 advanced on December 4, 2014 held by the Mortgage Fund (the **"1472 Ontario Loan"**)

(collectively the **"OOM Energy Loans"**).

- 81 On May 9, 2017, Smith provided the Receiver with the contact information for Clydesdale. Subsequent to obtaining the information, the Receiver immediately contacted Clydesdale advising him of the Appointment Order along with a request to discuss the OOM Energy Loans.
- 82 On May 11, 2017, the Receiver received a response from Bill McKenzie (**"McKenzie"**) from KWM Law Professional Corporation advising that he had been retained to represent the OOM Energy Group and Clydesdale with respect to these matters.
- 83 On May 18, 2017, the Receiver conducted a call with McKenzie; Clydesdale did not attend the call. During the call, McKenzie had little knowledge of the specifics surrounding the OOM Energy Group and the loans issued to same. Upon request for Clydesdale to provide documents related to the OOM Energy Loans, McKenzie advised that such documents would be provided after a written request was issued, outlining the specific documents required by the Receiver. The Receiver issued a document request list for the MCSnox Loan and the 1472 Ontario Loan on June 7, 2017 but, as at the date of this First Report, neither McKenzie nor Clydesdale have provided the documents requested.
- 84 The Receiver continues to work with A&B to determine the outstanding documents required to fully understand the status of the remaining OOM Energy Loans.

Media Loans

MHC and the Bron Companies

- 85 All of the Media Loans are administered by a third-party, MHC, and are held in the Media Fund. MHC was originally incorporated in the Province of Alberta on December 22, 2010 and continued out of Alberta on January 11, 2011 to be a federal corporation, with a registered office in Vancouver, British Columbia specializing in the structuring, sourcing and administration of loans for the independent film and television market. MHC's

President, CEO, Chairman, and sole director is Aaron Gilbert ("Gilbert"). In addition, Bron Studios Inc. and Bron Animation Inc. are both entities related to MHC of which Gilbert is listed as a director.

- 86 From December 22, 2010 to July 13, 2015, MHC operated under Media House Capital (Canada) Corp. Beginning July 13, 2015, MHC operated under Bron Capital Partners Corp. until April 7, 2016 when it reverted to and continued to operate under MHC.
- 87 Gilbert has some involvement in the films which are investments of the Media Fund. Gilbert is listed as a producer or executive producer on 19 of the 25 film productions for which Media Loans have been purchased by the Media Fund. For five of the productions, he is a director or officer of the production company (the underlying borrower)¹⁸. A detailed account of the Receiver's interactions with MHC are included below in this section.
- 88 Media Loans are made to production companies who require financing in excess of the funds raised through other sources (e.g. equity and financing tax credits) (this shortfall is referred to as the "**Gap Financing**" or "**Gap Loans**") required to develop films or television productions ("**Production**").
- 89 The Media Fund OM states that: *The [Media] Fund will not be in the business of making loans, but rather purchasing already existing securities such as notes and other debt obligations*. However, a preliminary review of the documentation supporting the Media Loans indicates that in many cases, the loans were made directly by the Media Fund to the production companies (this is discussed in greater detail in the Commission Affidavits). A schedule of the Media Loans provided by Smith on May 9, 2017 ("**Media Loan Schedule**"), is attached hereto as **Appendix "13"**.
- 90 The purported process for acquiring Media Loans was as follows:
- a) MHC sourced potential Gap Loans and conducted initial underwriting and lending (i.e. MHC advanced the funds to the production company);
 - b) the Company conducted secondary underwriting and analyzed how/if the loans fit into the Media Fund's portfolio;

¹⁸ Paragraph 39 of the Tillie Affidavit attached to this First Report as Appendix "2".

- c) the Media Fund would buy the pre-existing loans from MHC and all loan rights would be transferred to the Media Fund;
- d) the Company would hire MHC to provide Management Services (defined below); and
- e) Smith, the sole individual responsible for valuing the Media Loans, would monitor and determine the weekly value of the Media Loans (i.e. ensuring Media Loans were performing and recording loss reserves as needed).

91 The process for Production and the collection of proceeds was as follows:

- a) as the Production was produced, interest on the Media Loan would accrue in accordance with the original loan documents between MHC and the Production;
- b) during production, a sales agent would be hired to promote the Production to different geographical distributors;
- c) MHC would set up an account with a collection account manager (a “**CAM**”) and execute a Collection Account Management Agreement (a “**CAMA**”) with the CAM and any other parties who had a financial interest in the Production (e.g. equity owners, lenders, the actors’, directors’, and producers’ guilds (unions) etc.) (the “**Production Interests**”);
- d) the CAM would be a third-party responsible for collecting all revenues earned from the Production (i.e. revenue from distributors, broadcasters, merchandising, and other revenues); and
- e) the CAMA between all of the Production Interests outlines, among other things, the fees earned by the CAM, the ranking of Production Interests, and the “waterfall” payment structure for the film’s receipts to the various Production Interests (the “**CAMA Waterfall**”).

92 Based on a preliminary review of the CAMAs obtained thus far from MHC, the principal and interest of a sample of Media Loans appear after payment to other interests in the CAMA Waterfall, such as: the CAM expenses and fees, the actors’, directors’, and producer’s guilds and the entitlement to a portion of the sales agents fees/expense.

Documentation of Media Loans

- 93 In addition to the Media Loan Schedule, Smith provided documentation relating to the Media Loans and Media Fund's payment relationship with MHC but did not provide documentation to support the value, security, status of collections, and the position of the Media Fund in the respective CAMA Waterfalls.
- 94 Upon reviewing fully the Company's books and records, the Receiver was unable to obtain the information required to fully understand and support the value of the Media Loans. Aside from the Media Loan Schedule, it appears that there was no documentation used by Smith or the Company to understand the performance of the Media Loans. As a result, the Receiver and its counsel have spent significant time contacting and conducting discussions with various third parties with respect to the Media Loans to gather sufficient documentation to understand the entirety of the Media Fund and its holdings and their structure.

Dealings with MHC

- 95 MHC and the Media Fund entered into a Master Assignment Agreement (the "**Media Master Assignment Agreement**"), dated October 6, 2011 which, among other things, outlined the terms in which the Media Fund would purchase Media Loans from MHC.
- 96 On August 12, 2011, MHC and the Media Fund entered into a Production Loan Administration Agreement (the "**Media Production Loan Administration Agreement**") which, among other things, outlined MHC's role in sourcing and presenting potential Media Loans to the Media Fund for purchase and administration of same. Under the Media Production Loan Administration Agreement, MHC was to manage and service each Media Loan by performing duties, including, but not limited to:
- a) the collection and remittance of all prescribed payments of principal and interest and any profit or other participations (exclusive only of the 10% facility fee that is retained by MHC but deferred in part during the term) generated by the Production, as required under each Media Loan;
 - b) the collection of any penalties or miscellaneous fees, including any shared sales agent fee;

- c) the provision of information to the Production and any other parties for the maintenance or discharge of the loan;
- d) the negotiation and settlement, subject to the Company's approval, of any payments in arrears;
- e) the management of any legal actions required to enforce the Media Loans;
- f) the negotiation and management of any actions with the completion bond company, sales agent(s), distributor(s) or other third parties, if any;
- g) the negotiation and management of any actions required with the producers or production company; and
- h) the takeover, management, and oversight of all of or part of the film production, if necessary.

(collectively referred to as the "**Management Services**").

- 97 On May 9, 2017, Smith provided the Receiver with the contact information for MHC. Subsequent to obtaining the information, the Receiver contacted Gilbert advising him of the Appointment Order along with a request to discuss the Media Loans and MHC's involvement in same.
- 98 On May 10, 2017, the Receiver obtained a response from Gilbert who advised that MHC would be available for a discussion along with MHC's US counsel, Adam Davids from Davoli Davids, LLP ("**Davids**"), and MHC's Toronto counsel, Fasken Martineau DuMoulin LLP ("**Faskens**").
- 99 On May 16, 2017, the Receiver and A&B attended a conference call with MHC, Davids, and Faskens. During the call, the Receiver inquired into MHC's role in administering the Media Loans whereby MHC indicated that activities related to the tracking, monitoring, and valuation of same was performed by Smith. The Receiver also requested that MHC provide all of the necessary documentation and supporting schedules with respect to the Media Loans.
- 100 On May 23, 2017, MHC provided an email response (the "**May 23 MHC Email**") which, among other things:

- a) included the executed Media Master Assignment Agreement and Media Production Loan Administration Agreement;
- b) provided background information on the Management Services MHC performed;
- c) notified the Receiver that in the second quarter of 2016, the Media Fund retained an individual named Paco Alvarez (“**Paco**”) to assist in administering and managing the Media Loans on behalf of the Media Fund;
- d) provided status updates on specific Media Loans and the Management Services provided by MHC with respect to same; and
- e) provided the Receiver with access to a Dropbox account containing documentation for two Media Loans.

- 101 Based on the status updates contained in the May 23 MHC Email, it is apparent that a significant number of the films underlying the Media Loans appear to be experiencing significant issues and/or delays. The status updates included in the May 23 MHC Email are included in the Media Loan Schedule.
- 102 On May 24, 2017, A&B, on the Receiver's behalf, requested that Davids direct MHC to provide all of the closing/security documents for all of the Media Loans. On May 30, 2017, MHC began providing same. As of the date of this First Report, the Receiver has been provided with certain documents requested for only 20 Media Loans. With respect to 6 of these loans, critical documentation, including distribution agreements, collection agreements, and sales agent agreements, remain outstanding.
- 103 On May 26, 2017, A&B, on the Receiver's behalf, requested that MHC provide current contact information for all individuals and entities who are currently involved or associated with the sale, distribution, collection, and remittance of payments (whether on account of principal, interest, profit, or otherwise) in connection with each of the Media Loans. On May 31, 2017, MHC provided a spreadsheet that identified the aforementioned contact information.

Paco Alvarez

- 104 Subsequent to advising Paco of the Receivership Proceedings on May 31, 2017, the

Receiver attended a call with Paco on June 1, 2017.

- 105 Paco advised the Receiver that he and his company, Forward Motion Entertainment Corp. ("Forward Motion"), were retained in December 2016 to administer the Media Loans on behalf of the Media Fund which included but was not limited to: assisting in collecting amounts from distributors and agents, obtaining reports from CAMs, conducting discussions with sales agents, and providing updates to Smith. Paco advised that he was retained by the Media Fund as MHC began to focus more on producing its own movies through Bron and wanted to reduce its involvement in administering the Media Loans.
- 106 Smith, in an earlier email, advised the Receiver that Forward Motion was paid a monthly fee for its services plus expenses to attend film sale festivals; Paco confirmed this arrangement. There is no written contract between the Company or Media Fund and Paco/Forward Motion.
- 107 The Receiver requested that Paco provide any documentation with respect to the Media Loans, including but not limited to, agreements, supporting schedules, notes from conversations with sales agents, contacts of individuals and companies involved in the Media Loans, and status updates on the Productions. Paco advised that he would not provide the Receiver with the requested information until he was paid his arrears (including expenses) up to and including May 2017.
- 108 The Receiver is currently assessing all of the issues regarding the Media Fund before any commitment is made to any party relating to on-going services to the Media Fund.

Receiver's Potential Engagement of an Advisor

- 109 Given the complex and unique nature of the Media Fund, the Receiver has sought out and discussed the potential of engaging an independent advisor to assist with the management of the Media Fund.
- 110 On June 13, 2017, after initial discussions, the Receiver and A&B attended a meeting with Quiver Capital Inc. ("Quiver") to discuss the potential engagement of Quiver as an independent expert to assist in recapturing as much value as possible from the Media Loans.
- 111 Quiver is involved in financing and distributing films and television productions throughout

the world. Quiver's management team consists of three individuals who have had lengthy careers in all facets of the film and television entertainment industry including but not limited to producing, financing, and distributing of a wide variety of content. Prior to starting Quiver, its management team founded and sold companies such as Hollywood Suite, ThinkFilm, Phase 4 Films, and KaBOOM! Entertainment in addition to holding executive level positions at companies such as Lions Gate Films, Momentum Pictures (an Entertainment One Company), and Peace Arch Home Entertainment.

112 On June 14, 2017, Quiver delivered a proposal to the Receiver which outlined the scope of the potential engagement along with a proposed fee structure. More specifically, the proposal outlined Quiver's mandate as follows:

- a) engage with all third party sales agents and domestic distributors to review the status of each film, including but not limited to interest and results from international distributors, timing of such interest, exposure and interest at film markets and festivals, and identification of unpaid, current and long-term accounts receivable;
- b) identify the unsold rights by film, by media (e.g. video on demand, television, etc.), and determine the best course of action to extract value from said rights and provide recommendations on the best course of action moving forward; and
- c) utilize relationships with the distributors and customers (e.g. Netflix, Amazon, Walmart, etc.) to influence collection of accounts receivable, and assist to generate further revenue to maximize value to the unit holders of the fund.

113 Subject to negotiations on the proposed fee structure, the Receiver is of the view that engaging Quiver as an advisor to the Receiver with respect to the Media Fund is the most efficient way to:

- a) obtain all of the relevant Media Loan documentation directly from third-parties (other than MHC);
- b) determine the current underlying value of the Media Loans; and
- c) develop and execute a strategy to create additional value through unpursued markets and revenue streams.

Factoring Contracts

- 114 All of the Factoring Contracts are administered by Frontline, which is a corporation based in Alberta that sources and administers contracts that the Factoring Fund and Hedge Fund enter into to purchase invoices (after purchase, invoices are referred to as "**Purchased Receivables**") from operating businesses ("**MERCHANTS**") for a discount (typically 70% - 95% of the invoice value) and a service fee. Each of the Purchased Receivables are then assigned to Frontline who ultimately collects the invoice value. Any amounts collected over the purchase price, less applicable fees, are remitted to the company that sold the invoice.
- 115 The Factoring Fund and Hedge Fund entered into a Factoring Procurement and Administration Agreement ("**FPAA**") with Frontline on November 25, 2014. The FPAA outlines that Frontline is responsible for evaluating and presenting potential Factoring Contracts to the Factoring Fund/Hedge Fund for purchase (i.e. the rights of the Factoring Contract(s) are assigned) and administering same. Once purchased, Frontline, under the FPAA, administers the Factoring Contracts by performing duties, including, but not limited to:
- a) the registration and assignment of, or transfer into the name of the Factoring/Hedge Fund of all Purchased Receivables pursuant to the Factoring Contracts entered into between the Factoring/Hedge Fund and the Merchants;
 - b) the provision of assurances, as required by the Factoring/Hedge Fund, for enforcing its rights, benefits, title, interest, and vesting of the Purchased Receivables;
 - c) the collection and remittance to the Factoring/Hedge Fund of all Purchased Receivables (less any fees under the FPAA) received from the Merchants as well as any fees, commissions, or penalties, if any;
 - d) the negotiation and settlement of any payments in arrears;
 - e) the management of any legal actions required to enforce the Factoring/Hedge Fund's rights with respect to Purchased Receivables, the Merchants or the Factoring Contracts;

- f) the provision of weekly reporting to the Factoring/Hedge Fund; and
 - g) the administration of a bank account on behalf of the Factoring/Hedge Fund and remittance of monies to same as requested by the Company.
- 116 Under the section 4.4 of the FPA, “*the [Factoring/Hedge] Fund hereby authorizes and empowers Frontline, without the requirement of further authorization or direction from the [Factoring/Hedge] Fund to:*
- a) *Make, or cause to be made, advances out of the fund provided by the [Factoring/Hedge] Fund in accordance with a Factoring Agreement;*
 - b) *Make any emergency type advances to preserve and protect the property and assets which are the subject matter of a Factoring Agreement.”*
- Specific to item (a) above, except where the Merchant is in default under the applicable Factoring Contract, the Factoring/Hedge Fund is required to purchase all of the approved receivables from the Merchant (i.e. the Factoring/Hedge Fund was obligated to continue to purchase invoices after the Receivership Date) under and pursuant to the terms of the operative Factoring Contract.
- 117 Subsequent to advising Frontline of the Receivership Proceedings, the Receiver conducted a call with representatives from Frontline on May 12, 2017. Frontline advised that it had not and would not purchase approved receivables from the various Merchants after the Receivership Date but it has been collecting proceeds from Purchased Receivables on behalf of the Factoring/Hedge Fund.
- 118 The Receiver remains in regular contact with Frontline with respect to the administration of the Factoring/Hedge Fund. The Receiver has instructed Frontline to send available cash balances to the Factoring/Hedge Fund's NBCN accounts, and to provide a full accounting and reconciliation of all amounts currently outstanding to the Receiver. As of the date of this Report, the Receiver has yet to receive any cash currently being held by Frontline on the Factoring/Hedge Fund's behalf or a reconciliation of same.

Medical Factoring Contracts

- 119 Similar to the Factoring/Hedge Fund's contractual arrangement with Frontline, the Medical

Fund holds investments in medical factoring receivables which are sourced and administered by Xynergy.

- 120 Xynergy is a corporation based in Florida that enters into contracts to purchase healthcare receivables (after purchase, invoices are referred to as "**Purchased Medical Receivables**") from operating businesses in the United States ("**Clients**") for a discount and service fees pursuant to which the invoice is assigned to Xynergy who ultimately collects the invoice value. Unlike Factoring Contracts, the Medical Factoring Contracts are not entered into between the Clients and the Medical Fund but rather a participation in the relationship is purchased by the Medical Fund.
- 121 Xynergy and the Medical Fund entered into a Master Medical Receivables Purchase and Administration Agreement on March 31, 2016 (the "**MMRPAA**") which essentially gives the Medical Fund the opportunity to purchase participations in Xynergy's Medical Factoring Contracts with various Clients (defined therein). For active participations, Xynergy, under the MMRPAA, administers the Medical Factoring Contracts by performing duties, including, but not limited to:
- a) bearing all costs and expenses of managing and servicing the Medical Factoring Contracts;
 - b) providing weekly reporting to the Medical Fund; and
 - c) administering a trust account on behalf of the Medical Fund and remitting monies to same as requested by the Company.
- 122 Subsequent to advising Xynergy of the Receivership Proceedings, the Receiver conducted a call with representatives from Xynergy on May 10, 2017. Xynergy made the Receiver aware that Xynergy is obligated to the Clients to continue purchasing healthcare invoices as they depend on the financing to operate their business.
- 123 Xynergy has continued to administer the Medical Factoring Contracts that the Medical Fund has an interest in and remains in regular communication with the Receiver. Xynergy also provides the Receiver with weekly reports outlining the activity (i.e. purchases and collections) of the Medical Factoring Contracts and provides a trust account statement outlining the cash held on behalf of the Medical Fund.

Potential Sale of Geodata Balance

- 124 Included in the Medical Fund is Medical Factoring Contracts with GeodataPR International, Inc. (“**Geodata**”) and Servicios de Salud Integrada, CSP (“**SSI**”) who both operate out of Puerto Rico. The most recent weekly report received from Xynergy (June 15, 2017) indicated that Geodata and SSI have net outstanding funds employed (i.e. the principal balance) of \$684,313 (the “**Geodata Balance**”).
- 125 On June 20, 2017, Xynergy put forth a revised offer to acquire only the Medical Fund’s participation in the Geodata Balance in full for \$684,313 (the “**Geodata Offer**”). The Receiver has verbally indicated to Xynergy that it is interested in the Geodata Offer. The Geodata Offer is for 100% of the Geodata Balance and as such represents its fair market value. Furthermore, the Geodata Medical Factoring Contract is a unique and specialized investment, and would likely result in a limited number of potential purchasers willing to pay greater than 100% of the balance outstanding.

US Real Estate LP

- 126 Based on a review of the Provided Documents and additional documents located in the Company’s books and records, the Hedge Fund and Factoring Fund cumulatively own 99.99% of 107 LP, an entity that has an indirect ownership interest in a number of rental properties located in the United States together with corporate and individual partners (collectively the structure is referred to as the “**US Real Estate LP**”). The Hedge Fund and Factoring Fund act as limited partners in the US Real Estate LP (the “**Limited Partners**”).
- 127 The remaining 0.01% ownership of 107 LP is held by 1076874 B.C. Ltd., an entity listed as the general partner which is owned by the following individuals:
- a) Alberto Storelli (Canadian) (“**Storelli**”) – 51.0%;
 - b) Brian Peoples (USA) (“**Peoples**”) – 24.5%; and
 - c) Joe Harker (USA) (“**Harker**”) – 24.5%.

All or one of Storelli, Peoples, and Harker (collectively the “**General Partners**”) are listed as directors or officers in a majority of the entities included in the US Real Estate LP.

- 128 The US Real Estate LP is a cross-border operation through a Nevada based corporation, DaVinci Capital Property, Inc. ("DVCP") which is an indirect wholly owned subsidiary of 107 LP.
- 129 The purpose of the US Real Estate LP is to acquire and develop real estate properties in the United States to subsequently earn rental income and proceeds from the possible and/or eventual sale of such properties. Through its investment in 107 LP, the Receiver understands that the Factoring Fund and Hedge Fund have an indirect minority ownership interest in the following properties in the US Real Estate LP:
- a) 3961 Covington Highway, Decatur, Dekalb County, Georgia;
 - b) 3859 Austin Circle, Decatur, Dekalb County, Georgia;
 - c) 325 - 3rd Avenue SW, Birmingham, Alabama;
 - d) 201 - 3rd Avenue SW, Birmingham, Alabama;
 - e) 922 Lawndale Drive, Tupelo, Mississippi; and
 - f) 619 E. Groveland Parkway, Chicago, Illinois.
- (collectively referred to as the "**US Properties**").

- 130 The Receiver has prepared a detailed organizational chart demonstrating the structure of the US Real Estate LP which is attached to this First Report as **Appendix "14"**.

Subscription Agreements

- 131 From June 6, 2016 to March 14, 2017, the Limited Partners invested US \$7,500,000 in the US Real Estate LP by way of unit purchases in 107 LP through subscription agreements (the "**Subscription Agreements**"). Based on a preliminary review of the Subscription Agreements, the Receiver understands that the investment structure to be as follows:
- a) the Limited Partners would purchase units in 107 LP (the "**Subscription Amount**");
 - b) a portion of the Subscription Amounts would be advanced to DVCP by way of a

- 12% loans (the “**DVCP Loans**”) while the remaining Subscription Amounts would be advanced to DVCP by way of a share purchases in same (the “**DVCP Equity**”);
- c) in almost all cases, the entire Subscription Amounts received by DVCP would then be advanced to the various special purpose entities by way of interest bearing loans (the “**SPE Loans**”); and
 - d) the proceeds from the SPE Loans would then be used to purchase and/or develop the US Properties.
- 132 The Receiver and A&B continue to review the Subscription Agreements and other related documents with respect to the US Real Estate LP to gain a more fulsome understanding of same.

Contact with General Partners

- 133 On June 4, 2017, the Receiver notified the General Partners of the Appointment Order along with a request to discuss the US Real Estate LP. On June 7, 2017, the Receiver delivered a follow-up email to the General Partners. Despite repeated follow-up communications, the Receiver has yet to have a discussion with the General Partners.

PRELIMINARY CONCLUSION REGARDING MONETIZATION OF THE CRYSTAL WEALTH FUNDS

- 134 Since the beginning of the Receivership Proceedings, the Receiver has issued and posted on its Case Website notices to all investors dated May 1, 2017, May 10, 2017, May 17, 2017, and June 9, 2017.
- 135 In its May 17, 2017 notice to investors, the Receiver stated that it was very mindful of the needs of the investors, and, accordingly, was conducting a review of the Company’s books and records on an accelerated basis to devise a plan that would ultimately lead to realization of the assets and distribution of the proceeds. Moreover, the Receiver determined that there were certain Crystal Wealth Funds which could be monetized on an urgent basis as they were largely comprised of marketable securities and cash holdings.
- 136 As a result of the foregoing review, the Receiver, in consultation with colleagues in Canada and the US with extensive investment and portfolio expertise, is carefully monetizing all

marketable securities, including Equities and Warrants, where possible, which are traded on the various public stock exchanges. The Receiver anticipates that this realization process will be complete by the end of June 2017.

- 137 As a result of its appointment by the Court, the Receiver holds an obligation to the investors. As such, the over-arching investment objective is to minimize the downside risk of uncontrollable domestic and global factors, by monetizing Crystal Wealth Funds in the short term for ultimate distribution to the investors rather than earning longer term higher returns.
- 138 Once this monetization process is complete, the Receiver will be issuing a notice to the investors advising them of the results of same.

PROPOSED SALE PROCESS

- 139 A significant portion of the total AUM of the Crystal Wealth Funds, particularly, the Off-Book Assets, have long maturities and appear to be difficult to value individually as they are not actively traded. Therefore, the Receiver is of the view that monitoring and the eventual realization of these assets individually will present significant effort and costs to the Crystal Wealth Funds and ultimately the investors.
- 140 In addition, the Receiver has also received expressions of interest from a number of parties with respect to purchasing and/or assuming the management of one or more of the Crystal Wealth Funds.
- 141 Given the above, the Receiver proposes that it conduct a sales process (the "**Sales Process**") for certain Crystal Wealth Funds in a manner in which:
 - a) potential bidders may make an offer to purchase the investments from one or more of the Crystal Wealth Funds (the "**Potential Bidders**"); and/or
 - b) potential managers may present an offer to assume the management of one or more of the Crystal Wealth Funds' investment activities and assume Crystal Wealth's position and duties to investors (the "**Potential Managers**").
- 142 The proposed Sales Process comprises the following:
 - a) The Receiver has begun and will continue to prepare a list of Potential Bidders and

Potential Managers for certain Crystal Wealth Funds. Potential Bidders will have the opportunity to bid for some or all of certain Crystal Wealth Funds' investments. Potential Managers will have the opportunity to present their proposal for assuming the entirety of the assets and management of certain Crystal Wealth Funds.

- b) The Sales Process will be advertised in publication(s) as determined by the Receiver.
- c) The Receiver will provide Potential Bidders and Potential Managers with a solicitation letter summarizing the acquisition and opportunity (the "**Solicitation Letter**") and a form of confidentiality agreement (the "**CA**") to be executed for further participation in the Sales Process.
- d) Any Potential Bidders and/or Potential Managers who execute a CA (a "**Prospective Bidder**" and a "**Prospective Manager**" respectively), will receive a confidential information memorandum ("**CIM**") describing the purchase and/or management opportunity and will gain access to an electronic data room, containing confidential information to perform due diligence.
- e) Prospective Bidders will be required to submit a binding offer to purchase the investment(s) contained within certain Crystal Wealth Funds (a "**Purchase Offer**") by 5:00 p.m. Eastern Standard Time ("**EST**") on August 10, 2017 (the "**Offer Deadline**"), which must include:
 - i. the identity, contact information, and disclosure of the principal(s) of the Prospective Bidder;
 - ii. a list and description of the Crystal Wealth Fund(s) and investments to be included in a purchase;
 - iii. an indication of the proposed purchase price or financial terms of such sale;
 - iv. an acknowledgement that the sale will be made on an "as is, where is" basis and that the Prospective Bidder will be bound by the terms of the Sales Process;
 - v. a description of any liabilities to be assumed by the Prospective Bidder;

- vi. details related to any regulatory approvals required to close the proposed transaction;
 - vii. a proposed timeline to the date of closing the transaction, along with critical milestones; and
 - viii. such other information requested by the Receiver.
- f) Prospective Managers will be required to submit a binding offer to assume and manage certain Crystal Wealth Funds (a “**Management Offer**”) by the Offer Deadline, which must include:
- i. the identity, contact information, and disclosure of principal(s) of the Prospective Manager;
 - ii. a list and description of the Crystal Wealth Fund(s) and the investments which the Prospective Manager has an interest in assuming;
 - iii. a list of the qualifications and experience in managing mutual funds and investments and a listing of the portfolio manager(s), proposed for the applicable Crystal Wealth Fund(s);
 - iv. a description of the proposed fees to be imposed on the investors of the applicable Crystal Wealth Funds;
 - v. a copy of the most recent audited financial statements of the Prospective Manager;
 - vi. an acknowledgement that the transfer will be made on an “as is, where is” basis and that the Prospective Manager will be bound by the terms of the Sales Process;
 - vii. a description of any liabilities to be assumed by the Prospective Manager;
 - viii. details related to any regulatory approvals required to close the proposed transaction;
 - ix. a proposed timeline to the date of closing the transaction, along with critical

milestones; and

- x. such other information requested by the Receiver.

- g) The Receiver may also request information to demonstrate that the Prospective Bidder / Prospective Manager has the resources to close the transaction.
- h) A Purchase Offer and/or Management Offer will be considered a "Qualified Offer" if it meets the following criteria:
 - i. The offer is received by the Offer Deadline;
 - ii. The offer contains a letter stating that the Purchase/Management Offer is irrevocable and open for acceptance until at least five business days after the Offer Deadline;
 - iii. The Purchase/Management Offer includes proof of the Prospective Bidder's/Manager's ability to close the transaction and is not conditional upon financing;
 - iv. The Purchase/Management Offer includes proof of the Prospective Bidder's/Manager's financial stability;
 - v. The Purchase/Management Offer includes an acknowledgement that the Prospective Bidder/Manager has (a) relied solely upon its own independent review of any documents and assets to be acquired and/or assumed in making its offer; and (b) not relied upon any representations or warranties whatsoever regarding the property of the Crystal Wealth Group, except as expressly stated in the agreement of purchase and sale and/or the transfer of ownership agreement;
 - vi. The Purchase/Management Offer shall not contain any material conditions to closing other than Court approval;
 - vii. The Purchase/Management Offer should include a completed form of agreement of purchase and sale and/or ownership transfer agreement, in a form prepared by the Receiver;

- viii. The Purchase/Management Offer shall not contain a break-fee or any type of compensation to the Prospective Bidder/Manager;
 - ix. The Receiver must believe the transaction will close on or prior to five days after Court approval of the transaction; and
 - x. As appropriate, the Purchase Offer shall include a deposit equal to 10% of the purchase price of the assets(s), and in the case of a Management Offer, a deposit per the Receiver's discretion;
- i) Upon review of the Qualified Offers, the Receiver, may:
- i. accept a Qualified Offer (a "**Successful Offer**") and complete an agreement for a Successful Offer;
 - ii. accept two or more non-overlapping Qualified Offers and complete agreements for same;
 - iii. continue negotiations with a selected number of Prospective Bidders and/or Prospective Managers; or
 - iv. terminate the Sales Process.
- j) The Receiver shall be under no obligation to accept the highest offer, and shall be under no obligation to accept any offer if the Receiver determines that no suitable offers have been received.
- k) If no acceptable Purchase Offers and/or Management Offers are received, the Receiver may consider other options for dealing with the Crystal Wealth Funds' assets.
- l) A Successful Offer must be approved by the Court.

143 The following chart summarizes the relevant milestones for the proposed Sales Process:

Milestone	Approximate Date
(i) Court Approval of Proposed Sales Process	July 3, 2017
(ii) Solicitation Letter Distribution	July 10, 2017
(iii) Purchase/Management Offer Deadline	August 10, 2017
(iv) Selection of a Successful Offer(s)	August 17, 2017
(v) Issuance of an Approval and Vesting Order	August 31, 2017
(vi) Closing Date	5 days after (v)

144 It is proposed that the Sales Process will be carried out by the Receiver as it is qualified to administer the proposed Sales Process for the following reasons:

- i. the Receiver has considerable experience conducting a sale process for investment assets and investment portfolios and will utilize the expertise of its corporate finance professionals, as necessary, in carrying out its duties;
- ii. the Receiver has extensive contacts in the industry who it will ensure are made aware of the Sales Process;
- iii. if a party other than the Receiver were to be engaged to run the Sales Process, the Receiver would be required to maintain oversight of the third party, thus duplicating certain efforts and costs;
- iv. the proposed Sales Process has been designed to be a thorough and efficient process, which will reduce professional fees associated with administering same, if it is administered by the Receiver; and
- v. the Receiver will not charge a success fee, but instead will charge its standard hourly rates based on actual hours spent in administering and processing the Sales Process. It is anticipated, given the nature of the Crystal Wealth Funds, that the Receiver's fees, based on its standard hourly rates, will be significantly less than a success fee.

PROPOSED CREDITOR CLAIMS PROCEDURE ORDER

145 The Receiver is of the view that a Creditor Claims Procedure (as defined in the proposed Creditor Claims Procedure Order) is warranted for non-investor creditor claims against the Crystal Wealth Group. With respect to investor distributions, the Receiver requests approval to rely on the IFDS Unit Holder Listing, as is outlined in paragraphs 167 to 175 below.

146 The books and records of the Company indicate the following liabilities:

- a. trade payables totaling \$169,964;
- b. income tax and HST payable of \$34,200;
- c. loans from shareholders and employees totaling \$9,952;
- d. loans from Smith of \$202,648; and
- e. loans from CLJ Everest of \$286,879.

(collectively referred to as the "**Recorded Liabilities**")

147 Since the Appointment Order, the Receiver has been contacted by several parties claiming that there are monies owing to them from either the Company or Crystal Wealth Funds which liabilities were not identified in the Recorded Liabilities.

148 As a result of these claims, it appears that the liabilities recorded on the books and records of the Company and the Crystal Wealth Funds are inaccurate and unreliable for the Receiver to establish a complete creditor listing for the Crystal Wealth Group. As a result, the Receiver is seeking approval of a Creditor Claims Procedure, according to which the Receiver would call for all claims against the Crystal Wealth Group, and bar any claims against the Crystal Wealth Group not submitted by the Claims Bar Date (as defined in the proposed Creditor Claims Procedure Order).

149 The proposed Creditor Claims Procedure provides the Receiver with a mechanism to determine the amounts of claims against the Crystal Wealth Group. The proposed Creditor Claims Procedure Order will permit the Receiver to instruct creditors of the Crystal Wealth Group to file proofs of claim since the Receiver is not confident in the completeness

and accuracy of the Crystal Wealth Group's books and records with regard to non-investor creditor claims.

- 150 The proposed Creditor Claims Procedure Order provides for a package of information (each a "**Claims Package**") to be sent to each known creditor.
- 151 The complete details of the proposed Creditor Claims Procedure are set out in the draft Creditor Claims Procedure Order, which is attached hereto as **Appendix "15"**, and are summarized here as follows.

Summary of Proposed Creditor Claims Procedure

- 152 Under the proposed Creditor Claims Procedure, the Receiver intends to send a Claims Package to known creditors of the Crystal Wealth Group and potential creditors that request such a mailing prior to the Claims Bar Date, which will also include an instruction letter and Proof of Claim, by ordinary mail no later than July 10, 2017.
- 153 As soon as reasonably practicable upon receiving a request from a potential creditor (provided such request is made prior to the Claims Bar Date), the Receiver would send such creditor a Claims Package by ordinary mail, courier, facsimile or electronic mail.
- 154 In addition, the Receiver would cause notice of the proposed Creditor Claims Procedure to be published for one day in the Globe and Mail by no later than July 10, 2017 and would make the Claims Package available on its website at www.GrantThornton.ca/crystalwealth.

Claims Bar Date

- 155 The draft Creditor Claims Procedure Order provides that the **Claims Bar Date for all claims will be 5:00 p.m. (Toronto time) on August 3, 2017** (the "Claims Bar Date").
- 156 All creditors are required to file a Proof of Claim such that it is **received** by the Receiver prior to the Claims Bar Date. Failure to submit a Proof of Claim by the Claims Bar Date would result in such creditor's claim being forever barred and extinguished, released and discharged.

Review of Proofs of Claim

- 157 As part of proposed Creditor Claims Procedure Order, the Receiver would review all Proofs of Claim that are received on or before the Claims Bar Date to determine the adequacy of the manner in which Proofs of Claim have been completed and executed.

Notice of Revision or Disallowance

- 158 The Receiver would accept or, by way of Notice of Revision or Disallowance (as defined in the proposed Creditor Claims Procedure Order), revise or disallow, in whole or in part, the amount and/or status of the claim set out in any Proof of Claim.
- 159 At any time, the Receiver would be entitled to request additional information with respect to any claim and would be entitled to request that the creditor file a revised Proof of Claim. The Receiver would send a form of Notice of Dispute (as defined in the proposed Creditor Claims Procedure Order) to any creditor whose claim has been revised or disallowed at the time the Notice of Revision or Disallowance of Claim is sent to that creditor.
- 160 Where a claim has been revised or disallowed, in whole or in part, by a Notice of Revision or Disallowance, the revised or disallowed portion of that claim would be determinative unless the creditor disputes the revision or disallowance and proves the revised or disallowed claim, or portion thereof, in accordance with the proposed Creditor Claims Procedure Order.

Disputed Notices of Revision or Disallowance

- 161 Any creditor that receives a Notice of Revision or Disallowance and intends to dispute such Notice of Revision or Disallowance would be required to deliver a Notice of Dispute to the Receiver by no later than 5:00 p.m. (Toronto time) on the day that is ten business days after the Receiver sends the Notice of Revision or Disallowance. The filing of a Notice of Dispute with the Receiver within the time limit would constitute an application to have the amount or status of such claim resolved as set out below.
- 162 Where a creditor that receives a Notice of Revision or Disallowance fails to file a Notice of Dispute with the Receiver within the time limit, the amount and status of such creditor's claim would be deemed to be as set forth in the Notice of Revision or Disallowance and such amount and status, if any, would constitute such creditor's proven claim.

Resolution of Claim

- 163 Upon receipt by the Receiver of a Notice of Dispute from a creditor, the proposed Creditor Claims Procedure Order provides for the resolution of claims by the creditor and the Receiver by first attempting to resolve and settle the creditor's claim on consent of the parties. If it is not possible to resolve and settle the creditor's claim consensually, the Receiver or the creditor would be entitled to make a motion to the Court for a final determination of the creditor's claim.
- 164 In addition, the Receiver would be entitled to make a motion to the Court for the final determination of any claim at any time, whether or not the Receiver has sent the creditor a Notice of Revision or Disallowance.

Distribution to Creditors

- 165 The proposed Creditor Claims Procedure Order addresses only the identification of claims. It does not address entitlement to a distribution, or the priority of such claims. The matter of distributions to non-investor creditors of the Crystal Wealth Group will be the subject matter of a separate motion.
- 166 After the conclusion of the proposed Claim Procedure, the Receiver will report to the Court in respect of any proposed interim distribution to non-investor creditors of the Crystal Wealth Group, and would seek Court approval of same.

PROPOSED RELIANCE ON IFDS UNIT HOLDER LISTING FOR THE PURPOSE OF MAKING DISTRIBUTIONS TO INVESTORS

- 167 On April 26, 2017, the Receiver requested that Smith provide the most recent investor listing/database showing all of the investors in each of the Crystal Wealth Funds and their respective holdings. In response to this request, Smith advised that neither he nor the Company maintained the listing of investors but rather this function was performed by an external entity, IFDS. Smith advised the Receiver that when T3's were to be prepared or if the information was required for any correspondence with investors, the Company would obtain this list directly from IFDS for a fee.
- 168 On April 27, 2017, the Receiver contacted IFDS to advise them of the Receivership Proceedings and to request relevant information as it related to the Crystal Wealth Funds

and the investors therein. Subsequent to initial contact, the Receiver requested the following items from IFDS:

- a) a current listing of Crystal Wealth Funds, with details of composition in each fund;
- b) a current listing of investors in each of the Crystal Wealth Funds, indicating the holdings of each investor in each fund;
- c) a current listing of the investors with individually managed funds on hand with National Bank; and
- d) all of the available contact information (including mailing addresses, email addresses, and telephone and fax numbers) for each of the investors in each of the Crystal Wealth Funds, as well as for each of Company's portfolio management clients who have their managed accounts at NBCN.

- 169 On May 4, 2017, IFDS, through its counsel, provided the Receiver with a document addressing items (b) to (d) noted above (the "**Unit Holder Listing**"). It is the Receiver's understanding that the Unit Holder Listing encompasses all of the individuals invested in a particular Crystal Wealth Fund (i.e. the Unit Holder Listing contains a complete picture of the unit holdings in each of the Funds). In regards to item (a), the Receiver obtained same from NBCN.
- 170 On May 11, 2017, IFDS, through its counsel, provided the Receiver with the executed Securityholder Services Agreement between IFDS and the Company dated February 17, 2004 as well as a similar unsigned Securityholder Services Agreement between IFDS and the Company dated May, 2009 and an Amending Agreement dated November 30, 2016. All three of these documents are attached hereto as **Confidential Appendix "1"**.
- 171 IFDS is the central repository of all investor data, including names, addresses, personal information, Crystal Wealth Funds holdings, etc. Moreover, discussions with NBCN, recent discussions with BDO Canada LLP ("**BDO**"), the Company's auditors, and discussions with Smith corroborate the fact that IFDS independently maintains its records based on instructions from NBCN or the Company.
- 172 Accordingly, based on the fact that the Unit Holder Listing is maintained solely by IFDS, with Smith or the Company having limited involvement in same, the Receiver is of the view

that the Unit Holder Listing accurately reflects the units held by each investor and that a separate process for investors to validate such holdings would not present a result materially different than the Unit Holder Listing. As a result, the Receiver will not be conducting a separate investor claims process as it will be relying on the investor information contained in the Unit Holder Listing.

- 173 On June 15, 2017, the Receiver attended a meeting with BDO and its counsel. During the meeting, the Receiver inquired into BDO's understanding of the Unit Holder Listing, the processes for maintaining and updating same, and the work performed on the Unit Holder Listing during the scheduled audits. BDO advised that the Unit Holder Listing was maintained and updated by IFDS with information provided by an additional third-party, Fundserv Inc., who was responsible for processing investor subscriptions and redemptions within the Funds.
- 174 BDO advised that an annual external audit is performed by a third-party on IFDS' processes and controls with respect to its business through the issuance of a Canadian Standard on Assurance Engagements 3416 (CSAE 3416) Report. BDO indicated that during the audit of the Company it would obtain copies of the annual CASE 3416 Report to confirm that the conclusions contained within the Report outlined that the controls and processes used by IFDS were sufficient to ensure the Unit Holder Listing was not materially misstated.
- 175 The Receiver seeks Court approval of its proposed reliance on the IFDS Unit Holder Listing to make distributions to investors in the Crystal Wealth Funds, where possible, without the necessity of seeking further approval from the Court.

RECEIPTS AND DISBURSEMENTS OF THE RECEIVERSHIP

- 176 Attached hereto as **Appendix "6"** is the Receiver's Interim Statement of Receipts and Disbursements for the period April 26, 2017 to May 31, 2017 which outlines the cash balances of the Company and the Crystal Wealth Funds.
- 177 The deposits to the Crystal Wealth Funds primarily relate to Off-Book Assets, such as regular payments from Spectrum or Squire for on-going maintenance of the Residential Mortgages. Disbursement from the Crystal Wealth Funds primarily relate to bank charges.

SPECIFIC ACTIVITIES OF THE RECEIVER SINCE THE APPOINTMENT ORDER

178 Upon its appointment, the Receiver took immediate steps to secure and preserve the Property of the Crystal Wealth Group, communicate with stakeholders, and deal with other operational and administrative tasks. The Receiver has conducted the following key activities in relation to its appointment:

Taking Possession

- a) Attended the Premises immediately upon being appointed and changed the locks to secure the assets and books and records contained therein, notified various service providers and transferred billing arrangements into the Receiver's name for the period post-Appointment Order.
- b) Attended the Mount Nemo Property shortly after the Appointment Order and changed the locks to secure the Mount Nemo Property and its contents. The Receiver transferred utilities for the Mount Nemo Property for the period post Appointment Order into the Receiver's name as well as arranged for on-going maintenance of the Mount Nemo Property.
- c) Corresponded with the landlord of the Premises to notify it of the Appointment Order and make arrangements for payment of rent during the Receiver's occupancy.
- d) Secured the books and records of the Crystal Wealth Group, located at the Premises, disabled external access to the computer system and performed a forensic backup of all data contained on the Company's Dropbox account and GoDaddy email systems. During this process, the Receiver identified that the emails contained in the inbox and sent items of the email accounts of Smith, Housego and Bentley were either deleted in their entirety, or it was apparent that individual emails had been removed.
- e) Contacted the third party cloud server company to restore email data with respect to the deleted emails. This process is still underway.
- f) Corresponded with the Crystal Wealth Group's contract accountant and received copies of certain records of the Crystal Wealth Group.

- g) Secured the Crystal Wealth Group's bank accounts and transferred the funds therein to the Receiver's trust accounts. Specifically, the Receiver has maintained separate trust accounts consistent with the origin of funds transferred from the Crystal Wealth Funds.

Employee Matters

- a) Permitted the Company to continue to actively employ three (3) employees for a brief period post Appointment Order (including Smith and Bentley) to assist the Receiver in understanding the business and operations of the Crystal Wealth Group and to facilitate the initial mailing to all investors.
- b) Terminated these employees on behalf of the Company effective May 10, 2017 and arranged for all Records of Employment ("ROEs") to be issued to same. A fourth employee, who was subsequently discovered by the Receiver to be on maternity leave, was terminated effective May 24, 2017.
- c) Engaged the Company's contracted accountant to prepare
 - i. bi-weekly payroll for Smith and the other employees;
 - ii. ROEs; and
 - iii. T4's.

Investor Matters

- a) Established a Crystal Wealth Funds toll free number and email account.
- b) Responded to numerous calls and emails from Crystal Wealth Group investors and other stakeholders.
- c) Published the Receivership Proceedings in the national editions of the Globe and Mail and the National Post on May 4, 2017.
- d) Distributed four (4) notices from the Receiver to all investors, which were also posted to the Receiver's Case Website, on May 1, 2017, May 10, 2017, May 17, 2017, and June 9, 2017 updating them on the receivership as events unfolded.

- e) Created and maintained a listing of investors with holdings, accounts, and contact information including email addresses.

Administration of the Funds

- a) The Receiver's activities with respect to the administration of the Crystal Wealth Funds include:
 - i. meeting and corresponding with NBCN on a number of investor matters, including the on-going management of the securities, records and monetization of assets within the Crystal Wealth Funds;
 - ii. corresponding with various third-parties involved in administering certain Crystal Wealth Funds, and, in some cases, their legal counsel and financial advisors;
 - iii. collecting monthly payments and funds held by third-parties administering certain Crystal Wealth Funds and/or their assets;
 - iv. corresponding with borrowers of the Crystal Wealth Funds, and, in some cases, their legal counsel and financial advisors;
 - v. conducting meetings with certain third-parties and borrowers, as appropriate; and
 - vi. negotiating the sale of two Residential Mortgages to a third party as discussed further below.

Other Activities

- a) Corresponded and held numerous discussions with Smith, employees, and contractors of the Crystal Wealth Group.
- b) Corresponded and held numerous discussions with various stakeholders, providers and/or their legal counsels.
- c) Corresponded and held various discussions with the Company's auditor, BDO.
- d) Corresponded and held various discussions and meetings with parties expressing

interest in either purchasing or managing certain Crystal Wealth Funds.

- e) Maintained a public website for the Receivership Proceedings in accordance with the Commercial List E-Service Protocol.
- f) Arranged for the redirection of the Company's and CLJ Everest's mail to the Receiver's office.
- g) Made arrangements with insurance providers to ensure that continued coverage remains in place with respect to both the Premises and Mount Nemo Property.

MOUNT NEMO PROPERTY

- 179 Pursuant to the Vesting Order, the Receiver was authorized by the Court to complete, on behalf of CLJ Everest, the sale transaction contemplated by the Mount Nemo Sale Agreement.
- 180 CLJ Everest is the registered owner of Mount Nemo Property. At the date of the Receivership Proceedings, this property was vacant.
- 181 Prior to the Appointment Order, the Mount Nemo Sale Agreement was entered into by CLJ Everest and the Purchaser with a completion date for the underlying transaction of April 28, 2017.
- 182 On April 27, 2017, Jo-Anne Smith ("Ms. Smith"), Smith's sister and the listing agent for the Mount Nemo Property, informed the Receiver that the Purchaser had advised her on April 27, 2017, that the Purchaser would not be completing the purchase transaction.
- 183 At 9:20 a.m. and 9:21 a.m. on April 28, 2017, the Receiver attempted to contact the Purchaser by telephone at the number which Ms. Smith advised was the Purchaser's cell phone number. On both occasions, the message "Call cannot be completed as dialed" was received.
- 184 Accordingly, by letter to the Purchaser dated April 28, 2017, A&B advised the Purchaser that the Receiver was treating his anticipatory breaches as a repudiation of the Mount Nemo Sale Agreement, thereby discharging the Receiver from proceeding with the Mount Nemo Sale Agreement while reserving the Receiver's right to pursue damages from the Purchaser. A&B's letter to the Purchaser is attached to this Report as **Appendix "16"**.

- 185 To date, no response has been provided by the Purchaser, and the transaction did not proceed as contemplated by the Vesting Order.
- 186 The Receiver obtained the listing agreement from Ms. Smith which was in place at the time of the Appointment Order.
- 187 After the transaction contemplated by the Mount Nemo Sale Agreement failed to close, the Receiver corresponded with Ms. Smith, providing information with respect to the Receivership Proceedings and the Receiver's intention to conduct a formal sales process for the listing of the Mount Nemo Property (the "**Mount Nemo Listing Process**"). The Receiver invited Ms. Smith to participate in that process. On May 10, 2017, the Receiver received an executed Listing Cancellation from Ms. Smith to allow the Receiver to conduct the Mount Nemo Listing Process.
- 188 Between April 28, 2017 and May 1, 2017, the Receiver researched and compiled a short-list of seven (7) real estate agents/brokers with extensive experience in marketing and selling rural estate properties in the Burlington and surrounding areas, including Ms. Smith (the "**Prospective Brokers**").
- 189 On May 2, 2017, the Receiver distributed a request for proposals (the "**Request for Proposals**" or "**RFP**") via email to the Prospective Brokers outlining: the appointment of the Receiver, the contents of the Mount Nemo Listing Process, and the request for each Prospective Broker to submit a proposal outlining, among other things, such Brokers' experience in the related market, a strategic marketing plan with timelines, as well as indications of value of the Mount Nemo Property, by 5:00 PM EST on May 9, 2017. The Receiver also included a confidentiality agreement, to be executed by the Prospective Brokers, along with preliminary information with respect to the Mount Nemo Property in the RFP. On May 6, 2017, a copy of the RFP was provided to Ms. Smith, inviting her to participate in the RFP conducted by the Receiver. A copy of the RFP is attached hereto as **Appendix "17"**.
- 190 Between May 2, 2017 and May 9, 2017, the Receiver received expressions of interest from four (4) Prospective Brokers (the "**Interested Brokers**"), one (1) response indicating a proposal would not be submitted, and two (2) Prospective Brokers did not respond. Of the four Interested Brokers, the Receiver obtained three executed confidentiality agreements.

- 191 On May 8, 2017, the Receiver provided on-site access to the Mount Nemo Property to the three Interested Brokers who submitted confidentiality agreements. During the on-site visit, the Receiver gave tours of the Mount Nemo Property and responded to questions with respect to the Receivership Proceedings and the Mount Nemo Sale Process.
- 192 On May 9, 2017, RFP submissions from the Interested Brokers were received. A proposal was not received from Ms. Smith. After review of the proposals received from the Interested Brokers, the Receiver selected and notified the successful broker on May 18, 2017, being RE/MAX Aboutowne Realty Corp., Brokerage (the “**Broker**”). A summary of the proposals received is attached to this First Report as **Confidential Appendix “2”**. The Receiver selected the Broker due to its extensive experience selling similar real estate in the Burlington and surrounding area, its competitive commission structure, and its detailed marketing plan to prepare and execute the sale of the Mount Nemo Property.
- 193 On June 8, 2017, the Receiver entered into an MLS listing agreement with the Broker (the “**Listing Agreement**”) which is attached to this First Report as **Confidential Appendix “3”**. The Mount Nemo Property is currently listed for \$3,399,000.

COMMUNICATIONS WITH INVESTMENT ADVISORS

- 194 On May 1, 2017, the Receiver obtained a listing of eight (8) individuals, including Smith, then registered and/or acting for the Crystal Wealth Funds as investment advisors, consultants, referral sources, and/or portfolio managers (the “**Investment Advisors**”). Of the Investment Advisors, the following seven (7) individuals were determined to be registered representatives of Crystal Wealth:
- a) Smith;
 - b) Bentley;
 - c) Housego;
 - d) Scott Whale (“**Whale**”);
 - e) Tim Johnston (“**Johnston**”);
 - f) Sameer Azam (“**Azam**”); and

g) Geoff Reiner (“**Reiner**”).

(collectively referred to as the “**Registered Representatives**”).

195 The remaining Investment Advisor, Jeffrey Mushaluk, was confirmed to not be a Registered Representative of the Company and was independently contracted by the Company as a referral source.

196 On May 2, 2017, the Receiver delivered a letter via email to Housego, Whale, Johnston, and Azam, (the “**May 2nd Letter**”) advising them, among other things:

- a) of the Appointment Order;
- b) of the Receiver’s intention not to execute trades or manage client accounts with NBCN over which the Company had been authorized to make and implement investment decisions (the “**Managed Accounts**”);
- c) not to undertake or effect any activity in the Managed Accounts;
- d) of the Receiver’s intention to honour written directions provided by the Managed Accounts clients to transfer the same to another registered dealer and/or advisor; and
- e) that, at their request and upon releasing the Company from any claims related to their respective business arrangements with the Company, the Receiver would terminate the Registered Representative’s relationship with the Company, and would file an online Form 33-109F1 Notice of Termination of Registered Individuals and Permitted Individuals (the “**Notice of Termination**”) via the National Registration Database (“**NRD**”), enabling them to register with another firm.

197 Subsequent to sending the May 2nd Letter, the Receiver did not receive a response from any of Housego, Whale, Johnston, or Azam instructing the Receiver to terminate their relationship with the Company. On May 17, 2017, the Receiver delivered another letter via email to Housego, Whale, Johnston and Azam (the “**May 17th Letter**”) notifying them that the Receiver intended to file the Notice of Termination and that if they wanted for same to reflect a voluntary resignation, they were to notify the Receiver of such a request in writing by the end of the week.

- 198 When no affirmative response was received from Housego, Whale, Johnston or Azam, the Receiver delivered a further letter dated May 26, 2017 to each of them terminating each of their relationships with the Company, and advising each of them that a Notice of Termination would be filed.
- 199 On May 30, 2017, the Receiver sent a letter to Reiner similarly advising him that the Receiver was terminating his relationship with the Company effective as of that date, and advising him that a Notice of Termination would be filed.
- 200 The Receiver completed the relevant NRD forms to effect the filing of the Notices of Termination, and on May 30, 2017, executed Notices of Termination for all Registered Representatives. The Notices of Termination were filed with NRD on June 7, 2017.

THE RECEIVER'S DEALINGS WITH SMITH

Investor and Other Correspondence

- 201 On May 8, 2017, the OSC and Receiver were made aware of an email communication made by Smith on May 1, 2017 to an unknown group of apparent investors in the Crystal Wealth Funds (the “**Smith Email**”). In the Smith Email, Smith made many false and/or erroneous statements ultimately misinforming the investors who had received same. A copy of the Smith Email is attached to this First Report as **Appendix “18”**.
- 202 On May 10, 2017, the Receiver sent an email to Smith (the “**Smith Response**”) advising him that the Smith Email contained certain false and misleading statements that interfered with the steps and actions taken by the Receiver and that it was in breach of the Appointment Order. The Receiver demanded that Smith cease all communications with investors in the Crystal Wealth Funds, and the Company’s Managed Account clients, unless expressly authorized by the Receiver in writing. In addition, the Receiver demanded that it be provided with copies of any and all communications sent by Smith to any one or more investors in the Crystal Wealth Funds, or to Managed Account clients. As of the date of this First Report no such communications have been provided to the Receiver by Smith. A copy of the Smith Response is attached to this First Report as **Appendix “19”**.
- 203 As of the date of this First Report, the Receiver has corresponded with numerous investors who have received the Smith Email. The Receiver understands the confusion that these

proceedings can cause to investors, which confusion is exacerbated by the Smith Email and the conflicting messages it creates. Through its Notices to Investors, the Receiver has tried to clarify to investors that the Receiver's communications should be the sole source of information relied upon for information and updates concerning the status of the Crystal Wealth Group.

- 204 On May 18, 2017, the Receiver was made aware that Smith had sent an email to Paco advising him that he should continue his services and that he would be compensated by the Receiver. In so doing, it came to the Receiver's attention that Smith had used the email address "crystalwealthceo@gmail.com". A copy of Smith's email is attached to this First Report as **Appendix "20"**.
- 205 On May 20, 2017, the Receiver sent an email response to Smith reiterating that he has no authority to represent or speak on behalf of the Receiver, including with respect to whom will be compensated under the Appointment Order. In addition, the Receiver demanded that Smith refrain from using any email address containing the words "crystal wealth", and cease all communications under same. A copy of the Receiver's response to Smith is attached to this First Report as **Appendix "21"**.

Removal of RV & Moving Trailer

- 206 On April 28, 2017, upon taking possession of the Mount Nemo Property, the Receiver documented a trailer with the license plate L52 87V (the "**Moving Trailer**") and a recreational vehicle with the license plate BVCD 847 (the "**RV**") on the Mount Nemo Property. The Receiver ensured that both the Moving Trailer and RV were both locked and secured prior to leaving.
- 207 On May 7, 2017, the Receiver returned to the Mount Nemo Property and noted that both the Moving Trailer and RV were not present. On May 11, 2017, the Receiver obtained information through the Government of Ontario database, dated May 8, 2017, indicating that Smith was the owner of both the Moving Trailer and RV.
- 208 In Smith's termination letter, dated May 16, 2017 (delivered via registered mail and email, a copy of which is attached to this First Report as **Appendix "22"**), the Receiver notified Smith of the removal of the RV and Moving Trailer and requested that Smith preserve the RV and Moving Trailer, at a location of his choice until such time that the Receiver provided

further direction. The Receiver also requested that Smith notify the Receiver of the location where the RV and Moving Trailer would be located; the Receiver has yet to obtain a response from Smith.

Smith's Proposed Motion & Failure to Deliver Statutory Declaration

- 209 As a result of the Appointment Order, all of Smith's known assets, including bank accounts, continue to be frozen, and all of the Property (as defined in the Appointment Order) of the Crystal Wealth Group was vested in the Receiver.
- 210 At the hearing of the Receivership Application on April 26, 2017, and subsequent to granting the Appointment Order which was unopposed by the Crystal Wealth Group, the Honourable Justice Newbould scheduled a motion date of May 24, 2017 (the "**Comeback Date**"), at which time, Smith was to bring a motion, if he wished, to vary certain terms of the Appointment Order, including any request to access funds for the purpose of retaining counsel and for personal living expenses. The Receiver has received correspondence from investors communicating their opposition to Smith gaining access to such funds.
- 211 On May 18, 2017, the Receiver delivered a blank form of statutory declaration (the "**Statutory Declaration**") to Smith requesting that he provide information concerning, among other things, his assets, liabilities, income, and expenses. A copy of the statutory declaration sent to Smith by the Receiver is attached as **Appendix "23"** to this First Report.
- 212 On May 24, 2017 and June 6, 2017, A&B, on behalf of the Receiver, sent follow-up correspondence to Smith reiterating the Receiver's request that Smith complete the Statutory Declaration. As at the date of the First Report, the Receiver has not received the completed Statutory Declaration from Smith.
- 213 No motion materials were served by Smith prior to the May 24th Comeback Date. On the Comeback Date, Smith advised the Court that his previously retained counsel had resigned on May 18, 2017 and that he therefore required additional time to prepare the necessary materials himself in support of a motion to vary certain terms of the Appointment Order, and more specifically, to access funds for retaining counsel and for personal living expenses (despite not having completed the Statutory Declaration). The Honourable Justice Morawetz directed Smith to serve and file his materials in support of any such

motion with the Court by the close of business on June 1, 2017. Justice Morawetz further directed the Receiver and Smith to re-attend Court with counsel for the OSC on June 2, 2017 to review the status and to set a schedule for the hearing of Smith's motion, if necessary. A copy of the endorsement of the Honourable Justice Morawetz issued on May 24, 2017 is attached as **Appendix "24"** to this First Report.

- 214 On June 1, 2017, Smith, representing himself, served a notice of motion, legal brief, and motion record which failed to include any evidence (the "**June 1 Materials**"). The relief sought in the notice of motion was substantially different than that to which Smith advised the Court he would be seeking on the Comeback Date before Justice Morawetz, and included a request that the Appointment Order, Vesting Order, and OSC Freeze Directions be rescinded in their entirety. A copy of the notice of motion included in the June 1 Materials is attached hereto as **Appendix "25"**.
- 215 On June 2, 2017, the Receiver, A&B, Smith, and OSC lawyers attended the scheduled 9:30 a.m. Court appointment. During the appointment, the Honourable Justice Hainey advised Smith that the June 1 Materials were insufficient to allow the Court to consider the relief sought, and accordingly, the Court declined to schedule Smith's motion. Furthermore, the Honourable Justice Hainey advised that the relief sought by Smith in the June 1 Materials was far different and greater in scope than Smith had communicated to Justice Morawetz at the May 24, 2017 Comeback Date. The Honourable Justice Hainey issued an endorsement on June 2, 2017 scheduling a further 9:30 appearance for June 23, 2017, and directed counsel to provide a progress report to the Court at that time. A copy of the endorsement of the Honourable Justice Hainey issued on June 2, 2017 is attached as **Appendix "26"** to this First Report.

ISSUES CONCERNING REPRESENTATIVE COUNSEL

Housego's Support for the Appointment of CMB as Representative Counsel

- 216 On May 17, 2017, the Receiver was made aware of an email sent by Housego on the same date to a group of investors in the Crystal Wealth Funds using the email address crystalwealthupdates@gmail.com (the "**Housego Email**"). The Housego Email, among other things, "*strongly recommended*" that investors endorse the appointment of Alistair Crawley ("**Crawley**") and Crawley MacKewn Brush LLP ("**CMB**") as representative counsel for investors. Housego's recommendation supporting Crawley and CMB was

done utilizing false and/or erroneous statements regarding the Receivership Proceedings as well as past and future actions to be taken by the Receiver. Most notably, Housego asserted that the cost of CMB's services to the investors would be covered by the Receiver, rather than from the Property of the Crystal Wealth Group. The Housego Email contained a hyperlink which investors could click on to support CMB's appointment as Representative Counsel. A copy of the Housego Email is attached to this First Report as **Appendix "27"**.

- 217 On May 18, 2017, the Receiver delivered an email to Housego (the "**Housego Response**"), attached as **Appendix "28"**, advising him that although the Receiver is supportive of investors seeking independent legal advice, it was concerned about the numerous inaccurate statements which were communicated in the Housego Email, which had given rise to confusion within the investor body.
- 218 On May 24, 2017, the Receiver distributed an email to the email addresses provided by Housego that attached the Housego Email, the Housego Response, and directed these investors to monitor the Receiver's case website for reliable updates concerning the status of the Receivership Proceedings. A copy of the Receiver's communication in this regard is attached to this First Report as **Appendix "29"**.

CMB's Motion to be Appointed as Representative Counsel

- 219 At the June 2, 2017 Court hearing, Crawley, on behalf of CMB, attended to advise the Court of CMB's intention to bring a motion to be appointed as representative counsel for the investors in the Crystal Wealth Funds. On June 9, 2017, CMB served the Receiver with a motion record in support of a motion to appoint CMB as representative counsel to the investors in the Crystal Wealth Funds. A date for the motion has yet to be scheduled.
- 220 At the time of the Appointment Order, CMB acted as counsel for one of the named Respondents, Chrysalis Yoga, and appeared on Chrysalis Yoga's behalf at the hearing before the Honourable Justice Newbould on April 26, 2017.
- 221 Shortly following the Application hearing on April 26, 2017, A&B was contacted by Crawley. During a conference call between A&B and Crawley on May 8, 2017, Crawley indicated that he had been informally speaking with an investor named Tony Murphy, as well as Johnston, one of the Registered Representatives, but had not been retained. On

May 10, 2017, Crawley advised A&B of his view that this case would benefit from representative counsel to represent the interests of investors, and that CMB would be interested in seeking an appointment for this role.

- 222 On May 11, 2017, A&B and the Receiver participated in a conference call with Crawley and Melissa MacKewn of CMB to discuss CMB's interest in the appointment. Crawley advised that he was introduced to the Crystal Wealth situation by Housego and Johnston. The Receiver inquired as to Crawley's experience acting as representative counsel on similar files to which Crawley responded that neither he nor CMB had acted in such capacity. The Receiver advised Crawley that it has had extensive experience interacting with representative counsel in its capacity as Court-appointed Receiver and acknowledged the importance of the role in certain of these mandates. Notwithstanding the above, the Receiver indicated to Crawley that the appointment of representative counsel at that stage was premature.
- 223 On May 16, 2017, Crawley sent a letter via email to A&B reiterating CMB's interest in being appointed representative counsel (the "**May 16th Crawley Letter**"). A copy of the Crawley Letter is attached hereto as **Appendix "30"**. On May 17, 2017, A&B, on behalf of the Receiver, sent a letter in response to the May 16th Crawley Letter reiterating the Receiver's view, and rationale for it, that it was premature for representative counsel to be appointed at that juncture. A&B's response sent to CMB on May 17th is attached to this First Report as **Appendix "31"**.
- 224 On May 19, 2017, (two days after the Housego Email was sent) Crawley sent additional correspondence via email to A&B (the "**May 19th Crawley Letter**") which is attached hereto as **Appendix "32"**. The May 19th Crawley Letter, among other things, contained a critical and aggressive tone towards the Receiver and its actions taken to date and made many incorrect assumptions regarding same. In the letter, Crawley took issue with the fact that the Receiver had not contacted Housego with respect to the management of certain Crystal Wealth Funds. On behalf of the Receiver, A&B provided a response to the May 19th Crawley Letter via letter sent to CMB on May 19, 2017. In its response, A&B advised Crawley, among other things, that it was "surprised by the aggressive tone of your letter" while reiterating once again that the Receiver believed it to be premature to introduce representative counsel at that stage, and to unnecessarily levy the cost of representative counsel to investors at this time. A&B further advised CMB in its letter that

the Receiver had intentionally not consulted with Housego, given the Receiver's view that it was neither necessary nor desirable to seek Housego's consultation in order for the Receiver to review and make appropriate decisions in connection with the Crystal Wealth Funds. A copy of A&B's May 19th letter to CMB is attached to this Report as **Appendix "33".**

- 225 As is set out in A&B's letters to Crawley sent on May 17th and May 19th, the Receiver has not foreclosed the option of recommending representative counsel to investors. However, the Receiver still believes it is premature to engage representative counsel for the following reasons:
- a) The Receiver is acting as independent court officer, with legal representation from A&B, and is taking steps to advance the interests of all investors;
 - b) An omnibus representative counsel will likely not have a meaningful role. The Receiver believes that there are divergent interests among the investor group, given the differences between the Crystal Wealth Funds, and accordingly, many investors may opt out, or multiple representative counsel roles may be required;
 - c) The Receiver believes that the monetization of certain Crystal Wealth Funds is straight forward and as previously mentioned, is currently underway. Accordingly, it seems counter-productive to burden investors in such Crystal Wealth Funds with the cost of representative counsel at this stage; and
 - d) Certain Crystal Wealth Funds may require individual and protracted realization strategies, unique to each Crystal Wealth Fund, during which time the cost of representative counsel could unnecessarily be significant while adding questionable value. As previously discussed in this First Report, the Receiver has expended considerable effort to obtain documentation to fully understand the Off-Book Assets, is continuing the process to do so and will very shortly be in a position to conduct the Sales Process as described in this First Report. In addition, the Receiver will be engaging an expert to assist the Receiver in the management and development of realization strategies of the Media Fund, arguably one of the most complex investments of the Crystal Wealth Funds, and will consider the need for such a specialized advisor in respect of any other fund if the circumstances warrant it.

- 226 The Receiver is of the view that in the event that this Honourable Court nevertheless believes that representative counsel should be appointed, such role should not be fulfilled by Crawley or CMB for the following reasons:
- a) CMB: (i) acted for one of the Respondents, Chrysalis Yoga, an entity which is subject to the Receiver's investigation; (ii) made representations to the Court in that capacity at the time of the Appointment Order; and (iii) is, in the Receiver's view, conflicted from acting in an impartial role;
 - b) Crawley and CMB admitted that they were introduced to the Crystal Wealth situation, in part, by Housego and Johnston. Both of these individuals were actively working with Smith, were Registered Representatives of the Company prior to being terminated by the Receiver, were subject to the OSC's Temporary Order and Extension Order, and are the subject of the Receiver's continued investigation;
 - c) Housego circulated false and misleading information to investors vehemently advocating for CMB to be appointed as representative counsel;
 - d) CMB's correspondence to the Receiver has been inflammatory, accusatory, and misleading, based, at least in part, on knowledge and information provided to CMB by Housego and Johnston; and,
 - e) CMB's alleged proxies from investors, through the hyperlink referenced in the Housego Email, were obtained under false pretenses from Housego.

- 227 If this Honourable Court believes that representative counsel should be appointed, the Receiver respectfully suggests that such role be fulfilled by Cassels, Brock & Blackwell LLP ("Cassels"), a firm with significant experience in acting as representative counsel and a firm well versed in the mutual fund industry and the financial services sector. Cassels is one of the various experienced firms who have contacted the Receiver to communicate an interest in acting in the representative counsel capacity, and has confirmed to the Receiver that it is free of conflicts in acting in such capacity.

RECEIVER'S FEES AND DISBURSEMENTS

- 228 Pursuant to paragraph 23 of the Appointment Order, the Receiver and its counsel are to

be paid their reasonable fees and disbursements at their standard rates and charges, incurred both before and after the making of the Appointment Order. Pursuant to paragraph 24 of the Appointment Order, the Receiver and its counsel shall pass their accounts.

- 229 The Receiver seeks to have its fees and disbursements, including those of its legal counsel, approved by the Court. The Receiver and its counsel have maintained detailed records of their professional time and costs.
- 230 The total fees for the Receiver for the period April 25, 2017 to May 31, 2017, were \$214,276.91, plus disbursements of \$1,566.00, plus HST of \$28,058.28, for a total of \$243,891.19. The time spent by the Receiver is more particularly described in the Affidavit of Jonathan Krieger sworn June 21, 2017 (the "**Krieger Affidavit**"), which is attached hereto as **Appendix "34"** and contains copies of invoices that set out the services provided during this time period.
- 231 The total fees of A&B, as counsel to the Receiver, for the period of April 24, 2017 to May 31, 2017, were \$160,293.50, plus disbursements of \$5,069.55, plus HST of \$21,237.34, for a total of \$186,600.39. The time spent by A&B is more particularly described in the Affidavit of Steven L. Graff sworn June 22, 2017 (the "**Graff Affidavit**"), which is attached as **Appendix "35"** and contains, among other things, copies of invoices that set out the services provided during this period of time.
- 232 It is the Receiver's opinion that the fees and disbursements of the Receiver and A&B accurately reflect the work done by the Receiver and on behalf of the Receiver by A&B in connection with the receivership and the administration of the property of the Crystal Wealth Group from April 24, 2017 to May 31, 2017.
- 233 It is the Receiver's opinion that the fees and disbursements of A&B are fair and reasonable and justified in the circumstances. The Receiver recommends approval of A&B's accounts by this Honourable Court. While the Receiver is seeking approval of its fees and disbursements at this time, the Receiver intends to make a recommendation and seek approval of an allocation of its fees and disbursements among the Crystal Wealth Funds in a further motion before this Court.

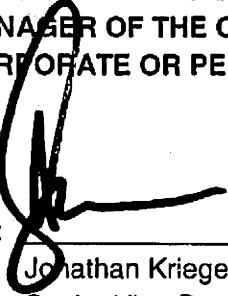
CONCLUSION

234 For the reasons set out in this First Report, the Receiver respectfully requests the relief and approval as set out in the Receiver's Notice of Motion dated June 22, 2017.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 22 day of June, 2017.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND
MANAGER OF THE CRYSTAL WEALTH GROUP, AND NOT IN ITS
CORPORATE OR PERSONAL CAPACITY**

Per:


Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

This is **Exhibit “D”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

Application under Section 129 of the Securities Act, R.S.O. 1990, c. S.5, as amended

SUPPLEMENT TO THE FIRST REPORT TO THE COURT

**SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

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Court File No. CV-17-11779-00CL

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

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

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CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**SUPPLEMENT TO THE FIRST REPORT TO THE COURT
SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

JUNE 29, 2017



**Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario, M5H 3T4**

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CONFIDENTIAL APPENDIX

Appendix 1 Memorandum of Understanding dated June 27, 2017

Court File No. CV-17-11779-00CL

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

B E T W E E N :

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**SUPPLEMENT TO THE FIRST REPORT TO THE COURT
SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

JUNE 29, 2017

INTRODUCTION AND PURPOSE OF THE FIRST REPORT SUPPLEMENT

- 1 This supplement (this "First Report Supplement") is filed by Grant Thornton Limited in its capacity as Court-appointed receiver (the "Receiver") of the Crystal Wealth Group and of the Chrysalis Account. This First Report Supplement is filed by the Receiver as a supplement to its first report dated June 22, 2017 (the "First Report").
- 2 Unless otherwise defined, all capitalized terms in this First Report Supplement are defined as they are in the First Report. Any and all disclaimers provided in the First Report also apply to this First Report Supplement.
- 3 Background information in respect of the Respondents and the Receivers' appointment is provided in the First Report.
- 4 Copies of materials filed in these proceedings generally are available on the Receiver's Case Website at www.grantthornton.ca/crystalwealth.
- 5 The purpose of this First Report Supplement is to inform and update the Court on:
 - a) the Receiver's efforts thus far in monetizing certain On-Book Assets, more specifically, Equities and External Mutual Funds;
 - b) the Receiver's efforts thus far in monetizing certain Off-Book Assets, more specifically, the Squire mortgages; and
 - c) the engagement of Quiver Capital Inc. ("Quiver") as an advisor to the Receiver in managing the Media Fund.

MONETIZATION OF ON-BOOK ASSETS

- 6 As mentioned in the First Report, the Receiver, in consultation with colleagues in Canada and the US with extensive investment and portfolio expertise, is carefully monetizing all marketable securities, including Equities and External Mutual Funds, where possible, which are traded on the various public stock exchanges. The Receiver estimates that this process is over 90% complete, covering the ACM Growth Fund, ACM Income Fund, Factoring Fund, Medical Fund, Media Fund, Resource Fund and the Sustainable Dividend Fund. The Receiver anticipates that this realization process will be completed shortly.

MONETIZATION OF OFF-BOOK ASSETS

- 7 As mentioned in the First Report, Squire had offered to acquire the remaining two Squire Mortgages, with an effective date of June 23, 2017, for proceeds of \$197,526 (proceeds include the entire principal value of the Squire Mortgages (\$196,000) plus accrued interest of \$1,526 to June 23, 2017). The Receiver accepted the offer and the transaction closed on June 23, 2017.

PRESERVATION OF CRYSTAL WEALTH FUNDS

- 8 The Receiver notes that the monetization of individual On-Book Assets and Off-Book Assets will be preserved in each Crystal Wealth Fund to which they pertain and cash proceeds will not be intermingled among other Crystal Wealth Funds.

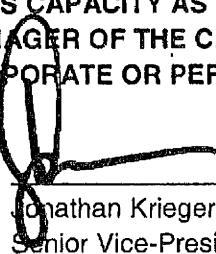
ENGAGEMENT OF QUIVER AS ADVISOR

- 9 The First Report describes the Receiver's potential engagement of Quiver as an advisor to assist with the management of the Media Fund, due to the uniqueness of the Media Fund and Quiver's expertise in this area.
- 10 On June 27, 2017, the Receiver and Quiver entered into a Memorandum of Understanding ("MOU") which outlines the roles and responsibilities of Quiver and compensation in so acting. A copy of the MOU is attached as **Confidential Appendix "1"** which the Receiver respectfully requests be subject to the sealing order as requested in the First Report.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 29 day of June, 2017.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND
MANAGER OF THE CRYSTAL WEALTH GROUP, AND NOT IN ITS
CORPORATE OR PERSONAL CAPACITY**

Per:


Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

ONTARIO SECURITIES COMMISSION

and CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, ET AL.

Short Title of Proceedings

Applicant

Respondents
Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at TORONTO**

**SUPPLEMENT TO THE FIRST REPORT TO THE COURT
SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

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Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit “E”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

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

B E T W E E N :

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**SECOND REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

NOVEMBER 24, 2017



**Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario, M5H 3T4**

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- Appendix 71** Correspondence re: Treatment of Amended BDO Claim
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- Appendix 74** Affidavit of Mark van Zandvoort sworn November 22, 2017

CONFIDENTIAL APPENDICES

Confidential Appendix 1	Zomongo TV Letter of Intent dated October 12, 2017
Confidential Appendix 2	Quiver MOU Amendments dated September 28, 2017 and October 30, 2017
Confidential Appendix 3	Quiver Report dated November 22, 2017
Confidential Appendix 4	Confidential Information Memorandum dated August 10, 2017
Confidential Appendix 5	Receiver's Summary of Initial Offers
Confidential Appendix 6	August 16 th Questions and Complete Manager responses
Confidential Appendix 7	Receiver's Comparison of Complete Management Offers
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Court File No. CV-17-11779-00CL

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

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

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CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**SECOND REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER OF THE RESPONDENTS**

NOVEMBER 24, 2017

INTRODUCTION

THE APPLICATION AND APPOINTMENT ORDER

- 1 The Ontario Securities Commission (the “**OSC**”) issued a temporary order on April 7, 2017 (as extended by the OSC on April 13, 2017 and April 28, 2017 (the “**Temporary Order**”)) providing that the trading of units of all of the Crystal Wealth Funds (defined herein) cease, that trading in securities held by the Crystal Wealth Funds cease, and prohibiting the trading in or acquisition of securities by Clayton Smith (“**Smith**”) and Crystal Wealth Management System Limited (the “**Company**”), with limited exceptions that permitted Smith and the Company to liquidate exchange-traded securities in the Crystal Wealth Funds with such proceeds being deposited into the bank account of the relevant Fund. On October 2, 2017, the OSC further extended the Temporary Order to April 10, 2018 (the “**Extension Order**”), while modifying the Temporary Order issued April 7, 2017 to remove the portions of paragraphs 4 and 5 thereof referring to Smith in his capacity as advising representative, given that Smith’s registration was automatically suspended when he was terminated by the Receiver. The Temporary Order issued April 7, 2017 and the Extension Order are attached hereto as **Appendix “1”** to this Second Report of the Receiver (the “**Second Report**”).
- 2 On April 26, 2017, on application of the OSC to the Ontario Superior Court of Justice (Commercial List), the Honourable Mr. Justice Newbould issued an Order (the “**Appointment Order**”) appointing Grant Thornton Limited: (i) as receiver and manager (in such capacities, the “**Receiver**”), without security, of all of the assets, undertakings and properties (collectively, the “**Property**”) of each of the Respondents, except the Respondent, Chrysalis Yoga Inc. (“**Chrysalis Yoga**”) (each of the Respondents except for Chrysalis Yoga being individually and collectively, the “**Crystal Wealth Group**”); and (ii) as Receiver of the account of the Respondent, Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia (the “**Chrysalis Account**”), and of all contents, including funds, contained in the Chrysalis Account. The proceedings were commenced by way of application made by the OSC (the “**OSC Application**”) under section 129 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Act**”). The said receivership proceedings shall be referred to herein as the “**Receivership Proceedings**”. A copy of the Appointment Order and the endorsement of the Honourable Mr. Justice Newbould are attached thereto as **Appendix “2”**.

- 3 As detailed in the OSC Application, the appointment of the Receiver was based on concerns the OSC had regarding, among other things, the Respondent, Crystal Wealth Media Strategy (the “**Media Fund**”). The OSC stated that it believed that Smith and the Company may have:
 - a) participated in a course of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud, contrary to s. 126.1(1)(b) of the Act;
 - b) failed to act fairly, honestly and in good faith with clients, contrary to s. 2.1 of Rule 31-505 - *Conditions of Registration*; and
 - c) failed to comply with the standard of care expected of investment fund managers under s. 116 of the Act.
- 4 A summary of the circumstances leading to the appointment of the Receiver is outlined in the Receiver’s First Report to Court dated June 22, 2017 (the “**First Report**”) which is attached hereto, without appendices, as **Appendix “3”**. The complete OSC Application can be found on the Receiver’s case website at www.GrantThornton.ca/CrystalWealth (the “**Case Website**”).
- 5 Also on April 26, 2017, the Honourable Mr. Justice Newbould issued a Vesting Order (the “**Vesting Order**”) authorizing the Receiver to complete, on behalf of the Respondent, CLJ Everest Ltd. (“**CLJ Everest**”) (a company wholly owned by Smith), the sale transaction of the property located at 5043 Mount Nemo Crescent in Burlington, Ontario (the “**Mount Nemo Property**”) to Martin McCready (the “**Purchaser**”) pursuant to and in accordance with an agreement of purchase and sale dated April 12, 2017 (the “**Mount Nemo Sale Agreement**”). The Purchaser did not respond to the Receiver’s communications following the issuance of the Vesting Order, and the Purchaser failed to complete the sale transaction. The Receiver has reserved its rights to claim damages from the Purchaser as a result of his failure to complete the sale transaction. As will be described herein, the Mount Nemo Property remains listed for sale by the Receiver.
- 6 On April 26, 2017, counsel for the Crystal Wealth Group requested that the Honourable Mr. Justice Newbould set a motion date on which the Crystal Wealth Group would move to vary certain terms of the Appointment Order, specifically to access funds for paying

counsel and for Smith's personal living expenses. Justice Newbould set a hearing date of May 24, 2017 for the Crystal Wealth Group's motion.

- 7 On May 24, 2017, Smith advised that the Crystal Wealth Group's counsel had resigned and that he was not in a position to proceed with a motion (the materials for which had yet to be served) that day. Smith also advised that he would be self-represented. Accordingly, the Honourable Mr. Justice Morawetz issued an endorsement (the "**May 24, 2017 Endorsement**") that directed Smith's motion materials be served and filed with the Court by the close of business on June 1, 2017 and requiring that the parties attend at a 9:30am appointment with the Court on June 2, 2017 to schedule a date for the motion, if necessary. A copy of the May 24, 2017 Endorsement is attached hereto as **Appendix "4"**.

THE JUNE 2017 MOTIONS AND COURT RELIEF

- 8 On June 1, 2017, Smith served counsel to the Receiver with a motion record in support of a motion requesting, among other things, that the Temporary Order, Appointment Order and Vesting Order be rescinded in their entirety.
- 9 A further development arose on June 1, 2017 when Crawley MacKewn Brush LLP ("CMB") provided a draft notice of motion to counsel to the Receiver indicating that CMB would be seeking an appointment as representative counsel for investors of the Crystal Wealth Funds.
- 10 On June 2, 2017, the Receiver, its counsel, Smith, and CMB, amongst others, attended a 9:30 a.m. appointment with the Court. During the appointment, the Honourable Mr. Justice Hainey advised Smith that his motion record, which failed to include any affidavit evidence, was insufficient to allow the Court to consider the relief sought, and accordingly, the Court declined to schedule Smith's proposed motion. The Honourable Justice Hainey thereafter issued an endorsement (the "**June 2, 2017 Endorsement**") scheduling a 9:30 a.m. appointment with the Court on June 23, 2017, and directed counsel to provide a progress report to the Court at that time. A copy of the June 2, 2017 Endorsement is attached hereto as **Appendix "5"**.
- 11 On June 9, 2017, CMB served the Receiver with a motion record in support of a motion to appoint CMB as representative counsel to the investors of the Crystal Wealth Funds.

- 12 On June 22, 2017, the Receiver provided the Court with its First Report and served a motion record in support of a motion to, among other things, approve: (i) a creditor claims procedure; and (ii) a proposed Sales Process (as defined and described in the First Report) to be conducted by the Receiver by which prospective purchasers and managers could submit bids to the Receiver to either purchase the assets of certain Crystal Wealth Funds, or to take over the management of certain Funds. On June 29, 2017, the Receiver provided the Court with its Supplement to the First Report dated June 29, 2017, a copy of which is attached hereto as **Appendix “6”**.
- 13 On June 23, 2017, the Honourable Justice Hainey issued an endorsement (the “**June 23, 2017 Endorsement**”) scheduling June 30, 2017 as the hearing date for the Receiver’s and CMB’s motions. A copy of the June 23, 2017 Endorsement is attached hereto as **Appendix “7”**.
- 14 On June 30, 2017, the Honourable Mr. Justice Hainey issued an Order and Endorsement (the “**June 30 2017 Order and Endorsement**”) that, among other things, approved:
 - a) the Receiver’s First Report and the activities of the Receiver set out therein;
 - b) the Receiver’s reliance on the Unit Holder Listing (as defined in the First Report) to make interim distributions to investors of the proceeds generated from the divestiture of certain assets of the Crystal Wealth Funds; and
 - c) the Sales Process.

A copy of the June 30th Order and Endorsement is attached hereto as **Appendix “8”**.

- 15 On June 30, 2017, the Honourable Mr. Justice Hainey also issued a Creditor Claims Procedure Order (the “**Creditor Claims Procedure Order**”) that, among other things, approved the procedure for determining and resolving claims to be filed by creditors against the Crystal Wealth Group. A copy of the Creditor Claims Procedure Order is attached hereto as **Appendix “9”**.
- 16 On June 30, 2017, the Court also heard the motion of CMB to be appointed as representative counsel. On July 5, 2017, the Honourable Mr. Justice Hainey issued an endorsement (the “**July 5, 2017 Endorsement**”) which dismissed CMB’s motion. In dismissing the motion, Justice Hainey found that “the investors’ interests are being

protected and advanced by the Receiver" and that "the appointment of representative counsel will add unnecessary expense to the receivership which will adversely affect investors". A copy of the July 5, 2017 Endorsement is attached hereto as **Appendix "10"**.

PURPOSE OF THE SECOND REPORT

- 17 The purpose of this Second Report is to inform the Court of the Receiver's activities since the date of the First Report and to support the Receiver's request for an order, among other things:
- a) approving this Second Report, including the actions and activities of the Receiver as described in this Second Report;
 - b) approving the Receiver's methodology and proposal to make an interim distribution to the investors of certain Crystal Wealth Funds, and authorizing the Receiver to make such interim distribution without liability, including, without limitation, liability for any tax implications arising therefrom;
 - c) approving the Quiver MOU Amendments executed by the Receiver and Quiver (as such terms are hereafter defined);
 - d) directing the following entities and/or individuals to provide the Receiver and its counsel with certain requested but still outstanding information required by the Receiver for a proper account reconciliation and assessment of the Crystal Wealth Group:
 - i) Jerry Froese ("**Froese**") – President & CEO of Frontline Factoring Inc. ("**Frontline**");
 - ii) Alberto Storelli ("**Storelli**"), Brian Peoples ("**Peoples**"); and Joe Harker ("**Harker**") as it relates to their involvement in the US Real Estate LP (defined and described herein);
 - iii) Craig Clydesdale ("**Clydesdale**") – Principal of the OOM Energy Group (defined herein);
 - iv) Kari Gillespie ("**Gillespie**") – Operations Manager of Liberty Mortgage Services Ltd.;
 - v) Stephen Miller ("**Miller**") – a representative of MGE (defined herein);
 - vi) Chuck Pinnell – Principal of 611802 B.C. Ltd.; and

- vii) Stan Spletzer – Principal of Solid Holdings Inc.
- e) directing that The Investment Administration Solution Inc. (“**IAS**”), the third-party entity that performed accounting and record keeping for the Crystal Wealth Funds, provide the Receiver and its counsel with certain requested but still outstanding information required for a proper assessment of the Crystal Wealth Funds, namely, monthly reporting for each of the Crystal Wealth Funds, including all underlying transactions, for the period January 1, 2015 to May 1, 2017;
- f) authorizing the Receiver to examine the following individuals under oath at the offices of Victory Verbatim located at 222 Bay Street, Suite 900, in Toronto, Ontario, with each such individual bearing their own cost of the attendance:
 - i) Al Housego (“**Housego**”), the former Lead Portfolio Strategist for the Resource Fund, Bullion Fund, Factoring Fund, and Hedge Fund (as such Crystal Wealth Funds are defined below);
 - ii) Smith;
 - iii) Joanne Bentley;
 - iv) Clydesdale;
 - v) Gillespie;
 - vi) Froese;
 - vii) Miller;
 - viii) Steven Bandola, a former employee of Frontline;
 - ix) David DenHollander, the President of 647497 B.C. Ltd.;
 - x) Jeffrey Maljaars, Principal of 1566496 Alberta Ltd.;
 - xi) Darcy Pahl, President of Dome Mountain Resources of Canada Inc.;
 - xii) Robert Maljaars, previous signing authority of Dome Mountain Resources of Canada Inc. and Principal of 1566496 Alberta Ltd.;

xiii) Chuck Pinnell – Principal of 611802 B.C. Ltd.; and

xiv) Alan Braun – Principal of Onstar Exploration Ltd.

- g) ordering Frontline pay to the Receiver the sum of \$536,775, representing payments received by Frontline from Zomongo TV, Advanced Metal, 156 Alberta, and Restoration Energy (as such entities are herein defined), which payments have yet to be remitted to the Receiver in trust for the Factoring Fund and Hedge Fund contrary to the FPAA (as defined below);
- h) approving the Receiver's Interim Statement of Receipts and Disbursements for the period from April 26, 2017 to October 31, 2017, attached hereto as **Appendix "11"**;
- i) approving the Receiver's recommendation regarding the treatment of an amended proof of claim filed by BDO Canada LLP ("BDO"), and the BDO Agreement (as defined below);
- j) approving the fees and disbursements of the Receiver and Aird & Berlis LLP ("A&B"), legal counsel to the Receiver, as described herein for the period of June 1, 2017 to September 30, 2017, and an allocation of such fees and disbursements from April 24, 2017 to September 30, 2017; and
- k) sealing the **Confidential Appendices** of this Second Report until further Order of the Court.

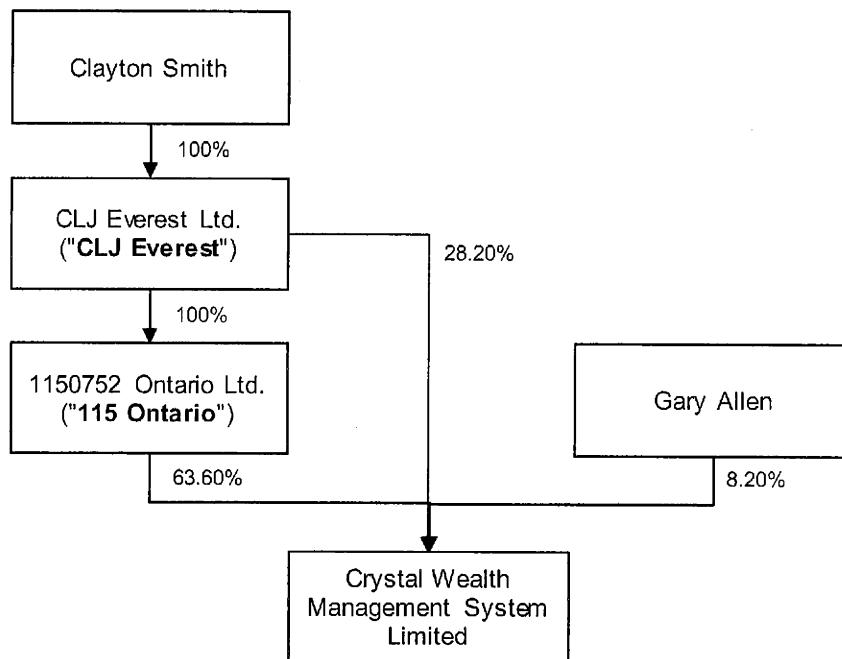
- 18 The Receiver's activities since the date of the First Report are detailed throughout this Second Report.

RESTRICTIONS AND TERMS OF REFERENCE

- 19 In preparing this Second Report, the Receiver has relied upon unaudited and certain audited financial information, the Crystal Wealth Group's books and records, certain financial information obtained by third parties, and discussions with various individuals (collectively, the "**Information**"). Except as described in this Second Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
- 20 This Second Report has been prepared for the use of this Court to provide general information and an update relating to the Receivership Proceedings for the purpose of assisting the Court in making a determination as to whether to approve the relief sought. This Second Report should not be relied on for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Second Report contrary to the provisions of this paragraph.
- 21 Capitalized terms not defined in this Second Report are as defined in the First Report. All references to dollars are in Canadian currency unless otherwise noted.
- 22 Copies of materials filed in these Receivership Proceedings are available on the Receiver's Case Website.

CORPORATE STRUCTURE

- 23 At the time of the Appointment Order, the Company was a corporation registered with the OSC in the categories of: "Exempt Market Dealer", "Investment Fund Manager", "Portfolio Manager", and "Commodity Trading Manager".
- 24 At the time of the Appointment Order, Smith was the controlling mind of the Company, was listed as the sole director and officer, and held a controlling interest of 91.76% in the Company. The ownership structure of the Company is as follows:



- 25 At the time of the Appointment Order, Smith was registered in Ontario with the OSC as a dealing representative, an advising representative in the category of "Portfolio Manager", and an advising representative in the category of "Commodity Trading Manager". Smith was also registered as the Company's chief executive officer, chief compliance officer and ultimate designated person.

26 The Company created and managed the following 15 proprietary investment funds (collectively referred to as the “**Crystal Wealth Funds**”):

- a) Crystal Wealth Mortgage Strategy (the “**Mortgage Fund**”);
 - b) Crystal Enlightened Resource and Precious Metals Fund (the “**Resource Fund**”);
 - c) Crystal Wealth Enlightened Factoring Strategy (the “**Factoring Fund**”);
 - d) Crystal Wealth Medical Strategy (the “**Medical Fund**”);
 - e) Crystal Enlightened Bullion Fund (the “**Bullion Fund**”);
 - f) Crystal Wealth Media Strategy (the Media Fund);
 - g) Crystal Wealth High Yield Mortgage Strategy (the “**High Yield Mortgage Fund**”);
 - h) Crystal Wealth Infrastructure Strategy (the “**Infrastructure Fund**”);
 - i) Crystal Wealth Enlightened Hedge Fund (the “**Hedge Fund**”);
 - j) Crystal Wealth Conscious Capital Strategy (the “**Conscious Capital Fund**”);
 - k) ACM Income Fund;
 - l) ACM Growth Fund;
 - m) Absolute Sustainable Dividend Fund (the “**Sustainable Dividend Fund**”);
 - n) Absolute Sustainable Property Fund (the “**Sustainable Property Fund**”); and
 - o) Crystal Wealth Retirement One Fund (the “**Retirement Fund**”);
- (collectively, the “**Crystal Wealth Funds**”, and individually, a “**Fund**”).

A detailed description of the Crystal Wealth Funds is included in paragraphs 28 to 54 of the First Report. A summary of each of the Crystal Wealth Funds and the Recorded Values of each of the different investments is attached hereto as **Appendix “12”**.

- 27 The Crystal Wealth Funds are structured as open-ended mutual fund trusts. Units in each of the Crystal Wealth Funds were distributed to investors on an exempt basis, pursuant to offering memoranda (“OMs”). The Company managed the day-to-day business of the Crystal Wealth Funds and was required to make investment decisions consistent with each of the Crystal Wealth Funds’ investment objectives. As will be discussed later in this Second Report, certain Crystal Wealth Funds hold investments which were not in compliance with their respective OMs.

EXECUTIVE SUMMARY

- 28 The Receiver strongly encourages that readers of this Second Report read it in its entirety as it provides important details of the work performed by the Receiver that led to its conclusions and concerns as set out in this Executive Summary.
- 29 As the large majority of the investments contained within the Crystal Wealth Funds are unconventional, the Receiver has spent a significant amount of time, together with its advisors, to understand and assess the underlying investments, and the quality and realizable value of same, where possible. Furthermore, the significant deficiencies in the Company's books and records with respect to the documentation (or lack thereof) associated with such investments, and the refusal by certain individuals to provide required information to the Receiver to properly conduct its mandate, have created additional complexities for the Receiver and its counsel in understanding and supporting the investments and their respective values.
- 30 The Receiver is sympathetic to the needs of investors in the Crystal Wealth Funds, many of whom have conflicting interests. Certain investors may have a long term investment strategy. Some investors may have the need for short term stable income or dividends, while others are prepared to accept more risk. In executing its mandate, the Receiver has to balance the needs and interests of investors, and make recommendations in the best interest of all stakeholders.
- 31 The Receiver's investigation of the Company's affairs has identified serious concerns around the conduct of certain parties associated with the Crystal Wealth Funds and the underlying investments therein.
- 32 The Receiver draws the following conclusions:
- a) The lack of segregation of duties in performing the day to day operations and governance thereof (e.g. Smith was the controlling mind, sole director, and Chief Compliance Officer, among others) resulted in the Company not having an effective organizational structure to ensure proper oversight and governance of the Crystal Wealth Funds and possibly, compliance with Ontario securities laws, including, without limitation, the Act;

- b) The decisions of the Company, Smith, and Housego to cause certain of the Crystal Wealth Funds to advance monies to third parties, purportedly on account of investments, which investments had questionable return and recovery prospects, were inconsistent with the Funds' investment objectives as set out in the OMs, and/or lacked the security which was to be provided by third parties to the Crystal Wealth Funds in connection with such investments;
 - c) The Receiver is concerned with the relationships between Smith, Housego, administrators of certain investments in Crystal Wealth Funds, and the principals of the companies in which certain Crystal Wealth Funds advanced monies purportedly on account of investments;
 - d) Certain Crystal Wealth Funds' exposure was concentrated within a few companies who received substantial monies from the Funds;
 - e) The Receiver is concerned as to the ultimate use of and lack of accountability for the investors' monies once such investments were made by the Company, Smith, and/or Housego on behalf of the Funds;
 - f) The Company transferred significant money between Crystal Wealth Funds which may have been used to falsely create liquidity to meet investor distributions and/or redemptions;
 - g) The Company made payment of distributions to investors in Crystal Wealth Funds, which Funds had no sources of income, or cash flow. Such payments appear to have been only supportable by Inter-fund Investments;
 - h) The Company disclosed false or manipulated net asset values ("NAVs") of the Funds, causing the NAVs of certain Funds to be materially overstated; and
 - i) Accordingly, the quality of and ultimate collectability of investments held by certain of the Crystal Wealth Funds: the Factoring Contracts; the Media Loans; certain Commercial Loans; the Gold Loans; and the US Real Estate LP, may be grossly impaired.
- 33 Given the Receiver's findings and concerns as detailed in this Second Report, the Receiver will be bringing the contents of the Second Report to the attention of the Ontario

Provincial Police and the Royal Canadian Mounted Police.

- 34 The Receiver has significant concerns over the quality and ultimate collectability of approximately \$88.72 million of Recorded Value, or approximately 46% of the April 20th Package NAV provided by Smith of \$193,198,912. In addition, the Receiver has concerns that there may be further potential impairment of approximately \$27.91 million (Recorded Value).
- 35 The Receiver has monetized approximately 98% of the marketable securities held within the Crystal Wealth Funds, in consultation with its corporate finance team and NBCN. Notwithstanding the challenges regarding specific investments contained in the Crystal Wealth Funds, there is currently cash on hand for certain of the Crystal Wealth Funds from the proceeds of the Receiver's monetization of marketable securities and its on-going management of the Crystal Wealth Funds which are available for interim distributions to investors in certain of the Crystal Wealth Funds in the sum of \$30,817,199. Accordingly, the Receiver is requesting the Court to approve the first interim distribution to investors, the methodology of which is specified in the section below.
- 36 As authorized by the Court on June 30, 2017, the Receiver conducted a Sales Process in respect of the Crystal Wealth Funds, seeking parties interested in buying assets of certain Funds, or assuming management of certain Funds. By the Offer Deadline, the Receiver obtained seven offers from different Prospective Purchasers and Prospective Managers.
- 37 The Receiver worked diligently to investigate and consider Prospective Managers' offers to assume the management of certain Funds, however, the Receiver ultimately rejected the management offers as the Receiver was of the view that it was not in the best interest of Crystal Wealth Fund investors to accept any of the management offers that were submitted. The management offers received via the Sales Process provided no certainty that the Crystal Wealth Funds would be managed back to fiscal health (especially in light of the concerns with many of the recorded investments). In addition, no offer was received that gave the Receiver any comfort that the investors would have a timely avenue through which to redeem their units and turn them into cash (let alone any certainty with respect to the price at which such redemption might happen). The proposed management transactions themselves would have taken several months to be completed, with no guarantees of completion as the offers submitted were highly conditional.

- 38 Given the nature of the Funds and the serious issues with certain of the investments held therein, the Receiver is of the view that any third party manager would face the same issues of "creating" liquidity from these impaired investments and, arguably, would have to outsource management of same as they would not typically possess the necessary skill and experience to deal with these types of investments and their distressed status, as compared with the experience of the Receiver. Furthermore, certain recourse is available to the Receiver under the Appointment Order which would not be available to a third party management firm.
- 39 In addition to its specific communications and correspondence with individual investors, the Receiver has issued 10 formal Notices to investors in respect of the status of the Crystal Wealth Funds, including a description of the Receiver's actions to date. Such Notices have been posted on the Receiver's Case Website.

MONETIZED CRYSTAL WEALTH FUNDS

- 40 As outlined in the First Report, certain of the Crystal Wealth Funds contained equity investments in companies, the securities of which were traded on active market exchanges and were readily saleable (“**Equities**”). In addition, certain Crystal Wealth Funds had unit holdings in mutual funds not managed by the Company and thus external to the Crystal Wealth Group, which were monetizable (“**External Mutual Funds**”). As authorized in subsection 6(k)(i) of the Appointment Order, and as set out in the First Report, the Receiver commenced the monetization of Equities and External Mutual Funds in June 2017.
- 41 As the result of the monetization of certain Equities and External Mutual Funds (the results of which are described in detail below), the following Crystal Wealth Funds have been fully monetized¹ into cash, with the exception of the below noted Inter-fund Investments:
- a) **Sustainable Dividend Fund**
 - i) Cash – \$6,656,066 and US \$3,542; and
 - ii) Inter-fund Investment held in the Sustainable Property Fund with a Recorded Value of \$75,693.
 - b) **ACM Growth Fund**
 - i) Cash – \$5,926,304 and US \$153,275; and
 - ii) Inter-fund Investments held with a total Recorded Value of \$4,739,753 in the following four Crystal Wealth Funds with the respective Recorded Values of:
 - 1. Factoring Fund – \$2,511,932;
 - 2. Mortgage Fund – \$1;
 - 3. Hedge Fund – \$1,655,059; and
 - 4. Media Fund – \$572,761.

¹ Cash balances are as at October 31, 2017 as per NBCN.

c) **ACM Income Fund**

- i) Cash – \$930,429 and US \$2,180;
 - ii) Inter-fund Investments held with a total Recorded Value of \$9,898,493 in the following four Crystal Wealth Funds, distributed as follows:
 1. Media Fund – \$6,594,529;
 2. Factoring Fund – \$2,426,339;
 3. Medical Fund – \$560,297; and
 4. Hedge Fund – \$317,328.
- 42 As outlined above, Inter-fund Investments are investments made in Crystal Wealth Funds by other Crystal Wealth Funds through the purchase of units. As a result, similar to individual investor unit holdings, Inter-fund Investments cannot be valued until the investments in the underlying Crystal Wealth Funds of such Inter-fund Investments are realized/valued. The monetization of the Inter-fund Investments will occur through distributions made from one Crystal Wealth Fund to another Crystal Wealth Fund which holds units in the former Fund. Once such distributions are received by the latter Fund, if any, those monies will ultimately be made available for further distribution to investors of the latter Fund.
- 43 Unfortunately, a large majority of the above noted Inter-fund Investments are in the Media Fund, Factoring Fund, and Hedge Fund, all of which hold underlying investments that are illiquid, significantly impaired, and/or have been materially overstated by the Company. As a result, the Recorded Values of the Inter-fund Investments are significantly overstated whereby the Funds which have invested in the Media Fund, Factoring Fund, and Hedge Fund will receive far less from these Funds than was invested.

MONETIZATION OF EXTERNAL MUTUAL FUNDS, EQUITIES, AND WARRANTS

- 44 In the First Report and Supplement to the First Report, the Receiver outlined its efforts to monetize readily saleable marketable securities held by certain Crystal Wealth Funds. The rationale for this was the over-arching investment objective of minimizing the downside risk of uncontrollable domestic and global market factors in the short term and to permit an interim distribution to the investors. Through a distribution, investors will be free to reinvest the proceeds received on their own accord. The Receiver, in consultation with colleagues in Canada and the US with extensive investment and portfolio expertise, as well as with the assistance of NBCN, carefully monetized all marketable securities, including Equities, Warrants, and External Mutual Funds which are traded on the various public stock exchanges, to the extent that such monetization was possible.
- 45 The Receiver was also cognizant of the Crystal Wealth Funds' underlying OM's when monetizing the marketable securities to ensure the monetization of certain investments did not create concentration risk in other particular investments. For example, the OM of the Resource Fund states that:

"The [Resource] Fund will limit its exposure to any one issuer to no more than 30% of the Fund's net assets..."

When performing the monetization of the below noted assets, the Receiver ensured the timing of such monetization reduced the risk of concentration of a particular investment whereby a negative movement in the value of same could have a detrimental impact on the underlying Crystal Wealth Fund(s).

- 46 The tables presented in this section with respect to the monetization of the Equities and External Mutual Funds contain the following information:
- a) the market value of the Equities and External Mutual Funds as at the closing of April 26, 2017, the date in which the Receiver was appointed over the Crystal Wealth Group, (the "**April 26th Market Value**"); and
 - b) the gross proceeds received by the Receiver from the monetization of the Equities and/or External Mutual Funds (the "**Monetization Proceeds**").

EXTERNAL MUTUAL FUNDS

- 47 Upon completion of the monetization of the External Mutual Funds, the realized loss was minimal, amounting to approximately \$7,082 on Monetization Proceeds of \$5,045,681. The table below outlines the results of the monetization of the External Mutual Funds for each of the Crystal Wealth Funds that held same; no selling commissions were incurred on the disposition of External Mutual Funds.

Fund	April 26th Market Value	Monetization Proceeds
ACM Growth Fund	\$ 3,417,725	\$ 3,410,855
ACM Income Fund	565,089	564,876
Medical Fund	25,345	25,345
Media Fund	1,044,604	1,044,604
	\$ 5,052,763	\$ 5,045,681

EQUITIES

- 48 As at the date of this Second Report, the Receiver has monetized approximately 98% of the Equities contained within the Crystal Wealth Funds. The Resource Fund and ACM Growth Fund currently have approximately \$50,000 each of low volume trading Equities remaining to which the Receiver is working with NBCN to monetize. Overall, the monetization of Equities generated a realized loss of \$554,382 and a realized gain of approximately US \$128,304, excluding commissions of \$57,263 and US \$11,469.
- 49 The table below outlines the results of the monetization of the Equities for the below noted Crystal Wealth Funds.

Fund	April 26th Market Value		Monetization Proceeds	
	CAD	USD	CAD	USD
Sustainable Dividend Fund	\$ 1,438,364	\$ 3,688,297	\$ 1,478,092	\$ 3,829,828
Resource Fund	1,190,079	-	1,081,758	-
ACM Growth Fund	4,947,908	402,478	4,514,672	389,251
Factoring Fund	191,419	-	138,866	-
	\$ 7,767,770	\$ 4,090,776	\$ 7,213,388	\$ 4,219,079

- 50 The majority of the CAD realized loss is attributable to three holdings in the ACM Growth Fund: (i) UEX Corporation; (ii) Pacific Booker Minerals Inc.; and (iii) Emblem Corporation. Had the Receiver not monetized all three Funds when it did, the loss would have been greater given that the market value as at October 31, 2017 was approximately \$63,000 less than the Receiver realized.

WARRANTS

- 51 The Crystal Wealth Funds contained a number of warrant options for the purchase of shares in equities traded on active markets at a stated price ("Warrants"). Based on a preliminary review of supporting documentation, some of the Warrants contain restrictions on their assignability and ultimately, their salability. However, the Receiver is able to exercise such Warrants (i.e. purchase the company shares attached to the Warrants for a stated price) subject to the conditions of exercisability being satisfied. Although the underlying documentation for a majority of the Warrants was not contained in the Crystal Wealth Group's books and records, the Receiver was able to obtain such documentation from NBCN. The Receiver has prepared a listing of the Warrants currently held by the Crystal Wealth Funds, which is attached hereto as **Appendix "13"**.
- 52 The Receiver continues to evaluate each of the Warrants with its advisors by monitoring the market values of the underlying shares of the companies to which the Warrants apply. In cases where the price to purchase shares under a particular Warrant is favourable (i.e. when the exercise price is less than that of the market value price of the shares), the Receiver has exercised the Warrant and acquired the underlying shares.

- 53 As at the date of this Second Report, the Receiver has exercised the following Warrants whereby it has purchased the shares in the underlying companies:
- a) GREATBANKS RES LTD 20JUL17 – 363,637 shares at a strike price of \$0.03/share;
 - b) NOVO RES CORP 24JUL17 – 96,160 shares at a strike price of \$0.80/share;
 - c) KLONDIKE GOLD CORP 5AUG17 – 100,000 shares at \$0.20/share;
 - d) MONTAN MINING CORP 14AUG17 – 363,640 shares at a strike price of \$0.02/share;
and
 - e) GOLDEN RIDGE RES LTD 20OCT17 – 250,000 shares at a strike price of \$0.12/share
(collectively, the "**Exercised Warrants**").
- 54 As at the date of this Second Report, of the above Exercised Warrants, the Receiver has monetized the resulting shares obtained from one (1) of the Exercised Warrants: Novo Resources Corp. The Receiver monetized the 96,160 shares acquired in Novo Resources Corp. from exercising the Warrant of same for proceeds of \$726,864. This resulted in net cash proceeds to the Resource Fund of \$649,936, as the shares were acquired for \$76,928. The Receiver continues to work with NBCN to monetize shares acquired through the exercising of Warrants.

THE RECEIVER'S PROPOSED INTERIM DISTRIBUTION

- 55 Through the completion of the monetization of the Equities, External Mutual Funds, certain shares acquired through exercising Warrants, and the maturation and payout of certain Off-Book Assets, the Receiver currently has net proceeds available for distribution to investors of certain Crystal Wealth Funds of \$30,817,199, after the allocation of professional fees and appropriate holdback for claims filed pursuant to the Creditor Claims Procedure Order.
- 56 Cash balances are those being held in the respective Fund accounts at NBCN. Any proceeds (e.g. mortgage payments) or realizations from the monetization of marketable securities of a particular Fund were deposited to that Fund's bank account at NBCN. In other words, each Fund is being managed and accounted for on its own with no commingling amongst the Funds.
- 57 The creditor claims filed are currently being analyzed by the Receiver. However, for purposes of the Receiver's request for a timely interim distribution to investors, the Receiver has included a holdback for the full value of the creditor claims filed (as outlined in the table below) while they remain under evaluation. As detailed in the Creditor Claims Procedure section to this Second Report, a claim which named a particular Fund was allocated to that Fund. For those claims which named the Crystal Wealth Funds in general, such claims were allocated among the Crystal Wealth Funds based on the weighted average of the recorded NAV as at April 20, 2017 of each Crystal Wealth Fund.
- 58 The sole exception to the holdbacks provided for on account of the creditor claims filed through the Creditor Claims Procedure concerns the contingent claim filed by BDO Canada LLP ("BDO"), which is addressed in paragraphs 410 to 418 below and has been resolved by the Receiver in a manner which permits the Receiver's proposed interim distributions to investors to proceed.
- 59 The following table demonstrates the calculated proposed per unit interim distribution to investors of certain of the Crystal Wealth Funds using the foregoing allocation methodology, and with respect to the allocation of Receiver and legal fees through to September 30, 2017 (including HST). The database of investors are that as contained in the records of IFDS pursuant to the June 30, 2017 Order. Cash balances for each of the

Crystal Wealth Funds are as at November 15, 2017. The total cash balance of \$38,780,756 consists of \$36,227,236 and US \$1,999,154, converted at a rate of 1.2773 (\$2,553,520).

Fund	Cash Balance	Claims/Account Holdbacks	Receiver & Legal Fees	Available Proceeds	Per Unit
Mortgage Fund	\$ 5,208,001	\$ (1,126,299)	\$ (205,000)	\$ 3,876,702	\$ 1.45
Resource Fund	1,910,766	(104,745)	(34,503)	1,771,517	\$ 2.93
Factoring Fund	637,647	(1,050,607)	(147,086)	(560,045)	\$ -
Medical Fund	2,368,693	(354,966)	(61,541)	1,952,186	\$ 2.86
Bullion Fund	271,308	(87,360)	(17,441)	166,507	\$ 2.02
Media Fund	8,954,229	(2,255,355)	(315,145)	6,383,729	\$ 1.18
High Yield Mortgage Fund	1,854,851	(205,975)	(63,658)	1,585,219	\$ 2.92
Infrastructure Fund	2,088,371	(372,335)	(32,803)	1,683,234	\$ 2.19
Hedge Fund	630,890	(387,839)	(86,693)	156,358	\$ 0.12
Conscious Capital Fund	27,912	(120,971)	(2,039)	(95,098)	\$ -
ACM Income Fund	933,137	(243,122)	(32,480)	657,534	\$ 0.62
ACM Growth Fund	6,121,572	(255,922)	(31,366)	5,834,284	\$ 4.88
Sustainable Dividend Fund	6,660,591	(122,762)	(37,021)	6,500,807	\$ 10.76
Sustainable Property Fund	1,112,788	(168,153)	(40,370)	904,265	\$ 1.99
	\$38,780,756	\$ (6,856,412)	\$ (1,107,146)	\$ 30,817,199	

- 60 As the foregoing table suggests, the Receiver is recommending a per unit distribution for all Crystal Wealth Funds except for the Factoring Fund and the Conscious Capital Fund, where no funds are available for distribution. With respect to the Factoring Fund, the lack of funds available for distribution to investors arises directly from the significant impairment of the purported investments made by the Factoring Fund prior to the Receiver's appointment, as is detailed throughout this Second Report and immediately below.

- 61 Holdbacks for actual and future estimated Receiver and legal fees are similarly tracked in the table above either by specific Crystal Wealth Fund, or if they represent time allocable to all Crystal Wealth Funds, then such fees were allocated on the basis of effort and number of investors in each Fund. Cumulative Receiver and legal fees of approximately \$127,671 (including HST) were allocated outside of the Crystal Wealth Funds to Crystal Wealth Group entities and individuals including, CLJ Everest, Smith, and 115 Ontario.

DISCUSSION OF INVESTMENTS AND RECEIVER'S FINDINGS

FACTORING CONTRACTS

BACKGROUND

- 62 As outlined in the First Report, all of the Factoring Contracts (agreements to purchase invoices or portions thereof, which after purchase are referred to as "**Purchased Invoices**", from operating businesses referred to as "Merchants", for a discount and a service fee) are sourced and administered by Frontline Factoring Inc. Frontline was tasked by the Company with finding these opportunities and then collecting the invoice value from the underlying debtor(s) of the invoice(s) (the "**Debtors**"). The procurement and administration of Factoring Contracts is governed by a Factoring Procurement and Administration Agreement ("**FPAA**") entered into with Frontline by the Factoring Fund and the Hedge Fund.² A copy of the FPAA entered into with Frontline by the Factoring Fund is attached hereto as **Appendix "14"**.
- 63 As at the date of this Second Report, the Factoring Fund and the Hedge Fund have outstanding Purchased Invoices acquired through Factoring Contracts entered into with the following Merchants:
- a) Dome Mountain Resources of Canada Inc. ("**Dome Mountain**");
 - b) Zomongo TV Corp ("**Zomongo TV**");
 - c) Advanced Metal Concept and Fabrication Ltd. ("**Advanced Metal**");
 - d) 1566496 Alberta Ltd. ("**156 Alberta**");
 - e) 647497 B.C. Ltd. ("**647 BC**");
 - f) Restoration Energy Inc. ("**Restoration Energy**"); and
 - g) Single Source Services Ltd. ("**Single Source**")

² Frontline has advised the Receiver that it does "not ever remember" a FPAA executed by the Hedge Fund, and that Frontline cannot locate such an agreement. Frontline was accordingly to conduct the administration of the Hedge Fund Factoring Contracts as per the FPAA entered into by the Factoring Fund with Frontline.

(collectively, the “**Merchants**”).

- 64 As at October 26, 2017, the Factoring Fund and Hedge Fund had total principal owing from the Merchants of \$23,013,773 and \$3,011,397, respectively, totaling \$26,025,170 (the “**Factoring Principal Balance**”). The Factoring Fund and Hedge Fund also had interest owing under the Factoring Contracts of \$3,744,678 and \$909,586, respectively, totaling \$4,654,265 (the “**Factoring Interest Balance**”). The sum of the Factoring Principal Balance and the Factoring Interest Balance, totaling \$30,679,435, is referred to herein as the “**Factoring Balance**”.
- 65 The following table outlines the principal and interest owing from each of the Merchants as at October 26, 2017.

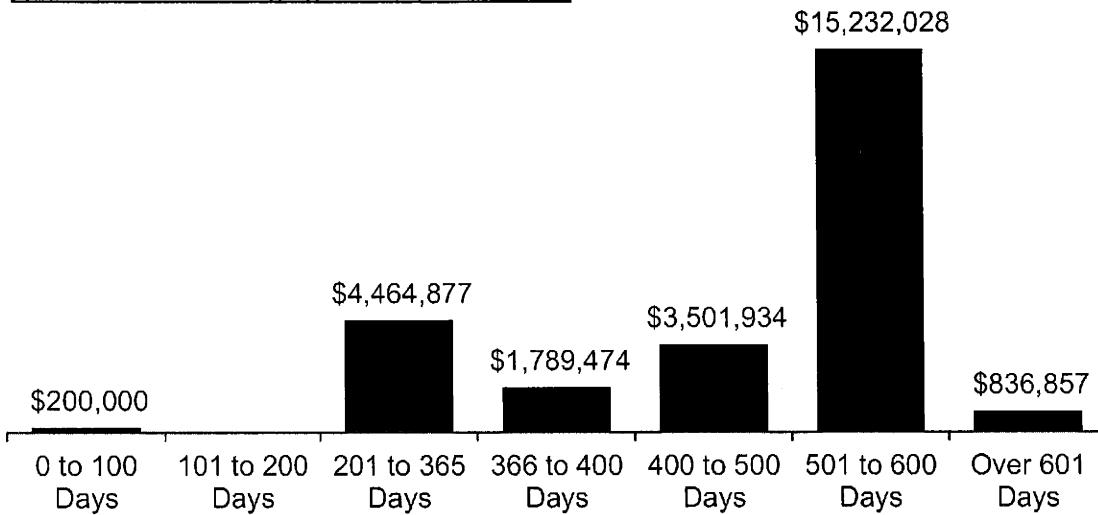
Merchant	Principal			Interest		
	Factoring Fund	Hedge Fund	Total	Factoring Fund	Hedge Fund	Total
Dome Mountain	\$ 12,793,175	\$ 1,015,660	\$ 13,808,835	\$ 2,280,593	\$ 181,058	\$ 2,461,651
Zomongo TV	6,204,373	1,494,737	7,699,110	845,396	660,307	1,505,702
Advanced Metal	1,256,311	-	1,256,311	248,029	-	248,029
156 Alberta	824,039	-	824,039	140,318	-	140,318
Restoration Energy	1,402,193	501,000	1,903,193	100,876	68,222	169,098
647 BC	439,698	-	439,698	109,260	-	109,260
Single Source	93,985	-	93,985	20,206	-	20,206
	\$ 23,013,773	\$ 3,011,397	\$ 26,025,170	\$ 3,744,678	\$ 909,586	\$ 4,654,265

A more detailed account of each of the balances owing from the Merchants, the underlying Purchased Invoices of such balances, and the Debtors of same, is included in a summary prepared by the Receiver attached hereto as **Appendix “15”** (the “**Outstanding Invoice Schedule**”). A detailed discussion of the status of the individual Merchants and the Receiver’s activities with respect to same is outlined below.

RECEIVER'S KEY FINDINGS**Non-Performance of the Factoring Contracts**

- 66 Since its appointment, the Receiver has monitored the Factoring Contracts mainly through its review of the weekly reporting provided to the Factoring Fund and Hedge Fund by Frontline which outlines the outstanding Purchased Invoices and the activity of same (the "Weekly Frontline Reporting").
- 67 As demonstrated in the Outstanding Invoice Schedule, the Factoring Fund and Hedge Fund have only collected \$2,310,507 and \$10,963, from four (4) Merchants, on the outstanding Purchased Invoices. A total of \$2,786,052 (which includes the above noted amounts) was collected by the Hedge Fund and Factoring Fund during the 12 months prior to the Appointment Order. The Receiver has concerns as to how redemptions and distributions to investors in the Factoring Fund and Hedge Fund were made prior to the Receiver's appointment given the minimal collections during the 12 months preceding the Receiver's appointment on the Factoring Contracts, and with respect to the US Real Estate LP and Gold Contracts. The Receiver has concerns that the Inter-fund Investments made by other Crystal Wealth Funds and/or investors who purchased units in the Factoring/Hedge Fund did so at an overstated NAV and funded the redemptions and distributions to other investors.
- 68 As at the Receiver's appointment on April 26, 2017, the average number of days outstanding for the Purchased Invoices (i.e. the difference between the invoice date and April 26, 2017) (the "**Invoice Days Outstanding**") was approximately 405 days. The oldest invoice outstanding is dated August 4, 2015 while the most recent invoice outstanding is February 12, 2017. The following table demonstrates the aging of the principal balances owing under the Purchased Invoices.

Purchased Invoice Aging as at April 26, 2017



As shown above, as at April 26, 2017, approximately 82% (\$21,360,293) of the Factoring Principal Balance was over one (1) year past the invoice date.

- 69 In the Receiver's initial discussions with Frontline, Frontline advised that it was in constant communication with the Merchants noted above and that it was being advised by the Merchants that payments would be made on the Purchased Invoices in the near future. Notwithstanding these representations, as at the end of July 2017, the Receiver notes that no payments had been received from any of the Merchants or the Debtors since the Appointment Order.

Frontline and the Receiver's Efforts in Pursuing Non-Paying Debtors

- 70 In the absence of payments being received from the Debtors and/or the Merchants, despite Frontline's initial assurances, the Receiver engaged in the following with respect to all Debtors and Merchants.
- 71 On June 28, 2017, A&B, on behalf of the Receiver, sent Frontline a letter (the "**June 28 2017 Receiver Letter**") that, among other things:
- advised that at times, Frontline had failed to provide the Weekly Frontline Reporting and that such reporting should be provided to the Receiver forthwith;

- b) requested that Frontline provide reports to the Receiver with respect to any Non-Performing Factoring Arrangements as required by s. 5.1 of the FPAA (the “**Non-Performing Reports**”); and
- c) requested that Frontline, under s. 4.1(e) of the FPAA, send correspondence to all Debtors advising that the Receiver’s appointment is of no consequence to the amount owing under the Purchased Invoices and that the amount of same must be remitted in full.

A copy of the June 28 2017 Receiver Letter is attached hereto as **Appendix “16”**.

- 72 On June 30, 2017, Frontline delivered to the Receiver a Non-Performing Report dated June 30, 2017 (the “**June 30 2017 Non-Performing Report**”) which provided a status update on all of the Merchants. Based on the Receiver’s review of the Company’s books and records, the Receiver was unable to locate any Non-Performing Reports prepared by Frontline and sent to the Factoring Fund and/or Hedge Fund prior to receiving the June 30 2017 Non-Performing Report.
- 73 On July 12, 2017, letters were sent by Frontline to all of the underlying Debtors advising them of the Purchased Invoices outstanding and their obligation to remit payment (the “**Frontline July 12 2017 Letters**”). An example of the Frontline July 12 2017 Letters, excluding Debtor information, is attached hereto as **Appendix “17”**.
- 74 On August 15, 2017, after no correspondence and only one payment of \$25,000 being received, the Receiver sent letters to each of the Debtors (the “**August 15 2017 Debtor Letters**”). The August 15 2017 Debtor Letters, which referenced the Frontline July 12 2017 Letters and the Purchased Invoices outstanding, demanded that the Debtors remit all outstanding amounts owing under the Purchased Invoice — including accrued interest – directly to Frontline, in trust for the Receiver, by no later than 5:00 p.m. EST on August 23, 2017. Despite the August 15 2017 Debtor Letters, only one further payment has been remitted on account of a Purchased Invoice in the sum of \$113,044.51.³

³ The Debtor pursuant to this Purchased Invoice is Lotus Environmental Ltd, pursuant to the Factoring Fund’s Factoring Agreement with the Merchant, Advanced Metal. Frontline has yet to remit any of this payment to the Receiver, contrary to the Receiver’s directions to Frontline pursuant to the FPAA.

Compliance with Factoring Fund and Hedge Fund OMs

75 As outlined in the First Report, the Factoring Fund's investment objective is to:

"...to provide consistently positive total returns...by investing primarily in commercial factoring contracts. The Fund is also authorized to invest in other securities including equities, fixed income securities, investment funds and exchange-traded derivatives."

(the "Factoring Fund Investment Objective").

- 76 The Receiver is of the opinion that the issuance of the Bridge Facility to Dome Mountain (as defined and described in detail below) resulted in the Factoring Fund breaching the Factoring Fund Investment Objective. The non-disclosure of such an investment is a gross misrepresentation to investors investing into a fund with the expectation to be invested in Factoring Contracts whereby traditional receivables are being purchased.
- 77 It is unclear if the Factoring Contracts would be considered appropriate investments in the Hedge Fund given the broad wording contained in the Hedge Fund's OM.

Receiver's Conclusion on the Non-Performance of the Factoring Contracts

- 78 Based on the foregoing, it is unlikely that the outstanding Purchased Invoices will be paid by the Debtors – several of whom are resident outside of Ontario, Canada, or North America – as it appears that no payments have been received by the Debtors directly for any of the outstanding Purchased Invoices. Neither the Factoring/Hedge Fund nor the Merchants have any security against the Debtors for the Purchased Invoices; both are unsecured creditors of the Debtors. The pursuit of the Debtors for the payment of the Purchased Invoices would be an expensive process which would likely result in unfavorable results, if any. Frontline has indicated that collections from the underlying Debtors is unlikely, and that the Merchants are likely the sole recourse for recovery.
- 79 Under the Factoring Contracts, there are certain provisions available to the Factoring Fund and Hedge Fund (i.e. the Receiver) against the Merchants to pursue the outstanding balances under the Purchased Invoices, including in some cases, security over the assets of the Merchants. As a result, pursuing the Merchants for the balances owing to the Factoring Fund and Hedge Fund is the most economical and best source of any recovery.

80 The following section describes: (i) what the Receiver has learned about each of the Merchants and the facts that led to the acquisition of the impaired Purchased Invoices by the Factoring Fund and Hedge Fund; and (iii) the Receiver's activities thus far in pursuing the Merchants for the repayment of same.

RECEIVER'S DETAILED REVIEW OF FACTORING CONTRACTS

Dome Mountain

81 As noted above, as at October 26, 2017, Dome Mountain has an outstanding balance owing to the Factoring Fund and Hedge Fund of \$15,073,768 and \$1,196,718, respectively, totaling \$16,270,486 (the "**Dome Mountain Balance**"). The Dome Mountain Balance includes principal owing to the Factoring Fund and Hedge Fund of \$12,793,175 and \$1,015,660, respectively, in addition to interest owing to the Factoring Fund and Hedge Fund of \$2,280,593 and \$181,058, respectively.

82 Based on numerous discussions with Frontline and a detailed review of the documentation located with respect to the Dome Mountain Balance, the Dome Mountain Balance is in fact a bridge loan (defined below as the "**Bridge Facility**") to Dome Mountain; it is not a Purchased Invoice. A questionable "invoice" was issued by Dome Mountain to MGE Corporation Limited, apparently to falsely portray the Bridge Facility to Dome Mountain as a Purchased Invoice pursuant to a Factoring Contract. The Receiver's review of these arrangements is detailed below.

Dome Financing – 2015

83 The Company (in trust) and Dome Mountain entered into a "factoring agreement" (i.e. a bridge loan agreement) dated November 4, 2015 for a term of 12 months (the "**Dome 2015 Loan Agreement**"). Under the Dome 2015 Loan Agreement, the Company purchased one (1) invoice issued to MGE Corporation Limited ("**MGE**") dated November 11, 2015 totaling \$80,000,000 (the "**MGE 2015 Invoice**"). A copy of the MGE 2015 Invoice is attached hereto as **Appendix "18"**.

84 Under the Dome 2015 Loan Agreement total advances of \$12,507,676 were made by certain Funds at various times during November 2015 to December 2015 as follows:

- a) Factoring Fund – \$10,127,676; and

- b) ACM Growth Fund – \$2,380,000.⁴

Frontline provided the Receiver with a Mandate Letter and Term Sheet between Overseas European Holdings limited (“**OEHL**”), an affiliate of MGE, and Dome Mountain dated November 7, 2015 (the “**MGE 2015 Term Sheet**”) that expired on November 6, 2016. A copy of the MGE 2015 Term Sheet is attached hereto as **Appendix “19”**. The MGE 2015 Term Sheet referenced a proposed acquisition of shares (the “**Acquisition**”) in Gavin Mines Inc. (“**Gavin Mines**”) by Dome Mountain, and noted that OEHL and MGE agreed to, among other things:

- a) assist in securing a bridge financing facility to finance drilling operations of Gavin Mines (the “**Bridge Facility**”);
- b) issue a performance guarantee bond to assist in securing the Bridge Facility (as described below); and
- c) issue a 10 year, US \$80 million loan to Dome Mountain to fund the Acquisition, capital expenditures, and to refinance the Bridge Facility (the “**Acquisition Loan Facility**”).

- 85 Frontline also provided the Receiver with a copy of a performance guarantee bond in the amount of \$12 million issued by Active Capital Reinsurance Ltd. for the period of November 6, 2015 to November 5, 2016 (the “**2015 Performance Bond**”). The 2015 Performance Bond, which is attached hereto as **Appendix “20”**, had named MGE as the insured and the Company (Crystal Wealth Management System Limited (in Trust)) as the beneficiary.
- 86 Based on the above, it is apparent that the Dome 2015 Loan Agreement and the purchase of the MGE 2015 Invoice were entered into together to disguise the transaction as a “factoring arrangement” although in substance, the advances to Dome Mountain were essentially a bridge loan, i.e. the Bridge Facility as outlined in the MGE 2015 Term Sheet. MGE, through the Acquisition Loan Facility, was to refinance the Bridge Facility provided by the Factoring Fund and ACM Growth Fund. Frontline has confirmed the Receiver’s

⁴ The amount advanced by the ACM Growth Fund was later assigned to the Factoring Fund through the execution of an Assignment Agreement dated November 11, 2016, between the ACM Growth Fund and the Factoring Fund (each by their manager and trustee, the Company).

understanding that the monies advanced by the Funds were in fact a Bridge Facility as described above.

- 87 The Receiver inquired with Frontline as to the underlying rationale with respect to this arrangement, to which Frontline advised that it had not procured this arrangement but rather Housego had sourced and negotiated the deal with Dome Mountain and MGE. Frontline advised that this arrangement was funded by the Factoring Fund and that Housego instructed Frontline to include it in the portfolio and administer same. The Receiver has obtained evidence that Frontline was actively involved in the origination of the Dome 2015 Loan Agreement.

Dome Financing – 2016

- 88 Upon expiry of the Dome 2015 Loan Agreement, the MGE 2015 Term Sheet, and the 2015 Performance Bond, the following occurred:
- a) the Company (in trust) entered into another 12 month “factoring agreement” with Dome Mountain dated November 4, 2016 (the **“Dome 2016 Loan Agreement”**);
 - b) the Company (in trust) and Dome Mountain entered into a security agreement (“**GSA**”) dated November 4, 2016 (the **“Dome Mountain GSA”**);
 - c) another Dome Mountain invoice (invoice no. 0206) dated November 5, 2016 to MGE (the **“MGE 2016 Invoice”**) was purchased by the Factoring Fund to replace the MGE 2015 Invoice;
 - d) an updated Mandate Letter and Term Sheet dated November 3, 2016 between MGE and Dome Mountain was executed (the **“MGE 2016 Term Sheet”**) with terms substantively the same as the MGE 2015 Term Sheet, aside from the Acquisition Loan Facility being reduced to US \$36 million; and
 - e) a performance guarantee in the amount of \$18 million (the **“Guarantee Limit”**) was issued by Best Meridian International Company SPC (“**BMIIC**”), as reinsurer, for the period of November 4, 2016 to November 6, 2017 (MGE – 112017-000016) (the **“2016 Performance Bond”**) whereby MGE is named as the insured and the Company (Crystal Wealth Management System Limited (in trust)) as the beneficiary. The 2016

Performance Guarantee also carried a premium of \$630,000 (the “**Performance Premium**”) payable by the insured, MGE.

A copy of the MGE 2016 Invoice, the MGE 2016 Term Sheet, and the 2016 Performance Bond are attached hereto as **Appendix “21”**, **Appendix “22”**, and **Appendix “23”** respectively.

- 89 The Invoice Summary (as defined below) provided by Frontline dated November 22, 2016, which is attached to this Second Report as **Appendix “24”**, notes that the Dome 2016 Loan Agreement, the 2016 Performance Bond, and the MGE 2016 Invoice were entered into because:

“...MGE was unable to close on the funding of Gavin Mines as the numbers did not substantiate the purchase price, although we had an insurance policy covering the performance of MGE. As the deal has been restructured at a lower price, MGE will now be able to fund the share purchase and the insurance company is willing to reissue a new policy at an increased amount.”

- 90 MGE and Dome Mountain also executed a Deed of Guarantee dated November 4, 2016 (the “**Deed of Guarantee**”), wherein MGE expressly acknowledged that Dome Mountain was borrowing funds from the Company (in trust for the Factoring Fund and the Hedge Fund), in the form of an interest-bearing loan (the Bridge Facility) in the amount of CAD \$18,000,000. The Deed of Guarantee expressly provides that MGE had procured the 2016 Performance Guarantee “to ensure repayment of the [Bridge Facility]” to the Factoring and Hedge Funds, together with all interest due to the Company (in trust for the Factoring Fund and Hedge Fund).
- 91 Consistent with the Deed of Guarantee, on November 4, 2016, MGE effected a registration under the PPSA (Alberta), registering MGE as a secured party of Dome Mountain with the following collateral description:

“100% of the share capital of [Dome Mountain], secured party has charge over the total share capital of the Debtor, Dome Mountain Resources of Canada Inc., as collateral for a loan of C\$18,000,000 starting on 4 November 2016, as per Deed of Guarantee of the same Date.”

92 On November 11, 2016, days following the execution of the Deed of Guarantee and the issuance of the Performance Guarantee, the Hedge Fund advanced an additional \$996,625 to Dome Mountain, in addition to the \$12,600,607 advanced in 2015 by the Factoring Fund, in apparent reliance on the representation by MGE that the \$18 million 2016 Performance Bond was in place to ensure that these advances, and all accrued interest, would be repaid to the Factoring Fund and Hedge Fund.

Status of Dome Mountain

- 93 Frontline has advised the Receiver that Dome Mountain is not performing as MGE has not yet been able to secure funding as contemplated in the MGE 2016 Term Sheet. The Non-Performing Reports indicate that MGE continues to push back the timeline with respect to the Acquisition Loan Facility.
- 94 Upon review of the 2016 Performance Bond, the Guarantee Limit is payable by BMIIC on or after November 6, 2017 should the Loan (as defined in the 2016 Performance Bond) not be repaid to the Factoring and Hedge Funds by November 6, 2017. As the Loan had not been repaid to the Factoring Fund the Hedge Fund, the Receiver took steps to ensure that a claim would be submitted by MGE pursuant to the Performance Guarantee, to ensure that the principal amount of the Bridge Facility, and all accrued interest, is repaid to the Factoring Fund and Hedge Fund as the beneficiaries of the 2016 Performance Bond.
- 95 However, Frontline advised the Receiver that after the 2016 Performance Bond was executed in November 2016, MGE, nor any other party, remitted the Performance Premium to the underwriter of the 2016 Performance Bond, Global BRG, LLC ("BRG").
- 96 On October 17, 2017, after being contacted by the Receiver, BRG advised that the Performance Premium was never remitted and as a result, the 2016 Performance Guarantee was cancelled on November 28, 2016. A copy of the cancellation letter provided by BRG is attached hereto as **Appendix "25"**.
- 97 On October 19, 2017, the Receiver sent a letter to MGE (the "**October 19 2017 Letter**") demanding that MGE provide, by no later than 5 p.m. EST on Friday, October 20, 2017, a written explanation to the Receiver advising of:
- a) the circumstances which gave rise to MGE's failure to pay the Performance Premium;

- b) whether notice was given by MGE to the Crystal Wealth Group, Dome Mountain, and/or to Frontline that the Performance Premium had not been paid, and that the 2016 Performance Bond had been cancelled;
- c) the reason MGE registered its security interest against Dome Mountain as per the Deed of Guarantee, despite its failure to secure the 2016 Performance Bond as required and contrary to MGE's representations in the Deed of Guarantee; and
- d) whether a replacement policy of insurance, or performance guarantee, had been obtained by MGE or any other party to secure repayment of the Bridge Facility indebtedness owing to the Factoring and Hedge Funds.

98 After not receiving a response from MGE, A&B, on behalf of the Receiver, sent a follow-up email to MGE on October 23, 2017. A copy of the October 19 2017 Letter and the follow-up email sent by A&B are attached hereto as **Appendix "26"** and **Appendix "27"** respectively.

99 On October 24, 2017, A&B, the Receiver, and Stephen Miller, who had executed the 2016 Performance Guarantee and Deed of Guarantee on behalf of MGE, attended a call to discuss the contents contained in the October 19 2017 Letter. Miller advised that he was working with MGE's counsel to draft a response and to provide supporting documentation to support his response to the October 19 2017 Letter. Miller acknowledged such a response would be delivered by the end of the week (October 27, 2017). Miller also advised the Receiver of the following:

- a) it was the responsibility of Frontline, the Factoring Fund, and the Hedge Fund to pay the Performance Premium required by the 2016 Performance Bond;
- b) Froese (the President of Frontline) and Housego were aware that it was the responsibility of Frontline, the Factoring Fund, and the Hedge Fund to pay the Performance Premium, but they failed to cause the Performance Premium to be paid, thereby causing the 2016 Performance Bond to be cancelled; and
- c) MGE had at no time provided financing to Dome Mountain, given that Dome Mountain failed to obtain a valuation of Gavin Mines which was a precondition to MGE providing Dome Mountain with financing, or issuing a bond.

- 100 On October 30, 2017, after no response was received to the October 19, 2017 Letter, A&B sent a follow-up email to Miller requesting a response and that the previously-requested supporting documentation be delivered to the Receiver by the end of the day.
- 101 On October 31, 2017, MGE provided a response to the Receiver (the “**MGE October 31st Email**”) which confirmed the assertions made by Miller in his discussion with the Receiver and A&B on October 24, 2017. More specifically, Miller asserted that Froese and Housego were “very well aware” that it was the Hedge Fund, Factoring Fund, and Frontline’s responsibility to pay the Performance Premium of \$630,000. Miller further asserted that at no time had MGE provided financing to Dome Mountain. Notwithstanding the assertions made by Miller, A&B, on behalf of the Receiver, responded to Miller indicating that he had failed to provide any support for his assertion that it was the responsibility of Frontline, the Hedge Fund, and/or the Factoring Fund to pay the Performance Premium. As at the date of this Second Report, Miller has not provided any supporting documentation to support his assertions in the MGE October 31st Email, despite A&B having sent a further follow-up email to him on November 9, 2017 demanding a response. Copies of the MGE October 31st Email and A&B’s responses to Miller sent on October 31, 2017 and November 9, 2017 are attached hereto as **Appendix “28”**.
- 102 As the MGE October 31st Email contradicted Froese’s (Frontline’s) account of the events, the Receiver sent correspondence to Froese on October 31, 2017 (the “**Receiver’s October 31 2017 Email**”) that, among other things:
- a) made Froese aware of the Receiver’s correspondence with MGE and BRG;
 - b) made Froese aware of the assertions made by Miller in the MGE October 31st Email;
 - c) requested that Froese provide an update on the nature of the ongoing dealings between MGE and Dome Mountain;
 - d) requested that Froese explain and elaborate upon the meaning of his October 27, 2017 email to the Receiver, wherein Froese indicated that “*MGE has had some good progress [on obtaining financing] although nothing [was] definitive*”;
 - e) requested that Froese provide an explanation as to why the \$630,000 Performance Premium was never paid, which left the Hedge Fund and Factoring Fund without recourse to an insurance policy;

- f) requested the reporting which was given to the Hedge Fund and Factoring Fund by Frontline leading up to the advances made by the Funds to Dome Mountain; and
- g) requested that Froese provide a copy of Frontline's due diligence summary report provided to the Factoring Fund and Hedge Fund and all correspondence and discussion notes which preceded the advances made to Dome Mountain.

A copy of the Receiver's October 31 2017 Email is attached hereto as **Appendix "29"**.

103 After repeatedly following up with Froese, on November 21, 2017, the Receiver received a response from Froese to the Receiver's October 31 2017 Email, which response is attached hereto as **Appendix "30"**. Froese's response failed to reasonably explain why the Performance Premium for the 2016 Performance Bond had not been paid, or why a claim had not been submitted pursuant to the 2015 Performance Bond. In his November 21st email to the Receiver, Froese indicates, among other things, that:

- a) On November 14, 2016, Froese "*Received instructions from Al Housego regarding wording of [Frontline] Invoice Summary and what needs to happen with internal structure*".

As indicated above, the Invoice Summary subsequently provided by Frontline was dated November 22, 2016, which is attached to this Second Report as **Appendix "24"** (as noted above), and notes that the Dome 2016 Loan Agreement, the 2016 Performance Bond, and the MGE 2016 Invoice were entered into because:

"...MGE was unable to close on the funding of Gavin Mines as the numbers did not substantiate the purchase price, although we had an insurance policy covering the performance of MGE. As the deal has been restructured at a lower price, MGE will now be able to fund the share purchase and the insurance company is willing to reissue a new policy at an increased amount."

- b) On November 15, 2016, Froese "*Received email instructions from Clayton Smith requesting we structure this as a factoring agreement and the object being factored is the sale proceeds from MGE with insurance as backup*". This email from Smith to Frontline was subsequently provided by Froese to the Receiver on November 21, 2017, and is included within **Appendix "30"** noted above; and

- c) During the first week of December 2016, Froese “received word that Crystal Wealth did not have any funds to pay for the insurance policy although based on their conversations with Steve Miller from MGE, they were confident he would perform”.

Dome Mountain Assets and Receiver's Recourse

- 104 The Receiver has requested that Frontline and Dome Mountain provide information to the Receiver concerning Dome Mountain and Gavin Mines. As at the date of this Second Report, neither Frontline nor Dome Mountain have provided such information, and by an email sent on November 8, 2017, Dome Mountain advised it “has not had any financial documents prepared”. There is accordingly no information or evidence as to how Dome Mountain utilized the \$13,808,835 which was advanced to it by the Factoring and Hedge Funds.
- 105 By letter dated November 22, 2017, the Receiver demanded immediate payment of the Dome Mountain Balance from Dome Mountain pursuant to the Dome 2016 Loan Agreement, as well as immediate payment of all amounts owing by Dome Mountain to the Factoring Fund pursuant to the Fund’s factoring arrangements with 156 Alberta and 647 BC, as detailed immediately below. A copy of the November 22, 2017 letter sent by the Receiver to Dome Mountain is attached to this Second Report as **Appendix “31”**.

156 Alberta and 647 BC

156 Alberta

- 106 The Factoring Fund entered into a Factoring Agreement with 156 Alberta dated January 8, 2015 (the “**156 Alberta Factoring Agreement**”). The Factoring Fund also entered into a security agreement with 156 Alberta dated January 8, 2015 granting the Factoring Fund a general continuing security interest over all present and future property and assets of 156 Alberta. Frontline has advised that, similar to 647 BC (described below), 156 Alberta performs project management and consulting for mining projects. The principals of 156 Alberta are Jeff Maljaars and Robert Maljaars (“**R. Maljaars**”). In addition to Darcy Pahl, who is the director of Dome Mountain, R. Maljaars executed Dome Mountain’s Factoring Contracts with the Company (in trust for the Factoring Fund and Hedge Fund) on behalf of Dome Mountain, with the stated title of “Director” of Dome Mountain. In MGE’s October 31 Email (**Appendix “28”**), Miller had indicated that the “majority” of MGE’s communications were with Darcy Pahl and R. Maljaars, and with Froese and Housego.

647 BC

107 On November 28, 2014, the Factoring Fund entered into a Factoring Agreement with 647 BC (the “**647 BC Factoring Agreement**”). The Factoring Fund also entered into a security agreement with 647 BC dated November 27, 2014 which granted the Factoring Fund a general continuing security interest over all present and future property and assets of 647 BC. Frontline has advised the Receiver that 647 BC performs project management services for large projects and had been a client of Frontline in the past. Froese advised that he is personally familiar with the owners of 647 BC, Marion DenHollander and David DenHollander (together, the “**DenHollanders**”). The Receiver has been advised by an investor that David DenHollander is also related to Dome Mountain. As will be detailed in the Zomongo TV section below, the DenHollanders are also involved with Zomongo Inc. and/or Zomongo TV, both of whom are Merchants pursuant to Factoring Contracts entered into with the Factoring Fund and/or the Hedge Fund.

Relationship of 647 BC and 156 Alberta to Dome Mountain

108 As outlined in the table below, all but one of the Purchased Invoices from 647 BC and 156 Alberta are owing from Dome Mountain as the Debtor. A copy of the outstanding Purchased Invoices for 647 BC and 156 Alberta are attached to this Second Report as Appendix “32”.

							Balances as at October 26th		
Debtor		No.	Amount of Invoices	Days Outstanding as at April 26th	Principal	Interest	Total		
156 Alberta	Dome Mountain	2	\$1,010,000	312 Days	\$ 624,039	\$ 117,118	\$ 741,157		
647 BC	Dome Mountain	2	578,550	340 Days	439,698	109,260	548,958		
156 Alberta	IC Commerce	1	238,095	73 Days	200,000	23,200	223,200		
		5	\$1,826,645	275 Days	\$1,263,737	\$249,579	\$1,513,316		

109 The fact that an additional \$1,290,116 is owing to the Factoring Fund from Dome Mountain (as the Debtor), results in Dome Mountain, directly and indirectly, owing the Factoring/Hedge Fund a total of \$17,560,601 (principal of \$14,872,572 and interest of \$2,688,029). It is unclear as to the types of services provided by 156 Alberta and 647 BC as the invoice description contains only the words “*Consulting*” (for 156 Alberta) or “*Project Management*” (for 647 BC), with no other pertinent details.

- 110 In addition, to the 156 Alberta Dome Invoices and the 647 BC Dome Invoices, the following table outlines previous invoices issued to Dome Mountain from 156 Alberta and 647 BC that the Factoring Fund purchased resulting in the Fund advancing funds to 156 Alberta and 647 BC. These invoices were subsequently repaid.

Merchant / Debtor	Invoice Summary Date	Invoice No.	Invoice Amount	Funds Advanced to Merchant
647497 BC Ltd.				
Dome Mountain	28-Nov-14	257	\$ 357,000	\$ 279,888
Dome Mountain	22-Dec-14	261	367,500	288,120
Dome Mountain	27-Jan-15	264	328,125	257,250
Dome Mountain	11-May-15	302	507,675	398,017
Dome Mountain	30-Sep-15	304	237,891	186,506
			1,798,191	1,409,781
1566496 Alberta Ltd.				
Dome Mountain	27-Feb-15	145	152,250	119,364
Dome Mountain	17-Mar-15	146	131,250	102,900
Dome Mountain	30-Mar-15	149	183,750	144,060
Dome Mountain	13-Apr-15	150	131,250	102,900
Dome Mountain	29-Apr-15	151	262,500	205,800
Dome Mountain	11-May-15	152	510,300	400,075
Dome Mountain	31-Aug-15	153	105,000	82,320
Dome Mountain	10-Sep-15	155	220,500	172,872
Dome Mountain	29-Oct-15	157	340,000	266,560
Dome Mountain	06-Nov-15	158	260,000	203,840
Dome Mountain	05-Jan-16	159	390,000	305,760
Dome Mountain	15-Apr-16	215	65,100	51,038
			2,751,900	2,157,490
Grant Total			\$ 4,550,091	\$ 3,567,271

- 111 Based on the table above, it appears that Dome Mountain paid:
- \$1,798,181 to 647 BC for “*Project Management*” invoices issued to Dome Mountain; and
 - \$2,751,900 to 156 Alberta for “*Consulting*” invoices issued to Dome Mountain in circumstances where 156 Alberta appears to be a related party.
- 112 The Receiver is in the process of obtaining more information to determine the timing of these transactions as well as the original funding to Dome Mountain by the Factoring Fund

and Hedge Fund totaling approximately \$13,808,835. The Receiver has concerns that a portion of the \$13,808,835 was used to pay the above noted invoices issued to Dome Mountain totaling \$4,550,091.

- 113 On November 7, 2017, DenHollander sent Frontline an email, advising as follows:

"I am out of the country and don't know when we will return. Perhaps sometime next year but at present not sure".

DenHollander further advised that 647 BC is three years behind on its financial statements. DenHollander indicated that

"[i]n regards to a repayment schedule [647 BC is] working on a plan which I hope will be finalized in the next 30-60 days which would allow us to start repaying funds".

A copy of DenHollander's email to Frontline is attached to this Second Report as **Appendix "33"**.

- 114 By letters dated November 22, 2017, the Receiver demanded immediate payment from 647 BC and 156 Alberta pursuant to the 647 BC Factoring Agreement and the 156 Alberta BC Factoring Agreement, respectively. Copies of the November 22, 2017 letters sent by the Receiver to 647 BC and 156 Alberta are attached to this Second Report as **Appendix "34"**.

Zomongo TV

- 115 The Factoring Fund and the Hedge Fund each entered into Factoring Agreements with Zomongo TV, an Alberta entity, dated August 7, 2015 (the "**Zomongo TV Factoring Agreement**").
- 116 The Factoring Fund also entered into a security agreement with Zomongo TV dated August 7, 2015 (the "**Zomongo TV Security Agreement**"). The Zomongo TV Security Agreement granted the Factoring Fund a general continuing security interest over all present and after acquired undertaking, property and assets of Zomongo TV, including all present and future right, title, and interest and benefit of Zomongo TV in all property, on a first-position secured basis.

- 117 In addition, pursuant to a Guarantee and Postponement of Claim dated January 25, 2017, Zomongo.TV Holdings Corp ("Zomongo TV Holdings") entered into a Guarantee and Postponement of Claim with the Hedge Fund dated January 25, 2017, pursuant to which Zomongo TV Holdings provided a continuing guarantee of all the obligations owing by Zomongo TV to the Hedge Fund. Zomongo TV Holdings also entered into a General Security Agreement dated January 25, 2017 with the Hedge Fund, granting the Hedge Fund a general continuing security interest over all present and future property and assets of Zomongo TV Holdings.
- 118 According to Frontline, in the latter half of 2016, as a result of Zomongo TV incurring net losses and generating negative cash flow in its operations, Zomongo TV required additional funding to continue as a going concern. Frontline advised the Receiver that the Factoring Fund did not have funds available to advance to Zomongo TV to assist it in continuing as a going concern.
- 119 As a result, on December 29, 2016, Zomongo TV and its associated entities entered into a credit agreement with TCA Global Credit Master Fund, LP ("TCA") effective December 30, 2016 (the "TCA Loan Agreement") for a revolving credit facility of up to US \$10,000,000 (the "TCA Credit Facility"). Funding available under the TCA Credit Facility is based on underlying working capital (e.g. accounts receivable, inventory, etc.) of Zomongo TV.
- 120 As a condition of the TCA Loan Agreement, the Factoring Fund entered into a Subordination of Loans Agreement with Zomongo TV (and its associated entities) and TCA dated December 28, 2016 (the "Zomongo TV Subordination Agreement"). The Zomongo TV Subordination Agreement resulted in the Factoring Fund being in a subordinated position to that of TCA (i.e. giving up its first position security to TCA). As at December 28, 2016, the Factoring Fund was owed a principal balance of \$11,960,213 from Purchased Invoices of Zomongo TV. For greater clarity, the Receiver is advised that the Factoring Fund subordinated its position as TCA would not provide additional funding unless it was given the position of first secured creditor.

Current Status

121 As at October 26, 2017, Zomongo TV has outstanding principal balances owing to the Factoring Fund and Hedge Fund of \$6,204,373 and \$1,494,737, respectively, totaling \$7,669,110 (the “**Zomongo TV Principal Balance**”) from the following Debtors:

- a) Accent Marketing – \$1,193,158 owing for three (3) invoices;
- b) Golden Shores Enterprises Inc. – \$947,368 owing for two (2) invoices;
- c) Eyeconic.tv – \$4,244,701 owing for seven (7) invoices;
- d) Vanus Consulting Inc. – \$842,105 owing for two (2) invoices; and
- e) Mobility Media & TV – \$723,000 owing for two (2) invoices

(collectively the “**Zomongo TV Debtors**”).

122 In addition to the Zomongo TV Principal Balance, the Factoring Fund and Hedge Fund are owed \$845,396 and \$660,307 in interest and fees, respectively, totaling \$1,505,702 (together with the Zomongo TV Principal Balance, the “**Zomongo TV Balance**”).

123 The table below outlines, for each Zomongo TV Debtor: the number of Purchased Invoices; the total amount of the Purchased Invoices; the average number of days outstanding as the date of the Receiver’s appointment (April 26, 2017); and the balance owing to the Factoring Fund and Hedge Fund as at October 26, 2017.

Debtor	No.	Amount of Invoices	Days Outstanding as at April 26th	Principal and Interest as at Oct. 26th		
				Factoring Fund	Hedge Fund	Total
Accent Marketing	3	\$ 1,500,000	553 Days	\$ 905,719	\$ 211,115	\$ 1,116,834
Golden Shores Enterprises Inc.	2	1,500,000	387 Days	-	1,380,003	1,380,003
Eyeconic.tv	7	7,650,000	390 Days	4,696,198	156,468	4,852,666
Vanus Consulting Inc.	2	1,500,000	387 Days	955,365	-	955,365
Mobility Media & TV	2	3,000,000	252 Days	492,487	407,457	899,944
	16	\$ 15,150,000	403 Days	\$ 7,049,769	\$ 2,155,044	\$ 9,204,812

- 124 As demonstrated in the table above, prior to the Appointment Order, the Purchased Invoices were, on average, outstanding for 403 days. This puts into question the collectability, and thus the underlying Recorded Value of the Zomongo TV Balance. In initial discussions with the Receiver, Frontline had failed to highlight or acknowledge an issue with the Zomongo TV Balance and the Zomongo TV Debtors' repayment of the Purchased Invoices when asked by the Receiver as to the status of same.
- 125 Not until the June 29 2017 Non-Performing Report did Frontline acknowledge that the Zomongo TV Balance and the underlying Purchased Invoices were "non-performing". In each subsequent Non-Performing Report, Frontline advised that communication with Zomongo TV had been limited and it became apparent that the collectability of the Zomongo TV Balance from the Zomongo TV Debtors is at risk.
- 126 Based on the above, and especially in light of the fact that neither the Factoring Fund nor the Hedge Fund have any security over the Zomongo TV Debtors, the Receiver has concluded that the Zomongo TV Balance will be challenging to recover.

Receiver's Strategy: Potential Zomongo TV Settlement Agreement

- 127 In the June 29 2017 Non-Performing Report, Frontline indicated that Zomongo TV had advised that it was in the process of obtaining additional financing to payout the balance owing to the Factoring Fund and the Hedge Fund. In each subsequent Non-Performing Report, Frontline had advised that Zomongo TV was continuing to work on obtaining new financing and had lenders involved in performing due diligence to issue same.
- 128 On October 3, 2017, the Receiver received an email from Frontline (the "**Initial Zomongo Email**") indicating that Zomongo TV was in financial difficulties as TCA had not advanced the total amount of the funds that were potentially available under the TCA Loan Agreement (i.e. US \$10 million). As a result, Frontline claimed that Zomongo TV did not have the cash to continue completing the current projects entered into with a chain of hotels (the "**Hotel Rollout**"); Frontline represented that the Hotel Rollout would create a significant amount of cash flow. Frontline indicated that without additional funding, Zomongo TV could not continue operating.
- 129 On October 4, 2017, the Receiver, A&B, Frontline, and a representative acting on behalf of Zomongo, BFF Ventures, through its representative, Tim Barnes, attended a conference call to discuss the Initial Zomongo Email. BFF Ventures indicated that TCA

would not advance additional funding to Zomongo TV unless the Factoring/Hedge Fund converted the Zomongo TV Balance into equity in Zomongo TV and requested the Receiver to consent to same. The Receiver advised BFF Ventures that it could not reasonably consider a conversion of the Zomongo TV Balance to equity until it was provided with additional information, including but not limited to: (i) historical financial statements; (ii) details of the Hotel Rollout; (iii) a term sheet from Zomongo TV; (iv) financial projections; and (v) a call with TCA to discuss its request for the Zomongo TV Balance to be converted. A link to a data room containing some of the requested information was sent to the Receiver.

- 130 On October 6, 2017, BFF Ventures delivered to the Receiver a non-binding letter of intent (the “**Initial LOI**”) which included, but was limited to: (i) a conversion of the Zomongo TV Balance to shares in Zomongo TV; and (ii) a subsequent exclusive right for Zomongo TV to repurchase the shares over a 12 month period. The Initial LOI was not executed by the Receiver.
- 131 On October 11, 2017, the Receiver, A&B, Frontline, BFF Ventures, and Zomongo TV attended a conference call to discuss, among other things, the Initial LOI and to permit the Receiver and A&B to ask questions to Zomongo TV directly, including as to why the Initial LOI proposal was being made when it could not be agreed upon without TCA approval. On this call, the Receiver stated that a conversion of the Zomongo TV Balance to equity in Zomongo TV would be unacceptable. The Receiver also reiterated its request for a call with TCA.
- 132 On October 12, 2017, BFF Ventures delivered to the Receiver a revised non-binding letter of intent (the “**October 12 2017 LOI**”) which replaced the Initial LOI. The October 12 2017 LOI removed the proposed equity conversion into Zomongo TV Shares, and instead proposed payment terms to restructure the indebtedness owing by Zomongo TV to the Factoring and Hedge Funds, along with a proposed payment schedule. The Receiver neither accepted nor rejected the terms contained in the October 12 2017 LOI, as any such arrangement would be subject of TCA approval. The Receiver and A&B reiterated their request that a call with TCA representatives, be convened. Attached to this Second Report as **Confidential Appendix “1”** is a copy of the October 12 2017 LOI.

- 133 On October 26, 2017, on a without prejudice basis, the Receiver and A&B attended a call with representatives from TCA, Frontline, and BFF Ventures to discuss, among other things, the October 12 2017 LOI and the potential to come to an agreement to allow for TCA to advance the additional funding under the TCA Loan Agreement to Zomongo TV for the Hotel Rollout, while allowing Zomongo TV to make repayments to the Factoring and Hedge Funds under a restructured arrangement. In summary, the following items were discussed:
- a) TCA was in the middle of its internal due diligence process to determine the additional funding, if any, to be provided to Zomongo TV;
 - b) TCA would only commit to funding if the Zomongo TV Balance was resolved through an agreement between Zomongo TV and the Receiver;
 - c) Due to poor record keeping on behalf of Zomongo TV, Frontline, and the Company, the participants on the call were unable to agree as to the quantum of interest and factoring fees owing to the Factoring and Hedge Funds beyond the Zomongo TV Principal Balance;
 - d) TCA, Frontline, Zomongo TV, and BFF were comfortable with the accuracy of the Zomongo TV Principal Balance; and
 - e) TCA was in the process of reviewing the October 12 2017 LOI and was not committing to the terms contained therein. However, on a without prejudice basis, it was supportive of eventually coming to some form of an agreement.
- 134 On November 17, 2017, BFF Ventures advised the Receiver that TCA has now agreed to provide \$5 million in additional funding to Zomongo TV and its affiliates under the TCA Loan Agreement. On November 19, 2017, the Receiver requested that BFF Ventures, on behalf of Zomongo TV, deliver to the Receiver Zomongo TV's proposed form of agreement(s), in order for the Receiver to continue to evaluate the possibility of an arrangement to be agreed upon by TCA, Zomongo TV, and the Receiver, which would result in: (i) TCA providing additional funding to Zomongo TV; and (ii) the repayment of a portion of the Zomongo TV Balance being made to the Factoring and Hedge Funds by Zomongo TV under a restructured arrangement, likely on a monthly installment basis.

- 135 As at the date of this Second Report, the Receiver has not yet received Zomongo TV's proposed form of agreement(s) to effect a restructuring of the indebtedness owing to the Factoring and Hedge Funds by Zomongo TV.

Zomongo Inc./Zomongo TV's Involvement with 647 BC Representatives

- 136 As noted above, Zomongo Inc. is a former Merchant of the Factoring Fund pursuant to a Factoring Agreement entered into by the Factoring Fund and Zomongo Inc. dated November 20, 2014. Jocelyne Hughes-Ostrowski is the sole director of Zomongo Inc. The sole directors of Zomongo TV are Jocelyne Hughes-Ostrowski and Jeremy Ostrowski. Zomongo Inc. holds 83.63% of the shares in Zomongo TV, according to records provided to the Receiver by Zomongo TV.
- 137 Frontline's records indicate that no indebtedness is owing by Zomongo Inc. to the Factoring Fund. Nevertheless, on July 7 and 14, 2017, Frontline advised the Receiver that, as security for Zomongo Inc.'s indebtedness to the Factoring Fund, personal guarantees (the "**DenHollander Personal Guarantees**") had been provided by each of the DenHollanders to the Factoring Fund, which obligations were to be secured by a collateral mortgage (the "**DenHollander Mortgage**") over the DenHollanders' personal residence located in British Columbia (the "**DenHollander Property**"). Attached hereto as **Appendix "35"** are copies of the DenHollander Personal Guarantees and the mortgage documentation executed by the DenHollanders provided by Frontline to the Receiver, and a title search obtained by the Receiver for the DenHollander Property.
- 138 As mentioned, the DenHollanders are the owners of the Merchant, 647 BC, and are also related to another Merchant, Dome Mountain. It is unclear to the Receiver how the DenHollanders are also involved with Zomongo Inc. and Zomongo TV, or why they provided the DenHollander Personal Guarantees and the DenHollander Mortgage to secure the obligations owing by Zomongo Inc. to the Factoring Fund.
- 139 The Receiver has instructed Frontline that the DenHollander Mortgage – which was improperly registered by Frontline in Frontline's name as mortgagee - must remain registered on title to the DenHollander Property and must not be discharged.

Advanced Metal

- 140 The Factoring Fund entered into a Factoring Agreement with Advanced Metal dated September 21, 2015 for the purchase of a list of approved receivables from Advanced Metal up to a maximum of \$600,000 (the “**Advanced Metal Factoring Agreement**”).
- 141 The Factoring Fund also entered into a security agreement with Advance Metal dated September 15, 2015 which granted the Factoring Fund a general continuing security interest over all present and after acquired undertaking, property and assets of Advanced Metal, including all present and future right, title, and interest and benefit of Advanced Metal in all property; on a first secured basis.
- 142 On December 16, 2016, the Factoring Fund entered into a postponement and subordination of security interest agreement (the “**Advanced Metal Subordination Agreement**”). The Advanced Metal Subordination Agreement resulted in the Factoring Fund becoming a subordinated creditor to that of the Bank of Montreal (i.e. giving up its first position security to the Bank of Montreal). Similar to Zomongo TV, the Factoring Fund and Hedge Fund subordinated their position as the Bank of Montreal would not provide additional funding unless it was the first secured creditor.
- 143 In addition to Bank of Montreal, other registrations are made under the PPSA by creditors of Advanced Metal, including Roynat Inc. and National Leasing Group Inc. A writ of seizure and sale (Federal Writ) was filed on February 15, 2017 in favour of Her Majesty the Queen in Right of Canada in the amount of \$641,351.40.

Current Status

- 144 As at October 26, 2017, Advanced Metal had outstanding principal balances owing to the Factoring Fund of \$1,256,311 (the “**Advanced Metal Principal Balance**”) and interest owing of \$248,029 (together with the Advanced Metal Principal Balance, the “**Advanced Metal Balance**”) from the Debtors outlined in the following table (collectively the “**Advanced Metal Debtors**”), all of which have only one (1) invoice outstanding (the “**Advanced Metal Invoices**”).

Debtor	Invoice Amount	Days Outstanding as at April 26th	Balances as at October 26th		
			Principal	Interest	Total
Lotus Environmental Ltd.	\$ 879,824	631 Days	\$ 458,080	\$ 17,450	\$ 475,530
PROFAB Industrial Construction	89,378	474 Days	71,502	22,165	93,667
AIC International Group	252,000	498 Days	201,600	62,496	264,096
Lotus Energy Services Inc.	1,466,365	477 Days	200,441	62,136	262,578
Mi2 Energy Ltd.	213,868	426 Days	171,095	50,988	222,082
Downton's Transport Ltd.	191,991	267 Days	153,593	32,794	186,386
	\$ 3,093,426	462 Days	\$ 1,256,311	\$ 248,029	\$ 1,504,340

- 145 The Advanced Metal Balance includes the payments of \$25,000 and \$113,045 that Frontline received from Advanced Metal on August 11, 2017 and September 11, 2017, respectively, towards the Purchased Invoice issued to Lotus Environmental Ltd (i.e. the balance reflects the payments being made)
- 146 As demonstrated in the table above, prior to the Appointment Order, the Advanced Metal Invoice Invoices were, on average, outstanding for 462 days; putting into question the collectability of the Advanced Metal Balance, and thus the underlying Recorded Value of the Advanced Metal Balance.
- 147 Not until the June 29 2017 Non-Performing Report did Frontline acknowledge that the advances made to Advanced Metal on the Advanced Metal Invoices were "*old non-performing invoices*". In the June 29 2017 Non-Performing Report, Frontline acknowledged that it was requesting new performing invoices to replace the Advanced Metal Invoices and that it had requested financial statements from Advanced Metal. In each subsequent Non-Performing Report, Frontline advised that it was able to establish a line of communication with Advanced Metal.
- 148 On July 28, 2017, Frontline advised that it had a meeting scheduled with the CEO of Advanced Metal to discuss payment alternatives and remedies.

- 149 On August 30, 2017, Frontline advised that after meetings and discussions, it was working with Advanced Metal to develop an alternative payment plan to retire the Advanced Metal Balance, including:
- a) replacing Advanced Metal Invoices with performing new invoices as they become available;
 - b) engaging a leasing company to enter into sale-leaseback transactions to obtain funding; and
 - c) selling the company.
- 150 On October 27, 2017, Frontline advised the Receiver that Advanced Metal is expecting to receive an offer for the company. However, such an offer has not yet been received. Advanced Metal communicated that another payment will be made on the Advanced Metal Balance in mid-November.

Receiver's Recourse and Strategy

- 151 As the Factoring Fund is in a subordinated second secured position, the Receiver is continuing to investigate options by which the Advanced Metal Balance, or a portion thereof, may be economically recovered.

Restoration Energy

Restoration Energy Factoring Arrangements

- 152 The Factoring Fund entered into a Factoring Agreement with Restoration Energy dated March 18, 2015 for the purchase of a list of approved receivables from Restoration Energy up to a maximum of \$2,000,000 (the "**Restoration Energy Factoring Fund Factoring Agreement**").
- 153 The Factoring Fund also entered into a security agreement with Restoration Energy dated March 18, 2015 which granted the Factoring Fund a general continuing security interest over all present and after acquired undertaking, property and assets of Restoration Energy, including all present and future right, title, and interest and benefit of Restoration Energy in all property; on a first secured basis.

- 154 On March 16, 2016, the Hedge Fund entered into a Factoring Agreement with Restoration Energy for the purchase of a list of approved receivables from Restoration Energy (together with the Restoration Energy Factoring Fund Factoring Agreement, the “**Restoration Energy Factoring Agreements**”).

The 1312163 Alberta Ltd. Guarantee and Collateral Mortgage

- 155 On March 20, 2015, the Factoring Fund and the Company entered into a Corporate Guarantee and Indemnity Agreement with 1312163 Alberta Ltd. (“**131 Alberta**”), an apparent arm’s length third party that is not evidently related to Restoration Energy or its principals, whereby 131 Alberta guaranteed any and all amounts advanced to Restoration Energy via the purchase of Restoration Energy’s accounts receivable, limited to a maximum principal amount of \$2,000,000 (the “**131 Alberta Guarantee**”). The 131 Alberta Guarantee provided for a collateral mortgage in favour of the Company (the “**Collateral Mortgage**”) against the legal title to approximately 90.88 acres of land owned by 131 Alberta located in Pine Lake, Alberta, comprising three parcels (the northernmost parcel, the “**North Parcel**”; the two southernmost parcels, the “**South Parcels**”; collectively, the “**131 Alberta Property**”). The Company subsequently registered the Collateral Mortgage against the 131 Alberta Property in the original principal amount of \$850,000, which was later amended by an amending agreement dated September 24, 2015 (registered on title on August 10, 2015), increasing the principal amount of the Collateral Mortgage to \$2,000,000.
- 156 The Collateral Mortgage is registered on title to the North Parcel behind two mortgages with an aggregate original principal amount totaling \$1,094,000. The Collateral Mortgage is registered on title to the South Parcels behind three mortgages (one of which is also registered against title to the North Parcel) with an aggregate original principal amount of \$1,210,000. Taken together, the Collateral Mortgage appears to be behind at least \$1,804,000 in principal of prior mortgages, plus an amount of accrued interest that is unknown but is likely to be considerable, for reasons detailed below.
- 157 Based on an appraisal dated September 25, 2011 (the “**Appraisal**”), the 131 Alberta Property was valued at an estimated \$3,180,800 (approximately \$35,000 per acre). In addition to its age, the Appraisal has weaknesses, including that it relies on certain assumptions which may not continue to be valid (i.e. given that the 131 Alberta Property

is zoned agricultural, and has not been approved for development despite a decade of efforts in this regard, and given the receipt of indications from the relevant municipality that only the North Parcel may potentially receive such an approval, and only then at a lower density than initially proposed). The Appraisal was also conducted in a very different market climate for Alberta real estate than that which exists at present.

- 158 Even if the Appraisal can be assumed to be accurate, which is likely not a safe assumption, the amount of equity available to satisfy the Collateral Mortgage appears to be extremely limited.
- 159 A&B and Darren Smits (“**Smits**”) attended a call on November 2nd, 2017 which provided background into the origins of this guarantee and the current valuation issues. Smits played several roles in the Restoration Energy and 131 Alberta arrangements. He is an investor into developments on the 131 Alberta Property (having, amongst other things, provided personal guarantees to support the obligations of 131 Alberta under its senior mortgages in respect of the Pine Lake Lands). Together with Frontline, he participated in the origination of the 131 Alberta guarantee arrangements with Restoration Energy. Finally, Smits, a lawyer at the firm of Miller Thomson LLP, is also counsel to Frontline and, at the relevant time, served as counsel to Crystal Wealth in respect of the Restoration Energy Factoring Agreements.
- 160 On the November 2nd call, Smits expressed skepticism about the assumptions in the Appraisal, particularly in light of the difficulties in obtaining zoning approval for the property. Smits that he had “no idea what the land is worth.” Smits suggested that the aggregate amount of accrued interest on two of the senior mortgages exceeded \$500,000, with further accrued interest on another, the quantum of which is unknown. Furthermore, Smits suggested that of the three parcels comprising the 131 Alberta Property, only the North Parcel would be of material value on a go-forward basis, as it is the only parcel which has experienced some traction in applying for municipal development approval (an area structure plan has been approved), and such value would only become apparent once such development begins. Materials subsequently provided by Smits show that, although preliminary engineering and cost studies have taken place, development of these lands has not begun.

The Debt Exchange Agreement

- 161 On June 28, 2017, Frontline provided the Receiver with an unsigned debt security exchange agreement between 131 Alberta, the Company (including the Factoring Fund, and Hedge Fund), Restoration Energy, and Aspen Shore Estates Ltd. ("Aspen Shore") that was dated March 2017 (the "Debt Exchange Agreement"). Frontline advised that Housego and Smith had verbally agreed to the terms of the Debt Exchange Agreement one week prior to the Appointment Order.
- 162 The Debt Exchange Agreement appears to confirm that the Restoration Energy Invoices are uncollectible. Per the Debt Exchange Agreement:

"Restoration Energy executed a number of factoring agreements with Crystal Wealth, the total accumulated amount outstanding as of September 22, 2016 is \$2,283,663.52 (the "Factoring Debt"), the funds of which were used by Restoration Energy to complete orders for customers, but due to technical issues with the technology the orders were not able to be completed.

Restoration Energy has retained the University of Calgary and has also brought a number of additional solid oxide fuel experts into the company in order to redesign the solid oxide fuel cell technology and products that are to be sold to third party consumers. Restoration Energy will be raising additional funds to complete these objectives."

- 163 The Debt Exchange Agreement proposed that the Company (including the Factoring Fund and the Hedge Fund) would exchange its Factoring Debt (\$2,283,664) for convertible debt in Restoration Energy on the terms summarized below:
- a) Principal – \$2,200,000;
 - b) Interest Rate – 8% per annum;
 - c) Term – 5 years;
 - d) Conversion Option - At the option of the Company, convertible into common voting shares of Restoration Energy. Every \$1,000 of debenture shall be convertible to 650 common shares.

(the “**Convertible Restoration Debenture**”).

- 164 The Receiver advised Frontline that it could not accept and/or enter into the Debt Exchange Agreement until sufficient due diligence was performed on same. Frontline was unable to provide any relevant documentation to the Receiver to assist in such due diligence.
- 165 Accordingly, on August 8, 2017, A&B contacted Smits via e-mail to request a call to obtain certain due diligence materials required by the Receiver to evaluate the Debt Exchange Agreement, including with respect to the statements made in the Debt Exchange Agreement that the lenders that had first place mortgages against the 131 Alberta Property had commenced foreclosure actions in the Court of Queen’s Bench of Alberta in order to realize on their mortgages. Smits advised A&B during a conference call on August 8, 2017 that the foreclosure actions were not advancing at that time due to the refinancing of the senior mortgages.
- 166 When A&B did not receive any of the requested documentation from Smits subsequent to the August 8, 2017 conference call, A&B engaged in a further conference call with Smits on November 2, 2017, as detailed above. During that discussion, Smits advised A&B that the foreclosure actions remained dormant as 131 Alberta had agreed to sell the 131 Alberta Property to a newly-formed company, Aspen Shore, a company controlled by Perali Properties Inc. (“**Perali**”), for an assumption of the first mortgages and non-voting shares of Aspen Shore. Smits confirmed that the proposed sale of the 131 Alberta Property is also on hold, pending efforts to take out the Company’s Collateral Mortgage from title.
- 167 Subsequent to the November 2, 2017 conference call with Smits, A&B reiterated its request via email to Smits for the provision of certain documentation that would help evaluate: (i) the 131 Alberta Property and the status of the two foreclosure actions commenced against 131 Alberta, and guarantors, including Smits; and (ii) the proposed Debt Exchange Agreement and the Convertible Restoration Debenture.
- 168 Smits provided certain of this requested material to A&B by electronic file transfer on November 17, 2017. From the Receiver’s preliminary review of this material, it appears to confirm that each of the foreclosure actions has been assigned to Perali in connection with its refinancing and assumption of senior mortgage debt in respect of the Pine Lake Lands.

The Receiver continues to investigate potential recovery on the 131 Alberta Guarantee, and the extent to which the Convertible Restoration Debenture would be a viable alternative to enforcement proceedings on the Collateral Mortgage, to the extent that the latter is economically practical given the Company's subordinated position and the uncertain valuation of the 131 Alberta Property.

The Receiver's Discovery of Additional Guarantees

- 169 By electronic transmission on November 13, 2017, Smits provided additional transactional documents with respect to the Restoration Energy Factoring Fund Factoring Agreement. This package of documentation included materials which were not previously contained in the Company's books and records. Most notably, it revealed three additional guarantees of Restoration's obligations under the Restoration Energy Factoring Fund Factoring Agreement: i) a corporate guarantee granted by DDI Distribution Corp on March 18, 2015; ii) a corporate guarantee granted by Dionne Design Inc. on March 18, 2015; and iii) a personal guarantee granted by the principal of Restoration, Yvonne Martin-Morrison, on March 18, 2015 (collectively, the "**Additional Restoration Guarantees**"). Each of the Additional Restoration Guarantees is limited to the principal amount of \$2,000,000.
- 170 A&B conducted further diligence regarding these corporate guarantors. Dionne Design Inc. and DDI Distribution Corp. are each Alberta corporations, each of which is inactive and has been struck from the Alberta corporate records (for failure to file corporate returns). Further, a PPSA search against Dionne Design Inc. disclosed two reports of property seizures and a writ of execution, each of which would have been visible at the time the Company and/or Frontline, as applicable, would have considered whether this company was an appropriate candidate to issue a corporate guarantee of the Restoration Energy obligations to the Factoring Fund.
- 171 The above-noted concerns with these corporate guarantors calls into question whether appropriate due diligence was conducted in respect of these lending arrangements at the time they were entered into; additionally, the fact that the Additional Restoration Guarantees were not maintained on file with the Company, and needed to be procured from Smits, is representative of the general lack of oversight on these investments. This exemplifies the general failings that the Receiver has noted in respect of the management of these investments by Frontline and/or Housego, as applicable, as described in further

detail in the section that follows entitled "Receiver's Concerns with the Administration of the Factoring Contracts".

Current Status

- 172 As at October 26, 2017, Restoration Energy had outstanding principal balances owing to the Factoring Fund and Hedge Fund of \$1,402,193 and \$501,000, respectively, totaling \$1,903,193 (the "**Restoration Energy Principal Balance**"), and interest owing of \$169,098 (the "the **Restoration Energy Interest Owing**", collectively with the Restoration Energy Principal Balance, the "**Restoration Energy Balance**") from Purchased Invoices issued to and owing from the Debtors outlined in the following table (collectively the "**Restoration Energy Debtors**") (the "**Restoration Energy Invoices**"):

Debtor	No.	Amount of Invoices	Days Outstanding as at April 26th	Principal & Interest as at Oct. 26th		
				Factoring Fund	Hedge Fund	Total
CPPS Mission Projects	2	\$1,300,000	463 Days	\$ 559,269	\$ 569,222	\$ 1,128,491
University of Calgary	1	500,000	586 Days	429,000	-	429,000
TLP Outreach Association Inc.	1	600,000	512 Days	514,800	-	514,800
	4	\$2,400,000	520 Days	\$ 1,503,069	\$ 569,222	\$ 2,072,291

- 173 As demonstrated in the table above, prior to the Appointment Order, the Restoration Energy Invoice Invoices were, on average, outstanding for 520 days. This fact, combined with the concerns raised in the Debt Exchange Agreement concerning the collectability of these invoices, puts potential recovery into question, and, as a result, raises concerns with respect to the Company's represented Recorded Value of the Restoration Energy Balance.
- 174 To the extent that the Restoration Energy Balance is not collectible from Restoration Energy, the collectability of such balance pursuant to the 131 Alberta Guarantee is also questionable, given: (i) the extent to which the Company's position is subordinated to multiple senior lenders (an estimated \$2.3 million in known principal and accrued interest, plus an unknown amount of additional accrued interest, as compared to the estimated \$3,180,000.00 value of the Appraisal, which, as stated, may be unrealistic given the present undeveloped state of the 131 Alberta Property, the lack of zoning approval, and

the lack of any progress on zoning approval on two of the three parcels); and (ii) the weak market for Alberta real estate.

Demand Letters to Restoration Energy and the Guarantors

- 175 Based on the information obtained from Frontline, no formal demands for payment were ever made against the Debtors or Merchants of the Factoring and Hedge Funds prior to the Receiver's appointment.
- 176 On behalf of the Receiver, A&B issued a demand letter to Restoration Energy on November 7, 2017, and a subsequent demand letter to 131 Alberta on November 13, 2017, each of which enclosed a Notice of Intention to Enforce Security delivered pursuant to subsection 244(1) of the *Bankruptcy and Insolvency Act* (a "**BIA Notice**"). A&B also issued demand letters (the "**Additional Restoration Guarantor Demands**") to each of the guarantors pursuant to the Additional Restoration Guarantees on November 14, 2017. Copies of the foregoing demand letters, and their enclosures, are attached as **Appendix "36"** to this Second Report.
- 177 Notably, the Additional Restoration Guarantor Demands sent to DDI Distribution Corp. and Dionne Design Inc. were sent by e-mail and registered mail in accordance with the underlying guarantees, but were electronically returned as undeliverable. As at the date of this Second Report, the registered mail copy has not been signed for by the respective recipients.
- 178 The Additional Restoration Guarantor Demand sent to Yvonne Martin-Morrison appears to have been successfully delivered via e-mail, but has not been responded to by Ms. Martin-Morrison as at the date of this Second Report.
- 179 As at the date of this Second Report, the Receiver has not received a response to any of the above-noted demands.

Single Source

- 180 The Factoring Fund entered into a Factoring Agreement with Single Source dated August 9, 2016 (the "**Single Source Factoring Agreement**"). The Factoring Fund also entered into a security agreement with Single Source dated August 9, 2016 granting the Factoring Fund a general continuing security interest over all present and future property and assets

of Single Source. In addition, Tanya McCrary-Singh (“**McCrary-Singh**”), the Chief Financial Officer of Single Source, provided a personal guarantee (the “**McCrary-Singh Guarantee**”) in favour of the Factoring Fund dated August 9, 2016, guaranteeing the obligations of Single Source to the Factoring Fund.

- 181 As at October 26, 2017, principal is outstanding under a single invoice factored by the Factoring Fund from Single Source in the sum of \$93,985, with accrued interest owing to the Factoring Fund of \$20,206.
- 182 By letter dated November 22, 2017, the Receiver demanded immediate payment from Single Source pursuant to the Single Source Factoring Agreement. A copy of the November 22, 2017 letter sent by the Receiver to Single Source is attached to this Second Report as **Appendix “37”**.
- 183 If payment is not remitted by Single Source to the Receiver shortly, the Receiver anticipates that it will take steps to enforce pursuant to the Single Source Factoring Agreement and McCrary-Singh Guarantee, with the goal of collecting on this receivable in a cost-effective manner given the amount owing.

RECEIVER’S CONCERNS REGARDING THE ADMINISTRATION OF THE FACTORING CONTRACTS

- 184 During its review, the Receiver has noted that the procurement and administration of the Factoring Contracts by Frontline and Housego, the latter of whom was the Lead Portfolio Strategist of the Hedge Fund and Factoring Fund until being terminated by the Receiver, was highly unsophisticated and lacked the necessary controls to ensure that advances made to Merchants would ultimately be repaid. The deficiencies noted by the Receiver, as discussed in this section, have ultimately led to the impaired status of the investments held by the Factoring and Hedge Funds as detailed above.

High Level of Concentration Risk

- 185 As outlined above, the Factoring Contracts have an exceptionally high level of concentration risk given that as at October 26, 2017, two (2) Merchants, Dome Mountain⁵ and Zomongo TV, directly and indirectly account for 87.97% (57.97% and 30.00%,

⁵ Including the 156 Alberta Balance and the 647 BC Balance.

respectively) of the Factoring Balance; while three (3) Merchants account for the remaining 12.30%.

- 186 This concentration risk is further compounded in that the Dome Mountain Balance is a bridge loan (i.e. not a factoring arrangement) and the Zomongo TV Balance is purportedly owing from five (5) Debtors with only 16 outstanding invoices.

Due Diligence on Merchants and Debtors

- 187 Under the FPAA, Frontline was required to perform a certain level of due diligence prior to putting forth a proposed Factoring Contract to the Factoring Fund and/or Hedge Fund. The FPAA's stated that:

- a) *"Each such proposed factoring arrangement must comply with all of the requirements of this Agreement and the Approved Investment Criteria."*
- b) *"Prior to its presentation to the [Factoring/Hedge Fund], Frontline shall have evaluated each potential factoring arrangement in accordance with the Due Diligence Guidelines and shall include, but will not be limited to, a review of the operations and credit worthiness of any Merchant, the Debtors involved, the accounts receivable aging and any other applicable Contract Documents..."*
- c) *"With respect to each specific proposed arrangement, Frontline shall also provide a written report as to whether the specific proposed arrangement complies with the Due Diligence Guidelines."*

(collectively referred to as the **"Required Due Diligence"**).

- 188 The FPAA make reference to Exhibit "A" and Exhibit "C" which outline the Due Diligence Guidelines and the Approved Investment Criteria, respectively.
- 189 On September 11, 2017, the Receiver requested that Frontline provide documentation to confirm that the Required Due Diligence was performed. In response to the Receiver's request, on September 28, 2017, Frontline provided the Receiver with documents which were titled "invoice summaries" (**"Invoice Summaries"**) in connection with each of the Merchant's outstanding invoices to Debtors, pursuant to which indebtedness is owing to the Factoring and Hedge Funds. The Invoice Summaries provided by Frontline are attached hereto as **Appendix "38"**.

- 190 On September 21, 2017, the Receiver requested that Frontline provide a copy of Exhibit "A" and Exhibit "C" referenced in the FPAAs. Frontline indicated that a formal Exhibit "A" or Exhibit "C" were never executed. In an emailed response dated September 29, 2017, with respect to Exhibit "C", Froese indicated that:

"Exhibit "C" was never completed in the Factoring Procurement and Administration Agreement. There were many discussions with Clayton Smith although I don't believe we ever came to an agreement. We started with conversations on each deal as well as [the Invoice Summaries] and if Crystal Wealth requested any addition information we would give it to them. Because of that, there were no written reports as there was nothing to reference."

A copy of Froese's email referencing the above is attached hereto as **Appendix "39"**.

- 191 On October 31, 2017, after locating a document titled "Exhibit A – Due Diligence Guidelines" in the Company's books and records (a copy of which is attached hereto as **Appendix "40"**), the Receiver sent an email to Froese that requested certain documentation and written reports to support performance of the Due Diligence Guidelines by Frontline. In response, Froese indicated that:

"...there was no formal Schedule "A" and the schedule you have may have been a draft copy for discussion purposes, although was never part of the agreement. As per information, I believe we have sent you everything that we have."

A copy of the Receiver's email and Froese's response is attached hereto as **Appendix "41"**.

- 192 The Invoice Summaries do not satisfy the Required Due Diligence as they fail to include, among other things:
- a) any relevant information on the underlying Debtor of the invoice;
 - b) any detailed analysis of the business and risks of the Merchant's business;
 - c) a statement that the specific proposed arrangement complies with the Due Diligence Guidelines; and

- d) an evaluation as to whether the proposed factoring arrangements comply with the Approved Investment Criteria.
- 193 Based on the Company's books and records, there appears to be little to no evidence of any additional information provided to the Company that would confirm that Frontline performed the Required Due Diligence.
- 194 Notwithstanding the absence of Frontline performing the Required Due Diligence, Housego and/or Smith nevertheless caused the Factoring and Hedge Funds to enter into each of the Factoring Contracts based on little to no due diligence. The Company's books and records contain no evidence that Housego and/or Smith performed any additional due diligence themselves to supplement or compensate for the minimal due diligence performed by Frontline.
- Allocation of Payments Received by Frontline Contrary to the FPAA**
- 195 As noted above, payments of \$25,000.00 and \$113,044.41 were received by Frontline from Advanced Metal on August 11, 2017 and September 11, 2017, respectively (collectively the "**Advanced Metal Payments**"), towards the Purchased Receivable (invoice 35507) issued to Lotus Environmental Ltd. (the "**Lotus Invoice**"). When none of these funds were remitted by Frontline to the Receiver, the Receiver requested a conference call with Frontline to inquire as to why the entirety of the Advanced Metal Payments had not been remitted to the Receiver in accordance with the FPAA.
- 196 On October 3, 2017, the Receiver, A&B, and Frontline convened the conference call, as requested by the Receiver. Froese advised that Frontline had a verbal arrangement with Smith, whereby Frontline was permitted to retain certain sums of the payments received from Merchants or Debtors on account of interest in priority to repayment being first made to the Factoring Fund and/or Hedge Fund. Based upon this purported verbal arrangement, Froese indicated that the Factoring Fund would only receive \$53,094.02 of the Advanced Metal Payments (totaling \$138,044.41), and that Frontline would be permitted to retain the remaining \$84,950.39. According to Frontline, the allocation of the Advanced Metal Payments received was accordingly to be as follows based upon the verbal arrangement between Frontline and Smith:
- a) \$25,000 payment on August 11, 2017 – \$9,615.38 to the Factoring Fund and \$15,384.62 to Frontline; and

- b) \$113,044.51 payment on September 11, 2017 – \$43,478.64 to the Factoring Fund and \$69,565.87 to Frontline.

A copy of the “Payment Summaries” provided to the Receiver by Frontline in this regard are attached hereto as **Appendix “42”**.

- 197 The arrangement described by Froese is contrary to s. 4.6 of FPAA, which provides that the Factoring and Hedge Funds are to be repaid in priority to Frontline receiving any compensation:

“...all monies received from a Merchant or its Debtors, either in the normal course of business or in the event of a collection action or resolution shall be paid, firstly to the Fund until the amount advanced by the Fund has been repaid in full and, secondly, on a pro rata basis to Frontline and the Fund for the amounts of the fees due to each of them...” [emphasis added]

- 198 Frontline has been unable to provide any documentation to the Receiver to support its alleged verbal arrangement with Smith, which would supersede the priority payment scheme set out in s. 4.6 of the FPAA.
- 199 Frontline’s allocation of the Advanced Metal Payments is in contravention of s. 4.6 of the FPAA as the Factoring Fund and Hedge Fund are entitled to all monies received until the amount advanced by the Funds is recovered; the amount advanced on the Lotus Invoice that remains outstanding totals \$458,080. The Factoring Fund is therefore entitled to the entire amount of the Advanced Metal Payments and any future amounts received by Frontline in trust for the Factoring Fund until the \$458,080 advance on the Lotus Invoice is paid off in full.
- 200 On October 10, 2017, pursuant to section 4.6 of the FPAA, the Receiver directed Frontline to remit the entire amount of the Advance Metal Payments to the Receiver. In response, Froese advised that:

“Frontline has been caught off guard with the request to send all the funds from the invoices to the receiver. As precedent had been set and agreed to by Crystal Wealth with the way we were handling all payments and per instructions from receiver to continue operations as we always have, would it be possible to start

with the new calculations (per original agreement) going forward. We will send the original amount from the invoice summaries right away.”

- 201 The Receiver has not – and does not – approve of an alternative priority arrangement for payment which is different than as prescribed by the FPAA. Accordingly, on October 13, 2017, the Receiver reiterated to Frontline that the Factoring Fund was entitled to the entire amount of the Advanced Metal Payments and demanded that payment of same be remitted by Frontline to the Factoring Fund immediately.
- 202 On October 16, 2017, Froese advised the Receiver that Frontline did not have sufficient funds to send the Advanced Metal Payments to the Receiver.
- 203 In response, the Receiver sent an email to Frontline again reiterating that the entirety of the Advanced Metal Payments, and all future payments received by Frontline, must be immediately remitted to the Receiver in trust for the Factoring and Hedge Funds, as applicable.
- 204 The email correspondence with respect to the Advanced Metal Payments between the Receiver and Froese, as summarized above, is attached hereto as **Appendix “43”**.
- 205 Notwithstanding numerous follow-up correspondence sent by the Receiver to Frontline, as at the date of this Second Report, the Receiver has not received any of the Advanced Metal Payments owing to the Factoring Fund.
- 206 As mentioned above, Frontline stated that it had a verbal arrangement with Smith to receive a portion of payments from Merchants/Debtors prior to the initial advance made by the Factoring/Hedge Fund being paid in full. As a result, on previous payments, Frontline has applied an allocation where it has been receiving a portion of the payments previously made by Merchants and/or Debtors before the initial advance made by the Factoring/Hedge Fund is repaid. The following table outlines: (i) the payments made by the Merchants and/or Debtors on the outstanding Purchased Invoices (Payments); (ii) the portion of the payment allocated to the Factoring/Hedge Fund’s initial advance (Initial Advance); (iii) the portion of the payment allocated to the Factoring/Hedge Fund for interest outstanding, and (iv) the portion kept by Frontline for its fees and interest. A copy of Frontline’s most recent Weekly Report to the Receiver concerning the status of the Factoring Contracts as at November 17, 2017 is attached hereto as **Appendix “44”**.

Merchant	Allocation of Payment				
	Payments	Initial Advance	Fund Interest	Frontline Interest & Fees	
Zomongo TV	\$ 1,282,392	\$ 251,222	\$ 928,315	\$ 102,854	
Advanced Metal ¹	544,390	68,236	165,463		310,691
156 Alberta	289,828	224,361	56,658		8,809
Restoration Energy	204,860	-	90,439		114,421
	\$ 2,321,470	\$ 543,820	\$ 1,240,876		\$ 536,775

Note 1 - Advanced Metal figures include the allocation of the Advanced Metal Payments between Frontline and the Factoring Fund.

- 207 As shown in the table above, based on its alleged agreement with Smith and in contravention to the FPAA, Frontline has withheld \$536,775 of the payments received from Merchants and/or Debtors for the outstanding Purchased Invoices that should have been allocated to the initial advances made by the Factoring/Hedge Fund. The Receiver disagrees with Frontlines position and requests an Order that Frontline pay the \$536,775 outstanding to the Receiver in trust for the Factoring and Hedge Funds, as applicable.
- 208 Froese indicated to the Receiver during the October 3, 2017 conference call that the Frontline employee who developed the system for the Frontline Weekly Report summaries to the Factoring and Hedge Funds, Steven Bandola, left Frontline in April 2017, at the approximate time of the Receiver's appointment.

Other Notable Items

- 209 During the Receiver's due diligence, the Receiver noted that Froese currently holds 300,000 share purchase warrants in Zomongo TV. Froese had never made this disclosure to the Receiver. Such an investment presents a conflict of interest for Frontline as the Factoring and Hedge Fund are creditors and Froese is personally an equity holder of this Merchant of the Factoring/Hedge Funds.

MEDIA LOANS

BACKGROUND

- 210 The Media Fund's primary investment was that of term loans purchased from Media

House Capital (Canada) Corp. ("MHC") reflecting loans ("Media Loans") made to various production companies for the production of films. The Media Loans consist of two general types: (i) Gap Loans; and (ii) Tax Credit Loans, both of which are described and defined below.

Gap Loans

- 211 The Media Fund loaned funds to single purpose production companies (i.e. entities incorporated for the sole purposes of producing a particular film). Each film would have its own separate legal entity in order for films to be financed and produced whereby the security of the loan is the unsold rights to the production (the "Gap Loans").
- 212 In most scenarios, a producer would build a financing plan for the production budget, putting together the components of financing, including, but not limited to, one or more of tax credits, government subsidies, pre-sales, and private equity. If additional funding was required to produce the film over and above the available sources, a Gap Loan would be obtained. The Gap Loan is the riskiest type of financing for a lender as the Gap Loan is issued based solely on estimated sales which, often times, is far less than can be generated by the production.

Tax Credit Loans

- 213 Many jurisdictions offer tax credits as an incentive to producers to make their films in that jurisdiction. The tax credits are usually 25% - 30% of the overall production budget depending on where the film is shot and the nationalities of those involved. The Media Fund advanced loans to certain production companies secured by the rights to tax credits (the "Tax Credit Loans"), which security was occasionally subordinated to a senior secured lender.

Recorded Value of the Media Loans by the Company

- 214 According to the April 20th Package, the Company had attributed a Recorded Value in excess of \$53 million, inclusive of principal and interest. Based on the Receiver's early conversations and correspondence with MHC, it was apparent that a significant number of the films underlying the Media Loans appear to be experiencing significant issues and/or delays.
- 215 As discussed in the First Report, and the Supplement to the First Report, the Receiver

engaged Quiver as an expert advisor to assist the Receiver in its investigation and management of the Media Fund.

- 216 On June 27, 2017, the Receiver and Quiver entered into a Memorandum of Understanding (“**MOU**”) which outlined the roles and responsibilities of Quiver and its compensation in so acting. In summary, Quiver’s mandate under the MOU was to, among other things:
- a) engage with all third party sales agents and domestic distributors to review the status of each film, including but not limited to interest and results from international distributors, timing of such interest, exposure and interest at film markets and festivals, and identification of unpaid, current and long-term accounts receivable;
 - b) identify the unsold rights by film, by media (e.g. video on demand, television, etc.), and determine the best course of action to extract value from said rights and provide recommendations on the best course of action moving forward; and
 - c) utilize relationships with the distributors and customers (e.g. Netflix, Amazon, Walmart, etc.) to generate collections.

- 217 Since the First Report, the Receiver and Quiver have executed two amendments to the MOU (the “**MOU Amendments**”), in order to extend Quiver’s engagement first through to October 31, 2017, and subsequently, through to November 30, 2017. Copies of the MOU Amendments are attached hereto as **Confidential Appendix “2”**.

ESTIMATED VALUE OF THE MEDIA LOANS

- 218 On November 22, 2017, Quiver provided to the Receiver a report (the “**Quiver Report**”) that, among other things: (i) outlined the nature of the Media Loans issued to the various production companies; (ii) set out collections obtained by the Receiver for Media Loans as at the date of the Quiver Report; and (iii) provided an estimated value of the Gap Loans and Tax Credit Loans. A copy of the Quiver Report which, among other things, details the underlying methodology in determining the projected amounts which are reasonably likely to be recovered by the Media Fund with respect to the Media Loans (the “**Projected Media Loan Values**”), is attached hereto as **Confidential Appendix “3”**. The Quiver Report, including its appendices, is in excess of 1,200 pages (it contains periodic financial accounting for the Media Loans). Due to this length, only the Quiver Report and its

Appendix D – Library Analysis have been included in this Confidential Appendix to the Second Report in hard-copy form; the full Quiver Report containing all appendices has been provided on a USB key within the Confidential Appendix.

- 219 Since its, appointment, the Receiver, has collected a total of \$6,859,188 and US \$153,591 with respect to the Media Loans.

INTER-FUND INVESTMENT IMPACT

- 220 As discussed in the First Report, the Media Fund was the largest recipient of Inter-fund Investments from a number of Crystal Wealth Funds totaling a Recorded Value of \$11,349,768 per the April 20th Package. The following table outlines the unit holdings and Recorded Values (per the April 20th Package) that certain of the Crystal Wealth Funds held in the Media Fund.

Fund	A Fund April 20th NAV	Units in Media Fund	B Recorded Value of Units	B / A Percentage of NAV
ACM Income Fund	\$ 10,815,417	655,974	\$ 6,641,115	61.40%
Mortgage Fund	27,082,935	204,475	2,072,643	7.65%
Medical Fund	9,270,090	151,855	1,537,291	16.58%
ACM Growth Fund	11,609,064	56,974	576,764	4.97%
High Yield Mortgage Fund	5,442,165	51,409	521,098	9.58%
Factoring Fund	38,124,168	85	857	0.00%
	\$ 102,343,839	1,120,772	\$ 11,349,768	

- 221 Based on the Projected Media Loan Values, the above noted Inter-fund Investments were grossly overstated resulting in the value of each of the above noted Crystal Wealth Funds being overstated. The above noted Crystal Wealth Funds will accordingly receive far less from the Media Fund than their Inter-fund Investments in the Media Fund. In other words, significant monies deployed by the ACM Income Fund, ACM Growth Fund, Mortgage Fund, Medical Fund, and High Yield Mortgage Fund to invest in the Media Fund, will result in significant monetary losses to each of these Funds.
- 222 As the Media Fund was earning little to no income on the Media Loans, the Receiver has concerns as to how redemptions and distributions to Media Fund investors were satisfied prior to the Receiver's appointment (i.e. whether Inter-fund Investments in the Media Fund

by other Funds, or funds from investor purchases of units in the Media Fund, were used to fund Media Fund redemptions and distributions).

GOLD LOANS

BACKGROUND

- 223 The Factoring Fund and Hedge Fund entered into four (4) Gold Certificate Subscription Agreements with Onstar Exploration Ltd. (“**Onstar**”) as follows:
- a) three (3) Gold Certificate Subscription Agreements between the Factoring Fund and Onstar dated August 12, 2016, November 27, 2016, and September 25, 2016 for a total of 3,800 ounces of Gold; and
 - b) one (1) Gold Certificate Subscription Agreement between the Hedge Fund and Onstar dated September 25, 2016 for a total of 200 ounces of Gold.
- (collectively, the “**Onstar Subscription Agreements**”).
- 224 Under the Onstar Subscription Agreements, the Factoring Fund and the Hedge Fund purchased gold certificates for certain multiples of 1,000 ounces of Gold per certificate (the “**Gold Certificates**”) which cumulatively totaled 4,000 ounces of Gold.
- 225 In addition to the Onstar Subscription Agreements, the Factoring Fund, the Hedge Fund and the Bullion Fund collectively entered into seven (7) Gold Sale / Purchase Agreements (some of which have or will be expiring shortly) with the following entities:
- a) 611802 B.C. Ltd. (“**611 BC**”) – four (4) Gold Sale / Purchase Agreements with a combined Recorded Value of approximately \$1,255,819 (the “**611 BC Loan**”);
 - b) Inca One Gold Corp. (“**Inca**”) – two (2) Gold Sale / Purchase Agreements with a combined Recorded Value of approximately \$958,797 (the “**Inca Loans**”); and
 - c) Solid Holdings Ltd. (“**Solid Holdings**”) – one (1) Gold Sale / Purchase Agreement with a Recorded Value of \$333,332 (the “**Solid Holdings Loan**”).

The 611 BC Loan, Inca Loans, and Solid Loans (collectively, the “**Settlement Loans**”) are similar in nature in that upon expiry, the agreement is completed either through: (i) the

delivery of the Gold; or (ii) a cash settlement. A description of the commercial arrangement under the Settlement Loans is outlined in paragraph 63 of the First Report.

RECEIVER'S KEY FINDINGS AND ACTIONS

- 226 The Onstar Subscription Agreements and the Settlement Loans are, in substance, term loans to Onstar, 611 BC, Inca, and Solid Holdings (collectively, the "**Gold Sellers**") and are therefore referred to as the "**Gold Loans**". The Gold Loans are to be repaid upon maturity in either Gold or cash. For greater clarity, the Factoring/Hedge/Bullion Funds did not purchase Gold in its physical form under any of the Gold Loans.
- 227 The table below provides a summary of the Gold Loans held in the Bullion Fund, Hedge Fund, and Factoring Fund:

Fund	Ounces	Outstanding Gold Loans	CAD Amount Advanced	USD Amount Advanced	Market Value (CAD) Oct 31/17
Factoring Fund	4,341	5	\$911,441	US \$3,260,000	\$7,094,001
Bullion Fund	481	2	\$803,100	US \$0	\$760,556
Hedge Fund	761	4	\$845,704	US \$190,000	\$1,219,702
Total	5,583	11	\$2,560,245	US \$3,450,000	\$9,074,259

- 228 Although the market value of the ounces of Gold to be delivered upon maturity of the Gold Loans is approximately \$9,074,259 as at October 31, 2017,⁶ each of the Gold Sellers are in, or appear to be in poor financial health and as a result, do not have the ability to repay the Gold Loans, whether in cash or in Gold.
- 229 Under the Gold Loans, the Crystal Wealth Funds are unsecured creditors, with no security over any of the Gold Sellers' assets. The Receiver has concerns over the ultimate collectability of the Gold Loans. As at the date of this Second Report, the Crystal Wealth Funds have not received any repayment (in Gold or cash) for any of the Gold Loans.
- 230 The Company's books and records contain little to no information on the Gold Sellers. In addition, the Receiver has been unable to locate documentation or evidence

⁶ The price of Gold as at October 31, 2017 was \$1,637 per ounce (US \$1,270 per ounce converted at an exchange rate of 1.2894)

demonstrating that any due diligence had been performed on the Gold Sellers by the Company, the Funds, or by Housego - the former Lead Portfolio Strategist of the subject Funds - or that the Gold Loans fit the investment criteria outlined in each of the Factoring, Hedge, and Bullion Fund's OMs.

- 231 The Gold Loans do not appear to fit into the investment strategy of the Factoring Fund or the Bullion Fund based on the wording contained in their respective OMs. It is unclear if the Gold Loans would be considered appropriate investments in the Hedge Fund given the broad wording contained in the Hedge Fund's OM.

RECEIVER'S DETAILED REVIEW OF GOLD CONTRACTS

Onstar Subscription Agreements

- 232 As outlined in the First Report, the Receiver was able to locate unsigned Gold Certificates in the Company's books and records which stated the following:

Gold deliveries to the Owner [the Hedge/Factoring Fund] shall commence on April 30, 2017 F.O.B. Juneau, Alaska and shall occur monthly, until the entire 1,000 ounces of gold due under this Certificate has been delivered to the Owner. It is expected that all gold payments will be completed no later than April 30, 2019.

The Receiver has obtained executed copies of the Onstar Subscription Agreements which are executed by Alan Braun ("Mr. Braun") on behalf of Onstar. The Receiver has confirmed with Onstar that no Gold has been delivered to either the Factoring Fund or the Hedge Fund as at the date of this Second Report.

Housego's Involvement

- 233 Through the Receiver's review, the Company's books and records contain minimal information with respect to Onstar's operations and contain no evidence of due diligence being performed by Housego or any other Company representative. The Receiver expected that such due diligence would include, but would not be limited to, an evaluation of the potential risks and benefits of the Factoring Fund and Hedge Fund advancing US \$3,000,000 and \$748,900 to Onstar and whether the Onstar Subscription Agreements would be considered applicable investments under the Factoring Fund and Hedge Fund OMAs. The absence of any due diligence being performed prior to the advancement of funds is alarming.

- 234 In a letter dated April 24, 2017, signed by Smith, to the British Columbia Securities Commission (the “**BCSC**”) (in response to an assumed inquiry made by the BCSC as referenced in the letter) (the “**April 24 2017 BCSC Letter**”), Smith, among other things, states that:

“Mr. Housego was introduced to Alan Braun through Taz Faryad. Mr. Faryad was trying to connect gold sellers and gold buyers. The [Company] manages a number of mutual fund trusts for which Mr. Housego acts as lead portfolio manager and in which Mr. Housego was looking to invest in gold. Presumably, Alan Braun was involved in a company or companies that produces gold so Mr. Faryad connected us to see if there was a fit. Mr. Housego first met Alan Braun at a meeting in Vancouver in early August 2016. Taz Faryad, Jerry Braun and Rene Gladu were also present.” [Emphasis added]

In an email dated August 11, 2016 from Housego to Mr. Braun, Jerry Braun, Rene Gladu, and Taz Faryad, Housego confirmed that the first meeting mentioned in the April 24 2017 BCSC Letter occurred on August 8, 2016 and that this meeting was the first meeting of the parties. A copy of the April 24 2017 BCSC Letter is attached hereto as **Appendix “45”**.

- 235 Based on the above, Housego first met Mr. Braun on August 8, 2016; and four days later (on August 12, 2016), the Factoring Fund made the first advance to Onstar of US \$2,000,000. The April 24 2017 BCSC Letter provides further evidence that little to no due diligence was performed by Housego or the Company prior to entering into the Onstar Subscription Agreements and advancing the previously mentioned funds.
- 236 As noted in the First Report, Onstar claimed that Housego had verbally agreed to provide a total of US \$10 million of funding to Onstar for the development of a mine in Juneau, Alaska. However, to date, only the funding noted above has been provided. As a result, Onstar has had to seek external financing to complete the development of the Juneau, Alaska mine. The Receiver does not know at this time if Onstar was successful in seeking such funding.

Gold Certificates

- 237 The Onstar Subscription Agreements all reference executed Gold Certificates contained in Schedule A to same. The Onstar Subscription Agreements provided by Smith and

contained in the Company's books and records did not include copies of the executed Gold Certificates nor did the Onstar Subscription Agreements provided by Mr. Braun. Onstar, upon the Receiver's request, advised that it was unable to locate the executed Gold Certificates. However, Onstar did provide unsigned copies of the Gold Certificates to the Receiver which stated the same terms as outlined in paragraph 232 above.

- 238 The Onstar Subscription Agreements, under the "Registration and Delivery Instructions" section, state that the Gold Certificates were to be delivered to NBCN at the following address:

*NBCN
250 Yonge Street, 19th Floor
Toronto, Ontario
M5B 2L7
Attention: Cheryl Rochemont*

The Receiver has made numerous requests of NBCN to locate the Gold Certificates. As at the date of this Second Report, NBCN has been unable to locate the executed Gold Certificates, which suggests that the executed Gold Certificates were never delivered by Onstar to NBCN.

- 239 Upon review of email correspondence between Onstar and Housego, it appears the Gold Certificates were delivered to Housego. On October 30, 2017, the Receiver requested that Housego provide the copies of the Gold Certificates to the Receiver. Housego stated that he did not know where the Gold Certificates were as outlined in his response below:

"I don't recall ever getting the certificates. I have looked but I do not have them. All certificates would have gone to HO and would have been part of the security needed to issue funds. I have no idea where they are or could be."

- 240 On October 31, 2017, the Receiver requested that Smith provide copies of the executed Gold Certificates to the Receiver. Smith advised that he had never received the Gold Certificates and that NBCN would likely be in possession of same. Smith's response to the Receiver's request was as follows:

"I don't have any documents from Crystal Wealth in my possession. Joanne Bentley handled most of the admin stuff, and I think the certificates may have been filed with NBCN."

241 As the April 24 2017 BCSC Letter stated that Gold Certificates were attached, the Receiver sent a letter to the BCSC on November 22, 2017 requesting that a copy of the Gold Certificates be provided. As at the date of this Second Report, the Receiver has not received a response.

Receiver's Demand

- 242 As delivery of Gold per the Gold Certificates had not yet occurred, A&B, on behalf of the Receiver, issued a default letter to Onstar dated October 26, 2017 (the "**Onstar Default Letter**") which, among other things, demanded immediate delivery of Gold in accordance with the terms of the Gold Certificates. A copy of the Onstar Default Letter is attached hereto as **Appendix "46"**.
- 243 On November 2, 2017, in response to the Onstar Default Letter, Onstar advised the Receiver that it would honour the Onstar Subscription Agreements and Gold Certificates. Onstar advised that it was completing separate funding to fulfill the requirements of the Gold Certificates and that such funding would be in place in the month of November to early December 2017. Once funding is received, Onstar advised that a large scale operation would begin. Onstar stated that it currently has a small amount of Gold from the site available.
- 244 On November 7, 2017, the Receiver inquired of Mr. Braun as to whether cash payments could be made by Onstar instead of physical delivery of Gold at the same intervals in which deliveries of Gold would otherwise occur. The payments requested by the Receiver would be made by Onstar at the stated spot price of the expected Gold delivery (i.e. the spot price multiplied by the ounces to be delivered). As at the time of this Second Report, Onstar has not advised the Receiver as to whether such payments, in lieu of Gold deliveries, will be possible.
- 245 If necessary, the Receiver will arrange a location for the delivery of the Gold to be provided by Onstar, which arrangements are currently being put into place by the Receiver.

611 BC Loans

- 246 611 BC entered into the following Settlement Loans with the following Crystal Wealth Funds:

- a) One (1) Settlement Loan with the Bullion Fund – expiring November 28, 2017 whereby \$124,657 was advanced to 611 (the “**611/Bullion Loan**”);
- b) Two (2) Settlement Loans with the Hedge Fund – one (1) expiring November 28, 2017 and one (1) expiring January 16, 2018 with \$409,995 advanced to 611 (collectively the “**611/Hedge Loans**”); and
- c) One (1) Settlement Loan with the Factoring Fund – expiring February 2, 2018 whereby \$500,405 was advanced to 611 (the “**611/Factoring Loan**”).

Each of the 611 BC Loans were entered into by Pinnell on behalf of 611 BC.

- 247 As outlined in the First Report, the Receiver inquired as to 611 BC’s ability to execute an early exit from the 611 BC Loans; 611 BC stated that due to current cash constraints it will not be able to do so.
- 248 In subsequent discussions with the Receiver, 611 BC indicated that it did not engage in any mining activity directly nor did it hold any assets other than investments and receivables owing from other companies (as described below). 611 BC provided the Receiver with internally generated statements for the 12 months ending December 31, 2017 which indicated that 611 BC has no mining assets (i.e. land or equipment). The Receiver has requested more recent financial information.
- 249 Pinnell advised that the proceeds obtained from the 611 BC Loans was advanced to third party entities for certain projects as follows:
- a) proceeds obtained from the 611/Bullion Loan and one of the 611/Hedge Loans totaling approximately \$325,325 were advanced to a third party, Blacksand Gold Inc. (“**Blacksand**”), who entered into agreements with two other parties, Place One Mines Inc. (“**Placer One**”) and New North Construction Ltd (“**New North**”), for the development of a Gold mine in British Columbia (the “**BC Mine**”);
 - b) proceeds obtained from the second 611/Hedge Loan totaling approximately \$209,327 were advanced to a third party, Petra Capital Corporation (“**Petra**”), for the delivery of Gold from a Gold mine in Columbia (the “**Columbia Mine**”); and

- c) proceeds obtained from the 611/Factoring Loan of \$500,405 were also advanced to Petra for a portion of Petra's revenue interest in certain oil wells located in Louisiana, USA (the "Oil Wells").

As outlined in paragraph 251 below, the Receiver has requested a number of documents to support the claims made by Pinnell and the projects described above. Such information remains outstanding as at the date of this Second Report.

- 250 On October 24, 2017, one month prior to the expiry of the 611/Bullion Loan and one of the two 611/Hedge Loans, the Receiver requested that 611 BC provide an update as to the status of the BC Mine and the expected payment date of the 611/Bullion Loan and 611/Hedge Loan expiring on November 28, 2017. 611 BC advised the Receiver that production at the BC Mine was halted as it requires additional funding to continue operating and that Placer One, Blacksand, and New North have commenced legal action against each other as a result. 611 BC advised the Receiver that it has not yet received any Gold from Placer One nor Blacksand.
- 251 On November 11, 2014, after numerous follow-up correspondence from the Receiver, Pinnell indicated that the requested information outlined below would be provided within the coming weeks. The Receiver will continue to follow up with Pinnell. As at the date of this Second Report, the following items requested by the Receiver remain outstanding:
- a) the most recent financial statements for 611 BC;
 - b) details of the legal proceedings between Placer One, Blacksand, and New North;
 - c) any status reporting provided on the mine(s), including, but not limited to, SGS Reports; and
 - d) copies of any due diligence performed by 611 BC prior to the advancement of funds to Blacksand, BC Mine, Placer One or any other entity;
 - e) the full name and address of the BC Mine;
 - f) the full name and address of the Columbia Mine;
 - g) the full name and address of the Oil Wells;

- h) the agreement(s) between Blacksand Gold Inc. and 611 BC;
- i) the agreement(s) between Blacksand Gold Inc. and Placer One;
- j) the agreement(s) between Placer One and New North; and
- k) the agreement(s) between Petra Capital and 611 BC.

611 BC's Apparent Connection to Onstar

- 252 Through its examination of various email correspondence, the Receiver notes that Pinnell was actively involved in sourcing and closing the Onstar Subscription Agreements and the funding secured by Onstar under same. Pinnell is included on almost all correspondence between Onstar and Housego that the Receiver has obtained. In addition, the Receiver obtained email correspondence between Mr. Braun and Housego that makes reference to Blacksand's involvement in Onstar's operations.
- 253 In his numerous discussions with the Receiver, Pinnell has made no reference to Onstar nor any of the parties noted above. The relationship between Mr. Braun and Pinnell supports the Receiver's plan to perform an examination under oath of each of them in Toronto.

Inca Loans

- 254 Inca entered into the following Settlement Loans with the following Crystal Wealth Funds:
- a) one (1) Settlement Loan dated December 28, 2015 with the Bullion Fund consisting of three tranches of funding – expiring January 1, 2017, April 1, 2017, and June 1, 2017 (the "**Inca 1 Loan**"); and
 - b) one (1) Settlement Loan with the Hedge Fund dated December 5, 2016 – expiring on December 1, 2017 (the "**Inca 2 Loan**", and together, the "**Inca Loans**").
- 255 Inca is a Canadian-based mineral resource company and mineral processing company with a Gold milling facility in Peru. The Company is publically traded on the TSX Venture Exchange, the Frankfurt Stock Exchange, and the Santiago Stock Exchange Venture.
- 256 On June 7, 2017, Inca provided a proposal to the Receiver which proposed that Inca settle the Inca Loans for a cumulative value of \$1,000,000 over the course of 52 weeks

beginning June 26, 2017. The proposal also included an alternative for Inca to repay the original face value (i.e. the acquisition cost) of the Inca Loans plus a 2.5% annual interest rate, for total proceeds of approximately \$725,000 within 60 days. Due to the commencement of the Sales Process, the Receiver declined this proposal.

Financial Position of Inca

- 257 Throughout the Receivership Proceedings, the Receiver has continued to monitor the financial results of Inca. Upon review of Inca's most recent audited financial results for the 12 months ending April 30, 2017, Inca incurred a net loss of \$2,997,722 and had **negative** cash flows from operations of \$3,474,200. As a result, the audited financial statements contained the following disclosure stating that Inca's financial performance:

"...indicate[s] a material uncertainty that may cast significant doubt on [Inca's] ability to continue as a going concern. Management intends to finance operating costs over the year with the proceeds from debt financing, equity financing, its current working capital, proceeds from option and warrant exercises, and net profits from processing operations at the Company's gold milling facility in Peru. On August 26, 2016, the Company restructured and settled approximately \$13.5 million of the Company's long and short term debt and related unpaid interest.

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and... its ability to raise equity capital or borrowings sufficient to meet current and future obligations."

(the "Going Concern Note"):

- 258 The Receiver notes that after Inca had to restructure \$13.5 million of its debt, Housego, on behalf of the Hedge Fund, entered into the Inca 2 Loan whereby the Hedge Fund advanced approximately \$320,000 to Inca; putting more money into an already distressed company.
- 259 Inca's most recent interim consolidated financial results, approved by the board of directors on September 28, 2017, demonstrate that for the three months ending July 31, 2017, Inca incurred a net loss of \$575,883 and had **negative** cash flow from operations of \$154,315. As at July 31, 2017, Inca had total liabilities of approximately \$7,081,088 (\$2.74 million of which are secured debentures), and a reported cash balance of \$719,974.

Although the financial results were somewhat improved, the interim financial statements still contained the Going Concern Note; putting into question Inca's ability to continue operations.

- 260 Based on the above, it is clear that Inca's distressed financial position and its ability to continue as a going concern puts into question Inca's ability to repay the Inca Loans and thus the Bullion/Hedge Fund's ultimate value and recoverability of same.

Potential Recovery

- 261 After determining that no management takeover offers would be accepted through the Sales Process, the Receiver inquired as to Inca's financial position and ability to repay the Inca Loans. Inca advised that it did not have the financial resources to repay the Inca Loans in full, however, stated that it would put forth a payment proposal in short order.
- 262 On November 9, 2017, the Receiver sent follow-up email correspondence to Inca advising that a proposal had not been received. The Receiver will continue to follow up until a proposal is received from Inca.
- 263 Under the Inca Loans, the Hedge Fund and Bullion Fund are both unsecured creditors. Accordingly, if Inca does not deliver payment in accordance with the Inca Loans, or if a satisfactory alternative arrangement cannot be agreed upon, the Receiver's enforcement options as against Inca are limited.

Solid Holdings Loan

- 264 Solid Holdings entered into one (1) Settlement Loan with the Factoring Fund dated February 13, 2017 – expiring February 13, 2018. Under the Solid Holdings Loan, the Factoring Fund advanced \$300,306 to Solid Holdings.
- 265 In the Receiver's initial discussions with Solid Holdings, the Receiver was advised that Solid Holdings was undergoing significant financial and operational challenges.
- 266 On October 25, 2017, the Receiver requested that Solid Holdings provide an update as to the status of its operations. Solid Holdings advised the Receiver that production at its operations had experienced issues during the summer months as a result of the wildfires in British Columbia, however, mining had recently commenced. Furthermore, Solid Holdings advised that its senior secured lender had recently called its loans resulting in

Solid Holdings' pursuit of replacement financing. Solid Holdings advised that it was owed monies from a number of third parties who have failed to remit payment and that the payment of these balances were critical to Solid Holdings being able to settle the Solid Holdings Loan.

- 267 On October 30, 2017, the Receiver requested that Solid Holdings provide the following information to evaluate the claims made by Solid Holdings:
- a) the most recent financial statements for Solid Holdings;
 - b) the name(s) and location(s) of the mine(s) which is/are currently being developed by Solid Holdings and the entities and/or parties involved in the development of said mine(s);
 - c) status reporting on said mine(s), including but not limited to SGS Reports;
 - d) information relating to the proceedings commenced by the secured lender and details regarding sources of potential new funding to replace same; and
 - e) the listing of accounts receivable owed to Solid Holdings.

- 268 After numerous follow up correspondence to Solid Holdings, on November 2, 2017 Solid Holdings stated the following:

"As I am presently in a stressful week working with the [senior secured lender] lawyer in Toronto, and considering all my options, I will respond in some fashion to receiver next week."

- 269 The Receiver sent follow-up email correspondence on November 14, 2017, however, as at the date of this Second Report, the information requested by the Receiver has not yet been provided.

CONCLUSION

- 270 Each of the Gold Loans appear to be greatly impaired given that the Factoring Fund, Hedge Fund, and Bullion Fund are unsecured creditors under the respective agreements, and given that the Gold Sellers are, or appear to be experiencing financial challenges, putting into question their ability to repay the Gold Loans, whether in cash or in Gold.

- 271 Given the lack of due diligence performed by Housego and/or the Company prior to entering into the Gold Loan agreements, it is not surprising that the Factoring, Hedge and Bullion Funds are now in high risk position with respect to receiving any realizations from the Gold Loans. Had proper due diligence been conducted by Housego and/or the Company, it would have highlighted the above noted issues with the Gold Sellers, such that funds ought not to have ever been advanced by the Factoring, Hedge, and Bullion Funds on account of the Gold Loans.
- 272 With Housego being the main point of contact to the Gold Sellers, and the individual who entered into all of the Gold Loans, the Receiver is requesting that Housego be examined under oath in Toronto. The significant impairments with the Factoring Contracts held by the Factoring and Hedge Funds, for which Housego was also directly involved as the Lead Portfolio Strategist, further support the Receiver's request to examine Housego under oath in Toronto.
- 273 The Gold Loans do not appear to fit into the Factoring and Bullion Funds' investment objectives and/or strategy based on the wording contained in the Funds' respective OMs. It is unclear if the Gold Loans would be considered appropriate investments in the Hedge Fund given the broad wording contained in the Hedge Fund's OM.

COMMERCIAL LOANS

BACKGROUND

- 274 As outlined in the First Report, the Company entered into Commercial Loans which included:
- a) a loan agreement with Pond dated December 15, 2015 (as amended, the "**Pond Loan Agreement**") with a principal value of \$4,500,000, at an interest rate of 12% payable quarterly in arrears, maturing on February 2, 2018 (the "**Pond Loan**");
 - b) loan agreements with the following entities (all of which are under the control of a common individual, Clydesdale, and are collectively referred to as the "**OOM Energy Group**"):
 - i) Magnitude CS Energy Inc. (formerly, 2445958 Ontario Inc.) ("**Magnitude**");

- ii) 2441472 Ontario Inc. ("1472 Ontario"), as guaranteed by 2404783 Ontario Corp. ("4783 Ontario");
- iii) MCSnoxrecovery Inc. ("MCSnox"); and
- iv) MCSAB10 Inc. ("MCSAB"), as guaranteed by 4873 Ontario;

Based on the Company's books and records and the information obtained by the Receiver thus far, it appears that the Commercial Loans between the Company and the OOM Energy Group have a cumulative principal balance of approximately \$12,535,270 plus outstanding interest as at October 31, 2017 of approximately \$1,285,687 totaling \$13,820,956 (the "**OOM Energy Balance**");

- c) a promissory note between 1092545 B.C. Ltd. ("109 BC"), as borrower, and the Company, as lender, dated November 4, 2016 for a principal balance of US \$125,000, which has matured (the "**109 BC Promissory Note**");
 - d) a promissory note issued by Cinnos Mission Critical Incorporated ("**Cinnos**") dated September 30, 2016 and purchased by the Infrastructure Fund for a principal balance of \$300,000 that matures on September 28, 2018 (the "**Cinnos Promissory Note**"); and
 - e) a participation interest in a mortgage issued to Kanwal Investments Inc. ("**Kanwal**") by Liberty Mortgage Services Inc. (the "**Kanwal Mortgage**").
- 275 For each of the above Commercial Loans, with the exception of the Cinnos Promissory Note and the Kanwal Mortgage, assignment agreements were entered into between the Company and certain of the Crystal Wealth Funds whereby the Commercial Loans were assigned from the Company to the applicable Crystal Wealth Fund.
- 276 The table below outlines the combined principal and interest owed to the various Crystal Wealth Funds as at October 31, 2017 under the Commercial Loans:

Entity	Outstanding Principal and Interest							Total
	Mortgage Fund	Factoring Fund	High Yield Mortgage Fund	Infrastructure Fund	Sustainable Property Fund			
Pond	\$ 3,588,000	\$ -	\$ 571,511	\$ -	\$ -			\$ 4,159,511
Magnitude	1,251,973	-	-	5,692,102	-			6,944,075
1472 Ontario	1,872,658	-	-	-	-			1,872,658
MCSnox	2,772,004	-	-	-	-			2,772,004
MCSAB	-	-	-	-	2,232,219			2,232,219
109 BC	-	169,685	-	-	-			169,685
Cinnos	-	-	-	342,340	-			342,340
Kanwal	226,667	-	-	-	-			226,667
Total	\$ 9,711,302	\$ 169,685	\$ 571,511	\$ 6,034,442	\$ 2,232,219			\$18,719,159

RECEIVER'S KEY FINDINGS AND ACTIONS

- 277 Although the OMs for the Infrastructure Fund and Sustainable Property Fund appear to contemplate investments like the applicable Commercial Loans, the “Investment Objective” and/or “Investment Strategy” sections of the OMs for the Mortgage Fund, Factoring Fund, and the High Yield Mortgage Fund, do not suggest that this type of investment would ever be made by the applicable Fund. Accordingly, the OMs are highly misleading to investors. The Receiver’s communications with investors support this. Numerous investors have communicated to the Receiver that they were unaware of the large investments in Commercial Loans, and expected their invested capital to be deployed with a different strategy and purpose.
- 278 This section (paragraphs 279 to 286 below) summarizes the actions taken and the significant issues identified by the Receiver with respect to the Pond Loan and the Commercial Loans made to the OOM Energy Group. The remainder of this section of the Second Report (paragraphs 287 to 344) provides a more detailed account of the events that have transpired since the First Report regarding the Commercial Loans.

Pond – Pond Loan Amendment

279 Shortly after the Appointment Order, Pond advised the Receiver that it was unable to repay the interest and/or principal owing under the Pond Loan, as it had limited liquidity, and Pond was seeking external financing. Due to Pond's limited assets, immediate enforcement of the Pond Loan by the Receiver would have likely resulted in a shortfall in recovery for the Mortgage and High Yield Mortgage Funds and investors thereof.

280 The Receiver and Pond entered into the Pond Amendment which, among other things, extended the maturity of the Pond Loan and restructured the timing of the required principal and interest payments. In addition, the Receiver exercised an option granted under the Pond Loan Agreement to require Pond to enter into the Pond Intellectual Property Security Agreement (the "**Pond IPSA**"). The Company's first position security over the assets of Pond otherwise remains unchanged.

The OOM Energy Group – Default and Demands

281 On October 26, 2017, for the Commercial Loans issued to the OOM Energy Group, A&B, on behalf of the Receiver, issued default notices (the "**OOM Default Notices**") to the OOM Energy Group, Clydesdale, and Clydesdale's counsel:

- a) advising certain OOM Energy Group entities that their failure to make the required interest payments when due under the terms of the applicable loan agreement(s) triggered an Event of Default under the applicable loan agreement(s);
- b) advising all OOM Energy Group entities that their failure to provide the information requested by the Receiver on May 18, 2017 and June 6, 2017 in connection with the various loan agreements is an Event of Default under same;
- c) requesting the most recent review engagement report for each of Magnitude, 1472 Ontario, MCSnox, and MCSAB, as provided for in their respective loan agreements;
- d) making formal demand for payment of interest or principal owing under certain of the loans issued to OOM Energy Group, to the extent that such amounts were payable on demand without a default notice.

- 282 The cure period provided under the applicable loan agreements in respect of the payment defaults identified in the OOM Default Notices expired without a response from the OOM Energy Group, Clydesdale, or counsel thereto, Bill McKenzie ("McKenzie").
- 283 On November 11, 2017, McKenzie sent an e-mail to the Receiver and A&B, which email did not respond to the substantive issues mentioned in the OOM Default Notices, and instead asked for copies of the documents referred to therein (the "**McKenzie Email**"). In the McKenzie Email, McKenzie also provided that his client "wants to meet with the Receiver and arrange a final resolution." A copy of the McKenzie Email is attached hereto as **Appendix "47"**.
- 284 In addition, the Receiver is requesting that this Court issue an Order compelling Clydesdale to produce the documents that have been requested by the Receiver on numerous occasions to better evaluate the Commercial Loans to the OOM Energy Group and the financial health of the underlying OOM Energy Group entities.
- 285 On November 13, 2017, A&B, on behalf of the Receiver, issued demand letters and BIA Notices to the OOM Energy Group (as further described and detailed below), together with Clydesdale (in his personal capacity, as a guarantor of certain arrangements with Magnitude) (the "**OOM Demand Letters**"). On the same date, courtesy copies of the OOM Demand Letters were sent to each of Clydesdale and McKenzie by e-mail, attaching copies of the indicative loan agreements and transactional documents that were referred to in the OOM Demand Letters.

Compliance with OMs

- 286 As outlined above, the Commercial Loans are held primarily by the Mortgage Fund, Infrastructure Fund, and Sustainable Property Fund. The Receiver has the following comments on whether Commercial Loans are consistent with the investment objectives of these Funds:
- a) **Infrastructure Fund** – The Commercial Loans assigned to the Infrastructure Fund appear to be of a nature that is in compliance with the investment objectives of the Infrastructure Fund, although there is a high level of concentration risk, as 94.3% of the Commercial Loans assigned to this Fund are made with Magnitude;

- b) **Sustainable Property Fund** – the MCSAB Loan is structured according to Islamic finance concepts, and thus appears to be in compliance with the OM of the Sustainable Property Fund and its investment objective;
- c) **Mortgage Fund** – the investment objective of the Mortgage Fund is to “...generate a consistently high level of interest income...by investing primarily in residential mortgages in Canada”; Accordingly, the Commercial Loans held by the Mortgage Fund are not in compliance with this investment objective.

RECEIVER'S DETAILED REVIEW OF THE COMMERCIAL LOANS

Pond Technologies Inc.

- 287 Pond was incorporated on May 27, 2008 under the laws of Canada, with the purpose of pursuing microalgal biomass production using raw stack gas emissions from industrial emitters. Pond remains in the development stage of its business, has not yet reached profitability, and has relied on non-conventional sources of financing to fund operations.
- 288 Subsequent to the execution of the Pond Loan Agreement, the Company executed various participation agreements assigning the rights to a stated portion of the Pond Loan to the Mortgage Fund, High Yield Mortgage Fund, and an individual, Suzanne West, resulting in the following participation amounts of the Pond Loan:

Fund	Principal Balance	Principal Balance Allocation		
		Mortgage Fund	High Yield Mortgage Fund	Suzanne West
Pond Loan	\$ 4,500,000	\$ 2,950,000	\$ 550,000	\$ 1,000,000

- 289 Pursuant to a subordination and postponement agreement between St. Mary's Cement Inc., the Company, and Pond dated February 19, 2016, the Company is the first secured creditor of all of the assets of Pond. In addition, pursuant to the Pond IPSA, the Receiver is the first secured creditor of Pond's patents, copyrights and trademarks.
- 290 Pursuant to amending letter agreements dated October 5, 2016, October 20, 2016, October 26, 2016, and February 8, 2017, the Company agreed to defer, but not waive, the payment of interest by Pond pursuant to the Pond Loan Agreement. As at the date of the Receiver's appointment, Pond owed the Company approximately \$270,283 in overdue interest.

The Receiver's Discussions with Pond

- 291 In initial discussions with the Receiver, Pond advised the Receiver that it was unable to repay the interest and/or principal owing under the Pond Loan as it had limited liquidity. Moreover, Pond stated that prior to the appointment of Receiver, Smith had verbally assured Pond that the Company would commit to converting the entire Pond Loan into equity in Pond (half of the Pond Loan converted into shares of Pond at a price of \$2.00 per share while the other half would be converted at a price of \$2.40 per share).
- 292 Pond advised that it had been planning to go public via a reverse take-over ("RTO") bid by Ironhorse Oil & Gas Ltd., a public company listed on the TSX Venture Exchange (TSX.V: IOG) ("Ironhorse") (i.e. Ironhorse would acquire the common shares of Pond) (the "RTO Transaction"). Pond further advised that the aforementioned assurances regarding the debt to equity conversion were provided by Smith, on behalf of the Company, in subsequent discussions with Ironhorse as well as with the brokers engaged by Pond to raise additional equity and complete the RTO Transaction.
- 293 On June 12, 2017, Pond provided the Receiver with a confidential draft-unsigned letter of intent from Ironhorse outlining proposed terms of the RTO Transaction. Pond advised that the RTO Transaction would not be achievable unless some alternative arrangements were made to the current structure of the Pond Loan Agreement.

The Pond Loan Amendment

- 294 A number of subsequent discussions and meetings took place between the Receiver and Pond eventually leading to the Receiver and Pond entering into the Pond Loan Amendment dated August 11, 2017 (the "Pond Loan Amendment"), attached hereto as **Appendix "48"**. The Pond Loan Amendment included, among other things, the following changes to the Pond Loan Agreement:
- a) Maturity – extended to June 30, 2019 (a 1.5 year extension);
 - b) Principal Payments – Pond shall repay the loan principal as follows:
 - i) \$1,000,000 by December 31, 2017;

- ii) 20% of the proceeds received by Pond from one or more financing transactions once the aggregate amount of such financing transactions is equal to or greater than \$10,000,000; and
 - iii) in full (including all principal, interest and other fees owing and outstanding) upon the Date of Termination (defined in the Pond Loan Amendment as the earlier of: (i) June 30, 2019; or (ii) the date upon which an Event of Default occurs);
- c) Interest Payments – Pond shall repay the loan interest as follows:
- i) \$581,399 on November 30, 2017 (representing the accrued interest from October 1, 2016 to November 30, 2017);
 - ii) quarterly interest payments commencing on December 31, 2017 and thereafter on the last day of March, June, September, and December of each year at a rate of 8% per annum; and
 - iii) a delayed interest payment accruing on a daily basis of 4% (i.e. the differential from the 12% interest rate) due upon the Date of Termination (estimated to be \$293,934 if principal is paid upon maturity).
- 295 On August 15, 2017, Pond issued a notice to its shareholders that, among other things, advised of:
- a) a successful equity financing raise of \$1.6 million through a brokered private placement;
 - b) the Pond Loan Amendment; and
 - c) the execution of a letter of intent with Ironhorse to continue pursuing the RTO Transaction.
- A copy of the notice to shareholders issued by Pond is attached to this Second Report as **Appendix “49”**.
- 296 The receiver entered into a further amending agreement in respect of the Pond Loan on November 16, 2017 (the “**Second Pond Loan Amendment**” and, together with the Pond

Loan Amendment, the “**Pond Loan Amendments**”). The Second Pond Loan Amendment changed the date of the first interest payment noted above from November 30, 2017 to December 21, 2017, in consideration of an extension fee of \$10,000 to be paid by Pond to the Receiver. A copy of the Second Pond Loan Amendment attached to this Second Report as Appendix “50”.

Conclusion

- 297 The Pond Loan Amendments restructured Pond’s indebtedness to increase the likelihood of recovery for the Mortgage and High Yield Mortgage Funds. Moreover, the two Funds maintained a first secured position in the assets of Pond. A conversion of the Pond Loan to equity, as Smith purportedly agreed to in principle prior to the Appointment Order, would have resulted in the investors having no security over the assets of Pond.

OOM Energy Group

- 298 The table below outlines the portion of the OOM Energy Balance owing to the Mortgage Fund, Infrastructure Fund, and the Sustainable Property Fund:

Entity	Outstanding Principal and Interest				Total
	Mortgage Fund	Infrastructure Fund	Sustainable Property Fund		
Magnitude	\$ 1,251,973	\$ 5,692,102	\$ -	\$ -	\$ 6,944,075
1472 Ontario	1,872,658	-	-	-	1,872,658
MCSnox	2,772,004	-	-	-	2,772,004
MCSAB	-	-	2,232,219	-	2,232,219
Total	\$ 5,896,635	\$ 5,692,102	\$ 2,232,219		\$ 13,820,956

Magnitude CS Energy Inc.

- 299 The Company entered into a loan agreement dated July 6, 2016 with Magnitude (as borrower) and Clydesdale (in his individual capacity, as guarantor) (the “**Magnitude Working Capital Loan Agreement**”) which, among other things, included the following terms:

- a) Purpose – for general operating expenses and working capital;

- b) Principal – \$3,000,000 due upon maturity;
- c) Interest – 13% due quarterly; and
- d) Maturity – July 6, 2021

(the “**Magnitude Working Capital Loan**”).

- 300 The Magnitude Working Capital Loan is primarily accounted for in the Infrastructure Fund, pursuant to assignment agreements in respect of certain promissory notes representing advances thereunder. Some additional indebtedness that appears to arise pursuant to the Magnitude Working Capital Loan is assigned to the Mortgage Fund.
- 301 The most recent interest payment received by either the Infrastructure Fund or the Mortgage Fund on account of the Magnitude Working Capital Loan was received by the former on January 3, 2017. Interest is required to be paid quarterly (i.e. the next payment was due on March 31, 2017). This March 31 quarterly payment, and subsequent quarterly payments, have not been made. This non-payment is an Event of Default (as defined in the Magnitude Working Capital Loan Agreement).
- 302 In addition to the arrangements under the Magnitude Working Capital Loan Agreement as referred to above, the Company also entered into a series of promissory notes made between the Company and Magnitude (collectively, the “**Magnitude Factoring Promissory Notes**”), the proceeds of which were apparently used to pay accrued interest and partial payment of principal for a factoring agreement made between the Factoring Fund and Magnitude on July 11, 2015 (the “**Magnitude Factoring Agreement**”), and which promissory notes were subsequently assigned to the Infrastructure Fund.
- 303 As at October 31, 2017, the Company’s books and records indicate that a total of approximately \$3,312,484 is owing under the Magnitude Factoring Promissory Notes (principal and interest of \$3,008,071 and \$304,413 respectively). Each of the Magnitude Factoring Promissory Notes provides that interest and principal are due on demand.
- 304 On October 26, 2017, A&B, on behalf of the Receiver, issued a default and demand letter (the “**Magnitude Default & Demand Letter**”) to Magnitude, with a courtesy copy to Clydesdale, that, among other things, advised Magnitude of:

- a) its failure to make the required interest payments when due under the terms of the Magnitude Working Capital Loan Agreement, constituting an Event of Default under the loan agreement;
- b) its failure to provide the information requested by the Receiver on May 18, 2017 and June 6, 2017 in connection with the Magnitude Working Capital Loan Agreement, constituting an Event of Default under the loan agreement;
- c) the Receiver's request for Magnitude's most recent review engagement report pursuant to Article 2 under the "Covenants" heading of the Magnitude Working Capital Loan Agreement;
- d) the Receiver's formal demand for payment of the indebtedness owing under the Magnitude Promissory Notes as at September 30, 2017 (\$3,176,017.85 plus professional fees and accruing interest); and
- e) an enclosed BIA Notice.

A copy of the Magnitude Default & Demand Letter is attached to this Second Report as **Appendix "51"**. As at the date of this Second Report, the specified defaults have not been cured.

305 On November 13, 2017, A&B, on behalf of the Receiver, issued a further demand letter to Magnitude (the "**Magnitude Demand Letter**"), making formal demand on the entire indebtedness outstanding under the Magnitude Working Capital Loan Agreement, and reiterating the Receiver's demand on the Magnitude Promissory Notes, and enclosing a BIA Notice. A demand letter was also issued to Craig Clydesdale, in his personal capacity as guarantor of the indebtedness under the Magnitude Working Capital Loan Agreement (the "**Clydesdale Demand Letter**"). Copies of the Magnitude Demand Letter and Clydesdale Demand Letter are attached to this Second Report as **Appendix "52"**.

2441472 Ontario Inc. (Mortgage Fund)

306 The Mortgage Fund entered into a loan agreement with 1472 Ontario (as borrower) and 4873 (as guarantor) dated November 7, 2014 (the "**1472 Ontario Loan Agreement**") which includes the following terms:

- a) Purpose – To finance up to 100% of the installed cost of a MCS COGEN MARK 6 CoEnergyPoD, to be deployed at the premises of St. Mary's Cement Inc. (Canada) located at 55 Industrial St., Toronto, Ontario;
 - b) Principal – \$1,800,000 due upon maturity (a prepayment option is available to the Company on December 8, 2017);
 - c) Interest – 13% due monthly; and
 - d) Maturity – November 7, 2029
- (the "**1472 Ontario Loan**").

- 307 The 1472 Ontario Loan was assigned to the Mortgage Fund, pursuant to a participation agreement dated November 2, 2016.
- 308 According to the books and records of the Company, the most recent interest payment received by the Mortgage Fund with respect to the 1472 Ontario Loan was received in March 2017. As interest is required to be paid monthly, the non-payment of interest since March 2017 is an Event of Default under the 1472 Ontario Loan Agreement.
- 309 On October 26, 2017, A&B, on behalf of the Receiver, issued a default notice (the "**1472 Ontario Default Notice**") to 1472 Ontario and Clydesdale that, among other things, advised of:
- a) 1472 Ontario's failure to make the required interest payments when due under the terms of the 1472 Ontario Loan Agreement – an Event of Default under the 1472 Ontario Loan Agreement;
 - b) 1472 Ontario's failure to provide the information requested by the Receiver on May 18, 2017 and June 7, 2017 in connection with the 1472 Ontario Loan Agreement – an Event of Default under the 1472 Ontario Loan Agreement; and
 - c) the Receiver's request that 1472 provide its most recent review engagement report to the Receiver, as required under the 1472 Ontario Loan Agreement.

A copy of the 1472 Ontario Default Notice is attached hereto as **Appendix "53"**. As at the date of this Second Report, the specified defaults had not been cured.

310 On November 13, 2017, A&B, on behalf of the Receiver, issued a demand letter (the “**1472 Ontario Demand Letter**”), making formal demand on 1472 Ontario for repayment of the entire indebtedness outstanding under the 1472 Ontario Loan Agreement, and enclosing a BIA Notice. A copy of the 1472 Ontario Demand Letter is attached hereto as **Appendix “54”**.

MCSnoxrecovery Inc.

311 The Company entered into a loan agreement with MCSnox dated March 8, 2015 (the “**MCSnox 2015 Loan Agreement**”) which includes the following terms:

- a) Purpose – to complete the first Pond algae bioreactor installation at St. Mary’s Cement, Leaside, ON and for working capital purposes;
- b) Principal – \$550,000 due upon maturity, or if borrower completes an equity financing greater than the principal amount, or on an event of default;
- c) Interest – \$300,000 due on June 6, 2015 then 11% commencing January 1, 2016 thereafter, due on demand;
- d) Maturity – March 8, 2026;

(the “**MCSnox 2015 Loan**”).

312 According to the books and records of the Company, the most recent interest payment received by the Mortgage Fund with respect to the MCSnox 2015 Loan was received in December 2016.

313 In addition to the MCSnox 2015 Loan Agreement, the Company entered into a separate agreement with MCSnox dated November 2, 2016 (the “**MCSnox 2016 Loan Agreement**”, and together with the MCSnox 2015 Loan Agreement, the “**MCSnox Loan Agreements**”) which includes the following terms:

- a) Purpose – to complete the first Pond algae bioreactor installation at St. Mary’s Cement, Leaside, ON and for working capital purposes;
- b) Principal – \$2,000,000 due upon maturity, or if borrower completes an equity financing greater than the principal amount, or on an event of default;

c) Interest – 11% due on demand;

d) Maturity – November 7, 2029;

(the “**MCSnox 2016 Loan**”, together with the MCSnox 2015 Loan, the “**MCSnox Loans**”).

314 The MCSnox Loans were assigned to the Mortgage Fund, pursuant to an assignment agreement dated November 2, 2016.

315 According to the books and records of the Company, the most recent interest payment received by the Mortgage Fund with respect to the MCSnox 2016 Loan was received in December 2016.

316 On October 26, 2017, A&B, on behalf of the Receiver, issued a default and demand letter (the “**MCSnox Default & Demand Letter**”) to MCSnox which, among other things, advised of:

- a) the Receiver’s formal demand for payment of the interest owing under the MCSnox Loans, which as at September 30, 2017 totaled \$198,181;
- b) MCSnox’s failure to provide the information requested by the Receiver on May 18, 2017 and June 7, 2017 in connection with the MCSnox Loan Agreements, constituting an Event of Default under each of the MCSnox Loan Agreements; and
- c) the Receiver’s request that MCSnox provide its most recent review engagement report, as required under the MCSnox Loan Agreements.

A copy of the MCSnox Default & Demand Letter is attached hereto as **Appendix “55”**.

317 On November 3, 2017, A&B, on behalf of the Receiver, issued a subsequent default notice (the “**MCSnox Second Default Notice**”) to MCSnox and Clydesdale which advised MCSnox that it had failed to remit payment of the accrued interest under the MCSnox Loans as demanded in the MCSnox Default & Demand Letter and that such failure was an Event of Default under each of the MCSnox Loan Agreements. As at the date of this Second Report, the defaults specified in each of the above-noted letters have not been cured. A copy of the MCSnox Second Default Notice is attached hereto as **Appendix “56”**.

- 318 On November 13, 2017, A&B, on behalf of the Receiver, issued a demand letter (the “**MCSnox Demand Letter**”), making formal demand on MCSnox for repayment of the entire indebtedness outstanding under the MCSnox Loan Agreements, and enclosing a BIA Notice. A copy of the MCSnox Demand Letter is attached hereto as **Appendix “57”**.

MCSAB10 Inc.

- 319 The Company entered into a loan agreement among MCSAB (as borrower) and 4873 Ontario Corp (as guarantor), dated November 28, 2016 (the “**MCSAB Loan Agreement**”), which includes the following terms:

- a) Purpose – To finance up to 90% of the installed cost of a MCS COGEN MARK 6 CoEnergyPoD, to be deployed at the premises of Imaginea Energy Corp. located in Jenner, Alberta;
 - b) Principal – \$2,600,000 due upon maturity (\$2,000,000 had been advanced);
 - c) User Fees – 13% due monthly;
 - d) Maturity – December 9, 2019;
- (the “**MCSAB Loan**”).

- 320 The MCSAB Loan was assigned to the Sustainable Property Fund, pursuant to an assignment agreement with the Company dated December 9, 2016.

- 321 According to the books and records of the Company, no payments have been received by the Company or the Sustainable Property Fund with respect to the MCSAB Loan. As payments are required to be made paid monthly, non-payment is an Event of Default under the MCSAB Loan Agreement.

- 322 On October 26, 2017, A&B, on behalf of the Receiver, issued a default notice (the “**MCSAB Default Notice**”) to MCSAB, with a courtesy copy to 4873 Ontario, which, among other things, advised of:

- a) MCSAB's failure to make the required payments when due under the terms of the MCSAB Loan Agreement, constituting an Event of Default thereunder;

- b) MCSAB's failure to provide the information requested by the Receiver on May 18, 2017 in connection with the MCSAB Loan Agreement, constituting an Event of Default;
- c) false representations and warranties made by MCSAB and 4873 Ontario with respect to the existence of certain competing security interests, constituting an Event of Default; and
- d) the Receiver's request that MCSAB provide its most recent review engagement report to the Receiver pursuant to Article 2 of the MCSAB Loan Agreement.

A copy of the MCSAB Default Notice is attached to this Second Report as **Appendix "58"**.

- 323 On November 13, 2017, A&B, on behalf of the Receiver, issued a demand letter (the "**MCSAB Demand Letter**"), making formal demand on MCSAB for repayment of the entire indebtedness outstanding under the MCSAB Loan Agreements, and enclosing a BIA Notice. A copy of the MCSAB Demand Letter is attached hereto as **Appendix "59"**.

4873 Ontario

- 324 As noted above, 4873 Ontario is a guarantor of the applicable debtor's obligations under each of the 1472 Loan Agreement and the MCSAB Loan Agreement.
- 325 On November 13, 2017, A&B, on behalf of the Receiver, issued a demand letter (the "**4873 Demand Letter**") making formal demand on 4873 Ontario for repayment of the entire indebtedness outstanding under each of the 1472 Loan Agreement and the MCSAB Loan Agreement. A copy of the 4873 Demand Letter is attached hereto as **Appendix "60"**.

Status of Demands

- 326 As at the date of this Second Report, none of the OOM Energy Group entities have responded to the OOM Demand Letters issued by the Receiver.

Examination of Clydesdale

- 327 As detailed in the First Report, on May 18, 2017, the Receiver conducted a call with Bill McKenzie ("**McKenzie**"), Clydesdale's counsel. During the call, McKenzie had little knowledge of the specifics surrounding the OOM Energy Group and the loans issued to same. Upon request for Clydesdale to provide documents related to the OOM Energy Loans, McKenzie advised that such documents would be provided after a written request

was issued, outlining the specific documents required by the Receiver. The Receiver issued a document request list concerning loans issued to the OOM Energy Group on June 7, 2017. As at the date of this Second Report, neither McKenzie nor Clydesdale have provided the documents requested.

- 328 As particularized above, Clydesdale has yet to respond to any of the Receiver's default notices, demands, or requests for information in respect of any of the OOM Energy Group entities, either personally or via his counsel, with the exception of the November 11, 2017 McKenzie Email which, as noted above, did not provide a substantive response or promise any corrective action. As the Receiver anticipates Clydesdale and his counsel will continue to be uncooperative, and as further background information is necessary to properly evaluate the Company's dealings with the OOM Energy Group and the scope of any possible recovery from same, the Receiver will be issuing a notice for Clydesdale to attend at an examination under oath in Toronto in due course.
- 329 In addition, the Receiver is requesting that this Court issue an Order compelling Clydesdale to produce the documents that have been requested by the Receiver on numerous occasions to better evaluate the Commercial Loans to the OOM Energy Group and the financial health of the underlying OOM Energy Group entities.
- 330 None of the foregoing is intended to waive or limit any remedies which may be exercised by the Receiver in connection with the enforcement of any of the Commercial Loans to the OOM Energy Group, or any rights of examination or production in connection therewith as already authorized by the Appointment Order.

1092545 B.C. Ltd. (Factoring Fund)

- 331 The 109 BC Promissory Note was assigned to the Factoring Fund pursuant to an assignment agreement with the Company dated November 9, 2016.
- 332 The 109 BC Promissory Note matured on the earlier of 90 days following the date it was made or the date that Century Energy Ltd. receives TSX.V approval to advance funds to 109 BC, at which point all principal and accrued interest became payable. The Company's books and records indicated that neither the principal nor interest had been paid.
- 333 The 109 BC Promissory Note provides that it is secured by a trust account deposit held by Morton Law LLC ("Morton Law"). The 109 BC Promissory Note states that: "The

*current balance of the Morton Law trust account held for the Borrower is \$250,000 USD". Under the 109 BC Promissory Note, the Company is also entitled to 20% of US \$125,000 in shares of Century Energy Ltd. if and when that company acquires 109 BC (the "**Share Bonus**").*

- 334 On October 26, 2017, A&B, on behalf of the Receiver, issued a demand letter (the "**109 BC Demand Letter**") to 109 BC, with a courtesy copy to Morton Law LLC, making formal demand for payment of US \$125,000 together with accrued interest and the Share Bonus, if applicable. A copy of the 109 BC Demand Letter is attached hereto as **Appendix "61"**.
- 335 Certain aspects of the background of the principal of 109 BC, Marcel Rada ("Mr. Rada"), provides some reason to be suspicious about the 109 BC Promissory Note. Particularly, Mr. Rada appears to have a history of engaging in similarly structured transactions in which investors are not repaid in full, as set out in the agreed facts of *Re Rada*, [2011] IIROC No. 27, a decision of the Investment Industry Regulatory Organization of Canada ("IIROC") discussed immediately below.
- 336 Mr. Rada was formerly a registered investment dealer. In response to enforcement efforts of IIROC, Mr. Rada entered into a settlement agreement, where he, amongst other things, admitted to engaging in off-book transactions, without the knowledge or consent of his employer, at least some of which (like the transaction between the Company and 109 BC) were structured as bridge financing, evidenced by promissory notes containing a share bonus. The indebtedness created by these transactions was never repaid in full, and Mr. Rada obtained a personal benefit from same. A copy of *Re Rada*, [2011] IIROC No. 27, is attached hereto as **Appendix "62"**.
- 337 On October 30, 2017, in a call with A&B, Mr. Rada acknowledged that the 109 BC Promissory Note was in fact overdue. Mr. Rada also stated that he is in the process of negotiating with the Guyanese government regarding certain mining permits, and that the success of these permits will affect how 109 BC repays the 109 BC Promissory Note.
- 338 A&B, on behalf of the Receiver, sent an email to Mr. Rada confirming that the call occurred and the facts noted in the previous paragraph. A&B requested that Mr. Rada provide documentary confirmation regarding the status of the required mining permits by November 3, 2017 and that a repayment proposal be delivered to the Receiver by November 15, 2017. On November 16, 2017, Mr. Rada telephoned A&B, advising that no

documentary evidence of any sort regarding mining permits was available, and that a repayment proposal would be delivered by November 21, 2017.

- 339 On November 22, 2017, Mr. Rada sent an email advising that 109 BC was insolvent, that it had a large amount of debt, and that there was no guarantee that the mining permits would be granted in a timely manner. Mr. Rada proposed to settle the 109 BC Promissory Note by way of one of the following payment options:
- a) US \$12,500 on or before January 30, 2018;
 - b) US \$25,000 on or before April 30, 2018; or
 - c) US \$37,500 on or before July 31, 2018.

In addition, Mr. Rada stated that:

"If one of [the above three options] options is not acceptable 1092545 BC Ltd will be forced into dissolution. It has no cash or assets. Only debt."

A copy of A&B's email correspondence with Mr. Rada is attached hereto as **Appendix "63"**.

- 340 Given Mr. Rada's confirmation that the balance of the 109 BC Promissory Note is likely not recoverable, A&B investigated the status of the trust deposit purportedly held by Morton Law as security. The response from Morton Law on November 22, 2017 was that "*we are not, and have not previously been, counsel to 1092545 BC. We do not hold any funds in trust for that entity.*" A copy of A&B's letter to Morton Law of November 22, 2017, together with the response thereto, is attached as **Appendix "64"**.

Cinnos Mission Critical Corporation (Infrastructure Fund)

- 341 The Cinnos Promissory Note principal and interest is repayable on maturity, or convertible into preferred shares of Cinnos in the event of a qualified financing. The Receiver will continue to monitor the performance of this investment until its stated maturity date, being September 28, 2018.

Kanwal Developments Inc. (Mortgage Fund)

- 342 The Mortgage Fund entered into a Mortgage Participation & Service Agreement with Liberty Mortgage Services Ltd. ("Liberty Mortgage") dated June 17, 2008 (the "Participation Agreement"). Under the Participation Agreement, the Mortgage Fund participates in the sum of \$500,000 (the "Kanwal Participation") of a \$10,800,000 first mortgage to Kanwal (the "Kanwal Mortgage").
- 343 On October 27, 2017, the Receiver contacted Liberty Mortgage to obtain additional documentation to assess the underlying value of the principal and the potential impairment, if any, to the Kanwal Participation. The Receiver sent follow-up correspondence to Liberty Mortgage in this regard on October 31, 2017 and November 3, 2017.
- 344 As at the date of this Second Report, the Receiver has not received any documentation from Liberty Mortgage. The Receiver requests that this Court issue an Order compelling Liberty Mortgage to provide the documents requested by the Receiver on October 27, 2017.

US REAL ESTATE LP

- 345 As outlined in the First Report, the Hedge Fund and Factoring Fund cumulatively own 99.99% of 107 LP, an entity that has an indirect ownership interest in a number of rental properties located in the United States together with corporate and individual partners (collectively the structure is referred to as the "US Real Estate LP"). The Hedge Fund and Factoring Fund act as limited partners (the "Limited Partners") in the US Real Estate LP.
- 346 The remaining 0.01% ownership of 107 LP is held by 1076874 B.C. Ltd., an entity listed as the general partner which is owned by the following individuals:
- a) Alberto Storelli (Canadian) ("Storelli") – 51.0%;
 - b) Brian Peoples (USA) ("Peoples") – 24.5%; and
 - c) Joe Harker (USA) ("Harker") – 24.5%.

All or one of Storelli, Peoples, and Harker (collectively the “**General Partners**”) are listed as directors or officers in a majority of the entities included in the US Real Estate LP. The Receiver understands that Storelli is the directing mind of the US Real Estate LP and is a personal friend of Housego.

- 347 From June 6, 2016 to March 14, 2017, the Hedge Fund and Factoring Fund (as Limited Partners) invested US \$7,500,000 in the US Real Estate LP by way of unit purchases in 107 LP through subscription agreements (the “**Subscription Agreements**”).
- 348 The purpose of the US Real Estate LP is to acquire and develop real estate properties in the United States to subsequently earn rental income and proceeds from the possible and/or eventual sale of such properties. Through their investment in 107 LP, the Receiver understands that the Factoring Fund and Hedge Fund have an indirect minority ownership interest in the following properties held by the US Real Estate LP:
- a) 3961 Covington Highway, Decatur, Dekalb County, Georgia (“**The Parke on Covington**”);
 - b) 3859 Austin Circle, Decatur, Dekalb County, Georgia (“**Wynhollow**”);
 - c) 325 - 3rd Avenue SW, Birmingham, Alabama (“**Montevallo**”);
 - d) 201 - 3rd Avenue SW, Birmingham, Alabama (“**King’s Manor**”);
 - e) 922 Lawndale Drive, Tupelo, Mississippi (“**Tupelo**”); and
 - f) 619 E. Groveland Parkway, Chicago, Illinois (“**Chicago #1**”).

(collectively referred to as the “**US Properties**”).

- 349 As outlined in its First Report, the Receiver had not been able to make direct contact with Storelli; however, it has had limited discussions with Storelli’s counsel, as detailed below.

INFORMATION REQUESTS AND UPDATES ON THE US PROPERTIES

- 350 On June 29, 2017, the Receiver conducted a call with Storelli’s counsel, to discuss, among other things: the status of the US Real Estate LP; the progress and status of the development of the US Properties; and additional documentation required by the

Receiver, including but not limited to the financial statements of the various entities in the US Real Estate LP.

351 On July 30, 2017, the Receiver obtained an update on the US Properties as at March 31, 2017:

- a) Chicago #1 – “*property was purchased on Nov 17, 2016; renovations only just started in Dec 2016.*”
- b) The Parke on Covington – “*property was purchased on Nov 10, 2016; renovations are 42% done (approx. \$433,000).*”
- c) Wynhollow – “*property was purchased on June 7, 2016; renovations are 62% done (approx. \$1,214,000).*”
- d) Montevallo – “*property was purchased on Aug 19, 2016 and subsequently refinanced on February 13, 2017 based on same value as the purchase price; renovations are 45% done (approx. \$1,714,500).*”
- e) Tupelo – “*property was purchased on March 17, 2017; renovation work just beginning.*”
- f) King's Manor – “*property next door to Montevallo and was purchased on March 21, 2017; currently preparing for renovations.*”

352 In addition, the Receiver obtained the consolidated notice to reader financial statements for 107 LP for the year ended December 31, 2016; the information is outdated and irrelevant given the events that occurred after December 31, 2016.

353 As at the date of this Second Report, the Receiver has not received financial information for DaVinci Capital Property, Inc. (“DVCP”), a Nevada corporation which has an indirect ownership interest in each of the US Properties, nor any of the special purpose entities (“SPEs”) that purchased the US Properties. Storelli’s counsel has represented that such information will be provided to the Receiver after the SPE’s year end of December 31, 2017.

354 On August 31, 2017, the Receiver obtained additional information on the US Properties, excluding Chicago #1, from an anonymous investor in the Crystal Wealth Funds. A copy of the additional information provided is attached hereto as **Appendix “65”**.

355 On September 18, 2017, after the Receiver's request, Storelli's counsel provided an update on the US Properties⁷:

- a) Chicago #1 – “1 out of the 6 units are currently occupied. There has not been a press to fill the units due to the pending renovations of the building. We had architects/plans in progress but they were put on hold due to a change of direction by Rothbury from a condo conversion to long term rentals.”
- b) The Parke on Covington – “Renovations are approximately 90% complete. The property is currently 78% leased.”
- c) Wynhollow – “Renovations are approximately 65% complete. 47% leased, 94% leased when excluding down units.”
- d) Montevallo – “We are currently punching out the first two buildings (20 total units) and will have them ready for occupancy in the next two weeks pending final city approvals. Another 36 units will be delivered in blocks of six over the next 30 days for a total of 56 units, which will complete Phase I of III of the rehab. Phase II is currently underway and is approximately 50% complete. Phase III has not yet commenced.”
- e) Tupelo – “Project on hold. In negotiations with City of Tupelo to purchase. Due to their desire to own the property, they are putting up road blocks on our renovations. We have engaged local counsel to help out here.”
- f) King's Manor – “The property was 100% leased when we bought it to tenants paying just \$225 per month in rent. We immediately began de-leasing the property in order to commence renovations and bring the rents up to current market levels. We are down to eight tenants and have commenced renovations and expect to be fully complete within the next 90-days. Exterior renovations are underway while we vacate the property.”

ISSUES OBTAINING INFORMATION CONCERNING US REAL ESTATE LP DURING THE SALES PROCESS

356 As discussed in detail below, during the Sales Process, the Receiver coordinated calls with the potential managers and the various third party service providers involved in the

⁷ The update on the Chicago #1 property was provided to the Receiver on November 10, 2017 after numerous follow-up emails and correspondence.

administration of the Crystal Wealth Funds including but not limited to Xynergy, Spectrum, IFDS, and Frontline. The purpose of these calls was for the potential managers to perform the required due diligence on particular investments and to determine if they would continue operating under the various third party contracts entered into by the Crystal Wealth Group.

- 357 On September 18, 2017, the Receiver requested that Storelli and/or his counsel provide times that would be suitable to arrange a call with the potential managers, the Receiver, and any of the General Partners.
- 358 On September 22, 2017, Storelli's counsel advised that prior to a call being conducted, the potential managers would have to execute a non-disclosure agreement ("NDA") that Storelli's counsel prepared, despite the fact that the potential managers had already executed a confidentiality agreement with the Receiver as part of the Sales Process.
- 359 On September 26, 2017, A&B, on behalf of the Receiver, advised Storelli's counsel that the potential managers had already executed the confidentiality agreement provided for in the Sale Process, and were therefore already subject to an obligation to keep all information they receive confidential. A&B also advised Storelli's counsel that the Receiver cannot entertain the imposition of further levels of confidentiality on the process, as doing so is both unnecessary and would result in additional unnecessary costs and delay.
- 360 On September 26, 2017, Storelli's counsel responded stating that the Limited Partners:
- "...are merely limited partners in [107 LP] that owns a minority interest stake in [US Real Estate LP] and are entitled to information pursuant to the partnership agreement and it is up to those funds as to what they do with that information. As to any third parties, the partnership is under no obligations to disclose and although my client wishes to cooperate, in the interests of safeguarding information as to the majority interest holders requires an NDA of third parties who wish to obtain information. We await the signed NDA."*
- 361 A conference call between the potential managers and the General Partners accordingly did not proceed.

CONCLUSION

- 362 As noted in Storelli's counsel's email on September 26, 2017, the Limited Partners own a minority interest in the US Real Estate LP. In addition, as preferred shareholders, it appears that the Limited Partners have no security over the assets of 107 LP and/or the various US Real Estate LP entities. As a preferred shareholder, the Receiver, on behalf of the Limited Partners, has no recourse other than to continue to monitor the development of the US Properties and the US Real Estate LP's compliance with the Subscription Agreements and other relevant agreements governing the US Real Estate LP.
- 363 On September 22, 2017, Storelli's counsel indicated that the other owners of the US Properties are potentially interested in acquiring 107 LP's interests in same for cash and/or units of a different limited partnership which intends to become listed on the TSX Venture Exchange by June 30, 2018. The Receiver has not declined nor indicated an interest in pursuing this option as this time. The Receiver plans to update the Court and investors accordingly in subsequent reporting.
- 364 As outlined previously, given the broad nature of the Hedge Fund investment objective it is unclear if the investment in the US Real Estate LP would comply with the Hedge Fund's OM. It is the Receiver's view that the Factoring Fund's investment in the US Real Estate LP is outside of the scope of the Factoring Fund's investment objective as outlined in its OM. The non-disclosure of such an investment is a misrepresentation to investors investing into a fund by which the OM stated that they are to be invested primarily in factoring receivable agreements whereby traditional receivables are being purchased from Merchants.

MEDICAL FACTORING CONTRACTS

- 365 As outlined in the First Report, the Medical Fund invests in Medical Factoring Contracts which are administered by Xynergy Medical Capital LLC ("Xynergy"). Similar to the Factoring Contracts, Xynergy enters into contracts to purchase healthcare receivables (after purchase, invoices are referred to as "**Purchased Medical Receivables**") from operating businesses in the United States ("Clients") for a discount and service fees. The Purchased Medical Receivables are assigned to Xynergy who ultimately collects the invoice value. Unlike the Factoring Contracts, the Medical Factoring Contracts are not

entered into between the Clients and the Medical Fund but rather a participation in the agreements between Xynergy and the Client is purchased by the Medical Fund.

- 366 Xynergy and the Medical Fund entered into a Master Medical Receivables Purchase and Administration Agreement on March 31, 2016 (the “**MMRPAA**”) which essentially gives the Medical Fund the opportunity to purchase participations in Xynergy’s Medical Factoring Contracts with various Clients (defined therein). Under the MMRPAA, Xynergy administers the Medical Factoring Contracts.

SALE OF THE GEODATA BALANCE

- 367 As noted in the First Report, on June 20, 2017, Xynergy put forth a revised offer to acquire the Medical Fund’s participation in the balance of invoices related to a client, GeodataPR International, Inc. (“**Geodata**”) (the “**Geodata Participation**”), for US \$684,313 (100% of the balance of the Geodata accounts receivable).
- 368 On July 10, 2017, the Receiver and Xynergy executed a bill of sale where Xynergy re-acquired the Geodata Participation for US \$684,313. The Receiver received the funds on July 12, 2017.

CURRENT MEDICAL FACTORING CONTRACTS

- 369 After the sale of the Geodata Participation, the Medical Fund currently has balances owing under the following two (2) executed participation agreements:
- a) a participation agreement dated August 22, 2014 between the Medical Fund and Xynergy for a participation in Unlimited Prosthetics, Inc.’s (“**UPI**”) accounts receivable and 33.94% of the factoring fees (the “**UPI Participation**”); and
 - b) a participation agreement dated March 31, 2016 between the Medical Fund and Xynergy for a participation in Servicios de Salud Integrada, CSP’s (“**SSI**”) accounts receivable and 70% of the factoring fees (the “**SSI Participation**”).

Unlimited Prosthetics, Inc.

- 370 Xynergy has advised that UPI went into default in June 2015 and ceased paying the balance owed under the factoring agreement between Xynergy and UPI dated April 3, 2013. In email correspondence from Xynergy to Smith which has been obtained by the

Receiver, Xynergy had indicated that after June 2015, the account balance was US \$257,194, of which US \$197,271 were funds advanced to UPI by the Medical Fund (i.e. the principal balance) and US \$59,923 were accrued fees. Per the UPI Participation, accrued fees are split 66.06% (US \$39,585) and 33.94% (US \$20,338) to Xynergy and the Medical Fund, respectively.

- 371 On January 12, 2016, after litigation efforts against UPI were pursued, Xynergy entered into a settlement agreement with UPI and Erika Sanchez (as guarantor) for a settlement of the account balance for US \$215,000 (the “UPI Settlement”) (the “UPI Settlement Agreement”). Under the UPI Settlement Agreement, UPI was to repay the UPI Settlement as follows: (i) US \$500 immediately; (ii) US \$6,500 before January 27, 2016; and (iii) payments of US \$7,000 on the 27th of each month thereafter until the UPI Settlement is paid in full. Of the UPI Settlement, approximately \$181,909 is owing to the Medical Fund and \$33,091 is owing to Xynergy.
- 372 As at the date of this Second Report, there have been a total of 21 payments totaling US \$147,000. As a result, the account balance for UPI is US \$68,000, consisting of nine (9) payments to be received. Xynergy has concerns if the remaining payments will be received.

Servicios de Salud Integrada, CSP

- 373 SSI is located in Puerto Rico and is engaged in the business of supplying radiology technicians to hospitals and clinics in the San Juan Municipality. All invoices are issued to and paid by the San Juan Municipality (i.e. the underlying debtor).
- 374 On March 27, 2013, Xynergy entered into a medical receivables factoring agreement with SSI under which a US \$600,000 medical factoring facility was provided (“SSI Factoring Agreement”).
- 375 As noted in the First Report, Xynergy is obligated to purchase eligible Medical Receivables under the SSI Factoring Agreement. The Receiver has continued to allow Xynergy to purchase Medical Receivables from SSI using the designated SSI cash balance held in trust by Xynergy on behalf of the Medical Fund. Since the commencement of the Receivership to October 31, 2017, the average balance owing from SSI has been approximately US \$285,000, including fees owed to the Medical Fund.

- 376 The current state of Puerto Rico, as a result of Hurricane Irma and Hurricane Maria, has caused a significant delay in the payment of outstanding invoices by the San Juan Municipality. Xynergy has advised the Receiver that, after speaking with SSI and the San Juan Municipality, the situation in Puerto Rico will result in lengthy delays in receiving payments of outstanding invoices from San Juan Municipality, however, such payments are ultimately expected.
- 377 As at October 31, 2017 the balance outstanding from SSI is approximately US \$293,324 including factoring fees consisting of \$277,513 and \$15,811 owed to the Medical Fund and Xynergy, respectively. Xynergy continues to correspond with the Receiver and provide updates on the SSI balance as requested.

NFL PARTICIPATION AGREEMENTS

- 378 On August 29, 2013, the National Football League (the “NFL”) agreed to pay \$765 million to settle a lawsuit brought by more than 4,500 players and their families to provide medical help to more than 18,000 former players suffering from severe neurological conditions or who could potentially suffer from such conditions in the future. After subsequent hearings and appeals, the Settlement became effective on January 7, 2017 (the “NFL Settlement Agreement”).
- 379 KrunchCash LLC (an entity associated with Xynergy) (“KrunchCash”) entered into various funding agreements (the “NFL Funding Agreements”) with NFL players (the “NFL Players”) who had made claims (the “NFL Player Claims”) under the NFL Settlement Agreement. Under the NFL Funding Agreements, KrunchCash would advance funds to certain NFL Players for a portion of the value of the NFL Player Claims and would charge a stated factoring fee on such an advance.
- 380 In March 2016, under the MMRPAA, the Medical Fund began entering into participation agreements to purchase a stated percentage in the NFL Funding Agreements between certain NFL Players and KrunchCash (the “NFL Participation Agreements”), which participations were effected through the execution of assignment agreements. Under the NFL Participation Agreements, the Medical Fund would advance funds toward the participation and would earn a stated factoring fee. The factoring fee and initial advance under each NFL Participation Agreement is to be repaid to the Medical Fund as each NFL Player Claim is paid by the NFL.

- 381 As at the date of the Receiver's appointment, the Medical Fund entered into a total of 26 NFL Participation Agreements totaling US \$4,318,359 consisting of principal advances of US \$3,824,240 and accrued fees owed to the Medical Fund of US \$247,060.
- 382 In July 2017, four (4) of the NFL Participation Agreements totaling US \$662,500 in principal and US \$104,374 in accrued fees, half of which fees were owing to Xynergy, were paid out through refinancing obtained by the respective NFL Players. The total amount remitted to the Medical Fund was US \$714,687 (i.e. US \$662,500 in principal plus US \$52,187 in accrued fees)
- 383 As at October 31, 2017, there are currently 22 NFL Participation Agreements outstanding with a total value of US \$3,908,286 consisting of principal advances of US \$3,161,740 and accrued fees owed to the Medical Fund of US \$373,273. A summary of the NFL Participation Agreements outstanding as at October 31, 2017 is attached hereto as **Appendix "66"**.
- 384 On November 10, 2017, Xynergy advised that it was served with a subpoena from a New York court regarding complaints made by NFL Players for bad practices of financial institutions with respect to the purchase of all or a portion of NFL Player Claims (i.e. charging egregious fees to NFL Players). Xynergy advised that this is currently being handled by its legal counsel who has advised Xynergy that nothing significant should come of the subpoena as Xynergy's fees are fair. The Receiver has requested additional information regarding the issued subpoena.
- 385 With respect to the timing of payment, Xynergy advised that the timing of payments of the NFL Player Claims is expected to be in the first quarter of 2018, however, due to a recent court action and the backlog of NFL Player Claims required to be reviewed and audited by the claims manager, such payments could be delayed. The Receiver understands that the deadline by which NFL Player Claims were to be submitted to the NFL pursuant to the NFL Settlement Agreement was August 7, 2017.

DISCLOSURE OF THE NFL PARTICIPATION AGREEMENTS BY THE COMPANY

- 386 No reference is made in the Medical Fund OM, the Medical Fund Strategy Overview document contained on the Company's website, or in any other marketing material distributed to investors of the Medical Fund, concerning the Medical Fund's position and/or

investment process for investing in the NFL Funding Agreements through the NFL Participation Agreements. Copies of the Medical Fund OM and Medical Fund Overview document are attached hereto as **Appendix “67”** and **Appendix “68”**, respectively.

- 387 As outlined in the First Report, the Medical Fund’s investment objective is to
“...generate a high level of interest income with minimal volatility...by investing in U.S. medical receivables factoring facilities contracts (MRFFCs).”
- 388 Furthermore the Investment Strategy section of the Medical Fund’s OM states that:
“MRFFCs are financing structures designed to assist health care clinics, hospitals, doctors and other health-care practitioners (Medical Providers) in the United States and/or its territories to meet their immediate cash flow needs while awaiting collection of receivables for medical services that they have performed.”
- 389 The Medical Fund OM goes on to further discuss the process of the underwriting and purchasing of receivables from Medical Providers (defined in paragraph 365 above as Purchased Medical Receivables), but makes no mention of its investment in NFL Funding Agreements, which in the Receiver’s view would not be included in a reasonable investor’s definition of Purchased Medical Receivables.
- 390 The Receiver is of the view that the failure to disclose the NFL Participation Agreements, an investment that encompasses approximately 74.96% of the Medical Fund’s NAV (as at April 20th, 2017), is a gross misrepresentation to investors.

RESIDENTIAL MORTGAGES

BACKGROUND

- 391 As at the date of the Appointment Order, the Mortgage Fund, High Yield Mortgage Fund, and Sustainable Property Fund (collectively, the **“Mortgage Related Funds”**) held a total of 191 investments in first, second, or third ranking non-conventional residential mortgages administered by third parties (**“Residential Mortgages”**). 189 of the Residential Mortgages (\$18,813,884) are administered by a third-party, Spectrum Canada Mortgage Services Inc. (**“Spectrum”**) (the **“Spectrum Mortgages”**), while the remaining two (2) Residential Mortgages (\$196,000) were administered by Squire Management Inc.

(“Squire”) (the “**Squire Mortgages**”).

- 392 On June 23, 2017, the Receiver accepted Squire’s offer to acquire the Squire Mortgages for proceeds of \$197,526. The proceeds included the entire principal value of the Squire Mortgages in the sum of \$196,000, plus accrued interest of \$1,526 to June 23, 2017.

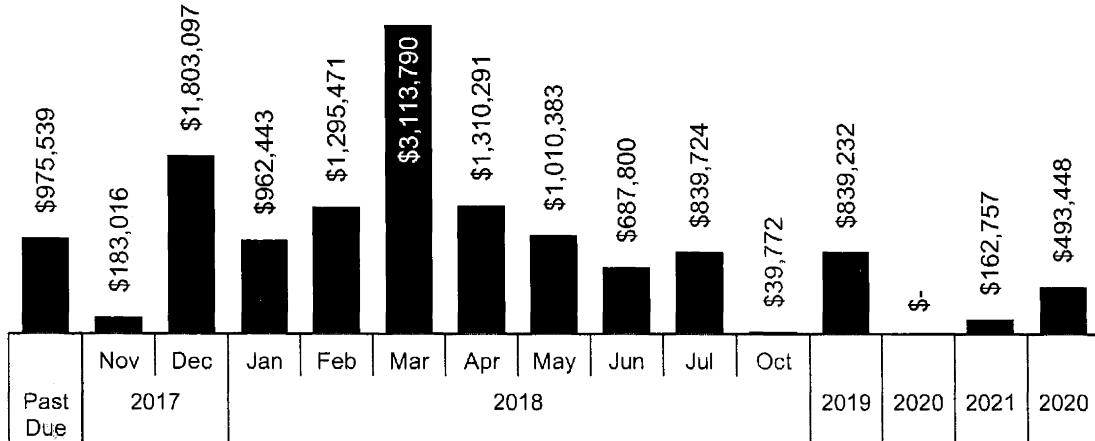
THE RECEIVER’S FINDINGS

- 393 Most of the Residential Mortgages are performing as the underlying mortgagors continue to remit their required payments. As at October 31, 2017, a total of three (3) Residential Mortgages totaling approximately \$654,483 in balances owing were in a default position and are currently undergoing foreclosure proceedings. Based on the information currently available, Spectrum has advised that a portion of these balances is expected to not be collected.
- 394 As at October 31, 2017, the number of Spectrum Mortgages has reduced to 146 with a cumulative balance owing of \$13,577,540 held in the following Mortgage Related Funds:

Fund	Residential Mortgages	Balance Owing	Average Loan to Value
Mortgage Fund	109	\$ 10,692,960	60.59%
High Yield Mortgage Fund	33	1,490,165	77.98%
Sustainable Property Fund	4	1,394,415	69.55%
Total	146	\$ 13,577,540	64.58%

- 395 The Receiver has instructed Spectrum to encourage the pay-out of Spectrum Mortgages upon renewal to avoid the continued renewal of same. If pay-out is not possible, the Residential Mortgages are being renewed on a six month basis at a modestly higher interest rate with the goal of a payout being made at the end of such renewal(s). The following chart demonstrates the balances owing of Residential Mortgages as at October 31, 2017 based on their respective maturity dates:

Residential Mortgages: Maturity Distribution



- 396 The Receiver anticipates the wind-down of the Mortgage Related Funds will occur in an orderly manner based on the renewal/payout strategy discussed above.
- 397 As outlined in the chart above, there are Residential Mortgages totaling \$975,539 which are considered "past due"; this balance is made up of five (5) Residential Mortgages (the "**Non-Performing Mortgages**"). For each of the Non-Performing Mortgages, Spectrum has continued to keep the Receiver apprised of the actions taken by Spectrum or its agents in each case. The Non-Performing Mortgages consist of four (4) Residential Mortgages which are at various stages of foreclosure proceedings or litigation.

CONCLUSION AND RECEIVER'S NEXT STEPS CONCERNING THE RESIDENTIAL MORTGAGES

- 398 As at the date of this Second Report, the Receiver is confident that a continued orderly wind-down of the Residential Mortgage portfolio with the assistance of Spectrum will yield successful recovery for a majority of the Residential Mortgage investments. As the Residential Mortgages continue to expire, the Receiver expects that most mortgagors will be able to obtain refinancing to payout their balances owing to the Mortgage Related Funds; similar to what has been occurring since the Appointment Order. Notwithstanding the above, the Receiver expects that there will be a small number of mortgagors who cannot obtain refinancing and therefore may possibly require a short-term renewal from the Mortgage Related Funds until such refinancing can be obtained.

PRIVATE EQUITIES AND PRIVATE WARRANTS

- 399 As outlined in the First Report, certain of the Crystal Wealth Funds contained: (i) equity investments in companies whereby the securities were obtained through private placements or direct purchases and are not traded on active market exchanges and therefore are not readily saleable ("Private Equities"); and (ii) warrant options for the purchase of shares in such companies at a stated price ("Private Warrants").
- 400 Private Equities held in the Crystal Wealth Funds are obtained primarily through private placements or through direct purchases from persons who independently held the Private Equities. These investments are not actively traded in external markets and are not easily valued or realizable. The Receiver continues to review documentation and correspond and/or meet with the issuers with respect to these investments to develop a monetization strategy.
- 401 The Private Equities and Private Warrants are held by the Conscious Capital Fund and consist of:
- a) Private Equity – 336,571 common shares in Pond with a Recorded Cost of \$1.33 per share; and
 - b) Private Warrants – 212,040 "Units" issued by Pond whereby each Unit is convertible into:
 - i) one (1) Common Share in the capital of Pond (i.e. 212,040 shares in Pond); and
 - ii) one (1) warrant to purchase one common share of Pond at a strike price of \$2.50 per share exercisable at any time on or before November 1, 2018.
- 402 As such Private Equities and Private Warrants are the sole investments held by the Conscious Capital Fund, no monies are accordingly available for an interim distribution to investors of this Fund.

CREDITOR CLAIMS PROCEDURE

- 403 The Creditor Claims Procedure Order issued June 30, 2017 approved, among other things, the procedure (the “**Creditor Claims Procedure**”) for determining and resolving claims filed by creditors against the Crystal Wealth Group, with the exception of investor claims arising from or relating to their investments in the Crystal Wealth Group (including the Crystal Wealth Funds). Complete details of the Creditor Claims Procedure are set out in the Creditor Claims Procedure Order.
- 404 On June 30, 2017, a copy of the Creditor Claims Procedure Order (together with all schedules) was posted on the Case Website.
- 405 On July 5, 2017, the Receiver sent a Claims Package and an instruction letter to each of the 34 Known Creditors via regular mail (as such terms are defined in the Creditor Claims Procedure Order). In addition, the Receiver provided a Claims Package to parties that requested same prior to the Claims Bar Date of August 3, 2017.
- 406 On July 10, 2017, a notice of the Creditor Claims Procedure was published in the national edition of *The Globe and Mail*.

RESULTS OF THE CREDITOR CLAIMS PROCEDURE

- 407 As at the Claims Bar Date, 26 persons or entities filed claims totaling \$16,227,134 against the following Crystal Wealth Group entities:
- a) the Company and/or the Crystal Wealth Funds – \$2,251,071;
 - b) Media Fund – one (1) claim for \$21,913;
 - c) Mortgage Fund – one (1) claim for \$298,191;
 - d) CLJ Everest – three (3) claims totaling \$1,105,324; and
 - e) Smith – six (6) claims totaling \$12,550,635.
- (collectively, the “**Filed Claims**”).
- 408 The Filed Claims consisted of claims filed by, among others: (i) third party fund

administrators and service providers; (ii) trade vendors; (iii) former employees of the Company; and (iv) former investment advisors independently contracted by the Company. The Receiver is currently conducting a detailed review of the Filed Claims and has yet to make a determination of accepting or disallowing all or part of each claim, except with respect to the Amended BDO Claim (as defined and discussed in the section immediately below).

- 409 A listing of the Filed Claims is attached hereto as **Appendix “69”**. A further report to the Court to be issued by the Receiver on a subsequent motion will address the Receiver's evaluation of the Filed Claims. As indicated above, the Receiver has set aside the appropriate reserve on account of the Filed Claims, in the event they were to be approved in full.

THE AMENDED BDO CLAIM

- 410 Included in the Filed Claims was an unsecured claim of \$511,101 (the “**Audit Fees**”) against the Company and each of the Crystal Wealth Funds which was filed on July 26, 2017 by BDO, the auditor of the Company and the Crystal Wealth Funds prior to the Receiver's appointment (the “**Initial BDO Claim**”). The Initial BDO Claim was for work performed by BDO in preparing the audited financial statements for the year ended December 31, 2016 and for the preparation of certain tax filings.
- 411 On August 23, 2017, the Receiver received a letter (the “**August 23, 2017 Letter**”) from BDO's legal counsel, Blake, Cassels & Graydon LLP (“**Blakes**”), which enclosed an amended proof of claim and which revised the claim of BDO to \$180,796,338 (the “**Amended BDO Claim**”). A copy of the Amended BDO Claim is attached hereto as **Appendix “70”**.
- 412 In addition to the Initial BDO Claim for Audit Fees, the Amended BDO Claim included additional claims for the following:
- a) invoices rendered by BDO's counsel, Blake, Cassels & Graydon LLP (“**Blakes**”), for its representation in connection with certain regulatory proceedings commenced by the OSC in respect of the Crystal Wealth Group, and certain anticipated legal fees to complete BDO's representation in the proceedings commenced by the OSC – \$285,237 (the “**Blakes' Fees Indemnity Claim**”);

- b) the amount claimed against BDO in a Statement of Claim issued on July 20, 2017 (the “**Proposed Class Action**”) by a Plaintiff, Anthony Whitehouse (“**Whitehouse**”), who is an investor in certain of the Crystal Wealth Funds. The Statement of Claim (bearing Court File No. CV-17-579357) is issued pursuant to the *Class Proceedings Act, 1992*, and is a proposed class action lawsuit against BDO by investors of certain Crystal Wealth Funds, seeking damages for negligence in the sum of \$150,000,000, and an additional \$25,000,000 in punitive damages. Whitehouse is accordingly the proposed representative plaintiff. To the Receiver’s knowledge, the Statement of Claim has yet to be served on BDO, and a certification motion has yet to take place – \$175,000,000 (the “**Class Action Indemnity Claim**”); and
 - c) estimated legal fees for BDO’s defence of the Proposed Class Action– \$5,000,000 (the “**Estimated Defence Fees Indemnity Claim**”).
- 413 In support of the claims advanced by BDO in the Amended BDO Claim, BDO relies upon the appointment letter agreement between BDO and the Company dated December 21, 2016 (the “**Appointment Letter**”).⁸ The Appointment Letter stipulates that the Company agreed to:
- a) At s. 8.3: “*reimburse us for our time and expenses, including reasonable legal fees, incurred in responding to any investigation that is requested or authorized by you or investigations of you undertaken under government regulation or authority, court order, or other legal process*”; and
 - b) At s. 12.1 “*...indemnify and hold harmless BDO from and against all losses, costs (including solicitors’ fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of a misrepresentation by a member of your management or board of directors...[and] the services performed by BDO pursuant to this Agreement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the gross negligence of BDO....*”.
- 414 BDO claims that pursuant to s. 8.3 and 12.1 of the Appointment Letters, BDO has a valid

⁸ In addition to the Appointment Letter, similar standard-form appointment letter agreements (collectively, the “**Appointment Letters**”) were entered into with each of the Crystal Wealth Funds. BDO provided the individual appointment letter agreements to the Receiver upon request, which BDO is also relying upon in support of the BDO Amended Claim.

claim for Blakes' Fees Indemnity Claim, the Class Action Indemnity Claim, and the Estimated Defence Fees Indemnity Claim.

- 415 Rather than embark on a costly and time consuming adversarial process vis-à-vis BDO with respect to Amended BDO Claim, which would have hindered the Receiver's efforts in seeking timely interim distributions to investors on this motion, the Receiver has secured BDO's agreement to abandon its Class Action Indemnity Claim in its entirety, in exchange for the Receiver's agreement to admit the BDO Invoice Claim and the Blakes' Fees Indemnity Claim. In eliminating the BDO Class Action Indemnity Claim, the Receiver has eliminated the risk that distributions to investors of the Crystal Wealth Funds which are the subject of the Proposed Class Action may not have been permitted to be made as a result of the Class Action Indemnity Claim and the significant potential liability arising therefrom to the subject Funds. The Receiver has further secured BDO's agreement that BDO shall not make any further claims, or amendments to claims, of any nature or kind, and in any proceeding or forum, as against any Crystal Wealth Group entity, including, without limitation, as against any of the Crystal Wealth Funds or against Crystal Wealth Management System Limited. The sole exception to the foregoing is that, in the event the Receiver were to commence an Ontario Superior Court of Justice action as against BDO, BDO shall be permitted to defend the action, and assert contributory negligence as against the Crystal Wealth Group entities, or any of them, should BDO elect to do so. Attached hereto as **Appendix "71"** is the email exchange between A&B and Blakes (the "**BDO Agreement**") setting out the terms of the agreement reached by the Receiver and BDO to resolve the BDO Amended Claim and any and all future claims of BDO as against the Crystal Wealth Group.
- 416 The Receiver's agreement to admit the BDO Invoice Claim and the Blakes' Fee Indemnity Claim arises from the terms of BDO's Appointment Letters (described in paragraph 413 above) which were executed by the Crystal Wealth Funds and the Company prior to the Receiver's appointment, and the Receiver's determination, following its review of the BDO invoices and the accounts of its counsel that are the subject of the BDO Invoice Claim and of the Blakes' Fees Indemnity Claim, that such fees are reasonable. The anticipated legal fees included in Blakes' Fees Indemnity Claim are less than the actual fees incurred, as noted by the Receiver during its review. No additional allowance above and beyond the quantum set out in the Blakes' Fees Indemnity Claim is being admitted by the Receiver for this claim.

- 417 Primarily, the Receiver's agreement to admit the BDO Invoice Claim and the Blakes' Indemnity Claim at this juncture was concluded in order to enable the Receiver to make timely interim distributions to investors, while eliminating the Class Action Indemnity Claim which, if allowed, could have otherwise been in excess of all assets and monies held by the Crystal Wealth Group and could therefore have had a devastating impact on investor recovery. The BDO Agreement further prevents any further or future claims being made by BDO as against the Crystal Wealth Group entities, except as specifically provided for in paragraph 415 above, and as outlined in the paragraph immediately below.
- 418 The Receiver has expressly reserved its position to BDO that, in allowing the BDO Invoice Claim, the Receiver is not acknowledging the quality of services provided by BDO to the Crystal Wealth Funds and the Company. The Receiver has agreed to reserve \$1,000,000 on account of BDO's Estimated Defence Fees Indemnity Claim, while reserving the Receiver's rights to deny and contest that indemnity claim at a later date.

THE PROPOSED CLASS ACTION

- 419 The Statement of Claim, enclosed with the Amended BDO Claim, outlines that Whitehouse is claiming for, among other relief:
- a) an order certifying the Class Action Proceeding (as defined in the Statement of Claim) and appointing Whitehouse as representative Plaintiff on his own behalf and on behalf of the Class (as defined in the Statement of Claim);
 - b) a declaration that BDO had a duty of care to the Class which it breached by negligently performing its professional services causing damages (as described in the Statement of Claim);
 - c) damages for negligence in the sum of \$150,000,000; and
 - d) punitive damages of \$25,000,000.
- 420 The Statement of Claim asserts that damages to the Class were a result of BDO's negligence in performing the audits to which the Class relied on when purchasing units in the following Crystal Wealth Funds:
- a) Mortgage Fund;

- b) Media Fund;
- c) Resource Fund;
- d) High Yield Mortgage Fund;
- e) Factoring Fund;
- f) ACM Income Fund;
- g) Medical Fund;
- h) ACM Growth Fund;
- i) Bullion Fund; and
- j) Retirement Fund;

(collectively, the "**Class Action Funds**")

- 421 Based on the April 20th Package and the table included in **Appendix "12"**, the Class Action Funds had a total Recorded Value of approximately \$159,928,046 consisting of:
- a) Cash in the amount of \$2,355,368;
 - b) On-Book Assets with a Recorded Value of \$44,403,183;
 - c) Off-Book Assets with a Recorded Value of \$115,156,579; and
 - d) Accruals with a Recorded Value of *negative* \$1,987,083.
- 422 As has been detailed throughout this report, the Recorded Value of the NAV of these Funds was materially overstated by the Company, such that the Amended BDO Claim vastly exceeds the assets of the Company and of the Crystal Wealth Funds.

SALES PROCESS

423 In the First Report, the Receiver recommended to the Court that the Receiver conduct a sales process (the “**Sales Process**”) for certain Crystal Wealth Funds in a manner in which:

- a) potential bidders may make an offer to purchase the investments from one or more of the Crystal Wealth Funds (the “**Potential Bidders**”) (an offer submitted by a Potential Bidder is referred to herein as a “**Purchase Offer**”); and/or
- b) potential managers may present an offer to assume the management of one or more of the Crystal Wealth Funds’ investment activities and assume the Company’s position and duties to investors (the “**Potential Managers**”) (an offer submitted by a Potential Manager is referred to herein as a “**Management Offer**”).

Additional details with respect to the Sales Process are outlined in the First Report.

424 Prior to the commencement of the Sales Process, the Receiver had compiled a list of 15 entities who had indicated that they had an interest in either submitting a Purchaser Offer and/or Management Offer (collectively, the “**Initial Interested Parties**”).

425 On July 12, 2017, the Receiver distributed a solicitation letter (the “**Solicitation Letter**”) to the Initial Interested Parties to: (i) confirm their interest, (ii) provide background on the Crystal Wealth Funds which were the subject of the Sales Process (the “**Listed Funds**”)⁹; and (iii) outline the conditions and terms of the Sales Process. A copy of the Solicitation Letter is attached hereto as **Appendix “72”**.

426 In addition to the Solicitation Letter, a confidentiality agreement (the “**Confidentiality Agreement**”) was provided to the Initial Interested Parties. The Confidentiality Agreement was required to be executed and returned to the Receiver in order for Initial Interested Parties to receive a confidential information memorandum prepared by the Receiver (the “**Confidential Information Memorandum**”) and to access the electronic data room

⁹ The Retirement Fund, Resource Fund, ACM Income Fund, ACM Growth Fund, and Sustainable Dividend Fund were not subject to the Sales Process, given that the assets of these Funds were comprised of only cash, marketable securities, and/or Inter-fund Investments.

established by the Receiver (the “**Data Room**”). A copy of the Confidential Information Memorandum, without appendices, is attached hereto as **Confidential Appendix “4”**.

- 427 On July 12, 2017, the Receiver created the Data Room and uploaded numerous documents with respect to the Listed Funds and the investments contained within them. The primary source for documents being contained in the Data Room was the Company’s Dropbox document storage system (which the Receiver understands housed all of the books and records of the Company, except for hard copy files pertaining to individual investors) supplemented by documents provided by Smith. As the Receiver continued to correspond with various service providers to the Company and the Crystal Wealth Funds, including but not limited to Xynergy, Frontline, Spectrum, and IFDS, the Receiver would, if deemed relevant, upload such documents obtained from these service providers to the Data Room. Each time a document was uploaded to the Data Room, all parties with access to the Data Room would receive a notification of same.
- 428 On July 14, 2017, the Receiver placed the Solicitation Letter on the Case Website.
- 429 Beginning on July 31, 2017, the Receiver placed two (2) targeted advertisements of the Sales Process in the Chartered Financial Analyst (CFA) Institute “Financial Newsbrief” which is delivered to CFA members on a daily basis. Since notification of the Receivership Proceedings had already been widely disseminated by the Receiver in the national editions of *The Globe and Mail* and *National Post* on May 4, 2017, and by virtue of the Creditor Claims Procedure being published by the Receiver in the national edition of *The Globe and Mail* on July 10, 2017, the CFA “Financial Newsbrief” forum was specifically chosen as the Receiver wished to target this sales opportunity to sophisticated investment professionals, being the global CFA network whose membership is in excess of 142,000 members in 159 countries.
- 430 The Receiver, with the assistance of its transactions team (Grant Thornton Corporate Finance Inc.), carefully identified an additional nine (9) asset management companies who managed similar *alternative* investment portfolios (“**Related Asset Managers**”) and who it believed may have an interest in the Sales Process (the Related Asset Managers and the Initial Interested Parties are collectively referred to as the “**Interested Parties**”). The Receiver emphasizes the word “*alternative*” as the general composition of the Crystal

Wealth Funds contains non-traditional investments. A copy of the Solicitation Letter and the Confidentiality Agreement was sent to the Related Asset Managers on July 25, 2017.

- 431 The Receiver received executed Confidentiality Agreements from 12 of the Interested Parties, who were then provided with a copy of the Confidential Information Memorandum and access to the Data Room. The Interested Parties who submitted executed Confidentiality Agreements are referred to as "**Prospective Purchasers**" and/or "**Prospective Managers**".
- 432 Between July 12, 2017 and the deadline by which Prospective Purchasers and Prospective Managers were required to submit their offers to the Receiver by 5 p.m. EST on August 10, 2017 (the "**Offer Deadline**"), the Receiver responded to numerous inquiries from Prospective Purchasers/Prospective Managers, provided answers to specific questions concerning the Listed Funds and their investments, and uploaded additional documents to the Data Room. Such activity also included numerous correspondence, discussions, and meetings with Prospective Purchasers or Prospective Managers and arranging for Prospective Purchasers or Prospective Managers to conduct individual discussions with the Service Providers.

RESULTS OF THE SALE PROCESS

- 433 By the Offer Deadline, the Receiver obtained the following offers from seven (7) different Prospective Purchasers and Prospective Managers:
- a) two (2) Management Offers for the assumption of the management of all of the Listed Funds' investment activities and the Company's duties to investors of such Funds (the "**Complete Management Offers**") (the Prospective Managers who submitted the Complete Management Offers are referred to as the "**Complete Managers**");
 - b) one (1) Management Offer for two of the Listed Funds (the "**Limited Management Offer**") received from a "**Limited Manager**";
 - c) three (3) cash Purchase Offers for certain assets in the Listed Funds (the "**Cash Purchase Offers**") (collectively, the "**Cash Purchasers**"); and

- d) one (1) Purchase Offer for certain assets in the Listed Funds in exchange for preferred shares to investors (the “**Preferred Share Offer**”) received from a “**Preferred Share Purchaser**”;
- (collectively the “**Initial Offers**”).
- 434 All of the Initial Offers contained an irrevocable date of August 17, 2017, as stipulated in the Confidential Information Memorandum.
- 435 Shortly after the Offer Deadline, the Receiver commenced a review of the Initial Offers. A summary of the Initial Offers is attached hereto as **Confidential Appendix “5”**.
- 436 On August 16, 2017, after review of the Complete Management Offers, the Receiver sent a list of additional questions to the Complete Managers (the “**August 16, 2017 Questions**”) in order to more fully understand their offers, particularly from an investor perspective. In addition, the Receiver requested that the Complete Managers extend the irrevocable date of the Complete Management Offers to September 1, 2017 to which both Complete Managers consented. The questions put forth by the Receiver in the August 16, 2017 Questions related to each of the Complete Managers’ plan with regards to:
- a) the anticipated timeline for investors to redeem their units in the Listed Funds and the quantum of liquidity, if any (e.g. cash injection, short term loan, investment, etc.), that would be provided by the Complete Managers to assist in satisfying redemption requests;
 - b) their intentions in allowing for new investors to invest in the Listed Funds or if the Funds would be closed to new investors;
 - c) the anticipated process to determine the underlying NAV of the Listed Funds;
 - d) the current and/or proposed internal processes and controls to be put in place to provide on-going reporting on the NAV of the Listed Funds to investors;
 - e) the proposed fees to be charged by the Complete Managers;
 - f) their intention to assume current agreements with Service Providers in which the Company and/or any of the Listed Funds were counterparties;

- g) their intended process to obtain required regulatory approvals and/or registrations with the OSC and/or other securities regulator(s), if any; and
- h) their specific plans with respect to the management of some of the more alternative investments (e.g. Factoring Contracts, Media Loans, US Real Estate LP, Commercial Loans).

A copy of the August 16, 2017 Questions and summary of answers from the Complete Managers is attached hereto as **Confidential Appendix “6”**.

- 437 In addition to the Complete Managers, the Receiver requested and obtained the consent from the Limited Manager, Cash Purchasers, and Preferred Share Purchaser to extend the irrevocable date of their respective Initial Offers to September 1, 2017 in order to allow the Receiver to conduct additional due diligence and to engage in further discussions with the Prospective Purchasers and Prospective Managers.

SHORTLISTED PARTIES

- 438 On September 1, 2017, the Receiver issued letters to the Limited Manager and two (2) of the Cash Purchasers advising that their offers would not be accepted.
- 439 The Limited Management Offer was declined due to the negligible purchase price offered for the management of two (2) Listed Funds, and due to the Receiver's view that the Limited Manager lacked the expertise to manage the named Listed Funds.
- 440 The two (2) Cash Purchase Offers were rejected due to the extremely low value assigned to the assets contained within the Listed Funds outlined for purchase.
- 441 The Complete Management Offers, the Preferred Share Offer, and the remaining Cash Purchase Offer are collectively referred to as the "**Shortlisted Offers**" and the parties who submitted same are referred to as the "**Shortlisted Parties**".
- 442 On September 1, 2017, the Receiver provided the Shortlisted Parties the opportunity to conduct additional due diligence up to 5 p.m. EST on September 28, 2017 (the "**Additional Due Diligence Period**"), subject to the Shortlisted Offers' irrevocable dates being extended to October 6, 2017. The Receiver also requested that each Shortlisted Party prepare a proposed form of purchase/assumption agreement, along with a specific

timeline containing key pre and post-closing items, to be submitted to the Receiver for its consideration by September 28, 2017.

- 443 During the Additional Due Diligence Period, the Receiver conducted the following key activities:
- a) attended numerous conference calls with Shortlisted Parties;
 - b) coordinated and scheduled discussions and meetings with various Service Providers, including but not limited to, Spectrum, Xynergy, Frontline, NBCN and IFDS;
 - c) obtained and uploaded additional information to the Data Room when received;
 - d) responded to various inquiries from the Shortlisted Parties;
 - e) attended calls with the OSC to gain an understanding of the regulatory requirements required to be satisfied, if any, by each of the Shortlisted Parties; and
 - f) performed background and due diligence checks on each of Shortlisted Parties.
- 444 Throughout the Receivership Proceedings, and more particularly during the Sales Process, the Receiver also received a broad range of feedback from investors concerning their preferences with respect to the outcome of the Sales Process.
- 445 By September 28, 2017, the Receiver obtained a proposed purchase/assumption agreement from each of the Shortlisted Parties and reviewed each proposed agreement in order to carefully evaluate all of the terms and conditions being proposed. Where required, the Receiver contacted a Shortlisted Party in order to clarify specific terms and conditions of the proposed agreement.
- 446 After the Receiver carefully considered all of the information and submissions provided by the Shortlisted Parties and the general opinions expressed by the investor population, the Receiver determined that it would not be pursuing any of the Shortlisted Offers received from Complete Managers and the Preferred Share Purchaser. In arriving at this decision, the Receiver considered the proposed structure, terms, and timelines involved to give effect to the transactions proposed, as well as the broader implications on the stakeholders and investors of the Crystal Wealth Group if the transactions underlying the offers were to be effected.

447 More specifically, the following points influenced the Receiver's decision:

- a) both Complete Management Offers and the proposed management agreements submitted by the Complete Managers were highly conditional and would have required a significant amount of time, cost, and effort to effect a transaction with no guarantees that a transaction would ultimately be completed;
- b) the Complete Management Offers were conditional upon certain relief being granted by the OSC, which is beyond the Receiver's control. For example, one of the Complete Management Offers required that exemptive relief be granted by the OSC in respect of the Listed Funds, to relieve the Complete Manager from past outstanding audit requirements;
- c) as outlined previously in this Second Report, a large majority of the assets contained within the Listed Funds, including but not limited to the Factoring Contracts, Media Loans, and Gold Contracts, are grossly impaired. The Complete Management Offers failed to adequately address or propose a definitive solution as to how the Complete Managers would, as a minimum, recover the principal of the investments, let alone with profit, or otherwise take steps to effect recovery which are preferable to the steps being taken by the Receiver and its counsel. The Receiver is of the view that the Complete Management Offers failed to offer definitive alternatives to the steps already being taken by the Receiver which would better enable investors to recover their original investments in Listed Funds which hold the impaired investments;
- d) both Complete Management Offers did not satisfy the Receiver that investors would be allowed to redeem their investment in the Crystal Wealth Funds in a timely fashion, and contained no guarantees or assurances as to the minimum value at which such redemptions would occur, once available;
- e) both Complete Management Offers accordingly did not provide any assurance that the eventually established NAV by such Complete Managers would any better, then or in the future, than exists at present. In fact, one of the Complete Management Offers was conditional upon the Complete Manager establishing the NAV of the Listed Funds prior to the transaction being effected, and being satisfied with the NAV. Given what the Receiver has learned about the impaired nature of the investments held in many of the Listed Funds, as is detailed throughout this Second Report, a reasonable

possibility existed that this Complete Manager, upon its ultimate establishment of the NAV, may have not wished to proceed with the underlying transaction, which would have only served to result in further delay and expense during which time the Receiver's efforts are better directed at undertaking enforcement and recovery steps in order to maximize investor returns;

- f) the Amended BDO Claim which arose in the midst of the Sales Process, after the Initial Offers had been received by the Receiver, created an additional complication, namely, that the Amended BDO Claim (and in particular, the Class Action Indemnity Claim) would either need to be definitively disallowed prior to any such Complete Management Offer transaction being effected, or would likely have been incorporated into the underlying transaction as an assumed contingent obligation which would have restricted a Complete Manager in the future use of the investments in the Class Action Funds, including the issuance of redemptions to investors.

The fact that the Receiver has now resolved and eliminated BDO's Class Action Indemnity Claim does not alter the Receiver's view that it is not in the best interest of investors to further pursue either of the Complete Management Offers.

- g) during the period in which a Complete Management Offer would be negotiated and finalized, the Receiver's ability to enforce and realize on impaired assets would be delayed which may result in further losses to certain Listed Funds;
- h) both Complete Management Offers contained only a nominal purchase price for the assumption of management of the Listed Funds, which when considered in the context of the additional concerns pertaining to the Complete Management Offers as set out above, did not favour proceeding with the acceptance of either Complete Management Offer; and
- i) with respect to the Preferred Share Offer, the offer did not provide immediate liquidity for investors to redeem their units and also would have resulted in the investors being in a subordinate position in regards to the specific investments in the Listed Fund which was the subject of the Preferred Share Offer; in other words, the transaction would have placed the investors in a worse position vis-à -vis the security being held as collateral for their investments.

- 448 A comparison of the two Complete Management Offers is attached to this Second Report as **Confidential Appendix “7”**.
- 449 In view of the foregoing, on October 4, 2017, the Receiver notified the Complete Managers and the Preferred Share Purchaser that it would not be pursuing any of the Complete Management Offers or Preferred Share Offer received throughout the Sales Process. However, no notification was given to the one (1) Cash Purchase Offer, as will be addressed below.

THE CASH PURCHASE OFFER

- 450 The Receiver is in the process of advancing negotiations with respect to the remaining Cash Purchase Offer. It is anticipated that a supplement to this Second Report will be issued by the Receiver in advance of the motion seeking approval of this Second Report, which supplement will report to the Court with respect to whether an agreement concerning the remaining Cash Purchase Offer has been reached, for which approval will be sought from the Court on this motion.

RECEIPTS AND DISBURSEMENTS OF THE RECEIVERSHIP

- 451 Attached hereto as **Appendix “11”** is the Receiver’s Interim Statement of Receipts and Disbursements for the period April 26, 2017 to October 31, 2017 which outlines the cash balances of the Company and the Crystal Wealth Funds. From April 26, 2017 to October 31, 2017, cash receipts totaled \$30,836,285 and US \$2,242,157 while disbursements were \$1,132,420 and US \$509. The ending cash balances as at October 31, 2017 were \$37,705,633.
- 452 Cash receipts to the Crystal Wealth Funds were generated from the following significant receipts, among others:
- a) the monetization of Equities – \$7,779,181 and US \$4,207,609 respectively, net of commissions;
 - b) collection of Media Loan principal and interest payments – \$6,859,188 and US \$153,591;
 - c) the collection of Residential Mortgage principal and interest payments – \$5,652,373;
 - d) the monetization of External Mutual Funds – \$5,051,937;
 - e) the collection of payments from NFL Participation Agreements – US \$714,867; and
 - f) the sale of the Geodata Balance – US \$684,313.
- 453 Disbursements from the Crystal Wealth Funds primarily relate to Court approved Receiver and legal fees, insurance, the purchase of Equities upon exercising Warrants, outside consulting fees paid to contractors including Quiver, bank charges and commissions, and HST related to taxable expenses.

OTHER NOTABLE ITEMS

INVESTMENT ADVISOR COMPENSATION

- 454 As has been described in detail throughout this Second Report, it is apparent that the historical reported values of certain Crystal Wealth Funds have been overstated by the Company and that provisions in such Funds should have been made to reflect the permanent impairment of certain investments.
- 455 The independent Investment Advisors were compensated, in part, based on the NAV of the Crystal Wealth Funds in which their investors were invested. Accordingly, as the monthly NAV of certain Crystal Wealth Funds were overstated, compensation to the Investment Advisors, based on such inflated NAVs, were overcompensated.
- 456 Although the Receiver is reviewing all of the Independent Advisor compensation agreements, a review of the accounting records of the Company indicates that over the 12 months preceding the Receiver's appointment, some of the Investment Advisors received significant payments. Below is a listing of certain of the Investment Advisors and the payments received by them for the 12 months ending April 26, 2017 totaling \$1,699,944:
- a) Housego – \$713,785;
 - b) Jeff Mushaluk – \$256,647;
 - c) Dale Wells – \$253,221;
 - d) Clayton Smith – \$200,642;
 - e) Scott Whale – \$175,582; and
 - f) Tim Johnston – \$100,067.
- 457 The Receiver will report the results of its review of the agreements between the above noted individuals in its next report to the Court.

INTERFERENCE IN THE RECEIVER'S ADMINISTRATION OF THE CRYSTAL WEALTH GROUP

- 458 Since the release of the Receiver's Notice to Investors dated October 6, 2017 advising of the Receiver's decision to not accept any of the Complete Management Offers (the "October 6 2017 Notice"), it has become evident to the Receiver that third parties, which may include former representatives (i.e. Investment Advisors) of the Company, have continued to communicate with investors, and are purporting to provide investors with information concerning the Receiver's administration of the Crystal Wealth Group, and with respect to the Crystal Wealth Funds. Such information being communicated to investors has been false and misleading. Such statements recently made by numerous investors to the Receiver, which reflect that third parties are providing the investors with false and misleading information, include that:
- a) all of the assets and investments contained within the Crystal Wealth Funds were healthy and performing prior to the appointment of the Receiver;
 - b) the Receiver will be performing an expedited liquidation of all of the assets at minimal prices;
 - c) the Amended BDO Claim is a consequence of mismanagement and misleading guidance by the Receiver;
 - d) the Receiver denied investors the right to have representative counsel appointed;
 - e) if representative counsel was appointed then the Proposed Class Action would not have been commenced by Whitehouse (despite Whitehouse having had his own counsel present at the June 30, 2017 motion before the Honourable Justice Mr. Hainey, in order to oppose CMB's appointment as representative counsel);
 - f) the OSC placed the Crystal Wealth Group into receivership, even though the Crystal Wealth Group had in excess of \$100 Million in assets and no significant financial issues; and
 - g) the Complete Managers would be able to manage the Crystal Wealth Funds back to profitability and recover all investments at full value. Furthermore, many investors who have recently written to the Receiver were aware that there were two (2) Complete

Managers, the number of which had not been publicized by the Receiver prior to the issuance of this Second Report.

- 459 Almost all of such communications from investors advising of inaccurate information provided by other sources has been from investors who are located in British Columbia and are primarily invested in the Factoring Fund, Bullion Fund, and Hedge Fund, in which Housego was the Lead Portfolio Strategist. Coincidentally: (i) these recent investor communications expressing investors' strong disagreement to the Receiver's decisions appear to be in the format of a "form letter" addressed to the same email addresses (some with the same incorrect spelling of certain email addresses); and (ii) the Factoring Fund, Bullion Fund, and Hedge Funds have the most significant issues regarding the quality of investments and non-compliance to the corresponding OMs. In subsequent discussions with a number of investors, the Receiver was advised that Housego was the author of this form letter being submitted by investors. Absent Housego's examination under oath, the Receiver can only surmise that Housego – who received payments of \$713,785 in the 12 months ending April 26, 2017 - is one of the primary sources of such misinformation in order to redirect blame regarding the poor quality of the investments held by the Factoring Fund, Bullion Fund, and Hedge Fund, and the use of investor monies by these Funds.

- 460 Since the commencement of the Receivership Proceedings, and more notably after the Receiver's communication to investors of its decision to not pursue any Management Offers, the Receiver has and continues to spend a considerable amount of time addressing such false information being distributed to investors in order to correct the record and to clarify the resulting confusion which has resulted within the investor base.

UNAUTHORIZED COMMUNICATION TO INVESTORS BY A COMPLETE MANAGER

- 461 Since the October 6 2017 Notice, certain investors have confirmed that they have been contacted by one of the Complete Managers, Brian Bosse ("Bosse") of BlueSpring Investments Inc.; such correspondence is a breach of the confidentiality agreement executed by Bosse as a condition of his participation in the Sales Process.

- 462 In a meeting held on October 11, 2017 between the Receiver and Bosse at the Receiver's office, Bosse indicated that he had spoken to an investor who had been concerned as to why his Complete Management Offer was not pursued by the Receiver.

463 On a call convened with the Receiver on October 31, 2017, Bosse indicated his displeasure with the Notice issued by the Receiver to investors dated October 30, 2017 (the “**October 30 2017 Notice**”) which, among other things, communicated to investors the reasons why the Receiver did not accept any of the Complete Management Offers. Bosse demanded that the Receiver take down the October 30 2017 Notice to which the Receiver declined. During the call, Bosse had also communicated to the Receiver that he had been in discussions with “numerous investors in the past few weeks” and that the October 30 2017 Notice damaged the credibility he had with the investors with whom he had been in contact. The Receiver advised Bosse that communication with investors regarding the Crystal Wealth Funds and the Sales Process was in contravention of the Confidentiality Agreement and that all future communications must cease. During the call, the Receiver asked Bosse to disclose the number of investors he had discussions with and the number of occurrences of such discussions however Bosse refused to disclose this information to the Receiver.

THE INVESTMENT ADMINISTRATION SOLUTION INC.’S FAILURE TO PROVIDE DOCUMENTS

- 464 Although the Company performed its financial accounting and record keeping internally, as it relates to the Crystal Wealth Funds, the financial accounting and recording keeping was outsourced to a third-party, Investment Administration Solution Inc. (“IAS”).
- 465 The Receiver has made numerous requests to IAS to obtain the monthly reporting for each of the Crystal Wealth Funds and the underlying transaction detail for same from January 1, 2016 to May 31, 2017. As at the date of this Second Report, IAS has ignored the Receiver’s requests and has failed to provide such documentation.
- 466 The Receiver requests that this Court issue an Order directing IAS to provide the Receiver and its counsel with certain requested but still outstanding information and documentation required for a proper account reconciliation and assessment the Crystal Wealth Funds.

OTHER ACTIVITIES OF THE RECEIVER SINCE THE APPOINTMENT ORDER

- 467 Upon its appointment, the Receiver took immediate steps to secure and preserve the Property of the Crystal Wealth Group, communicate with stakeholders, and deal with other operational and administrative tasks. The Receiver has conducted the following key activities in relation to its appointment:
- a) responded to numerous calls and emails from Crystal Wealth Group investors and other stakeholders;
 - b) distributed ~~ten~~ (10) notices from the Receiver to all investors, which were also posted to the Receiver's Case Website, from May 1, 2017 to October 30, 2017 updating them on the receivership as events unfolded;
 - c) created and maintained a listing of investors with holdings, accounts, and contact information including email addresses;
 - d) held meetings and corresponded with NBCN on a number of investor matters, including the on-going management of the securities, records and monetization of assets within the Crystal Wealth Funds;
 - e) corresponded with various third-parties involved in administering certain Crystal Wealth Funds, and, in some cases, their legal counsel and financial advisors;
 - f) collected monthly payments and funds held by third-parties administering certain Crystal Wealth Funds and/or their assets;
 - g) corresponded with borrowers of the Crystal Wealth Funds, and, in some cases, their legal counsel and financial advisors;
 - h) executed the MOU Amendments dated September 28, 2017 and October 30, 2017 with Quiver;
 - i) conducted meetings with certain third-parties and borrowers, as appropriate;
 - j) corresponded and held numerous discussions with various stakeholders, providers and/or their legal counsels;

- k) corresponded and held various discussions with BDO and its counsel;
- l) corresponded and held various discussions and meetings with parties expressing interest in either purchasing or managing certain Crystal Wealth Funds; and
- m) maintained a public website for the Receivership Proceedings in accordance with the Commercial List E-Service Protocol.

MOUNT NEMO PROPERTY

- 468 As outlined in the First Report, on June 8, 2017, the Receiver entered into an MLS listing agreement with RE/MAX Aboutowne Realty Corp., Brokerage (the “**Broker**”) effective until October 31, 2017 (the “**Listing Agreement**”).
- 469 Prior to listing the Mount Nemo Property, the Receiver performed the following activities to prepare the Mount Nemo Property for sale:
- a) arranged for and retained a third-party to open and maintain the pool and waterfall located on the Mount Nemo Property;
 - b) engaged a third party landscaping company to provide grass cutting and general maintenance and landscaping services for the Mount Nemo Property; and
 - c) ensured adequate security was in place.
- 470 On July 12, 2017, the Mount Nemo Property was listed for \$3,399,000 on the Oakville/Milton, Hamilton/Burlington, and Toronto District Real Estate Board in addition to various other online real estate websites. The Receiver elected to begin listing the Mount Nemo Property at this price as it represented the approximate amount of the Purchaser’s offer as contained in the Mount Nemo Sale Agreement.
- 471 Beginning the week ending July 17, 2017, the Broker provided the Receiver with periodic updates outlining, among other things: (i) the number of showings; (ii) the internet traffic on various websites; (iii) general updates on the condition of the Mount Nemo Property; and (iv) the status of any past or future showings.
- 472 Due to the minimal interest in the Mount Nemo Property and the fact that minimal showings were arranged and no offers had been received, the Receiver executed an amendment to the Listing Agreement dated August 30, 2017 which reduced the listing price of the Mount Nemo Property to \$3,199,000 (a reduction of \$200,000) (the “**First Amendment**”).
- 473 On October 31, 2017, the Listing Agreement with the Broker expired. On November 2 and November 3, 2017, the Receiver notified the Broker that it would not be renewing the Listing Agreement. The Receiver’s decision resulted from the fact that no offers were

received despite the Property having been listed for six months, and given that only a minimal amount of showings were conducted.

- 474 The Receiver contacted another broker, Sotheby's International Realty Canada ("Sotheby's"), who had submitted a proposal as part of the Receiver's Request for Proposals process discussed in the First Report, to inquire if Sotheby's remained interested in listing the Mount Nemo Property.
- 475 In the RFP process, the Receiver had ranked Sotheby's proposal behind that of the Broker, however, the Sotheby's proposal highlighted: (i) its extensive experience selling similar real estate in the Burlington and surrounding area; (ii) a competitive commission structure; (iii) detailed and real time reporting tools and functionality; and (iv) a detailed marketing plan to prepare and execute the sale of the Mount Nemo Property.
- 476 On November 6, 2017, the Receiver entered into an MLS listing agreement with Sotheby's (the "Sotheby's Listing Agreement") which is attached to this Second Report as Confidential Appendix "8".

THE RECEIVER'S CONTINUED DEALINGS WITH SMITH

- 477 As a result of the Appointment Order, all of Smith's known assets, including bank accounts, continue to be frozen, and all of the Property (as defined in the Appointment Order) was vested in the Receiver.
- 478 As discussed in the First Report, on May 18, 2017, the Receiver delivered a form of statutory declaration (the "**Statutory Declaration**") to Smith requesting that he provide information concerning, among other things, his assets, liabilities, income, and expenses.
- 479 On May 24, 2017, June 6, 2017, and July 4, 2017, A&B, on behalf of the Receiver, sent follow-up correspondence to Smith reiterating the Receiver's request that Smith complete the Statutory Declaration.
- 480 On July 20, 2017, Smith delivered to the Receiver an unsworn version of the form of statutory declaration, to which Smith had made significant changes (the "**Unsworn and Altered Statutory Declaration**").
- 481 On July 24, 2017, the Receiver provided notice to Smith that the Unsworn and Altered Statutory Declaration contained significant changes to the Statutory Declaration provided by the Receiver on May 18, 2017 and that same was not sworn. On July 28, 2017, Smith advised the Receiver he would provide a sworn Statutory Declaration.
- 482 Subsequent to the Receiver following-up on August 11, 2017, August 28, 2017, and September 1, 2017, Smith provided a sworn Statutory Declaration to the Receiver which was received on September 7, 2017. The delivered Statutory Declaration included hand written changes by Smith to the form of Statutory Declaration which the Receiver had required be completed by Smith.
- 483 The Receiver continues to reserve its rights to cross-examine Smith on his sworn Statutory Declaration, and to examine Smith as permitted by the Appointment Order.

RECEIVER'S FEES AND DISBURSEMENTS

- 484 Pursuant to paragraph 23 of the Appointment Order, the Receiver and its counsel are to be paid their reasonable fees and disbursements at their standard rates and charges, incurred both before and after the making of the Appointment Order. Pursuant to paragraph 24 of the Appointment Order, the Receiver and its counsel shall pass their accounts.
- 485 The Receiver seeks to have its fees and disbursements, including those of its legal counsel, approved by the Court up to and including September 30, 2017, and seeks approval of the allocation methodology described in paragraphs 57 to 61 above. The Receiver and its counsel have maintained detailed records of their professional time and costs.
- 486 The total fees for the Receiver for the period June 1, 2017 to September 30, 2017, were \$385,280.07, plus disbursements of \$4,089.28, plus HST of \$50,618.02, for a total of \$439,987.37. The time spent by the Receiver is more particularly described in the Affidavit of Jonathan Krieger sworn November 17, 2017 (the "**Krieger Affidavit**"), which is attached hereto as **Appendix "73"** and contains copies of invoices that set out the services provided during this time period.
- 487 The total fees of A&B, as counsel to the Receiver, for the period of June 1, 2017 to September 29, 2017, were \$315,692.50, plus disbursements of \$7,125.88, plus HST of \$41,696.38, for a total of \$364,514.76. The time spent by A&B is more particularly described in the Affidavit of Mark van Zandvoort sworn November 22, 2017 (the "**van Zandvoort Affidavit**"), which is attached as **Appendix "74"** and contains, among other things, copies of invoices that set out the services provided during this period of time.
- 488 It is the Receiver's opinion that the fees and disbursements of the Receiver and A&B accurately reflect the work done by the Receiver and on behalf of the Receiver by A&B in connection with the receivership and the administration of the Property of the Crystal Wealth Group from June 1, 2017 to September 30, 2017.
- 489 It is the Receiver's opinion that the fees and disbursements of A&B are fair and reasonable and justified in the circumstances. The Receiver recommends approval of A&B's accounts by this Honourable Court.

TELE-TOWN HALL FOR INVESTORS

490 Due to the volume and complexity of the information contained within this Second Report, the Receiver will be conducting a "Town Hall" meeting with investors via tele-conference (the "Tele-Town Hall") whereby investors will be given the opportunity to ask the Receiver questions with respect to the receivership of the Crystal Wealth Group and its administration of same. The Tele-Town Hall will be conducted by the Receiver on December 7, 2017 from 11:00 am EST to 1:00 pm EST. The Receiver will provide more detailed information and instructions with respect to the Tele-Town Hall to investors in due course, which information will be available on the Receiver's Case Website.

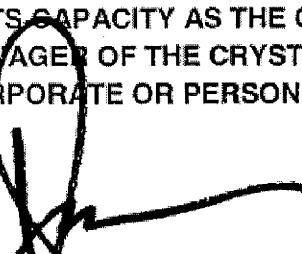
CONCLUSION

491 For the reasons set out in this Second Report, the Receiver respectfully requests the relief and approval requested in the Receiver's Notice of Motion dated November 24th, 2017.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 24th day of November, 2017.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND
MANAGER OF THE CRYSTAL WEALTH GROUP, AND NOT IN ITS
CORPORATE OR PERSONAL CAPACITY**

Per:

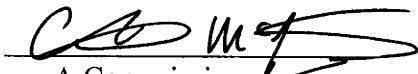

Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

30976692.9

This is **Exhibit “F”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

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

B E T W E E N :

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**SUPPLEMENT TO THE SECOND REPORT TO THE COURT
SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

FEBRUARY 8, 2018



Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario, M5H 3T4

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Appendix 3	Bron Animation Inc. Proof of Claim dated August 3, 2017
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CONFIDENTIAL APPENDICES

Confidential Appendix 1	Asset Purchase Agreement dated February 2, 2018 [unredacted]
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SEALED APPENDICES

Sealed Appendix 1	Quiver Report dated November 22, 2017
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Court File No. CV-17-11779-00CL

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

B E T W E E N :

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**SUPPLEMENT TO THE SECOND REPORT TO THE COURT
SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

FEBRUARY 8, 2018

INTRODUCTION AND PURPOSE OF THE SECOND REPORT SUPPLEMENT

- 1 This supplement (this “**Second Report Supplement**”) is filed by Grant Thornton Limited in its capacity as Court-appointed receiver (the “**Receiver**”) of the Crystal Wealth Group, as a supplement to the Receiver’s Second Report to the Court dated November 24, 2017 (the “**Second Report**”).
- 2 Unless otherwise defined, all capitalized terms in this Second Report Supplement are as defined in the Second Report. All disclaimers provided in the Second Report also apply to this Second Report Supplement.
- 3 Background information in respect of the Respondents and the Receivers’ appointment is provided in the First Report to the Court of the Receiver dated June 22, 2017 (the “**First Report**”), the Supplement to the First Report to the Court dated June 29, 2017 (the “**Supplement to the First Report**”), and in the Second Report.
- 4 Copies of materials filed in these proceedings generally are available on the Receiver’s Case Website at www.grantthornton.ca/crystalwealth.
- 5 The purpose of this Second Report Supplement is to:
 - a) inform and update the Court on the Receiver’s continued negotiations with respect to the remaining Cash Purchase Offer, as referenced at paragraph 450 of the Second Report, which negotiations have culminated in:
 - i. an Asset Purchase Agreement dated February 2, 2018 being entered into between the Receiver and Bron Releasing Inc. (“**BRI**”) (the “**APA**”), attached hereto as **Confidential Appendix “1”**, with a redacted version attached hereto as **Appendix “1”**; and
 - ii. an Assignment Agreement (to be dated) being entered into between the Receiver, as assignee, and Bron Studios Inc. (“**BSI**”) and Bron Animation Inc. (“**BAI**”), each as assignors, (the “**Assignment Agreement**”), attached hereto as **Appendix “2”**, which Assignment Agreement is conditional upon the completion of the transaction set out in the APA;

- b) request that the Court issue an order, substantially in the form attached as Schedule "B" to the APA: (i) approving the APA; (ii) authorizing the Receiver to complete the transaction contemplated therein; and (iii) vesting in BRI all of the rights, title and interests in and to the Sale Assets (as defined in the APA), subject to the terms of the APA;
- c) request that the Court issue an order approving the Assignment Agreement, and authorizing the Receiver to complete the transaction set out therein in accordance with the terms of the Assignment Agreement; and
- d) request that the Court issue an order sealing the Confidential Appendices of this Second Report Supplement until further Order of the Court.

THE APA

- 6 As indicated in paragraph 450 of the Second Report, as at the date of the Second Report, the Receiver was in the process of advancing negotiations with respect to a remaining Cash Purchase Offer which it received through the Sales Process, being an offer to purchase the Receiver's right, title, and interest in and to the Media Loans of the Media Fund.
- 7 As will be detailed below, the Receiver has continued to negotiate the remaining Cash Purchase Offer, which has culminated in the APA being executed by the Receiver and BRI, as purchaser, on February 2, 2018.
- 8 As indicated in paragraph 215 of the Second Report, the Receiver engaged Quiver as an expert advisor (which engagement was approved by this Court) to assist the Receiver in its investigation and management of the Media Fund. As indicated in paragraph 218 of the Second Report, on November 22, 2017, Quiver provided the Quiver Report to the Receiver that, among other things:
 - a) outlined the nature of the Media Loans issued to the various production companies;
 - b) set out the collections received for Media Loans as at the date of the Quiver Report;

- c) provided an estimated value of the Gap Loans and Tax Credit Loans, and detailed the underlying methodology in determining the limited projected amounts which are reasonably likely to be recovered by the Media Fund with respect to the Media Loans; and
- d) recommended that the Receiver accept the amount being offered by BRI, being the Purchase Price as defined in the APA.

The Quiver Report, with its appendices, was attached as a confidential appendix to the Second Report and was sealed until further Order of the Court pursuant to the Order of the Honourable Justice Myers issued December 11, 2017. For the Court's convenience, a copy of the Quiver Report and its Appendix D, as sealed, will be separately filed by the Receiver as part of the motion record related to this Report, in a sealed envelope as **Sealed Appendix "1"**.

- 9 On the basis of the projected value/limited likelihood of recovery of the Media Loans as detailed in the Quiver Report, as well as the lack of any other offers for the purchase of the Media Loans through the Sales Process, the Receiver continued negotiations with BRI in an effort to finalize the terms of an agreement with BRI.
- 10 Such negotiations ultimately resulted in the execution of the APA dated February 2, 2018. The deposit required under the APA has been paid. In order for the transaction contemplated by the APA to be completed, it is a condition of the APA that an Approval and Vesting Order, substantially in the form attached as Schedule "B" to the APA, be issued by the Court. This form of Approval and Vesting Order is being sought on the present motion.
- 11 BRI is a British Columbia corporation, and its sole director is Aaron Gilbert ("Gilbert"). Both Gilbert and Steven Thibault ("Thibault") are authorized signatories for BRI. The Receiver understands that Gilbert is also the President, CEO, Chairman, and sole director of MHC, the entity which the Media Fund had engaged prior to the Receiver's Appointment to: (i) source potential Media Loans for investment by the Media Fund; and (ii) administer the Media Loans purchased by the Media Fund. The Receiver understands that Thibault was and/or remains employed by MHC, and that he was formerly the VP Finance at MHC. In addition, Gilbert was and/or continues to be a director of BSI and BAI.

- 12 Through the Creditor Claims Procedure authorized by this Court, BSI and BAI each filed Proofs of Claim (the “**Proofs of Claim**”), attached hereto as **Appendix “A”** and **Appendix “B”**, respectively, against Smith for personal loans advanced to him in the sum of \$8,512,592. According to the Proofs of Claim, as at August 3, 2017, Smith is indebted to BAI and BSI in the total sum of \$12,243,455 given accrued interest on the outstanding indebtedness.
- 13 The Receiver required that, as a condition of entering into the APA, BSI and BAI each assign their rights, title and interest under the Proofs of Claim to the Receiver. BSI and BAI each agreed, and have executed the Assignment Agreement along with the Receiver, which is being held in escrow and will become effective only upon the completion of the APA transaction.
- 14 The Receiver required that the Assignment Agreement be entered into as a result of: (i) concerns raised in the Commission Affidavits (as defined in the First Report) about funds which were traced from the Media Fund to either MHC or BAI, and which ultimately appeared to be traced to Smith or his holding company, CLJ Everest, which concerns are disputed by Bron; and (ii) the particulars submitted in the Proofs of Claim, which provided that BSI and BAI made loans to Smith. The assignment of the Proofs of Claim could thus result in additional monies being recovered by the Receiver in respect of such funds.

CONCLUSION

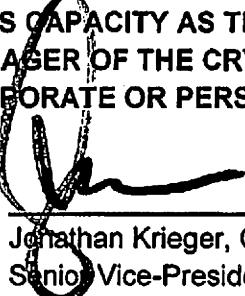
- 15 The Receiver conducted a fulsome Sales Process which elicited an offer from BRI and its affiliates. The Purchase Price contained in the APA is for an amount which the Receiver considers to be reasonable in the circumstances based upon the analysis and conclusions provided in the Quiver Report given the likelihood of recovery on the Gap Loans and certain Tax Credit Loans.
- 16 Furthermore, if the APA is approved and the transaction thereby completed, the Receiver will receive the benefits of any recovery which may be obtained as a result of the Assignment Agreement.

- 17 The Receiver considers the terms of the APA and the Assignment Agreement to be reasonable in the circumstances. It is the Receiver's view and recommendation that Court approval of the APA and the Assignment Agreement is likely to yield the best recovery on the Media Loans, and in turn, for investors of the Media Fund.
- 18 Accordingly, the Receiver is seeking an order approving the APA and the Assignment Agreement.
- 19 The Receiver is also seeking an order sealing the Confidential Appendices, which contain certain commercially-sensitive information related to pricing, the release of which could prejudice the Crystal Wealth Group's stakeholders if the transaction contemplated by the APA is not completed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 8th day of February, 2018.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND
MANAGER OF THE CRYSTAL WEALTH GROUP, AND NOT IN ITS
CORPORATE OR PERSONAL CAPACITY**

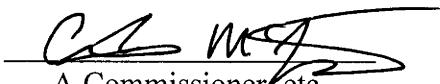
Per:


Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

This is **Exhibit "G"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019


A Commissioner, etc.

Court File No. CV-17-11779-00CL

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

BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**THIRD REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

MAY 3, 2018



Grant Thornton Limited
200 King Street West, 11th Floor
TORONTO, ONTARIO, M5H 3T4

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APPENDICES

- Appendix 1** Temporary Order, First Extension Order and Second Extension Order issued April 7, 2017, October 2, 2017 and April 9, 2018, respectively
- Appendix 2** Appointment Order and endorsement dated April 26, 2017
- Appendix 3** Receiver's First Report to Court dated June 22, 2017
- Appendix 4** Order and Endorsement issued by Justice Hainey dated June 30, 2017
- Appendix 5** Receiver's Second Report to Court dated November 24, 2017
- Appendix 6** Order and Endorsement issued by Justice Myers dated December 11, 2017
- Appendix 7** Receiver's Second Report Supplement dated February 8, 2018
- Appendix 8** Order and Endorsement issued by Justice Dunphy dated February 20, 2018
- Appendix 9** Agreement of Purchase and Sale dated April 11, 2018 [redacted]
- Appendix 10** Home Trust Notice of Sale dated June 19, 2017
- Appendix 11** June 20, 2017 letter from Aird & Berlis LLP to Home Trust
- Appendix 12** Master Medical Receivables Purchase and Administration Agreement dated March 31, 2016
- Appendix 13** Geodata Participation Agreement March 31, 2016
- Appendix 14** SSI Participation Agreement dated March 31, 2016
- Appendix 15** Geodata Bill of Sale dated July 10, 2017
- Appendix 16** Geodata Amendment to the Bill of Sale dated January 26, 2018
- Appendix 17** SSI Bill of Sale dated January 24, 2018

CONFIDENTIAL APPENDICES

- Confidential Appendix 1** Agreement of Purchase and Sale dated April 11, 2018
[unredacted]
- Confidential Appendix 2** Summary of Mount Nemo Property Proposals Received
- Confidential Appendix 3** Listing Agreement with Sotheby's dated November 6, 2017 and
Amendment dated March 26, 2018
- Confidential Appendix 4** Toronto Real Estate Board Reports – Rural Burlington
- Confidential Appendix 5** Summary of Offers Received
- Confidential Appendix 6** Email dated April 6, 2018 from Andrew Cowan and email
correspondence dated February 20, 2018 from one of the
previous offerors

Court File No. CV-17-11779-00CL

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

B E T W E E N :

ONTARIO SECURITIES COMMISSION

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**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**THIRD REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

MAY 3, 2018

INTRODUCTION

The OSC Application and Appointment Order

- 1 The Ontario Securities Commission (the “**OSC**”) issued a temporary order on April 7, 2017 (as extended by the OSC on April 13, 2017 and April 28, 2017 (the “**Temporary Order**”)) providing that the trading of units of all of the Crystal Wealth Funds cease, that trading in securities held by the Crystal Wealth Funds cease, and prohibiting the trading in or acquisition of securities by Clayton Smith (“**Smith**”) and Crystal Wealth Management System Limited (the “**Company**”), with limited exceptions that permitted Smith and the Company to liquidate exchange-traded securities in the Crystal Wealth Funds with such proceeds being deposited into the bank account of the relevant Fund. On October 2, 2017, the OSC extended the Temporary Order to April 10, 2018 (the “**First Extension Order**”), while modifying the Temporary Order issued April 7, 2017 to remove the portions of paragraphs 4 and 5 thereof referring to Smith in his capacity as advising representative, given that Smith’s registration was automatically suspended when he was terminated by the Receiver. On April 9, 2018, the OSC further extended the Temporary Order to July 5, 2018 (the “**Second Extension Order**”). The Temporary Order issued April 7, 2017, the First Extension Order and the Second Extension Order are attached hereto as **Appendix “1”** to this Third Report of the Receiver (the “**Third Report**”).
- 2 On April 26, 2017, on application of the OSC to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), the Honourable Mr. Justice Newbould issued an Order (the “**Appointment Order**”) appointing Grant Thornton Limited as: (i) receiver and manager (in such capacities, the “**Receiver**”), without security, of all of the assets, undertakings and properties (collectively, the “**Property**”) of each of the Respondents, except the Respondent, Chrysalis Yoga Inc. (“**Chrysalis Yoga**”) (each of the Respondents except for Chrysalis Yoga being individually and collectively, the “**Crystal Wealth Group**”); and (ii) Receiver of the account of the Respondent, Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia (the “**Chrysalis Account**”), and of all contents, including funds, contained in the Chrysalis Account. The proceedings were commenced by way of application made by the OSC (the “**OSC Application**”) under section 129 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Act**”). The said receivership proceedings shall be referred to herein as the “**Receivership Proceedings**”. A copy of the Appointment

Order and the endorsement of the Honourable Mr. Justice Newbould are attached hereto as **Appendix “2”**.

- 3 Also on April 26, 2017, the Honourable Mr. Justice Newbould issued a Vesting Order (the “**Vesting Order**”) authorizing the Receiver to complete, on behalf of the Respondent, CLJ Everest Ltd. (“**CLJ Everest**”) (a company wholly owned by Smith), the sale transaction of the property located at 5043 Mount Nemo Crescent in Burlington, Ontario (the “**Mount Nemo Property**”) to Martin McCready (“**McCready**”) pursuant to and in accordance with an agreement of purchase and sale dated April 12, 2017 (the “**McCready APS**”). McCready did not respond to the Receiver’s communications following the issuance of the Vesting Order, and McCready failed to complete the sale transaction (the “**McCready Sale Transaction**”). The Receiver has reserved its rights to claim damages from McCready as a result of his failure to complete the McCready Sale Transaction.
- 4 A summary of the circumstances leading to the appointment of the Receiver is outlined in the Receiver’s First Report to Court dated June 22, 2017 (the “**First Report**”) which is attached hereto, without appendices, as **Appendix “3”**. The complete OSC Application can be found on the Receiver’s case website at www.GrantThornton.ca/CrystalWealth (the “**Case Website**”).

The First Report Approval Motion – June 30, 2017

- 5 On June 22, 2017, the Receiver provided the Court with its First Report and served a motion record in support of a motion to, among other things, approve a proposed Sales Process (as defined and described in the First Report) to be conducted by the Receiver by which prospective purchasers and managers could submit bids to the Receiver to either purchase the assets of certain Crystal Wealth Funds, or to take over the management of certain Funds. On June 29, 2017, the Receiver provided the Court with its Supplement to the First Report dated June 29, 2017.
- 6 On June 30, 2017, the Honourable Mr. Justice Hainey issued an Order and Endorsement (the “**June 30 2017 Order and Endorsement**”) that, among other things, approved:
 - a) the Receiver’s First Report and the activities of the Receiver set out therein; and
 - b) the Sales Process.

A copy of the June 30th Order and Endorsement is attached hereto as **Appendix “4”**.

The Second Report Approval Motion – December 11, 2017

- 7 On November 24, 2017, the Receiver provided the Court with its Second Report to Court dated November 24, 2017 (the “**Second Report**”) and served a motion record (the “**November 24, 2017 Motion**”) in support of a motion to, among other things: (i) approve the Receiver’s methodology and proposal to make an interim distribution to the investors of certain Crystal Wealth Funds, and authorizing the Receiver to make such interim distribution; (ii) direct certain entities and/or individuals to provide the Receiver and its counsel with certain requested but still outstanding information required by the Receiver for a proper account reconciliation and assessment of the Crystal Wealth Group; and (iii) authorize the Receiver to examine certain individuals. A copy of the Second Report, without appendices, is attached hereto as **Appendix “5”**.
- 8 On December 11, 2017, the Honourable Justice Myers issued an Order and Endorsement (the “**December 11, 2017 Order and Endorsement**”) that approved, among other things, the Receiver’s activities as set out in the Second Report. A copy of the December 11, 2017 Order and Endorsement is attached hereto as **Appendix “6”**.

The Second Report Supplement Approval Motion – February 20, 2018

- 9 On February 8, 2018, the Receiver provided the Court with a Supplement to the Second Report to Court dated February 8, 2018 (the “**Second Report Supplement**”) and served a motion record (the “**February 8, 2018 Motion**”) in support of a motion to, among other things, obtain approval of the Court of: (i) an Asset Purchase Agreement dated February 2, 2018 entered into between the Receiver and Bron Releasing Inc. (“**BRI**”) (the “**APA**”); and (ii) an Assignment Agreement entered into between the Receiver, as assignee, and Bron Studios Inc. (“**BSI**”) and Bron Animation Inc. (“**BAI**”), each as assignors, (the “**Assignment Agreement**”), which Assignment Agreement was conditional upon the completion of the transaction set out in the APA. A copy of the Second Report Supplement, without appendices, is attached hereto as **Appendix “7”**.
- 10 On February 20, 2018, the Honourable Justice Dunphy issued an Order and Endorsement (the “**February 20, 2018 Order and Endorsement**”) that approved, among other things,

the relief as sought in the February 8, 2018 Motion. A copy of the February 20, 2018 Order and Endorsement is attached hereto as **Appendix "8"**.

PURPOSE OF THE THIRD REPORT

- 11 The purpose of this Third Report is to inform the Court of the Receiver's activities with respect to: (i) the marketing and proposed sale by the Receiver of the Mount Nemo Property; (ii) the Receiver's execution of the Geodata Bill of Sale Amendment and the SSI Bill of Sale (as such terms are hereafter defined); and (iii) to support the Receiver's request for, among other things:
- a) an order approving this Third Report, including the actions and activities of the Receiver as described in this Third Report;
 - b) an order, among other things: (i) approving the Agreement of Purchase and Sale dated April 11, 2018 and the amendment thereto dated April 17, 2018 entered into by the Receiver, as vendor on behalf of CLJ Everest, and Daniel Palmer ("Palmer"), as purchaser, regarding the sale of the Mount Nemo Property (the "**Palmer APS**"); (ii) authorizing the Receiver to complete the transaction contemplated therein (the "**Palmer Sale Transaction**"); and (iii) vesting in Palmer all of the right, title and interests in and to the Mount Nemo Property, subject to the terms of the Palmer APS. The Palmer APS is attached hereto as **Confidential Appendix "1"**, with a redacted version attached hereto as **Appendix "9"**;
 - c) an order vesting in Xynergy Medical Capital LLC ("**Xynergy**") all of the rights, title and interests in the Geodata Participation (as defined in the Second Report and in the Geodata Bill of Sale dated July 10, 2017) in accordance with the Geodata Sale Agreement (as defined below);
 - d) an order vesting in Xynergy all of the rights, title and interests in and to the SSI Participation (as defined in the SSI Bill of Sale, as defined in this Third Report) in accordance with the SSI Bill of Sale; and
 - e) sealing the **Confidential Appendices** to this Third Report until the Palmer Sale Transaction has been completed.

- 12 Accordingly, this Third Report is a limited purpose report, and a more detailed report addressing other matters which have taken place subsequent to the Second Report and Second Report Supplement will be filed in due course.

RESTRICTIONS AND TERMS OF REFERENCE

- 13 In preparing this Third Report, the Receiver has relied upon unaudited and certain audited financial information, the Crystal Wealth Group's books and records, certain financial information obtained by third parties, and discussions with various individuals (collectively, the "Information"). Except as described in this Third Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
- 14 This Third Report has been prepared for the use of this Court to provide general information and an update relating to the Receivership Proceedings for the purpose of assisting the Court in making a determination as to whether to approve the relief sought in the Receiver's Notice of Motion dated May 3, 2018. This Third Report should not be relied on for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Third Report contrary to the provisions of this paragraph.
- 15 Capitalized terms not defined in this Third Report are as defined in the First Report, the Second Report, and in the Second Report Supplement. All references to dollars are in Canadian currency unless otherwise noted.
- 16 Copies of materials filed in these Receivership Proceedings are available on the Receiver's Case Website at: www.GrantThornton.ca/CrystalWealth.

MOUNT NEMO PROPERTY

Sale Pending at the Date of Receivership

- 17 As explained in the First Report, the Receiver was authorized by the Court to complete, on behalf of the Respondent, CLJ Everest (the registered owner of the Mount Nemo Property), the McCready Sale Transaction pursuant to and in accordance with the McCready APS which had been entered into between CLJ Everest and McCready. The

completion date for the underlying transaction was April 28, 2017.

- 18 On April 27, 2017, Jo-Anne Smith ("Ms. Smith"), Smith's sister and the listing agent for the Mount Nemo Property at that time, informed the Receiver that McCready had advised her on April 27, 2017, that McCready would not be completing the McCready Sale Transaction.
- 19 The Receiver subsequently attempted to contact McCready by telephone at the number which Ms. Smith advised was McCready's cell phone number. On both occasions, the message "*call cannot be completed as dialed*" was received.
- 20 Accordingly, by letter to McCready dated April 28, 2017, counsel to the Receiver, Aird & Berlis LLP ("A&B"), advised McCready that the Receiver was treating his anticipatory breaches as a repudiation of the McCready APS, thereby discharging the Receiver from proceeding with the sale while reserving the Receiver's right to pursue damages from McCready.
- 21 To date, no response has been provided by McCready.

Mount Nemo Listing Process and the First Listing Broker

- 22 After the McCready Sale Transaction failed to close, the Receiver requested from Ms. Smith any and all information relating to the Mount Nemo Property, as it was the Receiver's intent to conduct a formal sales process for the listing of the Mount Nemo Property (the "**Mount Nemo Listing Process**"). After receiving limited information from Ms. Smith, on May 10, 2017, the Receiver received an executed Listing Cancellation from Ms. Smith thereby allowing the Receiver to conduct the Mount Nemo Listing Process.
- 23 The First Report detailed the Mount Nemo Listing Process, which included: (i) researching and compiling a short-list of real estate agents/brokers with extensive experience in marketing and selling rural estate properties in the Burlington and surrounding areas; (ii) conducting a request for proposal process under confidentiality provisions; and (iii) evaluating submissions received from real estate agents/brokers.
- 24 The Mount Nemo Listing Process ultimately led to RE/MAX Aboutowne Realty Corp., Brokerage ("**RE/MAX**") being selected as the listing agent. The summary of the proposals received, which was attached to the First Report as a confidential appendix, is attached

hereto as **Confidential Appendix “2”**.

- 25 On June 8, 2017, the Receiver entered into an MLS listing agreement with RE/MAX effective until October 31, 2017. After the completion of certain services relating to grounds keeping and proper maintenance for the pool, the Mount Nemo Property was listed on July 12, 2017 for \$3,399,000. The Receiver elected to begin listing the Mount Nemo Property at this price as it represented the approximate amount of the purchase price contained in the McCready APS.
- 26 Beginning the week ending July 17, 2017, RE/MAX provided the Receiver with periodic updates outlining, among other things: (i) the number of showings; (ii) the internet traffic on various websites; (iii) general updates on the condition of the Mount Nemo Property; and (iv) the status of any past or future showings.
- 27 Due to the minimal interest in the Mount Nemo Property and the fact that minimal showings were arranged and no offers had been received, the Receiver executed an amendment to the Listing Agreement dated August 30, 2017 which reduced the listing price of the Mount Nemo Property to \$3,199,000 (a reduction of \$200,000) (the “**First Amendment**”).
- 28 On October 31, 2017, the Listing Agreement with RE/MAX expired. On November 2 and November 3, 2017, the Receiver notified RE/MAX that it would not be renewing the Listing Agreement. The Receiver’s decision resulted from the fact that no offers were received despite RE/MAX having the opportunity to sell the Mount Nemo Property for almost five months, and given that only a minimal amount of showings were conducted.

The Second Listing Broker

- 29 The Receiver contacted another broker, Sotheby’s International Realty Canada (“**Sotheby’s**”), who had submitted a proposal as part of the Receiver’s Request for Proposals process discussed in the First Report, to inquire if Sotheby’s remained interested in listing the Mount Nemo Property.
- 30 In the RFP process, the Receiver had ranked Sotheby’s proposal behind that of RE/MAX, however, the Sotheby’s proposal highlighted: (i) its extensive experience selling similar real estate in the Burlington and surrounding area; (ii) a competitive commission structure; (iii) detailed and real time reporting tools; and (iv) a detailed marketing plan to prepare and execute the sale of the Mount Nemo Property.

- 31 On November 6, 2017, the Receiver entered into an MLS listing agreement with Sotheby's (the "**Sotheby's Listing Agreement**") effective until April 1, 2018 (which was subsequently extended to July 1, 2018). The Sotheby's Listing Agreement was attached to the Second Report as a confidential appendix and is attached hereto (along with the amendment to same) as **Confidential Appendix "3"**. With the downward trends being noticed in the real estate market, and specifically in Burlington, the Mount Nemo Property was listed at \$2,900,000 (a further reduction of \$299,000). Due to the need to create marketing materials prior to listing on the Multiple Listing Service, the Mount Nemo Property was listed on an exclusive basis for a short period of time; this allowed Sotheby's to commence contacting their client base immediately.
- 32 Over the course of the listing period, the Mount Nemo Property was advertised in the following media, along with a targeted email campaign, and professionally created property brochures, floor plans, video and related collateral:
- a) sothebysrealty.ca and sothebysrealty.com
 - b) countrylife.co.uk
 - c) homeadverts.com
 - d) house24.ilsole24ore.com
 - e) jameslist.com
 - f) luxuryestate.com
 - g) PropGoLuxury.com
 - h) real-buzz.com
 - i) realtor.ca
 - j) Sotheby's Insight Magazine
 - k) West of the City 2018
- 33 The April 16, 2018 marketing update from Sotheby's (the "**April 16, 2018 Sotheby's Update**") indicated 3,373 views on the www.sothebysrealty.ca website and 45,563

impressions, the latter of which means the number of times the listing appeared on a search results page on the www.sothbysrealty.ca website. This same update indicated:

- a) The top five cities from which searches were performed were: (i) unidentified but with a ".ca" address; (ii) Toronto; (iii) Burlington; (iv) Oakville; and (v) Mississauga.
- b) The top five countries from which searches were performed were: (i) Canada; (ii) United States; (iii) Hong Kong; (iv) France; and (v) the United Kingdom.

34 The April 16, 2018 Sotheby's Marketing Update also indicated that during the period November 15, 2017 to March 16, 2018, there were 20 separate showings of the Property.

35 The Receiver notes that Sotheby's also provided market data for the second quarter of 2017 to the fourth quarter of 2017 from the Toronto Real Estate Board specific to rural Burlington which is attached hereto as **Confidential Appendix "4"**. It is noted that there is a general downward trend with properties being on the market longer, the number of listings and transactions having decreased and the average and medium selling prices having materially decreased. On May 2, 2018, Sotheby's advised the Receiver that such market data for the first quarter of 2018 is not yet available.

Offers Received

36 A summary of the offers ("Summary of Offers") received is attached hereto as **Confidential Appendix "5"**. The comments provided in the Summary of Offers indicates the principal issues regarding each offer to which the Receiver attempted to negotiate in order to arrive at an offer that was appropriate to accept subject only to approval of this Court.

37 Sotheby's indicated that there were other interested parties who did not submit offers as they were not willing to offer a purchase price as high as that which is contained in the Palmer APS. The primary concerns raised by these parties included: (i) the size of the property; (ii) the ability for a purchaser to change the current zoning to a different permitted use; (iii) the structural integrity of the barn located on the property; (iv) the amount of repairs to the house which would be required, depending on the preference of a purchaser; (v) and the general condition of the property. Email correspondence dated April 6, 2018 from Andrew Cowan (the real estate agent of Palmer) and email correspondence dated February 20, 2018 from one of the previous offerors both identify certain concerns over

the property illustrating the foregoing points, and are collectively attached hereto as **Confidential Appendix "6"**.

- 38 When taking the foregoing into account and related costs thereof, the interested parties were considering offers generally around the range of the initial offering prices as noted in the Summary of Offers, all of which were less than the purchase price contained in the Palmer APS.
- 39 After receiving an initial offer from Palmer and various sign-backs thereof, negotiations ceased as he was unwilling to delete a number of his conditions.
- 40 However, on April 2, 2018, Palmer submitted another offer, this time reducing the number of conditions. Negotiations recommenced whereby Palmer showed the seriousness of his interest, including through his obtaining professional assessments on the condition of the Mount Nemo Property. Such further negotiations culminated in the Receiver and Palmer agreeing on price and terms which led to the acceptance of an offer on April 11, 2018, subject only to a two business day period for Palmer to review such items as zoning, permitted uses, and easements with relevant authorities including the Niagara Escarpment Commission, the Halton Conservation Authority and the City of Burlington. Palmer subsequently requested the conditional date to be extended from two business days to April 23, 2018. The Receiver agreed, and the parties executed an amendment to the Palmer APS dated April 17, 2018 to give effect to the aforesaid extension.
- 41 On April 23, 2018, Palmer gave notice to the Receiver that all conditions of the Palmer APS had been fulfilled resulting in the Palmer APS becoming firm.
- 42 The Receiver recommends and seeks approval of the Palmer APS from this Court, given: (i) the failed McCready Sale Transaction; (ii) that the Receiver, and RE/MAX and Sotheby's on the Receiver's behalf, has conducted a thorough sales and marketing process for approximately 10 months during the Receivership Proceedings; (iii) that the offers received and offers being considered by other interested parties were all in relatively the same price range, being less than the purchase price contained in the Palmer APS; and (iv) the downturn in the real estate market for rural properties.
- 43 A sealing order is requested with respect to the Confidential Appendices, as they contain sensitive commercial information concerning the Receiver's marketing and sale of the

Mount Nemo Property, the release of which could prejudice the stakeholders of the Crystal Wealth Group should the Palmer APS Transaction fail to close.

DISTRIBUTION OF PROCEEDS FROM THE PALMER APS TO HOME TRUST

- 44 Home Trust Company ("Home Trust") is the first mortgagee in regards to the Mount Nemo Property. On June 19, 2017, Home Trust issued a Notice of Sale Under Charge ("Notice of Sale"), a copy of which is attached hereto as **Appendix "10"**, pursuant to a default by CLJ Everest in regard to payment of monies due under a certain charge dated January 16, 2015 and made between CLJ Everest and Home Trust. Pursuant to the Notice of Sale Under Charge, notice was given that the amount due on the charge for principal money, interest, taxes, and costs, respectively, was \$1,324,014.
- 45 On June 20, 2017, A&B corresponded with Home Trust advising them of the stay of proceedings pursuant to the Appointment Order. A copy of A&B's letter is attached hereto as **Appendix "11"**. On a periodic basis since the issuance of this letter, the Receiver has kept Home Trust advised of the activity with respect to listing the Mount Nemo Property.
- 46 The Receiver seeks authorization of the Court as part of the relief sought herein to make distributions from the sale proceeds of the Palmer Sale Transaction to the registered mortgagee, Home Trust, without further order of the Court, in satisfaction of the discharge of Home Trust's mortgage registered on title to the Mount Nemo Property, provided that the Receiver is satisfied as to the validity of the mortgage and amounts claimed.

SALE OF GEODATA AND SSI PARTICIPATIONS

- 47 As outlined in the Receiver's previous reports, the Medical Fund invested in, among other things, Medical Factoring Contracts (as defined below) which were administered by Xynergy Medical Capital LLC ("Xynergy"). In these arrangements, Xynergy would enter into contracts (the "**Medical Factoring Contracts**") to purchase healthcare receivables (after purchase, invoices are referred to as "**Purchased Medical Receivables**") from operating businesses in the United States and Puerto Rico ("**Clients**") for a discount and service fees.
- 48 Once the medical receivables were purchased by Xynergy, Xynergy would take an assignment of the Purchased Medical Receivables and ultimately collect the amounts owing under the invoices (the "**Invoice Principal**") from the underlying debtors. Once the

Invoice Principal was collected, Xynergy would remit the amount to the Client, net of any fees earned by Xynergy pursuant to the particulars of the Medical Factoring Contract.

- 49 The Medical Factoring Contracts were fluid arrangements whereby the quantum of the amounts advanced to the Clients for the Purchased Medical Receivables (the "**Client Advances**") would vary based on the underlying working capital needs of the Clients. Each of the Medical Factoring Agreements indicated a maximum amount of Client Advances that could be outstanding at any given time (i.e. a maximum borrowing).
- 50 Pursuant to a Master Medical Receivables Purchase and Administration Agreement dated March 31, 2016 (defined in the First Report as the "**MMRPAA**"), the Medical Fund entered into participation agreements (the "**Participation Agreements**") with Xynergy whereby it purchased a stated interest (the "**Participation**") in certain of the Medical Factoring Contracts. For greater clarity, the Medical Fund was not a party to the Medical Factoring Contracts entered into between the Clients and Xynergy. A copy of the MMRPAA is attached hereto as **Appendix "12"**.
- 51 Each Participation Agreement would outline, among other things, on a percentage basis, the Medical Fund's Participation in both the Client Advances (the Medical Fund's Participation in the Client Advances is referred to as the "**Net Funds Employed**") and the fees earned on same for a particular Medical Factoring Contract. Each Client Advance included both Xynergy's capital and the Medical Fund's capital pursuant to the relevant Participation Agreement. As a result, as the Client's working capital needs changed, the Client Advances (and the Net Funds Employed) fluctuated.
- 52 A segregated trust account was setup and administered by Xynergy to administer the Medical Fund's allocated Participation of the advances and collections made to and from the Clients. In times in which the Client's working capital needs were not extensive, an "ear-marked" amount remained in the trust account in the event additional Client Advances were required under the Medical Factoring Contracts.
- 53 As noted in paragraph 124 of the First Report, included in the Medical Fund were Participations Agreements in Medical Factoring Contracts with two Clients: GeodataPR International, Inc. ("**Geodata**") and Servicios de Salud Integrada, CSP ("**SSI**"), both of whom operate out of Puerto Rico. Copies of the Participation Agreements with respect to SSI and Geodata are attached to this Third Report as **Appendix "13"** and **"14"**

respectively.

- 54 Paragraph 6(k)(ii) of the Appointment Order authorized the Receiver to sell, convey, transfer, lease or assign the Property of the Crystal Wealth Funds, which includes Participation Agreements, without the approval of this Court, regardless of the purchase price.

GeodataPR International, Inc.

- 55 As noted in paragraph 125 of the First Report, on June 20, 2017, Xynergy put forth an offer to acquire the Medical Fund's Participation in the accounts receivable owing by Geodata (the "**Geodata Participation**") for US \$684,313, representing the Net Funds Employed, pursuant to the Geodata Participation, as at June 20, 2017.
- 56 As outlined in the Second Report, on July 10, 2017, the Receiver and Xynergy executed a bill of sale (the "**Geodata Bill of Sale**") whereby Xynergy re-acquired the Geodata Participation for US \$684,313 (the "**Geodata Purchase Amount**"). The Receiver received the Geodata Purchase Amount funds in trust on July 12, 2017. A copy of the executed Geodata Bill of Sale is attached hereto as **Appendix "15"**.
- 57 Pursuant to the Geodata Bill of Sale, the Receiver agreed to hold the Geodata Purchase Amount in trust until a Vesting Order (as defined in the Geodata Bill of Sale) (the "**Geodata Vesting Order**") was obtained from the Court vesting the Geodata Participation to Xynergy. On January 26, 2018, the Receiver and Xynergy entered into an amendment to the Geodata Bill of Sale (the "**Geodata Bill of Sale Amendment**", together with the Geodata Bill of Sale, the "**Geodata Sale Agreement**") for the purposes of extending the date by which the Geodata Vesting Order must be obtained to May 31, 2018. A copy of the Geodata Bill of Sale Amendment is attached hereto as **Appendix "16"**.
- 58 As the sale of the Geodata Participation for the Geodata Purchase Amount was authorized by this Court pursuant to the Appointment Order, June 30 2017 Order and Endorsement and the December 11, 2017 Order and Endorsement, the Receiver recommends that the Court issue the Vesting Order required by the Geodata Sale Agreement so that the Geodata Purchase Amount need not be returned by the Receiver to Xynergy.

Servicios de Salud Integrada, CSP's

- 59 As outlined in paragraphs 373 to 377 of the Second Report, on March 27, 2013, Xynergy entered into a medical receivables factoring agreement with SSI under which a maximum US \$600,000 medical factoring facility was provided (the "**SSI Factoring Agreement**").
- 60 SSI is located in Puerto Rico and is engaged in the business of supplying radiology technicians to hospitals and clinics in the San Juan Municipality. All invoices are issued to and paid by the San Juan Municipality (i.e. the underlying debtor).
- 61 The Medical Fund and Xynergy entered into a Participation Agreement dated March 31, 2016 for a Participation in SSI's accounts receivable and 70% of the factoring fees (the "**SSI Participation**").
- 62 In and around July 2017, the time in which the Geodata Bill of Sale was being negotiated and completed, Xynergy indicated to the Receiver that it had an interest in repurchasing the SSI Participation for a discount. As the Receiver had, at the time, commenced the Sales Process, it advised Xynergy that the offer to purchase the SSI Participation must be made through the Sales Process.
- 63 In late 2017, the distressed state of Puerto Rico, as a result of Hurricane Irma (September 6, 2017) and Hurricane Maria (September 20, 2017), continued to cause a significant delay in the payment of the Purchased Medical Receivables by the San Juan Municipality. Xynergy advised the Receiver that the situation in Puerto Rico would result in lengthy delays in receiving payments of the Purchased Medical Receivables from San Juan Municipality.
- 64 Given the uncertainty surrounding the repayment of the Purchased Medical Receivables and the fact that no bids were received for the SSI Participation in the Sales Process, the Receiver, on December 14, 2017, inquired as to whether Xynergy remained interested in repurchasing the SSI Participation.
- 65 On December 19, 2017, Xynergy advised that, given the circumstances with respect to Hurricane Irma and Maria, where the risk of collections of the underlying Purchased Medical Receivables had increased and that it may have to spend money in professional fees to collect same, it would be willing to repurchase the SSI Participation for 60% of the

Net Funds Employed of US \$341,725 (i.e. the Medical Fund's portion of the Client Advances) as at December 19, 2017 (the "**SSI Balance**") (US \$205,035).

- 66 On January 24, 2018, after numerous discussions, the Receiver and Xynergy entered into a bill of sale agreement dated January 24, 2018 (the "**SSI Bill of Sale**") for the sale of the SSI Participation for US \$222,290.95 (the "**SSI Purchase Price**"), approximately 65% of the SSI Balance. The Receiver received the SSI Purchase Price and the segregated SSI funds held in the trust account administered by Xynergy of US \$103,884.55 (the "**Segregated SSI Funds**"), in trust, on January 30, 2018. A copy of the SSI Bill of Sale is attached hereto as **Appendix "17"**.
- 67 Similar to the Geodata Bill of Sale, the SSI Bill of Sale requires that the Receiver hold the SSI Purchase Price funds in trust until a Vesting Order (as defined in the SSI Bill of Sale) (the "**SSI Vesting Order**") is obtained. The SSI Vesting Order must be obtained by no later than May 31, 2018, failing which, the SSI Bill of Sale shall be deemed null and void and the Receiver will be required to return the SSI Purchase Price funds to Xynergy.
- 68 The Receiver believes that the discount agreed upon on for the re-purchase of the SSI Participation is reasonable given the circumstances and the status of the investment, mainly:
- a) the SSI Participation is a unique and specialized investment whereby the potential parties interested in purchasing same is limited;
 - b) the Sales Process conducted by the Receiver resulted in no bids being received on the SSI Participation;
 - c) the events in Puerto Rico has created uncertainty with respect to the ultimate collection of SSI's outstanding receivables; and
 - d) the Medical Fund was potentially exposed to be required to advance the additional SSI Segregated Funds.
- 69 For the reasons outlined above, the Receiver respectively requests that this Court approve the SSI Bill of Sale and issue the SSI Vesting Order.

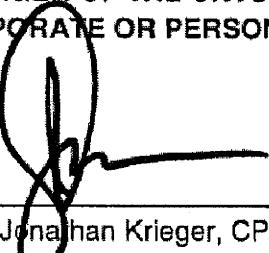
CONCLUSION

70 For the reasons set out in this Third Report, the Receiver respectfully requests the relief and approval requested in the Receiver's Notice of Motion dated May 3, 2018.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 3rd day of May, 2018.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND
MANAGER OF THE CRYSTAL WEALTH GROUP, AND NOT IN ITS
CORPORATE OR PERSONAL CAPACITY**

Per:



Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

This is **Exhibit “H”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED

SUPPLEMENT TO THE THIRD REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED IN ITS CAPACITY AS RECEIVER

MAY 14, 2018



Grant Thornton Limited
200 King Street West, 11th Floor
TORONTO, ONTARIO, M5H 3T4

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APPENDICES

- Appendix 1** Creditor Claims Procedure Order issued on June 30, 2017
- Appendix 2** Listing of Creditor Claims Filed
- Appendix 3** Tax Certificate from the City of Burlington dated May 8, 2018
- Appendix 4** Parcel Abstract for the Mount Nemo Property
- Appendix 5** PPSA Search Results - CLJ Everest dated May 14, 2018
- Appendix 6** PPSA Search Results – Crystal Wealth Medical Strategy dated May 14, 2018

INTRODUCTION AND PURPOSE OF THE THIRD REPORT SUPPLEMENT

- 1 This supplement is filed by Grant Thornton Limited in its capacity as Court-appointed receiver and manager (in such capacity, the "**Receiver**") of the Crystal Wealth Group and of the Chrysalis Account.
- 2 This Third Report Supplement is filed by the Receiver as a supplement to its third report dated May 3, 2018 (the "**Third Report**") to address a concern raised by the Court at the Receiver's motion returnable May 14, 2018, namely, that all parties with a claim against the Property which is the subject of the Palmer APS, and the Property which is the subject of the requested Geodata Vesting Order and SSI Vesting Order, have received notice of the relief sought by the Receiver in the Third Report.
- 3 Capitalized terms not defined in this Third Report Supplement are as defined in the Third Report. All references to dollars are in Canadian currency unless otherwise noted.
- 4 Copies of materials filed in these proceedings generally are available on the Receiver's Case Website at www.grantthornton.ca/crystalwealth.

NO OTHER CLAIMS

- 5 For the reasons set out in its Third Report, and this Third Report Supplement, the Receiver is requesting Orders, among other things:
 - a) approving the Palmer APS and vesting in Palmer all of the right, title and interests in and to the Mount Nemo Property, of which CLJ Everest is the current registered owner; and
 - b) vesting the Geodata Participation and SSI Participation to Xynergy, pursuant to agreements entered into by Xynergy and the Receiver on behalf of the Respondent, Crystal Wealth Medical Strategy.
- 6 Pursuant to the Creditor Claims Procedure Order issued by this Court on June 30, 2017, attached as **Appendix "1"**, the Court established a claims process (the "**Creditor Claims Procedure**") to be conducted by the Receiver in respect of non-investor creditor claims against the Crystal Wealth Group entities, which includes CLJ Everest and

Crystal Wealth Medical Strategy. The Claims Bar Date, as defined in the Creditor Claims Procedure Order, was 5 p.m. on August 3, 2017.

- 7 Pursuant to paragraphs 5, 6(a), and 6(c) of the Creditor Claims Procedure Order, any Creditor (as defined therein) that did not file a Proof of Claim by the Claims Bar Date "shall be and is hereby forever barred from asserting or enforcing any Claim against the Crystal Wealth Group" and "shall not be entitled to any further notice in, and shall not be entitled to participate as a creditor in, the Receivership Proceedings".
- 8 As is set out in paragraph 407 of the Receiver's Second Report (which Report is appended at Appendix "5" to the Third Report), as at the Claims Bar Date, 26 persons or entities filed claims, including three (3) claims against CLJ Everest, the registered owner of the Mount Nemo Property. Attached hereto as **Appendix "2"** is a listing of the claims filed against the Crystal Wealth Group entities by the August 3, 2017 Claims Bar Date (which listing is also attached as Appendix "69" to the Second Report).

THE MOUNT NEMO PROPERTY

- 9 With respect to the claims filed against CLJ Everest, none of the claims filed in accordance with the Creditor Claims Procedure Order assert an interest in the Mount Nemo Property. The City of Burlington filed a claim as a result of the Creditor Claims Procedure Order with respect to any property tax arrears which may become owing on the Mount Nemo Property. As reflected in the Tax Certificate provided by the City of Burlington dated May 8, 2018, attached hereto as **Appendix "3"**, there are no property tax arrears owing on the Mount Nemo Property, and the next property tax payment on the Mount Nemo Property is not due until June 20, 2018, after the anticipated completion date for the Palmer APS Transaction of May 16, 2018.
- 10 Attached hereto as **Appendix "4"** is a parcel abstract for the Mount Nemo Property dated May 14, 2018, reflecting that there are no other Claims (as defined in the draft Approval and Vesting Order appended at Tab A2 of the Receiver's Motion Record dated May 3, 2018) registered against title to the Mount Nemo Property, aside from those set out in Schedule C (Claims to be deleted and expunged from title) and Schedule D (Permitted Encumbrances, Easements, and Restrictive Covenants related to the Real Property) of the draft Approval and Vesting Order appended at Tab A2 of the Receiver's Motion Record dated May 3, 2018.

- 11 Attached hereto as **Appendix "5"** is an Ontario *Personal Property Security Act* search results obtained on May 14, 2018 which reflects that there are no registrations against CLJ Everest.

SALE OF GEODATA AND SSI PARTICIPATIONS

- 12 With respect to the claims filed against Crystal Wealth Medical Strategy, none of the claims filed in accordance with the Creditor Claims Procedure Order assert an interest in the Geodata Participation and SSI Participation.
- 13 The sole claim filed against the Crystal Wealth Medical Strategy as part of the Creditor Claims Process is the unsecured claim of BDO Canada LLP.
- 14 Attached hereto as **Appendix "6"** is an Ontario *Personal Property Security Act* search results obtained on May 14, 2018 which reflects that there are no registrations against Crystal Wealth Medical Strategy.

CONCLUSION

- 15 Accordingly, based upon the foregoing and the information contained in the Receiver's Third Report, the Receiver believes that all third parties with a claim against: (i) the Property which is the subject of the Palmer APS; and (ii) the Property which is the subject of the requested Geodata Vesting Order and SSI Vesting Order, have received notice of the relief sought by the Receiver in the Third Report.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 14th day of May, 2018.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND
MANAGER OF THE CRYSTAL WEALTH GROUP, AND NOT IN ITS
CORPORATE OR PERSONAL CAPACITY**



Per:

Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

ANTHONY WHITEHOUSE -and- BDO CANADA LLP
Plaintiff

Defendant

Court File No. CV-17-579357-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto

VOLUME I OF II

**Responding Motion Record of BDO Canada LLP
in Respect of Certification**

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**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

ANTHONY WHITEHOUSE

Plaintiff

- and -

BDO CANADA LLP

Defendant

VOLUME II OF II

**Responding Motion Record of BDO Canada LLP
in Respect of Certification**

August 30, 2019

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**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

ANTHONY WHITEHOUSE

Plaintiff

- and -

BDO CANADA LLP

Defendant

I N D E X

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NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

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

B E T W E E N :

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE FUND, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**FOURTH REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER**

JULY 20, 2018



**Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario, M5H 3T4**

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Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
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B E T W E E N :

ONTARIO SECURITIES COMMISSION

Applicant

- and -

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Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT R.S.O. 1990,
c. S.5, AS AMENDED**

**FOURTH REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER OF THE RESPONDENTS**

JULY 20, 2018

EXECUTIVE SUMMARY

- 1 The Receiver strongly encourages that readers of this Fourth Report read this Report in its entirety as it provides important details of the work performed by the Receiver that led to its conclusions and concerns as set out in this Executive Summary
- 2 The Examinations and the additional work performed by the Receiver with respect to the investments of the Crystal Wealth Funds has further solidified the concerns raised by the Receiver in the Second Report, specifically:
 - a) the decisions of the Company, Smith, and Housego to cause certain of the Crystal Wealth Funds to advance monies to third parties, purportedly on account of investments, which investments had questionable return and recovery prospects, were inconsistent with the Funds' investment objectives as set out in the OMs, and/or lacked the security which was to be provided by third parties to the Crystal Wealth Funds in connection with such investment;
 - b) the relationships between Smith, Housego, administrators of certain investments in Crystal Wealth Funds, and the principals of the companies in which certain Crystal Wealth Funds advanced monies purportedly on account of investments;
 - c) certain Crystal Wealth Funds' exposure was concentrated within a few companies who received substantial monies from the Funds;
 - d) the ultimate use of and lack of accountability for the investors' monies once such investments were made by the Company, Smith, and/or Housego on behalf of the Funds, and the ineffective organizational structure to ensure proper oversight and governance of the Crystal Wealth Funds and possibly, compliance with Ontario securities laws, including, without limitation, the Act.
- 3 The Receiver has significant concerns over the quality and ultimate collectability of approximately \$50.25 million of the remaining Recorded Value as reflected in the April 20th Package delivered by Smith, including the Factoring Contracts, Gold Loans and OOM Energy Loans.

- 4 To date, the Receiver has realized approximately \$62 million of proceeds from its realization efforts in the Crystal Wealth Funds. The realizations have come from a variety of sources, including the sale of the Media Fund portfolio which was previously approved by this Court. The Receiver made an interim distribution on January 18, 2018 in the amount of \$31 million, and in this upcoming motion, is seeking the Court's approval of a second interim distribution of \$25 million. The Receiver anticipates that it will make further distributions as it continues with its realization efforts. However, the Receiver cautions that there are challenged circumstances surrounding the large majority of the remaining assets in the Crystal Wealth Funds. This includes, in many cases, lack of adequate diligence by the Crystal Wealth Funds that advanced the loans, difficult assets to monetize, and roadblocks from many of the participants involved in the Crystal Wealth Funds' business, including their borrowers.
- 5 Significant work remains ahead in realization efforts. The Receiver believes that the cost of pursuing recoveries on the remaining assets may be disproportionately high compared to the ultimate recovery. However, the Receiver believes that in the absence of taking further aggressive recovery efforts, including litigation, the recoveries will be minimal.
- 6 Over the course of its mandate, the Receiver has communicated with hundreds of investors, many of whom are deeply concerned about the ultimate recoverability of their investments. As set out in the Receiver's earlier reports, in some cases, their investment in the Crystal Wealth Funds accounted for a better part of certain investors' life savings. Since the Second Report, the Receiver has diligently pursued avenues to collect on the investments in the Crystal Wealth Funds.
- 7 The Receiver and its counsel have begun the process of pursuing various forms of legal enforcement against third parties, including: (i) the Company's auditors (BDO); and (ii) corporations and individuals who have defaulted on their obligations to certain Crystal Wealth Funds. The Receiver intends on filing a supplement to this Fourth Report in advance of the Receiver's motion returnable August 20, 2018 in order to further update the Court and investors with respect to additional enforcement initiatives which have been undertaken by the Receiver against particular third parties. The Receiver assures investors that it continues to represent their interests in these challenging proceedings.

BACKGROUND AND INTRODUCTION

THE OSC APPLICATION AND APPOINTMENT ORDER

- 8 The Ontario Securities Commission (the “**OSC**”) issued a temporary order on April 7, 2017 (as extended by the OSC on April 13, 2017 and April 28, 2017 (the “**Temporary Order**”)), providing that the trading of units of all of the Crystal Wealth Funds cease, that trading in securities held by the Crystal Wealth Funds cease, and prohibiting the trading in or acquisition of securities by Clayton Smith (“**Smith**”) and Crystal Wealth Management System Limited (the “**Company**”), with limited exceptions that permitted Smith and the Company to liquidate exchange-traded securities in the Crystal Wealth Funds with such proceeds being deposited into the bank account of the relevant Crystal Wealth Fund. On October 2, 2017, the OSC extended the Temporary Order to April 10, 2018 (the “**First Extension Order**”), while modifying the Temporary Order issued April 7, 2017 to remove the portions of paragraphs 4 and 5 thereof referring to Smith in his capacity as advising representative, given that Smith’s registration was automatically suspended when he was terminated by the Receiver. On April 9, 2018, the OSC further extended the Temporary Order to July 5, 2018 (the “**Second Extension Order**”). The Temporary Order issued April 7, 2017, the First Extension Order and the Second Extension Order are attached hereto as **Appendix “1”** to this Fourth Report of the Receiver (the “**Fourth Report**”).
- 9 On April 26, 2017, on application of the OSC to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), the Honourable Justice Newbould issued an Order (the “**Appointment Order**”) appointing Grant Thornton Limited as: (i) receiver and manager (in such capacities, the “**Receiver**”), without security, of all of the assets, undertakings and properties (collectively, the “**Property**”) of each of the Respondents, except the Respondent, Chrysalis Yoga Inc. (“**Chrysalis Yoga**”) (each of the Respondents except for Chrysalis Yoga being individually and collectively, the “**Crystal Wealth Group**”); and (ii) Receiver of the account of the Respondent, Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia (the “**Chrysalis Account**”), and of all contents, including funds, contained in the Chrysalis Account. The proceedings were commenced by way of application made by the OSC (the “**OSC Application**”) under section 129 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Act**”). The said receivership proceedings shall be referred to herein as the “**Receivership Proceedings**”. Copies of the Appointment

Order and the Endorsement of the Honourable Justice Newbould are attached hereto as **Appendix "2"**.

- 10 Staff of the OSC and Clayton Smith executed a Settlement Agreement dated May 28, 2018 (the "**Settlement Agreement**"), which is attached hereto as **Appendix "3"**. On June 14, 2018, the Commission issued an Order approving the Settlement Agreement, and released Oral Reasons for Approval of Settlement. The Commission's Order and Oral Reasons for Approval of Settlement¹ are attached hereto as **Appendix "4"**. The Receiver was not involved in connection with the negotiation of the Settlement Agreement, or the OSC hearing in which it was approved. Further details regarding the Settlement Agreement are included in this Fourth Report.
- 11 As a consequence of the foregoing, the July 4, 2018 hearing date to further extend the Temporary Order has been vacated by Order of the Commission issued June 14, 2018, attached hereto as **Appendix "5"**.
- 12 A summary of the circumstances leading to the appointment of the Receiver is outlined in the Receiver's First Report to Court dated June 22, 2017 (the "**First Report**"), which is attached hereto, without appendices, as **Appendix "6"**. The complete OSC Application can be found on the Receiver's case website at www.GrantThornton.ca/CrystalWealth (the "**Case Website**").

THE FIRST REPORT APPROVAL MOTION – JUNE 30, 2017

- 13 On June 22, 2017, the Receiver provided the Court with its First Report and served a motion record in support of a motion to, among other things, approve a proposed Sales Process (as defined and described in the First Report) to be conducted by the Receiver, by which prospective purchasers and managers could submit bids to the Receiver to either purchase the assets of certain Crystal Wealth Funds, or to take over the management of certain Funds. On June 29, 2017, the Receiver provided the Court with its Supplement to the First Report dated June 29, 2017 (the "**First Report Supplement**") which is attached hereto, without appendices, as **Appendix "7"**.

¹ The Settlement Agreement, the OSC's Order, and the OSC's Oral Reasons for Approval and Settlement are available on the OSC's website: <http://www.osc.gov.on.ca>

- 14 On June 30, 2017, the Honourable Justice Hainey issued an Order and Endorsement (the “**June 30 2017 Order and Endorsement**”) and a Creditor Claims Procedure Order (the “**Creditor Claims Procedure Order**”) that, among other things, approved:
- a) the Receiver’s First Report and the activities of the Receiver set out therein;
 - b) the Sales Process; and
 - c) a Creditor Claims Procedure for non-investor claims against the Crystal Wealth Group.

Copies of the June 30th Order and Endorsement and the Creditor Claims Procedure Order are attached hereto as **Appendix “8”**.

THE SECOND REPORT APPROVAL MOTION – DECEMBER 11, 2017

- 15 On November 24, 2017, the Receiver provided the Court with its Second Report to Court dated November 24, 2017 (the “**Second Report**”) and served a motion record (the “**November 24, 2017 Motion**”) in support of a motion to, among other things: (i) approve the Receiver’s methodology and proposal to make an interim distribution to the investors in certain Crystal Wealth Funds, and authorize the Receiver to make such interim distribution; (ii) direct certain entities and/or individuals to provide the Receiver and its counsel with certain requested but still outstanding information required by the Receiver for a proper account reconciliation and assessment of the Crystal Wealth Group; and (iii) authorize the Receiver to examine certain individuals. A copy of the Second Report, without appendices, is attached hereto as **Appendix “9”**.
- 16 The Second Report detailed the Receiver’s significant concerns over the quality and ultimate collectability of many of the recorded investments of the Crystal Wealth Funds.
- 17 On December 11, 2017, the Honourable Justice Myers issued an Order and Endorsement (the “**December 11, 2017 Order and Endorsement**”) that approved, among other things, the Receiver’s activities as set out in the Second Report, and which authorized the Receiver to proceed with its proposed interim distribution to the investors of certain Crystal Wealth Funds. Copies of the December 11, 2017 Order and Endorsement are attached hereto as **Appendix “10”**.

THE SECOND REPORT SUPPLEMENT APPROVAL MOTION – FEBRUARY 20, 2018

- 18 On February 8, 2018, the Receiver provided the Court with a Supplement to the Second Report to Court dated February 8, 2018 (the “**Second Report Supplement**”) and served a motion record (the “**February 8, 2018 Motion**”) in support of a motion to, among other things, obtain the approval of the Court of: (i) an Asset Purchase Agreement dated February 2, 2018 entered into between the Receiver and Bron Releasing Inc. (the “**APA**”) pursuant to which Media Loan assets of the Media Fund would be sold to Bron Releasing Inc.; and (ii) an Assignment Agreement entered into between the Receiver, as assignee, and Bron Studios Inc. and Bron Animation Inc., each as assignors, (the “**Assignment Agreement**”), which Assignment Agreement was conditional upon the completion of the transaction set out in the APA. A copy of the Second Report Supplement, without appendices, is attached hereto as **Appendix “11”**.
- 19 On February 20, 2018, the Honourable Justice Dunphy issued an Order and Endorsement (the “**February 20, 2018 Order and Endorsement**”) that approved, among other things, the relief as sought in the February 8, 2018 Motion. Copies of the February 20, 2018 Order and Endorsement are attached hereto as **Appendix “12”**.
- 20 On March 23, 2018, the transaction subject of the APA (the “**Media Fund APA Transaction**”) was completed. On March 26, 2018, the Receiver’s Certificate was filed with this Honourable Court confirming that the APA transaction had been completed to the satisfaction of the Receiver.

THE THIRD REPORT AND THIRD SUPPLEMENT APPROVAL MOTION – MAY 15, 2018

- 21 On May 3, 2018, the Receiver served its Third Report to Court dated May 3, 2018 (the “**Third Report**”) and served a motion record (the “**May 3, 2018 Motion**”) in support of a motion to, among other things, obtain an order: (i) approving an Agreement of Purchase and Sale dated April 11, 2018 and the amendment thereto dated April 17, 2018 (the “**Palmer APS**”) entered into by the Receiver, as vendor on behalf of CLJ Everest, and Daniel Palmer, as purchaser, regarding the sale of a property municipally known as 5043 Mount Nemo Crescent, Burlington, Ontario (the “**Mount Nemo Property**”); (ii) vesting title in the Mount Nemo Property to Palmer free and clear of any liens, claims, and encumbrances; and (iii) vesting in Xynergy Medical Capital LLC (“**Xynergy**”) all of the rights, title and interests in the Geodata Participation (as defined in the Second Report).

and the SSI Participation (as defined in the Third Report), being assets of the Medical Fund. A copy of the Third Report, without appendices, is attached hereto as **Appendix "13"**.

- 22 On May 14, 2018, the Receiver served and filed with the Court a Supplement to the Third Report to Court dated May 14, 2018 (the "**Third Report Supplement**") in support of the May 3, 2018 Motion. A copy of the Third Report Supplement, without appendices, is attached hereto as **Appendix "14"**.
- 23 On May 15, 2018, the Honourable Justice Pattillo issued an Order and Endorsement (the "**May 15, 2018 Order and Endorsement**") that approved, among other things, the relief as sought in the May 3, 2018 Motion. Copies of the May 15, 2018 Order and Endorsement are attached hereto as **Appendix "15"**.
- 24 On May 18, 2018, the transaction subject to the Palmer APS was completed.

EXAMINATIONS

- 25 As provided for in the December 11, 2017 Order and Endorsement, the Receiver conducted examinations under oath of the following individuals on the below noted dates:
 - a) Joanne Bentley ("**Bentley**"), a former registered associate advising representative of the Company – January 17, 2018;
 - b) Smith, the controlling mind of the Company and the sole officer, director, chief executive officer, chief compliance officer, and ultimate designated person thereof at the time of the Receiver's appointment – January 25, 2018 (the "**Smith Examination**");
 - c) Craig Clydesdale ("**Clydesdale**"), the principal of OOM Energy Group. The entities comprising the OOM Energy Group are indebted to the Mortgage Fund, Infrastructure Fund, and Sustainable Property Fund pursuant to Commercial Loans – March 12, 2018 and March 13, 2018 (the "**Clydesdale Examination**");
 - d) David DenHollander ("**DenHollander**"), the President of 647 BC. 647 BC is a Factoring Contract Merchant and is indebted to the Factoring Fund – March 21, 2018 (the "**DenHollander Examination**");

- e) Darcy Pahl (“**Pahl**”), the President of Dome Mountain. Dome Mountain is a Factoring Contract Merchant and Debtor and is indebted to the Factoring Fund and Hedge Fund – March 21, 2018;
 - f) Robert Maljaars (“**Bob Maljaars**”), a representative of Dome Mountain and 156 Alberta – March 22, 2018 (the “**Bob Maljaars Examination**”). 156 Alberta is a Factoring Contract Merchant and is indebted to the Factoring Fund;
 - g) Jeffrey Maljaars, the President of 156 Alberta – March 22, 2018 (the “**Jeffrey Maljaars Examination**”);
 - h) Housego, the former Lead Portfolio Strategist for the Resource Fund, Bullion Fund, Factoring Fund, and Hedge Fund – April 12, 2018 (the “**Housego Examination**”). Housego testified during his examination that he is currently the subject of a securities commission investigation in British Columbia, and that the British Columbia Securities Commission (the “**BCSC**”) has consequently frozen corporate accounts with which he is associated. A copy of the Order to Freeze Property issued by the BCSC dated January 19, 2018 is attached hereto as **Appendix “16”**; and
 - i) Jerry Froese (“**Froese**”), President and Chief Executive Officer of Frontline Factoring Inc. (“**Frontline**”) – April 18, 2018 (the “**Froese Examination**”). Frontline administered the Factoring Contracts on behalf of the Factoring Fund and Hedge Fund,
- (collectively, the “**Examinations**”). The transcripts of the Examinations are available in their entirety on the Receiver’s Case Website.

- 26 The testimony given by these individuals at the Examinations provided further evidence in support of the conclusions drawn by the Receiver at paragraph 32 of the Second Report, including that:
- a) The lack of segregation of duties in performing the day to day operations and governance thereof (e.g. Smith was the controlling mind, sole director, and Chief Compliance Officer, among others) resulted in the Company not having an effective organizational structure to ensure proper oversight and governance of the Crystal Wealth Funds;

- b) The decisions of the Company, Smith, and Housego to cause certain of the Crystal Wealth Funds to advance monies to third parties, purportedly on account of investments, which investments had questionable return and recovery prospects, were inconsistent with the Funds' investment objectives as set out in the OMs, and/or lacked the security which was to be provided by third parties to the Crystal Wealth Funds in connection with such investments;
 - c) There were private relationships and dealings between Crystal Wealth representatives, including Smith and Housego, and administrators of certain investments in Crystal Wealth Funds and/or the principals of the companies to which certain Crystal Wealth Funds advanced monies purportedly on account of investments;
 - d) Certain Crystal Wealth Funds' exposure was concentrated within a few companies who received substantial monies from the Funds;
 - e) The Receiver's concerns as to the ultimate use of and lack of accountability for the investors' monies once such investments were made by the Company, Smith, and/or Housego on behalf of the Funds;
 - f) The Company's transfer of significant money between Crystal Wealth Funds which apparently was used to falsely create liquidity to meet investor distributions and/or redemptions;
 - g) The Company's payment of distributions to investors in Crystal Wealth Funds, which Funds had no sources of income, or cash flow, and which payments were funded by Inter-fund Investments;
 - h) The Company disclosed false or manipulated net asset values ("NAVs") of the Funds, causing the NAVs of certain Funds to be materially overstated; and
 - i) Accordingly, the quality of and ultimate collectability of investments held by certain of the Crystal Wealth Funds: specifically the Factoring Contracts; certain Commercial Loans; and the Gold Loans, is likely grossly impaired.
- 27 At the examinations of Pahl, DenHollander, and Bob Maljaars, all requests for undertakings were refused. Similarly, certain undertakings, and questions taken under

advisement and which were refused, remain outstanding from the Smith, Clydesdale, and Froese Examinations. The Receiver is of the view that such questions are relevant, and probative to the Receiver's mandate, and that an Order ought to issue requiring these individuals to answer the questions, and to produce the associated documentation requested. Attached hereto as **Appendix "17", "18", "19", "20", "21", "22", "23", and "24"**, respectively, are the charts from the Smith, Clydesdale, Pahl, Bob Maljaars, DenHollander, Jeffrey Maljaars, Housego, and Froese Examinations setting out the outstanding undertakings, and questions taken under advisement and which were refused.

PURPOSE OF THE FOURTH REPORT

- 28 The purpose of this Fourth Report is to inform the Court of the Receiver's activities since the date of the Second Report which are not addressed in the Second Report Supplement, Third Report, and Third Report Supplement, and to support the Receiver's request for an order, among other things:
- a) approving this Fourth Report, including the actions and activities of the Receiver as described in this Fourth Report;
 - b) approving the Receiver's methodology and proposal to make a further interim distribution to the investors of certain Crystal Wealth Funds, and authorizing the Receiver to make such interim distribution;
 - c) directing that the outstanding undertakings/requests from, and questions taken under advisement and which were refused at the Smith Examination, Clydesdale Examination, DenHollander Examination, Pahl Examination, Bob Maljaars Examination, Jeffrey Maljaars Examination, Housego Examination, and Froese Examination be answered and delivered to the Receiver and its counsel by Smith, Clydesdale, DenHollander, Pahl, Bob Maljaars, Jeffrey Maljaars, Housego, and Froese, respectively, along with all documentation in response to such questions;
 - d) finding that Alberto Storelli ("Storelli"), Brian Peoples ("Peoples"); and Joe Harker ("Harker") are in contempt due to their breach of the December 11, 2017 Order, namely, their failure to provide the Receiver and its counsel with certain requested but still outstanding information required by the Receiver for a proper account reconciliation and assessment of the US Real Estate LP;
 - e) approving the Receiver's engagement of Adair Goldblatt Bieber LLP ("AGB LLP") as the Receiver's lawyer of record in an Ontario Superior Court of Justice (Commercial List) action (CV-18-595063-00CL) against BDO Canada LLP ("BDO");
 - f) awarding judgment in favour of the Receiver as against 109545 B.C. Ltd. ("109 BC"), for payment of an amount in Canadian funds sufficient to purchase \$50,000 in United States Dollars, at a bank in Ontario listed in Schedule 1 of the *Bank Act* (Canada), the amount of said funds to be determined at the close of business on the first day before

the day that judgment is granted, and on a day which the Bank quotes a Canadian dollar rate for the purchase of foreign currency, in accordance with 109 BC's obligations to the Receiver pursuant to a Settlement Agreement and Mutual Release entered into by 109 BC and the Receiver dated December 20, 2017;

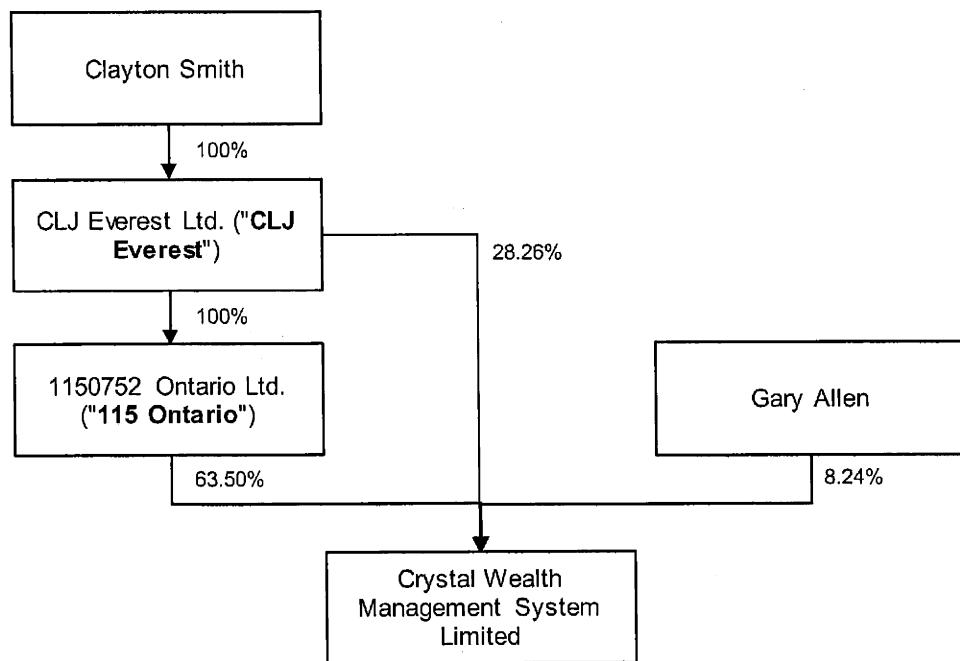
- g) approving the Receiver's Interim Statement of Receipts and Disbursements for the period from April 26, 2017 to May 31, 2018, attached hereto as **Appendix "25"**;
 - h) approving the fees and disbursements of the Receiver and Aird & Berlis LLP ("A&B"), legal counsel to the Receiver, as described herein for the period of October 1, 2017 to May 31, 2018, and an allocation of such fees and disbursements from October 1, 2017 to May 31, 2018; and
 - i) sealing the **Confidential Appendices** of this Fourth Report until further Order of the Court.
- 29 The Receiver's activities since the date of the Second Report, which are not addressed in the Second Report Supplement, Third Report, and Third Report Supplement, are detailed throughout this Fourth Report.

RESTRICTIONS AND TERMS OF REFERENCE

- 30 In preparing this Fourth Report, the Receiver has relied upon unaudited and certain audited financial information, the Crystal Wealth Group's books and records, certain financial information obtained by third parties, and discussions with and examinations of various individuals (collectively, the "Information"). Except as described in this Fourth Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
- 31 This Fourth Report has been prepared for the use of this Court to provide general information and an update relating to the Receivership Proceedings for the purpose of assisting the Court in making a determination as to whether to approve the relief sought in the Receiver's Notice of Motion dated July 20, 2018. This Fourth Report should not be relied on for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Fourth Report contrary to the provisions of this paragraph.
- 32 Capitalized terms not defined in this Fourth Report are as defined in the First Report, the First Report Supplement, the Second Report, the Second Report Supplement, the Third Report, and the Third Report Supplement. All references to dollars are in Canadian currency unless otherwise noted.
- 33 Copies of materials filed in these Receivership Proceedings are available on the Receiver's Case Website at: www.GrantThornton.ca/CrystalWealth.

CORPORATE STRUCTURE

- 34 At the time of the Appointment Order, the Company was a corporation registered with the OSC in the categories of: "Exempt Market Dealer", "Investment Fund Manager", "Portfolio Manager", and "Commodity Trading Manager".
- 35 At the time of the Appointment Order, Smith was the controlling mind of the Company, was listed as the sole director and officer, and held a controlling interest of 91.76% in the Company. The ownership structure of the Company is as follows:



- 36 At the time of the Appointment Order, Smith was registered in Ontario with the OSC as a dealing representative, an advising representative in the category of "Portfolio Manager", and an advising representative in the category of "Commodity Trading Manager". Smith was also registered as the Company's chief executive officer, chief compliance officer and ultimate designated person. Moreover, Smith held the chief financial officer position.

37 The Company created and managed the following 15 proprietary investment funds (collectively referred to as the "**Crystal Wealth Funds**"):

- a) Crystal Wealth Mortgage Strategy (the "**Mortgage Fund**");
 - b) Crystal Enlightened Resource and Precious Metals Fund (the "**Resource Fund**");
 - c) Crystal Wealth Enlightened Factoring Strategy (the "**Factoring Fund**");
 - d) Crystal Wealth Medical Strategy (the "**Medical Fund**");
 - e) Crystal Enlightened Bullion Fund (the "**Bullion Fund**");
 - f) Crystal Wealth Media Strategy (the "**Media Fund**");
 - g) Crystal Wealth High Yield Mortgage Strategy (the "**High Yield Mortgage Fund**");
 - h) Crystal Wealth Infrastructure Strategy (the "**Infrastructure Fund**");
 - i) Crystal Wealth Enlightened Hedge Fund (the "**Hedge Fund**");
 - j) Crystal Wealth Conscious Capital Strategy (the "**Conscious Capital Fund**");
 - k) ACM Income Fund;
 - l) ACM Growth Fund;
 - m) Absolute Sustainable Dividend Fund (the "**Sustainable Dividend Fund**");
 - n) Absolute Sustainable Property Fund (the "**Sustainable Property Fund**"); and
 - o) Crystal Wealth Retirement One Fund (the "**Retirement Fund**");
- (collectively, the "**Crystal Wealth Funds**", and individually, a "**Fund**").

A detailed description of the Crystal Wealth Funds and the investments contained therein are outlined in the First Report and Second Report.

- 38 The Crystal Wealth Funds are structured as open-ended mutual fund trusts. Units in each of the Crystal Wealth Funds were distributed to investors on an exempt basis, pursuant to offering memoranda ("OMs"). The Company managed the day-to-day business of the Crystal Wealth Funds and was required to make investment decisions consistent with each of the Crystal Wealth Funds' investment objectives. As detailed in the Second Report, certain Crystal Wealth Funds held investments that are not in compliance with their respective OMs.

THE RECEIVER'S PROPOSED SECOND INTERIM DISTRIBUTION

- 39 Through the ongoing monetization of the Equities, the Media Fund Sale, and the maturation and payout of certain Off-Book Assets, the Receiver has collected net proceeds available for distribution to individual investors of certain Crystal Wealth Funds of \$25,292,893, after the allocation of professional fees and appropriate holdback for claims filed pursuant to the Creditor Claims Procedure Order.
- 40 Cash balances are those being held in the respective Crystal Wealth Fund accounts at NBIN. Any proceeds (e.g. mortgage payments) or realizations from the monetization of marketable securities of a particular Fund were deposited to that Fund's bank account at NBIN. In other words, each Fund is being managed and accounted for on its own with no co-mingling amongst the Funds.
- 41 The creditor claims filed are currently being analyzed by the Receiver. However, for purposes of the Receiver's request for an order authorizing a further interim distribution to investors, the Receiver has included a holdback for the full value of the creditor claims filed (as outlined in the table below) while they remain under evaluation. As detailed in the Creditor Claims Procedure section to the Second Report, a claim which names a particular Fund has been allocated to that Fund. For those claims which name the Crystal Wealth Funds in general, such claims were allocated among the Crystal Wealth Funds based on the weighted average of the recorded NAV as at April 20, 2017 of each Crystal Wealth Fund.
- 42 The sole exception to the holdbacks provided for on account of the creditor claims filed through the Creditor Claims Procedure concerns the contingent claim filed by BDO Canada LLP ("BDO"), which is addressed in paragraphs 410 to 418 of the Second Report and which permits the Receiver's proposed interim distributions to investors to proceed.
- 43 The following table demonstrates the calculated proposed per unit interim distribution to investors of certain of the Crystal Wealth Funds using the foregoing allocation methodology, including the allocation of the Receiver's fees and the Receiver's legal fees from October 1, 2017 to May 31, 2018 (including HST). The database of investors is that contained in the records of IFDS pursuant to the June 30, 2017 Order. Cash balances for

each of the Crystal Wealth Funds are as at May 31, 2018. The total cash balance consists of all Canadian dollar denominated funds.

Fund	In 000's						Per Unit			
	Cash Balance May 31/18	Inter-fund Investment Proceeds	Gross Available Cash	Holdbacks	Receiver & Legal Fees	Available Proceeds for Second Distribution	Second Distribution	First Distribution [Jan 18/18]	Total Distributions Made by the Receiver	
Mortgage Fund	\$ 5,930	\$ 507	\$ 6,437	\$ (1,876)	\$ (200)	\$ 4,360	\$ 1,625	\$ 1,445	\$ 3,071	
Resource Fund	1,308	-	1,308	(105)	(28)	1,175	1,944	2,931	4,875	
Factoring Fund	610	0	610	(1,051)	(353)	Nil	\$ -	\$ -	\$ -	
Medical Fund	1,198	377	1,575	(355)	(74)	1,146	1,678	2,858	4,536	
Bullion Fund	87	-	87	(87)	(29)	Nil	\$ -	2,021	2,021	
Media Fund	15,966	-	15,966	(2,255)	(307)	13,404	2,479	1,181	3,660	
High Yield Mortgage Fund	1,422	250	1,672	(206)	(33)	1,433	2,642	2,923	5,565	
Infrastructure Fund	391	-	391	(372)	(72)	Nil	\$ -	2,193	2,193	
Hedge Fund	454	-	454	(388)	(115)	Nil	\$ -	0.125	0.125	
Conscious Capital Fund	26	-	26	(121)	(6)	Nil	\$ -	\$ -	\$ -	
ACM Income Fund	1,137	1,672	2,810	(243)	(27)	2,539	2,404	0.623	3,027	
ACM Growth Fund	357	141	498	(256)	(29)	213	0.179	4,882	5,060	
Sustainable Dividend Fund	136	17	152	(123)	(36)	Nil	\$ -	10,761	10,761	
Sustainable Property Fund	1,211	-	1,211	(168)	(44)	999	2,203	1,994	4,197	
Total	\$ 30,232	\$ 2,964	\$ 33,197	\$ (7,606)	\$ (1,353)	\$ 25,271				

- 44 As the foregoing table suggests, the Receiver is recommending a per unit distribution for eight (8) of the fourteen Crystal Wealth Funds. Six (6) of the Crystal Wealth Funds do not have funds available for distribution, and as a result, the investors in same will not receive a per unit distribution at this stage.²
- 45 Holdbacks for actual and future estimated Receiver and legal fees are similarly tracked in the table above either by specific Crystal Wealth Fund, or if they represent time allocable to all Crystal Wealth Funds, then such fees were allocated on the basis of effort and number of investors in each Fund. Cumulative Receiver and legal fees of approximately

² Holdbacks include, among other things: (i) claims received from certain creditors of the Crystal Wealth Funds pursuant to the Creditor Claims Procedure; (ii) the contingent claim filed by BDO, as detailed in the Second Report; and (iii) an additional holdback for estimated Receiver and legal fees with respect to the continued administration of the receivership.

\$130,000 (including HST) were allocated outside of the Crystal Wealth Funds to Crystal Wealth Group entities and individuals, including CLJ Everest, Smith, and 115 Ontario.

UPDATE ON INVESTMENTS IN EACH OF THE CRYSTAL WEALTH FUNDS

- 46 For each of the Crystal Wealth Funds, the Receiver has prepared a statement of cash receipts and disbursements (the “**Cash R&Ds**”) as at May 31, 2018, which includes:
- a) the cash balance as at April 20, 2017 pursuant to the April 20th Package;
 - b) investment returns of the Fund (“**Investments**”) monetized by the Receiver since the date of the Appointment Order and the proceeds obtained from same (“**Monetized Investments**”);
 - c) collections in the normal course since the date of the Appointment Order with respect to the Investments (“**Investment Collections**”);
 - d) disbursements since the date of the Appointment Order; and
 - e) the cash balance as at May 31, 2018.
- 47 For each of the Crystal Wealth Funds, the Receiver has also prepared a summary listing of the cash and Investments held as at April 20, 2017 based on the values as recorded by the Company as at that date per the April 20th Package (the “**Recorded Values**”), compared to the cash and Investments held as at May 31, 2018, with such remaining Investments being presented at their Recorded Values. For the purpose of this Fourth Report, the Receiver has not updated or accrued further interest on Investments, where applicable, from the values reported in the April 20th Package.
- 48 Common items reflected in the Cash R&Ds for the Funds are:
- a) **Inter-Fund Investment Distribution [Jan 18, 2018]** – reflects the amount of the first interim distribution made by the Receiver on January 18, 2018 received by a Fund on account of its Inter-Fund Investment(s);
 - b) **Interim Distribution [Jan 18, 2018]** – reflects the amount distributed by a Fund pursuant to the first interim distribution declared by the Receiver on January 18, 2018 in the aggregate amount of \$31 million, as authorized by the December 11, 2017 Order and Endorsement; and

- c) **Professional Fees [Apr 26, 2017 to Sep 30, 2017]** – represent the fees of the Receiver and its legal counsel for April 26, 2017 to September 30, 2017, as approved by the Court pursuant to the December 11, 2017 Order and Endorsement, and apportioned among all of the Crystal Wealth Funds on the basis as described in the Second Report.

MORTGAGE FUND

- 49 The following is the Cash R&D for the Mortgage Fund (a more detailed accounting of the receipts and disbursements incurred by the Mortgage Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as **Appendix “26”**):

Mortgage Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 1,217,989	\$ -
<u>Receipts</u>		
Monetized Investments		
Proceeds from GIC	525,311	-
Investment Collections		
Collection of Residential Mortgage Principal & Interest	7,080,448	-
Collection of Commercial Loan Principal & Interest	1,553,921	-
Interest Income	12,585	-
Other Receipts		
Inter-fund Investment Distribution [Jan 18, 2018]	241,451	-
	9,413,716	-
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	3,855,919	-
Advances to Receiver's Trust Account	617,854	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	205,000	-
Bank Charges & Expenses	13,386	-
	4,692,158	-
Cash Balance - May 31, 2018	\$ 5,939,546	\$ -

“Advances to the Receiver’s Trust Account” represent amounts advanced by the Mortgage Fund on behalf of the other Crystal Wealth Funds for the payment of Receiver and legal fees for October 1, 2017 to May 31, 2018, as authorized by the Appointment Order.

The "Cash Balance" as at May 31, 2018 includes \$10,000 held in trust by Spectrum on behalf of the Mortgage Fund; the remainder of the Cash Balance is held in the Mortgage Fund's NBIN accounts.

- 50 As at May 31, 2018 (with comparatives as at April 20, 2017), the Mortgage Fund held the following cash and Investments:

<i>In \$000's</i>	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 1,218	\$ -	\$ 5,940	\$ -
Residential Mortgages	14,072	-	8,037	-
Commercial Loans	9,095	-	7,919	-
Inter-fund Investments	2,056	-	2,056	-
GIC	523	-	-	-
Other Assets	119	-	-	-
	\$ 27,083	\$ -	\$ 23,951	\$ -

RESOURCE FUND

- 51 The following is the Cash R&D for the Resource Fund (a more detailed accounting of the receipts and disbursements incurred by the Resource Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as **Appendix "27"**):

Resource Fund	CAD	USD	AUD
Cash Balance - April 20, 2017	\$ 145,662	\$ 29,671	\$ (170)
<u>Receipts</u>			
Monetized Investments			
Sale of Equities	3,467,127	-	26,260
Investment Collections			
Proceeds from USD Futures	809	-	-
Interest Income	3,841	-	-
Other Receipts			
Transfer from USD & AUD Accounts	62,637	-	-
Inter-fund Investment Distribution [Jan 18, 2018]	42,315	-	-
	3,576,728	-	26,260
<u>Disbursements</u>			
Interim Distribution [Jan 18, 2018]	1,770,689	-	-
Purchase of Shares from Warrants	594,778	-	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	34,503	-	-
Bank Charges & Expenses	14,073	-	21
Transfer to CAD Account	-	29,671	26,069
	2,414,044	29,671	26,090
Cash Balance - May 31, 2018	\$ 1,308,347	\$ -	\$ -

The “Purchase of Shares from Warrants” reflects the Receiver exercising Warrants held by the Resource Fund. Proceeds from the sale of the shares obtained from the Warrants is reflected in the “Sale of Equities” line item which includes proceeds from Equities held by the Resource Fund as at the date of the Appointment Order and those acquired from Warrants being exercised.

- 52 As at May 31, 2018 (with comparatives as at April 20, 2017), the Resource Fund held the following cash and Investments:

Investment	Recorded Value April 20, 2017			Recorded Value May 31, 2018		
	[CAD]	[USD]	[AUD]	[CAD]	[USD]	[AUD]
Cash	\$ 146	\$ 30	\$ (0)	\$ 1,308	\$ -	\$ -
Equities	1,540	9	25	91	9	-
Inter-fund Investments	262	-	-	262	-	-
USD Futures	-	(4)	-	-	-	-
Convertible Debenture	50	-	-	50	-	-
Warrants	23	-	-	15	-	-
Accrued Expenses	(6)	-	-	-	-	-
	\$ 2,015	\$ 35	\$ 25	\$ 1,727	\$ 9	\$ -

"Equities" include four (4) CAD Equities and one (1) USD Equity. Trading for two (2) of the CAD Equities has been halted since the Appointment Order. As such, the Receiver is unable to liquidate same at this time. The remaining two (2) CAD Equities and USD Equity are all thinly traded stocks that are traded on the "Over-the-Counter" markets. The Receiver continues to monitor these Equities and work with its advisors to liquidate same.

FACTORING FUND

- 53 The following is the Cash R&D for the Factoring Fund (a more detailed accounting of the receipts and disbursements incurred by the Factoring Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as **Appendix "28"**):

Factoring Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 421,643	\$ (7,371)
<u>Receipts</u>		
Monetized Investments		
Sale of Equities	138,866	-
Investment Collections		
Proceeds from USD Futures	128,334	-
Collection of Factoring Contract Interest	53,094	-
Inter-fund Investment Distribution [Jan 18, 2018]	33,261	-
Interest Income	1,584	-
Other Receipts		
External Mutual Fund Dividend	3,615	-
Transfer from CAD Account	-	7,371
	358,754	7,371
<u>Disbursements</u>		
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	147,086	-
Bank Charges & Expenses	13,140	-
Commissions	1,382	-
Transfer to USD Account	8,931	-
	170,540	-
Cash Balance - May 31, 2018	\$ 609,857	\$ -

- 54 As at May 31, 2018 (with comparatives as at April 20, 2017), the Factoring Fund held the following cash and Investments:

In \$000's Investment	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 422	\$ (7)	\$ 610	\$ -
Factoring Contracts	24,462	-	24,462	-
Inter-fund Investments	2,953	-	2,953	-
US Real Estate LP	-	2,299	-	2,299
Gold Loans	2,207	3,553	2,207	3,553
Equities	313	453	100	453
Commercial Loans	-	156	-	156
External Mutual Funds	67	-	67	-
Convertible Debenture	30	-	30	-
Warrants	-	48	-	-
USD Futures	-	(6)	-	-
Accruals and Loss Provisions	(1,086)	-	-	-
	\$ 29,369	\$ 6,494	\$ 30,430	\$ 6,460

“Factoring Contracts” reflects the Recorded Value of the principal and accrued interest, \$22,821,205 and \$1,641,268 respectively, owing from the Merchants as reported on the April 20th Package. As detailed below, the interest has and will continue to accrue on the outstanding Factoring Contract balances.

“US Real Estate LP” reflects the Recorded Value of the principal and accrued interest, US \$2,150,000 and US \$149,211 respectively, owing to the Factoring Fund from its investment in the US Real Estate LP. Similar to the Factoring Contracts, the interest has and continues to accrue on the Factoring Fund’s investment in the US Real Estate LP.

“Equities” include one (1) CAD Equity and three (3) USD Equities, all of which are thinly traded on the “Over-the-Counter” markets. The Receiver continues to monitor these Equities and work with its advisors to liquidate same.

MEDICAL FUND

- 55 The following is the Cash R&D for the Medical Fund (a more detailed accounting of the receipts and disbursements incurred by the Medical Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as Appendix “29”):

Medical Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 421,542	\$ 20,939
<u>Receipts</u>		
Monetized Investments		
Redemption of Units in External Mutual Fund	25,345	-
Sale and Settlement of Medical Factoring Contracts	-	1,134,313
Payout of NFL Participation Agreements	-	714,687
Investment Collections		
Proceeds from USD Futures	192,159	-
Inter-fund Investment Distribution [Jan 18, 2018]	179,315	-
Interest Income	2,084	6,535
Other Receipts		
Transfer from USD Account	2,395,717	-
	2,794,621	1,855,535
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	1,952,183	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	61,541	-
Bank Charges & Expenses	3,985	647
Transfer to CAD Account	-	1,875,827
	2,017,709	1,876,474
Cash Balance - May 31, 2018	\$ 1,198,454	\$ -

- 56 As at May 31, 2018 (with comparatives as at April 20, 2017), the Medical Fund held the following cash and investments:

<i>In \$000's</i>	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 422	\$ 21	\$ 1,198	\$ -
Inter-fund Investments	1,527	-	1,527	-
External Mutual Funds	25	-	-	-
Equities	-	6	-	6
NFL Participation Agreements	-	4,047	-	3,347
Medical Factoring Contracts	-	1,352	-	-
USD Futures	-	(14)	-	-
Accrued Expenses	2	-	-	-
	\$ 1,975	\$ 5,411	\$ 2,725	\$ 3,352

As outlined later in this Fourth Report, as at April 20, 2017, the Medical Fund held 26 NFL Participation Agreements consisting of principal and accrued fees with Recorded Values of US \$3,601,715 and US \$445,050, respectively. As at May 31, 2018, there remain 22 NFL Participation Agreements consisting of principal and accrued fees with Recorded Values of US \$2,976,830 and US \$369,819, respectively.

BULLION FUND

- 57 The following is the Cash R&D for the Bullion Fund (a more detailed accounting of the receipts and disbursements incurred by the Bullion Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as Appendix "30"):

Bullion Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 279,763	\$ (6,381)
<u>Receipts</u>		
Investment Collections		
Interest Income	614	-
Other Receipts		
Transfer from CAD Account	-	6,605
	614	6,605
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	166,507	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	17,441	-
Bank Charges & Expenses	696	238
Transfer to USD Account	8,592	-
	193,235	238
Cash Balance - May 31, 2018	\$ 87,141	\$ (13)

- 58 As at May 31, 2018 (with comparatives as at April 20, 2017), the Bullion Fund held the following cash and Investments:

In \$000's	Recorded Value		Recorded Value	
	April 20, 2017		May 31, 2018	
Investment	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 280	\$ (6)	\$ 87	\$ (0)
Gold Loans	763	-	763	-
Accrued Expenses	(5)	-	-	-
	\$ 1,038	\$ (6)	\$ 850	\$ (0)

MEDIA FUND

- 59 As detailed in the Second Report and the Second Report Supplement, the Receiver has fully monetized all of the Investments held in the Media Fund following the completion of the Media Fund APA Transaction.
- 60 The following is the Cash R&D for the Media Fund (a more detailed accounting of the receipts and disbursements incurred by the Media Fund, along with details of the

Investments that remain as at May 31, 2018, is attached hereto as Appendix "31":

Media Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 307,817	\$ 314,137
<u>Receipts</u>		
Monetized Investments		
Sale of Media Loans	14,375,000	-
Redemption of Units in External Mutual Funds	1,044,604	-
Investment Collections		
Media Loan Collections	6,883,087	229,690
Proceeds from USD Futures	232,970	-
Interest Income	31,058	193
Other Receipts		
Transfer from USD Account	676,719	-
	23,243,439	229,883
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	6,358,649	-
Consulting Fees	889,875	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	315,145	-
Bank Charges & Expenses	21,460	101
Transfer to CAD Account	-	543,919
	7,585,130	544,020
Cash Balance - May 31, 2018	\$ 15,966,126	\$ -

"Consulting Fees" reflect the amounts paid to Quiver pursuant to the MOU and the Quiver MOU Amendments, as approved by the Court pursuant to the June 30 2017 Order and Endorsement and December 11, 2017 Order and Endorsement.

- 61 As at May 31, 2018 (with comparatives as at April 20, 2017), the Media Fund held the following cash of approximately \$16 million:

<i>In \$000's</i>	Recorded Value		Recorded Value	
	April 20, 2017		May 31, 2018	
Investment	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 308	\$ 314	\$ 15,966	\$ -
Media Loans	45,523	5,932	-	-
External Mutual Funds	1,042	-	-	-
USD Futures	(24)	-	-	-
Accrued Loss Provision	(804)	-	-	-
	\$ 46,046	\$ 6,247	\$ 15,966	\$ -

HIGH YIELD MORTGAGE FUND

- 62 The following is the Cash R&D for the High Yield Mortgage Fund (a more detailed accounting of the receipts and disbursements incurred by the High Yield Mortgage Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as Appendix "32"):

High Yield Mortgage Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 760,006	\$ -
<u>Receipts</u>		
<u>Investment Collections</u>		
Collection of Residential Mortgage Principal & Interest	1,923,126	-
Collection of Commercial Loan Principal & Interest	207,868	-
Interest Income	4,160	-
<u>Other Receipts</u>		
Inter-fund Investment Distribution [Jan 18, 2018]	184,333	-
	2,319,488	-
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	1,585,219	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	63,658	-
Bank Charges & Expenses	4,003	-
	1,652,879	-
Cash Balance - May 31, 2018	\$ 1,426,614	\$ -

The "Cash Balance" as at May 31, 2018 includes \$5,000 held in trust by Spectrum on

behalf of the High Yield Mortgage Fund; the remainder of the Cash Balance is held in the High Yield Mortgage Fund's NBIN account.

- 63 As at May 31, 2018 (with comparatives as at April 20, 2017), the High Yield Mortgage Fund held the following cash and investments:

<i>In \$000's</i>	Recorded Value		Recorded Value	
	April 20, 2017		May 31, 2018	
Investment	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 760	\$ -	\$ 1,427	\$ -
Residential Mortgages	2,458	-	815	-
Inter-fund Investments	1,379	-	1,379	-
Commercial Loans	603	-	395	-
Inter-fund Loans	277	-	277	-
Accrued Loss Provision	(35)	-	-	-
	\$ 5,442	\$ -	\$ 4,293	\$ -

"Inter-Fund Loans" reflect a loan made by the High Yield Mortgage Fund to the Conscious Capital Fund in December 2016. The principal amount of the loan is \$274,000 whereby interest is accrued at the prime interest rate plus 1% per annum.

INFRASTRUCTURE FUND

- 64 The following is the Cash R&D for the Infrastructure Fund (a more detailed accounting of the receipts and disbursements incurred by the Infrastructure Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as **Appendix "33"**):

Infrastructure Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 2,087,300	\$ 1
<u>Receipts</u>		
Investment Collections		
Interest Income	3,665	-
Other Receipts		
Transfer from USD Account	1	-
	3,666	-
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	1,664,590	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	32,803	-
Bank Charges & Expenses	2,465	-
Transfer to CAD Account	-	1
	1,699,858	1
Cash Balance - May 31, 2018	\$ 391,108	\$ -

- 65 As at May 31, 2018 (with comparatives as at April 20, 2017), the Infrastructure Fund held the following cash and Investments:

<i>In \$000's</i>	Recorded Value		Recorded Value	
	April 20, 2017	May 31, 2018	[CAD]	[USD]
Cash	\$ 2,087	\$ 391	\$ -	\$ -
Commercial Loans	5,677	5,677	-	-
	\$ 7,765	\$ 6,068	\$ -	\$ -

HEDGE FUND

- 66 The following is the Cash R&D for the Hedge Fund (a more detailed accounting of the receipts and disbursements incurred by the Hedge Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as Appendix "34"):

Hedge Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 531,127	\$ 49
<u>Receipts</u>		
Monetized Investments		
Sale of Equities	119,624	-
Redemption of Units in External Mutual Fund	50,205	-
Investment Collections		
Interest Income	1,441	-
Other Receipts		
Transfer from CAD Account	63	-
	171,332	-
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	156,358	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	86,693	-
Bank Charges & Expenses	4,338	-
Commissions	1,196	-
Transfer to USD Account	-	49
	248,586	49
Cash Balance - May 31, 2018	\$ 453,873	\$ -

- 67 As at May 31, 2018 (with comparatives as at April 20, 2017), the Hedge Fund held the following cash and investments:

In \$000's Investment	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 531	\$ 0	\$ 454	\$ -
US Real Estate LP	-	6,124	-	6,124
Factoring Contracts	3,567	-	3,567	-
Gold Loans	896	252	896	252
Equities	173	-	-	-
Private Equities	100	-	100	-
External Mutual Funds	53	-	-	-
Loan to US Real Estate LP	46	-	46	-
Accrued Expenses	(42)	-	-	-
	\$ 5,324	\$ 6,376	\$ 5,063	\$ 6,376

CONSCIOUS CAPITAL FUND

- 68 The following is the Cash R&D for the Conscious Capital Fund (a more detailed accounting of the receipts and disbursements incurred by the Conscious Capital Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as **Appendix "35"**):

Conscious Capital Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 27,905	\$ -
Receipts		
Interest Income	67	-
	67	-
Disbursements		
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	2,039	-
Bank Charges & Expenses	127	-
	2,166	-
Cash Balance - May 31, 2018	\$ 25,806	\$ -

- 69 As at May 31, 2018 (with comparatives as at April 20, 2017), the Conscious Fund held the following cash and investments:

<i>In \$000's</i>	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 28	\$ -	\$ 26	\$ -
Private Equities	633	-	633	-
Private Warrants	25	-	25	-
Inter-fund Loan	(277)	-	(277)	-
	\$ 409	\$ -	\$ 407	\$ -

"Private Equities" reflect 336,571 shares in Pond purchased by the Conscious Capital Fund at an average cost of \$1.33 per share. As detailed in this Fourth Report, the shares in Pond are now publicly traded on the TSX-Venture Exchange.

ACM INCOME FUND

- 70 The following is the Cash R&D for the ACM Income Fund (a more detailed accounting of the receipts and disbursements incurred by the ACM Income Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as **Appendix "36"**):

ACM Income Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 368,113	\$ 2,180
<u>Receipts</u>		
Monetized Investments		
Redemption of Units in External Mutual Funds	564,897	-
Investment Collections		
Interest Income	3,287	-
Other Receipts		
Inter-fund Investment Distribution [Jan 18, 2018]	894,903	-
Transfer from USD Account	2,810	-
	1,465,898	-
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	657,534	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	32,480	-
Bank Charges & Expenses	6,913	-
Transfer to CAD Account	-	2,180
	696,927	2,180
Cash Balance - May 31, 2018	\$ 1,137,084	\$ -

- 71 As at May 31, 2018 (with comparatives as at April 20, 2017), the ACM Income Fund held the following cash and investments:

In \$000's Investment	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 368	\$ 2	\$ 1,137	\$ -
Inter-fund Investments	9,898	-	9,898	-
External Mutual Funds	560	-	-	-
Accrued Expenses	(14)	-	-	-
	\$ 10,812	\$ 2	\$ 11,036	\$ -

ACM GROWTH FUND

- 72 The following is the Cash R&D for the ACM Growth Fund (a more detailed accounting of the receipts and disbursements incurred by the ACM Growth Fund, along with details of

the Investments that remain as at May 31, 2018, is attached hereto as **Appendix "37"**):

ACM Growth Fund	CAD	USD
Cash Balance - April 20, 2017	\$ (1,739,873)	\$ (225,369)
<u>Receipts</u>		
Monetized Investments		
Sale of Equities	4,304,672	398,394
Redemption of Units in External Mutual Funds	3,410,855	-
Investment Collections		
Interest Income	6,232	-
Other Receipts		
Inter-fund Investment Distribution [Jan 18, 2018]	85,869	-
Transfer from USD Account	209,234	-
	8,016,861	398,394
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	5,834,281	-
Commissions	45,151	9,420
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	31,366	-
Bank Charges & Expenses	9,523	93
Interest Expense	-	1,151
Transfer to CAD Account	-	162,360
	5,920,321	173,025
Cash Balance - May 31, 2018	\$ 356,667	\$ -

- 73 As at May 31, 2018 (with comparatives as at April 20, 2017), the ACM Growth Fund held the following cash and investments:

<i>In \$000's</i>	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ (1,740)	\$ (225)	\$ 357	\$ -
Equities	4,875	428	-	-
Inter-fund Investments	4,740	-	4,740	-
External Mutual Funds	3,483	-	-	-
Accrued Expenses	(22)	-	-	-
	\$ 11,336	\$ 203	\$ 5,096	\$ -

SUSTAINABLE DIVIDEND FUND

- 74 The following is the Cash R&D for the Sustainable Dividend Fund (a more detailed accounting of the receipts and disbursements incurred by the Sustainable Dividend Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as **Appendix "38"**):

Sustainable Dividend Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 115,376	\$ 4,424
<u>Receipts</u>		
Monetized Assets		
Sale of Equities	1,478,092	3,829,828
Investment Collections		
Dividend Income	7,364	13,496
Other Receipts		
Inter-fund Investment Distribution [Jan 18, 2018]	15,050	-
Transfer from USD Account	5,060,724	-
	6,561,230	3,843,324
<u>Disbursements</u>		
Interim Distribution [Jan 18, 2018]	6,500,807	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	37,021	-
Bank Charges & Expenses	2,062	-
Commissions	924	2,140
Transfer to CAD Account	-	3,845,608
	6,540,815	3,847,749
Cash Balance - May 31, 2018	\$ 135,791	\$ -

75 As at May 31, 2018 (with comparatives as at April 20, 2017), the Sustainable Dividend Fund held the following cash and investments:

In \$000's	Recorded Value April 20, 2017		Recorded Value May 31, 2018	
	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 115	\$ 4	\$ 136	\$ -
Equities	1,444	3,715	-	-
Inter-fund Investments	76	-	76	-
Accrued Expenses	(20)	-	-	-
	\$ 1,616	\$ 3,720	\$ 211	\$ -

SUSTAINABLE PROPERTY FUND

76 The following is the Cash R&D for the Sustainable Property Fund (a more detailed

accounting of the receipts and disbursements incurred by the Sustainable Property Fund, along with details of the Investments that remain as at May 31, 2018, is attached hereto as Appendix "39":)

Sustainable Property Fund	CAD	USD
Cash Balance - April 20, 2017	\$ 245,796	\$ -
Receipts		
Collection of Residential Mortgage Principal & Interest	1,916,450	-
	1,916,450	-
Disbursements		
Interim Distribution [Jan 18, 2018]	904,265	-
Professional Fees [Apr 26, 2017 to Sep 30, 2017]	40,370	-
Bank Charges & Expenses	1,764	-
	946,399	-
Cash Balance - May 31, 2018	\$ 1,215,846	\$ -

The "Cash Balance" as at May 31, 2018 includes \$5,000 held in trust by Spectrum on behalf of the Sustainable Property Fund; the remainder of the Cash Balance is held in the Sustainable Property Fund's NBIN account.

- 77 As at May 31, 2018 (with comparatives as at April 20, 2017), the Sustainable Property Fund held the following cash and investments:

In \$000's	Recorded Value		Recorded Value	
	April 20, 2017		May 31, 2018	
Investment	[CAD]	[USD]	[CAD]	[USD]
Cash	\$ 246	\$ -	\$ 1,216	\$ -
Residential Mortgages	2,221	-	390	-
Commercial Loans	2,094	-	2,094	-
Accrued Loss Provision	(12)	-	-	-
	\$ 4,548	\$ -	\$ 3,700	\$ -

DISCUSSION OF INVESTMENTS AND RECEIVER'S FINDINGS

FACTORING CONTRACTS

- 78 As detailed in the Second Report, the procurement and administration of the Factoring Contracts by Frontline, Housego, and Smith was highly unsophisticated and lacked the necessary controls to ensure that advances made to Merchants were for the purposes outlined in the Funds' OM's, or that they would ultimately be repaid. The impaired status of the investments held by the Factoring and Hedge Funds were a direct result of the following deficiencies:
- a) **High Level of Concentration Risk** – two (2) Merchants, Dome Mountain³ and Zomongo TV, directly and indirectly account for 87.97% (57.97% and 30.00%, respectively) of the collective balance outstanding to the Hedge Fund and Factoring Fund from the Merchants; while three (3) Merchants account for the remaining 12.03%;
 - b) **Due Diligence on Merchants and Debtors and Represented Purpose** – under the FPAA, Frontline was required to perform a certain level of due diligence prior to putting forth a proposed Factoring Contract to the Factoring Fund and/or Hedge Fund. Based on the Company's books and records, there appears to be little to no evidence of any additional information provided to the Company that would confirm that Frontline or Housego performed any meaningful due diligence. Furthermore, the Purchased Invoices which the Factoring and Hedge Fund purchased from Merchants misstated, on several occasions and most notably in connection with the Dome Mountain, 156 Alberta, and 647 BC Merchants, the nature of the funding being provided by the Funds to the Merchants. As outlined later in this Fourth Report, the Examinations of Housego, Smith, Froese, Pahl, DenHollander, Bob Maljaars, and Jeffrey Maljaars confirmed the foregoing and that minimal to no due diligence was performed;
 - c) **Conflict of Interest** – during the Receiver's due diligence, the Receiver noted numerous conflicts of interest and/or personal relationships amongst individuals involved in the Factoring Fund Investments, and in particular, amongst Froese

³ Including the 156 Alberta Balance and the 647 BC Balance.

(Frontline Factoring Inc.), Bob Maljaars (156 Alberta/Dome Mountain), Pahl (Dome Mountain), DenHollander (647 BC), the Zomongo entities, and others, as will be further particularized below.

- 79 The Receiver is of the view that the Factoring Contracts, with a Recorded Value of \$28,029,511 (consisting of \$25,813,567 of principal and \$2,215,944 of interest pursuant to the April 20th Package) are impaired.

General Update

- 80 The Second Report, beginning in paragraph 62, specified in detail the concerns of the Receiver regarding the Factoring Contracts, which are agreements to purchase invoices or portions thereof (the “**Purchased Invoices**”) from operating businesses referred to as “**Merchants**”, for a discount and a service fee. The procurement and administration of the Factoring Contracts was governed by a Factoring Procurement and Administration Agreement (“**FPAA**”) entered into with Frontline Factoring Inc. (“**Frontline**”) by the Factoring Fund.⁴ Pursuant to the FPAA, the Factoring Contracts were to be sourced and administered by Frontline Factoring. Frontline was tasked by the Company with finding these opportunities and then collecting the invoice value from the underlying customers of the Merchants, known as “**Debtors**”.
- 81 According to the Company’s books and records, the Factoring Fund and the Hedge Fund have outstanding Purchased Invoices acquired through Factoring Contracts entered into with the following Merchants:
- a) Dome Mountain Resources of Canada Inc. (“**Dome Mountain**”);
 - b) Zomongo TV Corp (“**Zomongo TV**”);
 - c) Advanced Metal Concept and Fabrication Ltd. (“**Advanced Metal**”);
 - d) 1566496 Alberta Ltd. (“**156 Alberta**”);
 - e) 647497 B.C. Ltd. (“**647 BC**”);

⁴ A separate FPAA was not entered into by Frontline and the Company with respect to the Hedge Fund. Instead, Frontline carried out the same role in connection with Hedge Fund Factoring Contract Investments as it did with the Factoring Fund Factoring Contract Investments.

f) Restoration Energy Inc. ("Restoration Energy" or "REI"); and

g) Single Source Services Ltd. ("Single Source")

(collectively, the "Merchants").

- 82 The following table, included in the Second Report, outlines the principal and interest owing from each of the Merchants as at October 26, 2017.

Merchant	Principal			Interest		
	Factoring Fund	Hedge Fund	Total	Factoring Fund	Hedge Fund	Total
Dome Mountain	\$12,793,175	\$1,015,660	\$13,808,835	\$ 2,280,593	\$ 181,058	\$ 2,461,651
Zomongo TV	6,204,373	1,494,737	7,699,110	845,396	660,307	1,505,702
Advanced Metal	1,256,311	-	1,256,311	248,029	-	248,029
156 Alberta	824,039	-	824,039	140,318	-	140,318
Restoration Energy	1,402,193	501,000	1,903,193	100,876	68,222	169,098
647 BC	439,698	-	439,698	109,260	-	109,260
Single Source	93,985	-	93,985	20,206	-	20,206
	\$23,013,773	\$3,011,397	\$26,025,170	\$ 3,744,678	\$ 909,586	\$ 4,654,265

- 83 Since the date of the Second Report, the Receiver has continued its efforts to collect the above-noted amounts from the Merchants.

- 84 In order to preserve its rights regarding the security that the Crystal Wealth Funds hold over the assets of certain Merchants, the Receiver had issued formal notices of intention to enforce security pursuant to subsection 244(1) of the *Bankruptcy and Insolvency Act* ("NITES") to Dome Mountain, 156 Alberta, 647 BC and Restoration Energy. These notices followed formal demands for payment previously served on these parties. To date, none of these Merchants has repaid any of the indebtedness which they owe to the Factoring and Hedge Funds, and none appear to have any assets, aside from Dome Mountain's shareholdings in Gavin Mines as is further described below.

- 85 The remaining subsections below provide more specific updates regarding each of the Merchants. In addition to the concerns regarding the nature and collectability of the

Factoring Contracts highlighted by the Receiver in the Second Report, the Receiver, through its Examinations of Froese, Smith, Housego, Bob Maljaars, DenHollander, Pahl, and Jeffrey Maljaars, has learned that:

- a) Froese met several of the principals of the Merchants (more notably, those involved with Dome Mountain, 156 Alberta, and 647 BC) originally through Lyoness (“**Lyoness**”), a networking, multilevel marketing organization principally involved in providing cashback discounts and customer loyalty programs to members who referred new individuals. It emerged during the Examinations of Froese, Bob Maljaars, DenHollander, and Housego that each of Froese, DenHollander, Bob Maljaars, Pinnell (611 BC – Gold Loans), Ryan Waechter (“**Waechter**”), and Housego attended Lyoness meetings. Froese was introduced to Lyoness by Bob Maljaars in 2012 or 2013, and subsequently, met Waechter through DenHollander. In addition, Froese, Bob Maljaars, DenHollander, Pinnell, Waechter, and Housego all appeared to be invested in an olive farm in Chile known as “Hacienda Laguna Torca”, as reflected by the email sent by DenHollander to each of them, amongst others, on April 20, 2017 (6 days prior to the Appointment Order), appended hereto as **Appendix “40”**. Each of Froese, Bob Maljaars, DenHollander, and Housego denied at their respective Examinations that they jointly invested in Hacienda Laguna Torca;
- b) Since Frontline was incorporated on October 1, 2012, Frontline has employed a small staff, which included Froese (as President), an account manager/IT person (Froese’s nephew, Steven Bandola), and a part-time bookkeeper, Waechter. It does not appear that these individuals, including Froese, possess the education and skills necessary to assess investments, let alone run a successful factoring business. Froese testified that the “bookkeeper” who was on Frontline’s payroll from 2015 to 2017 was Waechter. Froese testified that he met Waechter through DenHollander and Lyoness, and that it was Waechter – who was from the Salmon Arm, B.C. area and knew DenHollander – who introduced Froese to Housego. Froese testified that it was Waechter’s job to bring in business for Frontline, and Waechter brought Froese the Housego connection. Accordingly, Froese confirmed that Frontline began paying Waechter once the Crystal Wealth Funds began advancing funds to Frontline on account of the Factoring Contract investments;

- c) Froese testified that he previously worked with DenHollander in an unrelated business, Duratech Group, in 2010 or 2011. According to Froese, around the same time period, both Froese and DenHollander invested in a company called Nature Zone Environmental Solutions Inc. ("**Nature Zone**"), which had been owned by Duratech and which Froese and DenHollander "*lost money in*". Froese testified that he had tried to resurrect Nature Zone, and that to do that, Froese had enlisted DenHollander to help, who in turn "*listed a guy by the name of Andy Clark to just kind of take it over*";
- d) As will be further detailed below, Bob Maljaars testified that Andy Clark, through his company, Grace Mining Inc., was a 28% percent shareholder in Gavin Mines, the shares of which Dome Mountain had hoped to acquire but for its failed efforts to obtain financing from MGE;
- e) Froese denies that the FPAA was the governing agreement between Frontline and the Factoring and Hedge Funds. Instead, Froese testified that, despite Frontline having been paid millions of dollars from the Factoring and Hedge Funds, the terms of Frontline's arrangement was determined on an *ad hoc* basis for each Factoring Contract;
- f) Only cursory due diligence was performed on the Merchants, Purchased Invoices, and underlying Debtors by Frontline, Housego, and Smith. In regards to the Merchants Dome Mountain, 156 Alberta and 647 BC, and Frontline's recommendations that the Factoring and/or Hedge Funds invest in the Purchased Invoices belonging to these Merchants, it appears that Frontline primarily relied on the views of a small circle of contacts, including DenHollander (of 647 BC) and Bob Maljaars (of Dome Mountain and 156 Alberta), both of whom had personal financial interests in the Crystal Wealth Funds investing in the Purchased Invoices of Dome Mountain, 156 Alberta and 647 BC;
- g) At the Froese Examination, Froese could not articulate the fee structure for each of the Merchants and how funds flowed and amounts thereof from the Crystal Wealth Funds to Frontline and then to the Merchants, including the supposed subsequent repayments of Purchased Invoices or portions thereof from the Debtor and Merchants to the eventual repayment to the Crystal Wealth Funds. However, Froese was able to explain that the Crystal Wealth Funds only advanced monies to Frontline, net of a

holdback for up-front fees. Any payments received by Frontline by Debtors or Merchants, would first be applied to the fees of Frontline, with the balance being paid back to the Crystal Wealth Funds, contrary to s. 4.6 of the FPAA. Often, Frontline earned more revenue from the arrangement than the Factoring and Hedge Funds;

- h) During the Froese Examination, he could not explain the source of the figures contained in the reports which Frontline provided to the Company on a monthly basis, nor could he explain the format of same. This brings into question the diligence for on-going monitoring of the accounts by Frontline and also by Housego or Smith, the result of which was the extreme aging of the Purchased Invoices;
- i) Frontline was one of multiple companies beneficially owned and run by Froese. Froese appears to be a dabbling and unfocussed entrepreneur whose motivation was to make money the easiest way possible;
- j) Froese served as a consultant to the Factoring Fund Merchant, Zomongo TV, and accordingly received 300,000 share purchase warrants in Zomongo TV pursuant to a Stock Option Agreement entered into by Zomongo TV and Froese dated November 18, 2015. Froese separately holds 400,000 shares of Zomongo TV through a numbered company which he controls, 1267379 Alberta;
- k) Froese advised that, aside from the Factoring and Hedge Funds, Frontline has not served as a factoring administrator on behalf of any other entity. Frontline's economic dependence on the Crystal Wealth Group is reflected by the fact that Frontline was forced to wind-down operations upon the receivership of the Crystal Wealth Group. According to Frontline's unaudited financial statements for the years ended February 28, 2014 and February 28, 2015, Frontline generated \$210,426 and \$363,216 in factoring revenue, respectively. After the FPAA was entered into with the Factoring Fund on November 25, 2014, Frontline's factoring income for the subsequent fiscal year increased by over 600 percent to \$2,036,376, as reflected in Frontline's financial statements for the year ended February 29, 2016, which were provided by Froese to the Receiver following his Examination. Froese testified that without the significant revenues Frontline generated from the Factoring and Hedge Funds, Frontline could not continue to operate. As of the end of April 2018, Froese testified that Frontline was vacating its rental office and operating from his house.

- 86 At the Smith Examination, Smith acknowledged his negligence in permitting Frontline to retain payment first prior to the Factoring and Hedge Funds being repaid, contrary to s. 4.6 of the FPAA, and had the following exchange with the Receiver's counsel:

MVZ “Would it not be utterly negligent of you to allow Frontline to retain payments in the face of [s. 4.6 of the FPAA]?”

CS “Sorry, I am just...because I don't remember this paragraph, honestly. So...yes, I would agree with what you just said.”

Dome Mountain, 156 Alberta, and 647 BC

- 87 As outlined in the Second Report, Dome Mountain, 156 Alberta and 647 BC (collectively, the “**Dome Mountain Entities**”) are closely related companies that received significant amounts of monies from the Factoring Fund and Hedge Fund. As further noted in the Second Report, shortly after receiving funding from the Factoring Fund, Dome Mountain paid: (i) \$1,798,181 to 647 BC for “Project Management” invoices issued to Dome Mountain; and (ii) \$2,751,900 to 156 Alberta for “Consulting” invoices issued to Dome Mountain. The foregoing was confirmed by Froese during his Examination. As discussed in detail below, \$4,550,081 of the monies advanced to Dome Mountain from the Factoring Fund and Hedge Fund were paid to 156 Alberta (Bob Maljaars) and 647 BC (DenHollander) as advances on commissions to be paid by Dome Mountain for 156 Alberta and 647 BC sourcing financing for Dome Mountain. Furthermore, Biodiesel, a Debtor to 647 BC, was in fact Pahl’s company, reflecting two of 647 BC’s Debtors being owned by the same individual. Pahl has further companies, IC Commerce and 894833 Alberta Ltd., both of whom were Debtors of 156 Alberta. The foregoing further demonstrates Housego and Smith’s lack of oversight and incompetence as portfolio managers, given that such monies were advanced in circumstances where the only hope of repayment to the Factoring and Hedge Funds was through Dome Mountain securing replacement financing.
- 88 As outlined in the Second Report, as at October 26, 2017, the total amount owing to the Factoring Fund and Hedge Fund from the Dome Mountain Entities totaled \$17,783,801 and is comprised of:

- a) Dome Mountain – \$16,270,486, consisting of \$13,808,835 in principal and \$2,461,651 in interest;
 - b) 156 Alberta – \$964,357, consisting of \$824,039 in principal and \$140,318 in interest;
 - c) 647 BC – \$548,958, consisting of \$439,698 in principal and \$109,260 in interest;
- (collectively, the "**Dome Mountain Entities Indebtedness**").

89 As mentioned above, the following individuals, all of whom have close personal relationships, are the principals of the following Dome Mountain Entities:

- a) Dome Mountain – Pahl and Bob Maljaars;
- b) 156 Alberta – Bob Maljaars and his son, Jeffrey Maljaars;
- c) 647 BC – DenHollander;

(collectively, the "**Dome Mountain Individuals**").

90 By letters dated November 22, 2017 (the "**Dome Mountain Entities Demand Letters**") to each of the Dome Mountain Entities, the Receiver demanded that Dome Mountain, 156 Alberta, and 647 BC repurchase the outstanding accounts receivable factored by the Hedge Fund and Factoring Fund pursuant to the relevant Factoring Agreements.

91 As outlined in the Second Report, and confirmed on the Examinations of Pahl, DenHollander, and Bob Maljaars, Dome Mountain is a holding company with no actual operations or assets. The only asset of Dome Mountain is a minority ownership of Gavin Mines Inc. ("**Gavin Mines**"). As at the date of the Second Report, the Receiver had not been provided with precise information to determine the exact number of shares Dome Mountain holds in Gavin Mines, but Froese's productions to the Receiver suggest that Dome Mountain holds 174,375 common shares in Gavin Mines, representing between 13 and 16 percent of the outstanding common shares of Gavin Mines according to Froese. As will be discussed below, the Receiver understands that Dome Mountain currently holds 14.48 percent of the shares in Gavin Mines.

Updates Subsequent to the Second Report

Metal Mountain and Gavin Mines

92 Upon further research, the Receiver gained an understanding that the majority shareholder of Gavin Mines is a company by the name of Metal Mountain Resources Inc. ("Metal Mountain"), a junior exploration and development company headquartered in Vancouver, British Columbia.

93 Metal Mountain's website (www.metalmountainresources.com) states that:

"The Dome Mountain Mine (gold and silver) is owned by [Metal Mountain's] subsidiary Gavin Mines Inc. Metal Mountain holds a 63% interest in Gavin Mines Inc..."

94 Metal Mountain's website contains other limited information on the Dome Mountain Mine, a summary of which is included below:

- a) the Dome Mountain Mine is located approximately 38 kilometers east of Smithers, British Columbia;
- b) the property includes 42 contiguous mineral claims and one mining lease comprising of a total area of over 11,000 hectares; and
- c) Metal Mountain acquired mineral tenures that cover the past-producing Dome Mountain Mine with the intention of reopening the mine and exploring for additional gold-silver resource.

A complete overview of the Dome Mountain Mine included on Metal Mountain's website is attached hereto as **Appendix "41"**.

95 In a previous update dated July 6, 2016 (the "**June 2016 Press Release**"), Metal Mountain was unable to pay a dividend as a result of certain delays with respect to Gavin Mines as follows:

- a) Gavin Mines was not able to obtain an amended permit for the mill and tailings management facility from the BC government by June 30, 2016;
- b) Gavin Mines was required to complete an engineering study on the feasibility of different technologies before the application for an amended permit can be updated and resubmitted;

- c) as a result, Gavin Mines entered into negotiations with Nicola Mining Inc. ("Nicola"), an ore processing company whose facility is located outside Merritt, British Columbia, to ship to and process ore from the Dome Mountain Mine (the Dome Mountain Mine had to revert into "Stage 1 Production" at a rate of 100 tons per day); and
- d) the cash flow from the Nicola arrangement was to enable Gavin Mines to fund the Stage 2 permit amendment requirements.

The June 2016 News Release also states that Dome Mountain currently holds 14.48% of the shares in Gavin Mines. A copy of the June 2016 News Release is attached hereto as **Appendix "42"**.

96 The most recent new release dated February 9, 2017 (the "**February 2017 News Release**") stated, among other things, that:

- a) Gavin Mines had shipped 5,700 tons of ore from the Dome Mountain Mine to Nicola pursuant to the 50-50 Profit Share Agreement dated May 12, 2016; and
- b) Gavin Mines was in the process of negotiating a longer term profit sharing agreement (37.5% Nicola and 62.5% Gavin Mines) which would enable Gavin Mines to meet the permit requirements and perform further exploration.

A copy of the February 2017 News Release is attached hereto as **Appendix "43"**. No further updates regarding the Dome Mountain Mine have been posted on Metal Mountain's website.

97 On February 23, 2018, the Receiver sent a letter to Metal Mountain (the "**Receiver's Letter to Metal Mountain**") and specifically, to Lloyd Tattersall ("**Tattersall**"), the President of Metal Mountain, advising Tattersall of Dome Mountain's indebtedness to the Factoring/Hedge Funds and requesting that a call be convened with the Receiver. After being contacted by Tattersall, a call was scheduled for March 7, 2018.

98 During the call, Tattersall requested that the call be conducted on a without prejudice basis as his counsel was not in attendance. Tattersall requested that the Receiver provide him with a copy of the Appointment Order, and that a with prejudice call could be scheduled with his counsel. Subsequently, the Receiver provided Tattersall with a copy of the Appointment Order and requested to schedule a with prejudice call with Tattersall and his

counsel. Notwithstanding follow-up correspondence from the Receiver, Tattersall has not responded to the Receiver's request for a with prejudice discussion.

Examinations of Froese, Housego, and the Dome Mountain Individuals

- 99 On December 8, 2017, upon serving the Motion Record returnable December 11, 2017, the Receiver was made aware that Christian Popowich ("Popowich") of Code Hunder LLP had been retained collectively by the Dome Mountain Individuals. As detailed throughout the Examinations of the Dome Mountain Individuals, Popowich proved to be extremely protective during the Examinations, as he routinely objected to Pahl, DenHollander, Bob Maljaars, and Jeffrey Maljaars answering questions and refused to provide any undertakings requested by the Receiver. This type of conduct was similar to what was observed during the Clydesdale Examination (discussed below) and is a cause of concern for the Receiver in its efforts to identify, quantify, and realize on assets of the Crystal Wealth Group.
- 100 Pursuant to the December 11, 2017 Order and Endorsement, the Receiver examined Froese, Housego and the Dome Mountain Individuals. All of the examinations confirmed the background and descriptions of the Dome Mountain, 156 Alberta and 647 BC sections noted in the Second Report.
- 101 Moreover, all of the examinations, to a greater or lesser degree, were consistent as to following:
- a) The relationships between Froese, Housego, Pahl, DenHollander, Bob Maljaars, Jeffrey Maljaars, and Waechter were mostly formed through Lyoness functions. Froese also had a past working relationship with DenHollander as mentioned above. Bob Maljaars and DenHollander had been involved with the Dome Mountain Mine since at least 2010;
 - b) Jeffrey Maljaars, the President and sole director of 156 Alberta, appears to have had little involvement in the funding provided by the Factoring Fund to 156 Alberta. When the Receiver's counsel asked Jeffrey Maljaars during his examination how he knew each of Froese, DenHollander, Pahl, and Housego, Jeffrey Maljaars responded by simply indicating "*family friend*" for each of them. When asked whether he had ever done any business with Housego or his companies, Jeffrey Maljaars responded

"apparently". When asked what his father, Bob Maljaars, did for a living, Jeffrey testified that he did not know. When asked what he did for a living, Jeffrey Maljaars testified "*I cut firewood*". It appears from the Examinations that Bob Maljaars led the initiatives of 156 Alberta;

- c) Dome Mountain was formed solely to purchase the shares of Gavin Mines. DenHollander, Bob Maljaars, and Pahl were the principals (collectively, the "**Dome Mountain Principals**") who wanted to get the Dome Mountain Mine into production. DenHollander already had some familiarity with Gavin Mines since 2009 and was also involved in raising capital for the development of the mine. Pahl was and remains the 100% shareholder of Dome Mountain;
- d) The Dome Mountain Principals performed limited due diligence and purported to rely primarily on a mining report known as Form 43-101 Standards of Disclosure for Mineral Projects ("**Form 43-101**"). The Dome Mountain Principals could not advise the date of the Form 43-101 and if, in fact, it pertained directly to the Dome Mountain Mine in which the investors of Crystal Wealth invested through Dome Mountain. Moreover, the Dome Mountain Principals purportedly did not perform a physical inspection of the Dome Mountain Mine;
- e) Bob Maljaars was the primary contact with Tattersall;
- f) Dome Mountain required funding to purchase the shares of Gavin Mines. One of Bob Maljaar's contacts was Jordan McBean ("**McBean**"), who represented himself as a former RCMP fraud investigator and the principal of The McBean Group Ltd. ("**TMGL**"), an Investment Management Firm operating from premises in Calgary, Alberta. Pahl indicated that McBean committed to providing a \$200 million facility in the form of four funds with offering memoranda via a public offering in the Bahamas. Two of the facilities would be used by Dome Mountain, and two for other projects. In exchange, McBean's fee was \$160,000 per fund (i.e. a total of \$640,000), which apparently was funded by the Factoring Fund's advances to 156 Alberta, 647 BC, and/or Dome Mountain. The exact amount of the McBean proposed financing was not clear during the Examinations, as Bob Maljaars indicated the funding was only \$150 million, with \$100 million to be used to acquire all of the shares of Gavin Mines, and the remainder to be utilized to put the Dome Mountain Mine into production. Regardless, the McBean

financing never came to fruition, although McBean was evidently paid his \$640,000 fee;

- g) On June 6, 2018, following the Examinations, Froese produced the Commitment Letter addressed to Dome Mountain and dated March 17, 2015, which was executed by McBean as the Managing Director – Fund Manager, of TMGL, whereby TMGL conditionally outlined terms of a term facility in the amount of 50% of the subscribed Funds with full subscription of the Funds at \$200 million. No other documentation concerning McBean or this proposed financing has been disclosed by Froese or any of the Dome Mountain Principals. A copy of the Commitment Letter is attached hereto as **Appendix “44”**;
- h) When the TMGL financing did not materialize, another one of Pahl's contacts was Stephen Miller (“Miller”). Miller was the principal of MGE Corporation Limited (“MGE”), based in the UK. MGE was going to provide an \$80 million facility for the purposes of funding Dome Mountain's acquisition of the shares of Gavin Mines. In addition, there were additional Form 43-101 requirements that needed to be completed in order to meet the funding requirements from MGE;
- i) After the Crystal Wealth Funds had funded over \$12.5 million (as noted in paragraphs 83 to 87 of the Second Report) to Dome Mountain, Housego learned that MGE was not going to provide the \$80 million facility to Dome Mountain, part of which was to repay the debt owing to the Factoring Fund and Hedge Fund by Dome Mountain, 156 Alberta, and 647 BC. Housego then became involved with the direct negotiations with Miller, who subsequently verbally committed on behalf of MGE to providing a \$36 million facility instead, after the Dome Mountain Principals claimed to have obtained an approximate \$47 million reduction of the Gavin Mines share purchase price, such that only \$20 million was required to purchase the remaining Gavin Mines shares. Bob Maljaars testified that the reduction was made possible as Andy Clark (whom Froese and DenHollander previously knew through Nature Zone), who owned 28% of the shares of Gavin Mines through his company, Grace Mining Inc., was “pressed for finances and stuff” and accordingly agreed to a drastically reduced purchase price;
- j) The premium for the 2016 Performance Guarantee was to be paid, but according to Housego, “...seems to have been missed...the [Factoring Fund] didn't have the money

[to pay it]". The premium was never paid as the Crystal Wealth Funds did not have available liquidity. Furthermore, the \$36 million facility from MGE did not materialize. As neither the MGE nor any other financing could be obtained by the Dome Mountain Principals, the result is that the Factoring and Hedge Funds currently have no prospect of readily recovering the Dome Mountain Entities Indebtedness owing by 156 Alberta, 647 BC, and Dome Mountain;

- k) The Purchase Invoices issued by 156 Alberta and 647 BC following the execution of their respective Factoring Contracts with Crystal Wealth were for arbitrary amounts, for the sole purpose of providing 156 Alberta and 647 BC an advance of the fees to which they claimed an entitlement upon raising financing for Dome Mountain's acquisition of the shares of Gavin Mines. In this regard, Bob Maljaars of 156 Alberta testified that Frontline created all of 156's Purchased Invoices, including those set out at paragraph 110 of the Receiver's Second Report which were issued by 156 Alberta, as Merchant, to Dome Mountain, as Debtor. Bob Maljaars further testified that Froese was an authorized representative on Dome Mountain's bank account to control the manner in which the funds received by Dome Mountain from the Crystal Wealth Funds were deployed. Froese confirmed during his Examination that he had signing authority over Dome Mountain's bank account, and that it was Frontline who created the Purchased Invoices issued by 156 Alberta and 647 BC to Debtors; and
- l) With respect to the monies advanced to Dome Mountain by the Factoring and Hedge Funds, Froese testified: (i) that approximately \$4,550,081 was transferred back to the Company to retire the Purchased Invoices issued by 156 Alberta and 647 BC, as listed in paragraph 110 of the Second Report; and (ii) approximately \$4.5 million was wired to Gavin Mines. Froese could not account for how the remaining \$4,758,784 of the \$13,808,835 in funding provided by the Factoring Fund and Hedge Fund was utilized by Dome Mountain. When asked if any of these funds were used to buy any of Dome Mountain's shares in Gavin Mines, Froese indicated, "*I guess*". He could not recall whether any of these funds were utilized to pay the \$600,000 premium for the 2015 Performance Bond. Bob Maljaars testified that approximately \$7 million of the \$13,808,835 had been transferred to Tattersall/Gavin Mines for "operations" and with which Tattersall "*cleaned up some payables*" given that "*he was at risk with one creditor coming after him, so that was all cleaned up*".

Formal Demand Letters

- 102 Subsequent to the Examinations, A&B, on behalf of the Receiver, issued formal default and demand letters dated April 27, 2018 to the Dome Mountain Entities (collectively the “**Dome Mountain Default and Demand Letters**”) that, among other things:
- a) outlined the Dome Mountain Entities’ failure to repurchase the outstanding receivables as demanded in the Dome Mountain Entities Demand Letters; and
 - b) enclosed NITES.

The Dome Mountain Default and Demand Letters are collectively attached hereto as **Appendix “45”**.

- 103 As at the time of this Fourth Report, the Dome Mountain Entities Indebtedness remains outstanding in its entirety.

Zomongo TV

- 104 As outlined previously, the Factoring Fund and the Hedge Fund each entered into Factoring Agreements with Zomongo TV, an Alberta entity, dated August 7, 2015 (the “**Zomongo TV Factoring Agreement**”). The Factoring Fund and Hedge Fund entered into general security agreements with Zomongo TV and Zomongo.TV Holdings Corp., respectively, granting the Factoring Fund and Hedge Fund a general continuing security interest over all present and future property and assets of Zomongo TV and Zomongo.TV Holdings Corp.
- 105 On December 29, 2016, Zomongo TV and its associated entities entered into a credit agreement with TCA Global Credit Master Fund, LP (“**TCA**”) effective December 30, 2016 (the “**TCA Loan Agreement**”) for a revolving credit facility of up to US \$10,000,000 (the “**TCA Credit Facility**”). As outlined in the Second Report, as a condition to the TCA Loan Agreement, the Factoring Fund’s security appears to have been subordinated to TCA pursuant to the Zomongo TV Subordination Agreement dated December 28, 2016.
- 106 As outlined in the Second Report, on October 3, 2017, the Receiver received an email from Frontline (the “**Initial Zomongo Email**”) indicating that Zomongo TV was in financial difficulties as TCA had not advanced the total amount of the funds that were potentially

available under the TCA Credit Facility (i.e. US \$10 million). Frontline indicated that without additional funding, Zomongo TV could not continue operating.

- 107 Up to the date of the Second Report, the Receiver and its counsel engaged in numerous discussions with Zomongo TV, BFF Ventures (Zomongo TV's advisor), and TCA regarding the potential to come to an agreement to allow for TCA to advance the additional funding under the TCA Loan Agreement to Zomongo TV, while allowing Zomongo TV to make repayments to the Factoring and Hedge Funds under a restructured arrangement.
- 108 On November 17, 2017, BFF Ventures advised the Receiver that TCA had now agreed to provide \$5 million in additional funding to Zomongo TV and its affiliates under the TCA Loan Agreement. On November 19, 2017, the Receiver requested that BFF Ventures, on behalf of Zomongo TV, deliver to the Receiver Zomongo TV's proposed form of agreement(s), in order for the Receiver to continue to evaluate the possibility of an arrangement to be agreed upon by TCA, Zomongo TV, and the Receiver, which would result in: (i) TCA providing additional funding to Zomongo TV; and (ii) the repayment of a portion of the Zomongo TV Balance being made to the Factoring and Hedge Funds by Zomongo TV under a restructured arrangement, likely on a monthly installment basis.

Updates Subsequent to the Second Report

- 109 On November 24, 2017, the Receiver received a letter from Greg Shannon (the "**Gowling Letter**"), a partner at Gowling WLG (Canada) LLP ("**Gowling**") in Calgary, Alberta, advising that Gowling had been retained by Zomongo TV with respect to the Zomongo TV Factoring Agreement and the potential restructuring arrangement discussed with Zomongo TV and TCA. The Gowling Letter also requested that the Receiver provide the following information for Gowling to consider in order to prepare a binding letter of intent (the "**Proposed LOI**") regarding the restructuring of the Zomongo TV Balance:
 - a) a complete "Consolidated Running Balance Statement" that included: (i) advances; (ii) payments as applied to the associated invoices; (iii) interest accrual; (iv) and how said payments and advances were received by the Factoring Fund and the Hedge Fund, respectively; and
 - b) an exact amount of the indebtedness due and the per diem interest charges.

A copy of the Gowling Letter is attached hereto as **Appendix "46"**.

- 110 On December 4, 2017, the Receiver delivered to Gowling a letter dated December 4, 2017 which included, among other things: (i) a "Consolidated Running Balance Statement" for each of the Factoring Fund and the Hedge Fund; and (ii) the principal and interest owing to the Factoring Fund and Hedge Fund as at November 30, 2017. A copy of the Receiver's letter to Gowling, excluding the enclosed schedules, is attached hereto as **Appendix "47"**.
- 111 On December 13, 2017, the Receiver sent email correspondence inquiring as to the expected timing of the Proposed LOI. In response, Gowling advised that a timeline would be provided in the week of December 28, 2017. On December 17, 2017, A&B advised Gowling that the Receiver required that the Proposed LOI be delivered to it by no later than December 28, 2017.
- 112 On December 27, 2017, in an email to TCA, BFF Ventures, Gowling, A&B, and the Receiver, Zomongo TV advised that all further inquiries regarding Zomongo TV should be directed to TCA.
- 113 On December 30, 2017, in response to the Receiver's follow-up correspondence, Gowling advised the Receiver that it was no longer engaged by Zomongo TV to act on its behalf and that the Receiver was to deal with TCA and Zomongo TV directly.
- 114 On December 31, 2017, BFF Ventures advised, among other things, that: (i) TCA had assumed an advisory role to Zomongo TV with respect to its indebtedness to the Factoring Fund and Hedge Fund; (ii) Gowling had been provided with no further directions from Zomongo TV to act on its behalf; and (iii) all future correspondence regarding the matter should be directed to Zomongo TV, TCA, and BFF Ventures. The various email correspondence between the Receiver, A&B, Gowling, BFF Ventures, Zomongo TV, and TCA from December 13, 2017 to December 31, 2017 is collectively attached hereto as **Appendix "48"**.
- 115 On January 5, 2018, in an email to Zomongo TV, TCA, and BFF Ventures, A&B expressed the concerns it and the Receiver had with respect to the current situation and the minimal communication received with respect to a potential arrangement and requested that a conference call be conducted between the parties on January 10, 2018.

- 116 Subsequent to the email being sent by A&B on January 5, 2018, BFF Ventures advised that it was no longer involved with Zomongo TV and would not be responding to further communications unless requested by Zomongo TV.
- 117 Despite repeated follow-up correspondence to Zomongo TV and TCA, on January 8, 2018 and January 9, 2018, no response was received from Zomongo TV nor TCA. A copy of the initial email sent by A&B on January 5, 2018 and the follow-up correspondence with respect to same is attached hereto as **Appendix “49”**.
- 118 Given the lack of response from any of the above parties, the Receiver sought to obtain further information concerning the status of Zomongo TV through the Examinations.
- 119 At the outset of Froese's examination, his counsel advised the Receiver that, due to an error, documentation in Frontline's possession concerning the Zomongo entities had not been disclosed. Such documents were not disclosed to the Receiver until June 6, 2018, and the Receiver reserved its right to re-examine Froese as a result of the omitted disclosure.
- 120 Froese testified that Frontline had brokers that "*would refer deals*" to Frontline, referring to how Frontline would source prospective Merchants for the Factoring and Hedge Funds. While Froese could not provide particulars, he testified that these brokers were paid fees. In some instances, mortgages were registered on their properties as security, with the mortgagor receiving payments in exchange for such security.
- 121 At paragraphs 137 to 139 of the Second Report, the Receiver had indicated that it was unclear how the DenHollanders were involved with Zomongo Inc. and Zomongo TV, or why they provided the DenHollander Personal Guarantees and the DenHollander Mortgage on their residence to secure the obligations owing by Zomongo Inc. to the Factoring Fund. Froese testified during his examination that DenHollander was paid a monthly fee from Frontline in exchange for providing the DenHollander Mortgage. Froese testified that Zomongo paid Frontline the monthly fee amounts, and that Frontline in turn paid such amounts to DenHollander.
- 122 With respect to Zomongo TV, Froese testified that he was introduced to Zomongo TV by an individual named Jeff Wilkie ("**Wilkie**"), and that Wilkie had been introduced to Froese by Bob Maljaars. Froese testified that Wilkie or a company of his was paid a referral fee

of \$3,000 per month until November 2017 for having referred Zomongo to Frontline. When asked how Wilkie knew of Zomongo, Froese testified that he did not know.

123 Wilkie appears to represent yet a further link amongst four of the seven Factoring Contract Merchants (156 Alberta, Dome Mountain, 647 BC, and Zomongo TV), as Froese testified that:

- a) it was Wilkie who had introduced Bob Maljaars and DenHollander to McBean, who in turn introduced McBean to Froese and Housego;
- b) Wilkie, to Froese's recollection, attended at a meeting in Calgary with McBean concerning the Dome Mountain financing along with Housego, McBean, Bob Maljaars, and DenHollander;
- c) Froese later discovered that Wilkie was a shareholder of Zomongo TV; and
- d) Wilkie was the owner of GIC Capital Corp., a Debtor of certain Purchased Invoices issued by 647 BC. When asked what the business of GIC Capital was, Froese testified that he did not remember, and could not remember why he recommended that the Factoring Fund factor Purchased Invoices issued to GIC Capital, but that the intention was that they would be repaid from financing raised by McBean, which financing never occurred but was intended to repay the Purchased Invoices issued by 156 Alberta, 647 BC, and later, by Dome Mountain.

124 When questioned as to whether Froese was aware of whether Zomongo TV would repay the indebtedness owing by it to the Factoring Fund and Hedge Fund, Froese stated that Jeremy Ostrowski, the principal of Zomongo TV, had indicated that he plans to take Zomongo TV public to raise funds.

125 Froese further testified that Ostrowski advised him that his lawyers – whom Froese believed to be Gowling - had instructed Zomongo TV and Ostrowski to ignore the Receiver.

Receiver's Next Steps

126 As mentioned, on June 6, 2018, Froese produced to the Receiver certain supplementary documentation (the "**Froese Supplementary Productions**") concerning the Zomongo entities. This documentation included a document dated December 23, 2016 and entitled

“Agreement to Transfer Assets and Receivables” (the “**Agreement to Transfer Assets and Receivables**”) which was executed by Zomongo Inc., Zomongo TV, and Zomongo.TV Holdings Corp. (“**Zomongo TV Holdings**”), and which appears to purport to transfer the Zomongo TV Balance owing to the Factoring and Hedge Fund, and the ownership of the Purchased Invoices giving rise to the Zomongo TV Balance, to Zomongo TV Holdings. The Agreement to Transfer Assets and Receivables is attached hereto as **Appendix “50”**.

- 127 Consistent with the Agreement to Transfer Assets and Receivables, the Froese Supplementary Productions also included: (i) a Factoring Agreement dated December 28, 2016 as between Zomongo TV Holdings and the Factoring Fund; and (ii) a personal guarantee dated December 28, 2016 from each of Jeremy Ostrowski and Jocelyn Hughes-Ostrowski guaranteeing the debt owing by Zomongo TV Holdings to the Factoring Fund. The Froese Supplementary Productions also included the General Security Agreement dated January 25, 2017 from Zomongo TV Holdings in favour of the Hedge Fund and the Guarantee and Postponement of Claim dated January 25, 2017 which was provided by Zomongo TV Holdings in favour of the Hedge Fund, as referenced in paragraph 117 of the Second Report.
- 128 In other words, it appears to the Receiver that in exchange for the Factoring Fund’s agreement to execute the Zomongo TV Subordination Agreement, an effort was made to shift the liability for the Zomongo TV Balance from Zomongo TV to Zomongo TV Holdings, the latter of whom was not party to the TCA Loan Agreement between Zomongo TV (and its related entities) and TCA. In an email sent on January 10, 2017 by Gowling, the lawyers for the Zomongo Group of Companies, to Jonathan Dyck of Miller Thomson, the lawyer for the Company prior to the Receiver’s appointment, Gowling indicated, in an apparent effort to have the Company execute the Zomongo TV Subordination Agreement, “we have been advised by [Zomongo] that market value of the additional security [provided to the Company by Zomongo TV Holdings] is \$4,065,550. This email is attached hereto as **Appendix “51”**.
- 129 The Company thereafter executed the Zomongo TV Subordination Agreement.
- 130 The Receiver is further investigating Zomongo TV Holdings in light of these developments.

Advanced Metal

- 131 As outlined in the Second Report, the Factoring Fund entered into a Factoring Agreement with Advanced Metal dated September 21, 2015 for the purchase of a list of approved receivables from Advanced Metal up to a maximum of \$600,000 (the "**Advanced Metal Factoring Agreement**"). The Factoring Fund also entered into a security agreement with Advanced Metal dated September 15, 2015 which granted the Factoring Fund a general continuing security interest over all present and after acquired undertaking, property and assets of Advanced Metal on a first secured basis (the "**Advanced Metal Security Agreement**").
- 132 In addition to the Advanced Metal Security Agreement, the Factoring Fund has a limited personal guarantee from certain principals of Advanced Metal, being Jason Johansen ("**Johansen**") (previously the President of Advanced Metal) and Jason Parks ("**Parks**"), as well as from Kareem Louisy, Motola Omobamidum, and Vikas Arora (the foregoing five individuals being collectively referred to as the "**Advanced Metal Personal Guarantors**"). The latter three individuals are shareholders of Lotus Environmental Inc. ("**Lotus**"), one of Advanced Metal's major customers whose invoices Advanced Metal was factoring under the Advanced Metal Factoring Agreement (the foregoing personal guarantees being collectively referred to as the "**Advanced Metal Personal Guarantees**").
- 133 Each of the Advanced Metal Personal Guarantees provided by the Lotus shareholders provides that the liability of the Advanced Metal Personal Guarantors was to be secured and limited by mortgage security registered on the personal residences of the respective guarantors. The Receiver conducted searches of the properties listed in those Advanced Metal Personal Guarantees, and confirmed that neither the Factoring Fund (nor any Crystal Wealth entity) has a mortgage registered on the properties. With the exception of one property owned by Vikas Arora, nor are the registered owners of any of the properties the Lotus shareholders' Advanced Metal Personal Guarantors, although in one instance, it appears that family members related to Kareem Louisy – which family members did not provide a personal guarantee – are the registered owner of a property referenced in Kareem Louisy's Advanced Metal Personal Guarantee as 151 Scenic Way, NW, Calgary.
- 134 On December 16, 2016, the Factoring Fund executed a postponement and subordination of security interest agreement (the "**Advanced Metal Subordination Agreement**"). The

Advanced Metal Subordination Agreement purportedly resulted in the Factoring Fund becoming a subordinated creditor to the Bank of Montreal (i.e. giving up its first position security to the Bank of Montreal).

- 135 Pursuant to the table in paragraph 82 above, as at October 27, 2018, the total indebtedness owed to the Factoring Fund from Advanced Metal was \$1,504,340 (the "**Advanced Metal Indebtedness**"), consisting of principal and interest of \$1,256,311 and \$248,029, respectively.

Update Subsequent to the Second Report

- 136 On January 8, 2018, pursuant to the December 11 2017 Order, the Receiver received \$53,094 of the Advanced Metal Payments (\$138,044) received by Frontline, as described at paragraph 195 of the Second Report.
- 137 On February 3, 2018, A&B sent an email to Johansen requesting that a call be conducted with the Receiver and its counsel on February 5, 2018 or February 6, 2018. Neither the Receiver nor A&B received a response from Johansen.
- 138 On February 20, 2018, the Receiver received an email from Frontline (the "**February 2018 Frontline Email**") stating he was contacted by Dave Mullen ("**Mullen**"), a representative of Advanced Metal, and that:

"Advanced Metals is insolvent. The information that they have been providing has not been accurate. All the potential projects do not seem to be valid, tanks that they provided pictures of are taken as security by another company, and equipment that they have provided to Frontline to try to get a lease is not owned by Advanced Metals. Jason Johansen has been removed from the company and Dave Mullen is looking at taking over..."

Furthermore Frontline stated that he was further contacted by Ron Burke ("**Burke**"), the contracted accountant for Mullen, who advised, among other things, that:

"the previously prepared financial statements had false information in them and have been recalled."

- 139 On March 2, 2018, after receiving certain without prejudice correspondence from Mullen, the Receiver and Mullen agreed to a meeting at the Receiver's offices on March 5, 2018.

On March 4, 2018, Mullen advised the Receiver that he would be unable to attend the scheduled meeting and that he would propose a revised date in due course.

- 140 On March 5, 2018, Froese's counsel provided the Receiver with the following information:
- a) numerous pictures of items located at Advanced Metal's premises;
 - b) an accounts receivable subledger for Advanced Metal as at February 23, 2018 showing outstanding accounts receivable of approximately \$530,000;
 - c) an electronic printout of Advanced Metal's line of credit balance with the Bank of Montreal which outlined a balance of \$986,737 as at February 22, 2018;
 - d) a letter from the CRA dated December 15, 2017 stating that unremitted source deductions of \$668,238 remained outstanding; and
 - e) a summary listing of equipment and machinery with limited details of same.

The Receiver has confirmed that a writ of enforcement was filed on February 15, 2017 in favour of Her Majesty the Queen in Right of Canada in the amount of \$641,351.40.

- 141 On March 21, 2018, Mullen contacted the Receiver and requested that a call be convened. On March 26, 2018, the Receiver and Mullen conducted a call whereby the Receiver reiterated its previous communication to Frontline; that, prior to considering any offer, the Receiver required a complete set of externally and/or internally prepared financial statements for the past two (2) years and a complete list of Advanced Metal's assets and liabilities. In addition, the Receiver expressed its concern as to why Advanced Metal was paying unsecured creditors ahead of the Advanced Metal Indebtedness.
- 142 On April 23, 2018 and April 24, 2018, Burke requested that the Receiver provide a list of information required to evaluate a potential settlement offer.
- 143 On April 24, 2018, the Receiver reiterated the instructions provided to Mullen on its call with him on March 26, 2018 to provide certain information (as noted in paragraph 141 above). A copy of the Receiver's correspondence with Burke is attached hereto as **Appendix "52"**. None of the information requested of Burke and Mullen has been provided to the Receiver as at the date of this Fourth Report.

- * 144 On June 16, 2018, Mullen sent an email to the Receiver which, among other things, stated that KPMG had been engaged to evaluate Advanced Metal (and its affiliated entities) and had prepared a report (the “**KPMG Report**”) that could be made available to the Receiver. The Receiver requested that the KPMG Report be provided to the Receiver for its review. On June 29, 2018, the Receiver was provided with a copy of the KPMG Report.

- * 145 On July 4, 2018, the Receiver put forth certain questions to KPMG, Mullen and Burke regarding the contents of the KPMG Report. KPMG indicated it would provide responses to the Receiver’s questions in due course. On July 13, 2018, KPMG responded to the Receiver’s questions, which response the Receiver is currently reviewing and assessing.

Examination of Froese

- * 146 Froese testified that Advanced Metal was Frontline’s first customer upon starting its business and that Froese was introduced to the factoring industry by Johansen, who was Froese’s point of contact at Advanced Metal. Froese further indicated that the Advanced Metal arrangement with the Factoring Fund was entered into when Johansen approached Froese about Advanced Metal’s need for financing to complete a large project with its major customer, Lotus.

- * 147 It also appears that Froese performed little to no due diligence on the value of the Advanced Metal Personal Guarantees (i.e. whether the underlying individuals giving the guarantees had the assets to fulfill same), as when he was asked during his examination “what due diligence did you do to see what, if any, ability there was to recover from [the Advanced Metal Personal Guarantors]”, Froese responded “*personal guarantees was more so to protect from fraudulent behaviour. It wasn’t meant as an avenue to...as...it wasn’t meant as an avenue to pursue as much as it was that they were going to...it would prevent people from doing fraud. I mean, if they were going to do fraud they...I mean, we had an avenue to make them pay for it*”. As indicated, it does not appear that mortgages were obtained from the Lotus shareholders as security for their Advanced Metal Personal Guarantees.

Restoration Energy

- 148 Information concerning the Restoration Energy Factoring Arrangements, and the Receiver’s enforcement efforts up to November 24, 2017, was detailed in paragraphs 152

to 179 of the Second Report, a summary of which is provided immediately below for ease of reference.

- 149 As noted in the Second Report, on behalf of the Receiver, A&B issued a demand letter to Restoration Energy on November 7, 2017, and a subsequent demand letter to 131 Alberta on November 13, 2017, each of which enclosed a NITES delivered pursuant to subsection 244(1) of the BIA. A&B also issued demand letters to each of the guarantors, DDI Distribution Corp. and Dionne Design Inc., pursuant to the Additional Restoration Guarantees on November 14, 2017.

Updates Subsequent to the Second Report

- 150 On December 12, 2017, Yvonne Martin-Morrison ("Martin-Morrison"), the principal of Restoration Energy, delivered to the Receiver a letter dated December 10, 2017 (the "**Martin-Morrison December 2017 Letter**") acknowledging the demand letters issued by the Receiver on November 7, 2017 and November 13, 2017 outlined above. In addition, the Martin-Morrison December 2017 Letter, among other things, stated that:
- a) the product sold under the Restoration Energy Purchased Invoices was never delivered to the customers as there were issues identified with the product whereby re-engineering was required;
 - b) Restoration Energy was not in a position to repay the Restoration Energy Balance (\$2,072,291 as at October 26, 2017) as it currently had no available funding;
 - c) Restoration Energy had no physical assets that can be realized upon nor does it have any intellectual property or patents available to be sold;
 - d) Martin-Morrison was not in a position to repay the Restoration Energy Balance as she had no assets or available cash to settle same; and
 - e) Martin-Morrison's personal finances were in terrible shape and as a result, she was required to file a consumer proposal under the BIA in Alberta.

A copy of the Martin-Morrison December 2017 Letter is attached hereto as **Appendix "53"**.

- 151 On December 14, 2017, A&B advised Martin-Morrison that before the Receiver could consider whether it should forbear on proceeding with enforcement steps, it required certain supporting documentation including: (i) financial statements for Restoration Energy; (ii) materials regarding the consumer proposal filed; and (iii) any and all materials and correspondence with respect to the Convertible Restoration Debenture.
- 152 On December 20, 2017, Martin-Morrison provided draft unaudited financial statements for Restoration Energy for the year ending August 31, 2016 (the “**REI Financials**”) and various prescribed BIA forms demonstrating that a consumer proposal was made by Martin-Morrison and her husband on August 24, 2015 (the “**Consumer Proposal Documents**”). The REI Financials and the Consumer Proposal Documents are attached hereto as **Appendix “54”** and **“55”**, respectively.
- 153 On January 10, 2018, the Receiver and A&B attended a call with Martin-Morrison. On the call, Martin-Morrison reiterated that neither she nor Restoration Energy was able to repay the Restoration Energy Balance and that the only way that a full repayment could occur would be to convert the debt into an equity position in REI. Martin-Morrison advised that the only way the “fuel generator” could be re-engineered was to obtain additional financing and that such financing could be obtained through federal and provincial grants (the “**Grant Funding**”). However, Martin-Morrison stated that such financing could only be obtained once the Restoration Energy Balance was converted via the Convertible Restoration Debenture. When asked, Martin-Morrison indicated the re-engineering process would be lengthy in that it would likely take 3 to 4 years to complete.
- 154 Upon conclusion of the call, the Receiver requested that certain additional information be provided to allow the Receiver to better evaluate the viability of the project and, more specifically, the likelihood of REI receiving any Grant Funding. Between January 28, 2018 and February 26, 2018, Martin-Morrison provided certain information to the Receiver in response.
- 155 Included in the information was an internally prepared balance sheet of Restoration Energy as at January 31, 2018 (the “**REI January 2018 Balance Sheet**”). The REI January 2018 Balance Sheet reflected that the total assets of Restoration Energy amount to a book value of \$58,884, comprised of:
- a) property and equipment – \$44,428;

- b) inventory – \$13,605;
- c) cash – \$805; and
- d) GST receivable – \$46.

A copy of the REI January 2018 Balance Sheet is attached hereto as **Appendix “56”**.

- 156 On June 25, 2018, A&B sent an email to Martin-Morrison inquiring as to the status of the intellectual property owned by any of Restoration Energy, or the guarantors pursuant to the Additional Restoration Guarantees, being Dionne Design Inc. (“**DDI**”) and DDI Distribution Corp (“**DDI Corp**”). In response, via email, Martin-Morrison advised the Receiver that Restoration Energy does not own any intellectual property as no value has been created by it up to this point that would qualify as intellectual property. With respect to intellectual property held by DDI and DDI Corp, Martin-Morrison could not provide a response. A copy of the correspondence sent by the Receiver on June 25, 2018 and Martin-Morrison’s response to same is attached hereto as **Appendix “57”**.
- 157 The Receiver is evaluating its options in light of Martin-Morrison’s response that Restoration Energy does not hold any intellectual property, which contradicts a September 30, 2016 engagement letter disclosed by Froese to the Receiver following his Examination pursuant to which Miller Thomson LLP wrote to Martin-Morrison confirming “that Restoration Energy Inc. has engaged our firm, Miller Thomson LLP, for Intellectual Property legal services...and will continue to advise Restoration on their valuable patentable technology”. The September 30, 2016 engagement letter sent by Miller Thomson LLP to Restoration Energy is attached hereto as **Appendix “58”**.

Update on DDI and DDI Corp Corporate Guarantees

- 158 After obtaining the updated contact information for Deborah Dionne (“**Dionne**”), the principal of DDI and DDI Corp, from Martin-Morrison, A&B, on February 20, 2018, successfully delivered the Additional Restoration Guarantor Demands to DDI and DDI Corp. A copy of the DDI Corporate Guarantees are collectively attached hereto as **Appendix “59”**.
- 159 In response, Dionne claimed that: (i) she and her husband filed for bankruptcy in 2014 and as a result DDI and DDI Corp were seized by the trustee in bankruptcy; (ii) DDI Corp

and DDI also filed for bankruptcy; and (iii) she had never seen nor had she ever signed guarantees for Restoration Energy on behalf of DDI or DDI Corp.

- 160 In subsequent correspondence, A&B directed Dionne to the fact that the signatures in the DDI Corporate Guarantees were notarized by a notary, Shannon Wilson ("Wilson") of Shea Nerland LLP, and that the purpose of the notarization was to verify that the person signing the DDI Corporate Guarantees was in fact Dionne. Upon subsequent correspondence, Dionne insisted that the Additional Restoration Guarantees executed by DDI and DDI Corp (together, the "**DDI Corporate Guarantees**") were never delivered to her nor were they executed by her.
- 161 On February 23, 2018, A&B contacted the trustee in bankruptcy, Hudson Inc., provided by Dionne. Hudson Inc. confirmed that Dionne filed for personal bankruptcy on May 15, 2014, however, they had no record of acting in any capacity for DDI Corp and DDI. A&B also performed bankruptcy searches on DDI Corp and DDI which confirmed that neither company had filed for bankruptcy.
- 162 Also on February 23, 2018, A&B sent correspondence to Dionne indicating that it had received confirmation from Hudson Inc. that she had personally filed for bankruptcy, however, that neither DDI Corp nor DDI had filed for bankruptcy. In response, Dionne insisted that she had not executed the DDI Corporate Guarantees and requested that she be provided with the individual's name who provided same to the Receiver. A&B advised Dionne that Darren Smits ("Smits"), at that time of Miller Thomson LLP in Calgary, Alberta (now of Regent Law Professional Corporation), had provided the DDI Corporate Guarantees to the Receiver and that Wilson was counsel to the specific transaction. A&B further requested that the Receiver be included on all future correspondence between Smits and Dionne.
- 163 The complete correspondence between the A&B and Dionne is collectively attached hereto as **Appendix "60"**.

Froese Examination

- 164 Froese testified during his examination that the potential investment in Restoration Energy through a Factoring Agreement was initially put forth by Smits, who is Frontline's lawyer, and was also the lawyer to Restoration Energy, which Smits confirmed to the Receiver.

Recently, the Receiver learned that Smits has left Miller Thomson LLP, and is now practicing at Regent Law Professional Corporation in Calgary.

- 165 Froese testified that it was Smits who “*brought in*” Martin-Morrison to run Restoration Energy.
- 166 Froese stated that, prior to entering into the Restoration Energy Factoring Agreements, Smits had indicated that Restoration Energy “[was] going to be a billion dollar company” and asked if Froese would like to engage in providing a factoring facility. In addition, Froese testified that Smits was interested in participating in the arrangement by providing mortgage security through a company in which he invested, 131 Alberta⁵, which would provide 131 Alberta with cash flow by receiving monthly payments in exchange for the mortgage; it was Froese’s understanding that 131 Alberta required funding. In exchange for providing the mortgage security, Frontline paid 131 Alberta 1% of the balance outstanding per month as payment, based on the amounts earned by Frontline from the Company on the advances made to Restoration Energy.
- 167 Froese confirmed during his examination that he did not obtain an up-to-date appraisal or information concerning the value or status of the 131 Alberta Property, which the Receiver noted at paragraphs 155 to 158 of the Second Report appears to have limited equity to satisfy the Collateral Mortgage provided by 131 Alberta. Froese indicated during his examination that he received an updated appraisal “*just a couple of days ago*”, but that undertaking, along with the majority of undertakings given during Froese’s examination, has yet to be answered.
- 168 Following his examination, Froese provided the Receiver with the Froese Supplementary Productions, which included an email from Smith to Froese and Housego dated March 24, 2017, attached hereto as **Appendix “61”**. In the email, Smith notes that he had just gotten off the phone with Jonathan Dyck, a lawyer at Miller Thomson LLP and counsel to the Company, who had spoken with Smits, and that Smits:

“agreed there was a conflict issue on his end because of his personal involvement in the companies and they are going to farm out the legal work to another law firm”.

⁵ The Receiver noted at paragraph 159 of the Second Report that Smits had provided personal guarantees to support the obligations of 131 Alberta under its senior mortgages in respect of the Pine Lake Lands.

- 169 The Factoring Fund is the only secured party of Restoration Energy under the PPSA. There are no Canadian Intellectual Property Office ("CIPO") registrations against Restoration Energy. While the Factoring Agreements entered into by REI specifically indicate that intellectual property is included in the collateral, it is unclear as to what, if any, intellectual property actually exists (and if it exists, what value it has, if any).

Single Source

- 170 As indicated in paragraphs 180 to 183 of the Second Report, the Factoring Fund entered into a Factoring Agreement with Single Source dated August 9, 2016 (the "**Single Source Factoring Agreement**") and also entered into a security agreement with Single Source dated August 9, 2016 granting the Factoring Fund a general continuing security interest over all present and future property and assets of Single Source (the "**Single Source Security Agreement**"). In addition, Tanya McCrary-Singh ("**McCrary-Singh**"), the Chief Financial Officer of Single Source, provided a personal guarantee (the "**McCrary-Singh Guarantee**") in favour of the Factoring Fund dated August 9, 2016, guaranteeing the obligations of Single Source to the Factoring Fund.
- 171 By letter dated November 22, 2017 (the "**Single Source Demand Letter**"), the Receiver demanded immediate payment from Single Source pursuant to the Single Source Factoring Agreement. As at October 26, 2017, principal was outstanding under a single invoice factored by the Factoring Fund from Single Source in the sum of \$93,985, with accrued interest owing of \$20,206. The Receiver confirmed that the letter was successfully delivered to McCrary-Singh on behalf of Single Source.

Updates Subsequent to the Second Report

- 172 On November 29, 2017, A&B, on behalf of the Receiver, issued a default and demand letter to Single Source (the "**Single Source Default and Demand Letter**") : (i) advising Single Source of its failure to remit payment as demanded in the Single Source Demand Letter: and (ii) making formal demand on the entire indebtedness outstanding, as at November 17, 2017, under the Single Source Factoring Agreement, and enclosing a NITES pursuant to the BIA. A copy of the Single Source Default and Demand Letter is attached hereto as **Appendix "62"**.
- 173 A demand letter was also issued to McCrary-Singh dated November 29, 2017, in her personal capacity as guarantor of the indebtedness under the Single Source Factoring

Agreement (the “**McCrary-Singh Demand Letter**”). A copy of the McCrary-Singh Demand Letter is attached hereto as **Appendix “63”**.

- 174 The Receiver and its counsel have made multiple requests that a call be convened between Single Source, the Receiver, and A&B to discuss the current status of Single Source and its business. As at the date of this Fourth Report, neither the Receiver nor A&B has received any response from McCrary-Singh or Single Source.
- 175 Pursuant to the table in paragraph 82 above, as at October 27, 2018, the total indebtedness owed to the Factoring Fund from Single Source was \$114,191 (the “**Single Source Indebtedness**”) consisting of principal and interest of \$93,985 and \$20,206, respectively.

GOLD LOANS

- 176 The Factoring Fund, Hedge Fund, and Bullion Fund are parties to a total of 11 Gold Loans consisting of: (i) four (4) Gold Certificate Subscription Agreements (the “**Subscription Agreements**”)⁶ with Onstar Exploration Ltd. (“**Onstar**”) and; (ii) seven (7) Gold Sale / Purchase Agreements (the “**Settlement Loans**”)⁷ with three (3) entities, 611802 B.C. Ltd. (“**611 BC**”), Inca One Gold Corp. (“**Inca**”), and Solid Holdings Ltd. (“**Solid Holdings**”), as follows:
- a) **Factoring Fund** – five (5) Gold Loans with a Recorded Value of \$2,207,280 and US \$3,552,684 consisting of:
- i) three (3) Subscription Agreements with Onstar dated August 12, 2016, November 27, 2016, and September 25, 2016 for a total of 3,800 ounces of Gold;
 - ii) one (1) Settlement Loan with Solid Holdings (the “**Solid Holdings Loan**”) expiring February 13, 2017 whereby \$300,306 was advanced to Solid Holdings; and

⁶ Under the Subscription Agreements, the Factoring Fund and the Hedge Fund purchased gold certificates for certain multiples of 1,000 ounces of Gold per certificate (the “**Gold Certificates**”) which cumulatively totaled 4,000 ounces of Gold.

⁷ Under the Settlement Loans, the agreement is completed either through: (i) the delivery of the Gold; or (ii) a cash settlement.

- iii) one (1) Settlement Loan with 611 BC expiring February 2, 2018 whereby \$500,405 was advanced to 611 (the “**611/Factoring Loan**”).
- b) **Bullion Fund** – two (2) Gold Loans with a Recorded Value of \$763,006 consisting of:
- i) one (1) Settlement Loan with Inca consisting of three tranches of funding – expiring January 1, 2017, April 1, 2017, and June 1, 2017 whereby \$584,533 was advanced under same (the “**Inca 1 Loan**”); and
 - ii) one (1) Settlement Loan with 611 BC expiring on November 28, 2017 whereby \$124,657 was advanced to 611 BC (the “**611/Bullion Loan**”).
- c) **Hedge Fund** – four (4) Gold Loans with a Recorded Value of \$896,367 and US \$251,766 consisting of:
- i) one (1) Subscription Agreement with Onstar dated September 25, 2016 for a total of 200 ounces of Gold;
 - ii) two (2) Settlement Loans with 611 BC, one (1) expiring November 28, 2017 and one (1) expiring January 16, 2018 whereby a total of \$409,995 was advanced to 611 (collectively the “**611/Hedge Loans**”); and
 - iii) one (1) Settlement Loan with Inca expiring on December 1, 2017 (the “**Inca 2 Loan**”, and together, the “**Inca Loans**”) whereby the Hedge Fund advanced \$354,895 to Inca.

- 177 As outlined in the Second Report, the Subscription Agreements and the Settlement Loans are, in substance, term loans to Onstar, 611 BC, Inca, and Solid Holdings (collectively, the “**Gold Sellers**”) and are therefore referred to as the “**Gold Loans**”. The Gold Loans are to be repaid upon maturity in either Gold or cash.
- 178 As outlined in the Second Report, under the Gold Loans, the Crystal Wealth Funds are unsecured creditors. The Receiver has concerns over the ultimate collectability of the Gold Loans. As at the date of this Fourth Report, the Crystal Wealth Funds have not received any repayment (in Gold or cash) for any of the Gold Loans.

Solid Holdings

- 179 As outlined in the Second Report, Stan Spletzer ("Spletzer"), the principal of Solid Holdings, indicated that Solid Holdings was experiencing financial difficulties and as a result, the Receiver requested certain information to verify such claims which had not been delivered as at the date of the Second Report.

Updates Subsequent to the Second Report

- 180 On December 7, 2017, in response to being served with the Receiver's motion record containing the Second Report, Spletzer sent an email to A&B that, among other things, stated that he would have the complete amount to repay the principal and interest under the Solid Holdings Loan. A copy of the correspondence from Spletzer, and A&B's response, is attached hereto as **Appendix "64"**.
- 181 The December 11 2017 Order subsequently obtained by the Receiver required that Spletzer provide to the Receiver information previously sought from him but which remained outstanding. On December 13, 2017, the Receiver sent an email to Spletzer inquiring as to when the information originally requested on October 30, 2017 would be provided.
- 182 On December 27, 2017, Spletzer delivered to the Receiver an email, a copy of which is attached hereto as **Appendix "65"** (the "**December 27 Spletzer Email**"), that included various pictures of equipment and other items; however, the email provided no indication as to whether such equipment/items were owned by Spletzer or Solid Holdings. The December 27 Spletzer Email also included a letter addressed to the Receiver dated December 27, 2017 (the "**First Spletzer Letter**"). The First Spletzer Letter was an incoherent document that included a number of what seemed like unrelated and unsubstantiated claims and conspiracy theories, including but not limited to the following:

"Fraudulent certificates were apparently manufactured and presented to Crystal Wealth, and approximately 4-5 million dollars was paid out based on Mr. Lopehandia's Juneau gold, and my Juneau report, without our consent or authority to do so. Crystal wealth owes Mr. Jorge Lopehandia 4-5 million dollars. Crystal Wealth gave money to the fraudsters without doing there [sic] due diligence."

"The receiver is over reaching with non-applicable requests for certain information. ...My silence to Grant Thornton does not mean I am "hiding something" as the good Judge has indicated, rather it indicates CAUTION as it opens a huge can of worms, as you soon will see."

The First Spletzer Letter also made reference to Jorge Lopehandia ("Lopehandia"), who Spletzer claimed was his business associate and partner. In conclusion, Spletzer advised that he wished to cancel the Solid Holdings Loan. A copy of the First Spletzer Letter is attached hereto as **Appendix "66"**.

- 183 In addition to the First Spletzer Letter, the December 27 Spletzer Email included a second undated letter addressed to Spletzer from Lopehandia (the "**First Lopehandia Letter**"). The First Lopehandia Letter was even more incoherent than the First Spletzer Letter whereby it also made various accusations against individuals and companies with no relation to the Crystal Wealth Group and laid out even further conspiracy theories involving the Receiver, the Crystal Wealth Group, Housego, the BSCS, and the OSC. The First Lopehandia Letter is attached hereto as **Appendix "67"**.
- 184 In response, the Receiver delivered to Spletzer a letter dated January 8, 2018 (the "**Receiver's Response to the First Spletzer Letter**") that, among other things:
 - a) notified Spletzer of his failure to provide the Receiver with the information requested on October 30, 2017 and demanded that the information be provided immediately;
 - b) outlined that the failure to provide the information requested was in contravention of the December 11 2017 Order, and specifically paragraphs 11 and 12 thereof; and
 - c) advised Spletzer of Solid Holdings' outstanding obligation as at December 13, 2017 (\$367,676) should it wish to terminate the Solid Holdings Loan.

A copy of the Receiver's Response to the First Spletzer Letter, without enclosures, is attached hereto as **Appendix "68"**.

- 185 On January 25, 2018, the Receiver received a second letter from Spletzer dated January 25, 2018 addressed to the Receiver and the Honourable Justice Myers who had issued the December 11, 2017 Order (the "**Second Spletzer Letter**"). Similar to the First Spletzer Letter and First Lopehandia Letter, the Second Spletzer Letter presented an incoherent

rambling of various accusations against various parties. Among other items, the Second Spletzer Letter stated that:

- a) the Gold properties owned by Lopehandia and Spletzer were worth billions and millions of dollars respectively;
- b) the amount owing under the Solid Holdings Loan:

"is a result of foul play that shorted us of money (approx. \$4.500.000) that would have been paid to us by Crystal Wealth...yet was paid to other parties instead, who used unauthorized incomplete gold certificates based on [Lopehandia's] Gold in Juneau Alaska"

- c) as of November 20, 2017, Lopehandia and Spletzer had received more than sufficient funds to pay the Solid Holdings Loan; and
- d) the Receiver, A&B, the OSC, the BCSC, and Barrick Gold were somehow in a collectively conspiracy to deceive and "thieve" Lopehandia and Spletzer.

A copy of the Second Spletzer Letter is attached hereto as **Appendix "69"**.

- 186 On February 15, 2018, upon expiry of the Solid Holdings Loan (i.e. February 13, 2018), the Receiver sent an email to Spletzer advising him that the Solid Holdings Loan had matured and requested that Spletzer put forth a proposal to repay the amount owing under the Solid Holdings Loan. The Receiver did not entertain the various incoherent accusations and statements contained in the Second Spletzer Letter.
- 187 On April 16, 2018, after not hearing a response from Spletzer, A&B, on behalf of the Receiver, delivered to Spletzer a demand letter (the "**Solid Holdings Demand Letter**") that, among other things, demanded the amount owed by Solid Holdings to the Factoring Fund as at April 15, 2018 (\$422,173) be remitted to the Receiver on or before April 30, 2018. A copy of the Solid Holdings Demand Letter, without enclosures, is attached hereto as **Appendix "70"**.
- 188 On April 30, 2018, Spletzer delivered to A&B a third nonsensical letter (the "**Third Spletzer Letter**") containing yet additional accusations against various parties, including baseless accusations against the Receiver. A copy of the Third Spletzer Letter is attached hereto

as **Appendix "71"**. In response to the Third Spletzer Letter, the Receiver requested that a conference call be convened between Lopehandia, Spletzer, A&B, and the Receiver.

- 189 On May 2, 2018, the Receiver, A&B, Lopehandia, and Spletzer convened for a conference call to discuss the status of the repayment of the Solid Holdings Loan. During the call, Spletzer and Lopehandia failed to provide any repayment proposal, while reiterating many of the incoherent statements contained in the prior correspondence delivered. Due to its unproductive nature, the Receiver ended the call. Subsequent to the call, A&B, on behalf of the Receiver, sent correspondence, attached hereto as **Appendix "72"**, to Spletzer and Lopehandia recapping the conference call, and specifically, that:
- a) Spletzer and Lopehandia acknowledged the indebtedness owing under the Solid Holdings Loan and that they have refused to make payment of same to the Receiver on the basis that they have a claim against the Crystal Wealth Group; and
 - b) no claims were submitted by Solid Holdings., or by any entities with which Lopehandia or Spletzer were affiliated with, as was required by the Creditor Claims Procedure Order and as such, any such claim, if it exists, is barred.
- 190 On June 1, 2018, Spletzer delivered a further nonsensical letter, a copy of which is attached hereto as **Appendix "73"**, and which advised that Solid Holdings would not be remitting payment for the Solid Holdings Loan.

Onstar

- 191 As outlined in the Second Report, in response to the Onstar Default Letter, Onstar advised the Receiver that it would honour the Subscription Agreements and Gold Certificates. Onstar advised that it was completing separate funding to fulfill the requirements of the Gold Certificates and that such funding would be in place in the month of November to early December 2017.

Updates Subsequent to the Second Report

- 192 On February 14, 2018, and June 22, 2018, the Receiver sent follow-up correspondence to Braun inquiring as to when the Receiver should expect to receive the first payment(s) with respect to the Subscription Agreements. The Receiver also requested the most recent financial statements of Onstar.

- 193 On July 5, 2018, Braun emailed the Receiver indicating that he believed Onstar could honour a cash payment. Braun requested that the Receiver send to him an email of its expected cash payout amount.
- 194 On July 6, 2018, the Receiver responded to Braun reiterating that the Receiver requires delivery of funds equivalent to the spot price of the gold required to be delivered in accordance with the Subscription Agreements.
- 195 As at the date of this Fourth Report, Onstar has not advised the Receiver if the additional funding as described above was obtained by Onstar and when the payments to the Receiver will commence.

Examination of Housego

- 196 During the Receiver's examination of Housego, Housego confirmed that his introduction to Braun was through an individual named Taz Farad ("Farad"), a British Columbia real estate agent Housego met in the spring of 2016. Housego advised that subsequent to meeting Farad, Housego became interested in pursuing investments in Gold and related products.
- 197 As outlined in the Second Report, the initial meeting with Braun was held in August 2016, which included a number of other individuals, including Lopehandia. Housego advised that the nature of the meeting was to discuss a tailings deposit in Juneau, Alaska (the "Juneau Mine").
- 198 When pressed for what due diligence was done prior to advancing the funds to Onstar, Housego advised that he was provided with a:

"...43-101 report, another independent geological geologist report, a document that gave Alan Braun authority to make the deal".

None of the above documentation was provided by Housego following his Examination, with the exception of Housego's production of a Technical Report on the Juneau Gold Project dated March 16, 2011 which was prepared by a Consulting Geologist in Surrey, British Columbia.

- 199 When pressed during his Examination as to why USD \$2 million of investor monies was advanced to Onstar a mere four days after meeting Braun, Housego advised that the deal

was "time sensitive". Housego further advised that Braun had advised him of a "European group that was coming in to buy up all of the [Gold Certificates]" and as a result, Housego quickly purchased four (4) Gold Certificates. Housego stated that this seemed like a good opportunity so he wanted to get ahead of it.

- 200 When questioned about the use of the funds advanced to Onstar by the Factoring Fund and Hedge Fund, Housego advised that he was unsure what the funding was used for, but rather, he stated he was:

"under the impression that [the funding] would go towards machinery to develop or run the [Juneau Mine]."

- 201 As outlined above, the Receiver has not received any financial statements nor source and use of fund statements from Onstar or Housego, or any documentation in connection with the current operations, if any, at the Juneau Mine.

Solid Holdings and Onstar Relationship

- 202 As outlined in the Second Report, the Receiver had suspected that there was a correlated involvement and relationship between Solid Holdings and Onstar. During his examination, Housego confirmed that such was true in that Braun, Lopehandia, and Spletzer were involved in the development of the Juneau Mine. Housego testified that Spletzer's role in the Juneau Mine was to perform tests and evaluate the quality of the Juneau Mine. With respect to Lopehandia, Housego advised that Lopehandia had some sort of ownership rights to the Juneau Mine, more specifically, Housego stated that:

"I think Onstar had -- was involved, but I believe Mountainstar Resources had some ownership, and Jorge Lopehandia gave or sold his rights to Mountainstar".

- 203 Furthermore, at question 1110 of Housego's Examination, Housego advised that:

"[Lopehandia and Spletzer] think that Alan Braun defrauded [Crystal Wealth] and didn't have the authority to sell the ounces [in the Subscription Agreements]...because [Lopehandia] didn't sign off on the [Gold Certificates]".

611 BC and Onstar Relationship

- 204 During Housego's Examination, the Receiver inquired as to whether Pinnell received any payments out of the funds advanced to Onstar. In response, Housego stated that Pinnell received a commission of approximately one (1) million dollars which was paid by Onstar to Pinnell from the funds which Onstar received from the Factoring Fund and Hedge Fund.
- 205 The following exchange from the Housego Examination illustrates Housego's view with respect to the Gold Loans and ensuring investors monies advanced to third parties for investments purposes were protected and used to generate returns:

MVZ “*So you meet Alan Braun for the first time in August 2016. Within a week you advance the initial of the 4 million and yet Chuck gets a million of that?*”

AH “*Well, he went in and negotiated with them. The deal was the same for Crystal Wealth. We got the same amount of ounces for the same cost, and then he negotiated that.*”

MVZ “*During that one-week period?*”

AH “*Yeah.*”

MVZ “*And was paid \$1 million for it?*”

AH “*Yeah, I didn't know how much it was at the time. I didn't find out until after.*”

MVZ “*But now you know?*”

AH “*Now I know, yeah. It's a significant amount.*”

611 BC

- 206 As outlined in the Second Report, unlike the other Gold Sellers, 611 BC is a holding company that does not engage in any mining activity directly nor does it hold any assets other than investments and receivables owing from other companies. More specifically,

the advances made by the Factoring Fund, Bullion Fund, and Hedge Fund were advanced as follows:

- a) proceeds obtained from the 611/Bullion Loan and one of the 611/Hedge Loans totaling approximately \$325,325, due on November 28, 2017 (collectively the "**November 28 Gold Loans**"), were advanced to a third party, Placer 1 Mining Inc. ("**Placer 1**"), who entered into agreements with two other parties, Blacksand Gold Inc. ("**BGI**"), and New North Construction Ltd ("**New North**"), for the development of a Gold mine near Mason Creek, British Columbia (known as the "**20 Mile Project**");
- b) proceeds obtained from the second 611/Hedge Loan totaling approximately \$209,327 were advanced to a third party, Petra Capital Corporation ("**Petra**") and its principal, Rob Jupe ("**Jupe**"), for the delivery of Gold from a Gold mine in Columbia (the "**Columbia Mine**"); and
- c) proceeds obtained from the 611/Factoring Loan of \$500,405 were advanced to a third party, Black Gold Exploration and Production LLC ("**Black Gold**") and its principal, Nic Boatright ("**Boatright**"), to develop a revenue interest in certain oil wells located in Louisiana, USA (the "**USA Oil Wells**")

(collectively, the "**611 BC Investments**"). The Columbia Gold Mine and the USA Oil Wells appear to be connected as both 611 BC and Petra entered into agreements with Black Gold and Boatright as well as parties with which Boatright is affiliated.

Updates Subsequent to the Second Report

207 On December 12, 2017, the Receiver received from Pinnell certain requested information with respect to the 611 BC Investments. A summary of the documents provided is included below.

20 Mile Project

208 On November 26, 2016, 611 BC entered into a loan agreement between Placer 1 (as borrower) and an individual, Tom Hughes ("**Hughes**") (as guarantor), dated November 26, 2016 (the "**Placer 1 Loan Agreement**") whereby:

- a) 611 BC agreed to lend Placer 1 \$325,000 for 30 days (the "**Placer 1 Loan**") with an agreed bonus of \$50,000 to be secured personally and guaranteed by Hughes;

- b) \$125,000 of the Placer 1 Loan was to be used for the equipment purchases and setup of a processing plant owned and run by Placer 1 and the principal of same, Brian Walker ("Walker"), located in Richmond, British Columbia (the "Richmond Facility");
- c) \$200,000 of the Placer 1 Loan was to secure a black sand supply agreement with Mike McKone ("McKone"), a miner on the 20 Mile Project; the payments to McKone were as follows:
 - i) \$100,000 upon securing an agreement with McKone; and
 - ii) \$100,000 when black sand concentrate ("Black Sand") of 32 tons or more is delivered to the Richmond Facility;
- d) the first shipment of Black Sand to the Richmond Facility was to occur on or before December 10, 2016 whereby the processing of same by Placer 1 was to be completed by December 12, 2016;
- e) Placer 1 was to deliver cleaned Gold to 611 BC by December 30, 2016, to which the proceeds of the sale of same would satisfy the Placer 1 Loan; and
- f) in the absence of Gold being delivered by December 30, 2016, the Placer 1 Loan was to be paid by Hughes on or before January 28, 2016.

A personal guarantee was executed by Hughes on November 29, 2016 (the "Hughes Personal Guarantee") in favour of 611 BC as required by the Placer 1 Loan Agreement. Pinnell advised the Receiver that Hughes was a business partner of Braun. The Placer 1 Loan Agreement, and the Hughes Personal Guarantee are collectively attached hereto as Appendix "74".

- 209 In addition to the above documents, Pinnell delivered to the Receiver a letter dated December 8, 2017, that addressed the 611/Bullion Loan and one of the 611/Hedge Loans, both of which matured on November 28, 2017 and collectively totaled \$325,000 of funds advanced to 611 BC (the "November 28 Gold Loans"). In the letter Pinnell, among other things:
- a) acknowledged the November 28 Gold Loans were in default;

- b) advised that all efforts to collect the amounts owing under the Placer 1 Loan Agreement from Placer 1 and Hughes had been exhausted as representatives from Placer 1 and Hughes had ceased responding to Pinnell; and
- c) stated that 611 BC does not have the funds to engage counsel to pursue collection of the Placer 1 Loan through legal means.

A copy of the December 8, 2017 letter sent by Pinnell regarding the November 28 Gold Loans is attached hereto as **Appendix "75"**.

- 210 On July 1, 2018, Pinnell sent an email (the "**Pinnell July 1, 2018 Email**") to the Receiver advising, among other things, that "zero progress" had been made to Pinnell's knowledge with the 20 Mile Project. The Pinnell July 1, 2018 Email is attached hereto as **Appendix "76"**.

Columbia Mine

- 211 On September 28, 2016, 611 BC entered into a loan agreement with Petra (the "**Petra Loan Agreement**") whereby 611 BC loaned Petra \$200,000 (the "**Petra Loan**") to: (i) acquire the shares of a Colombian company, Mineros Sistemos Eticos S.A. ("**Mineros**"); and (ii) purchase a farm of approximately 10 acres and the necessary equipment to process Gold bearing tailings (the "**Gold Tailings**") into Gold bars (the "**Processed Gold**") to be shipped to a refinery in Miami, USA. The Petra Loan Agreement states that Mineros will be jointly owned by 611 BC and Petra.

- 212 The Petra Loan Agreement further states that, among other things:
- a) the Gold Tailings are to be acquired at a price of US \$1 per ton whereby it is expected that each ton will contain 21 grams of Processed Gold;
 - b) Boatright will oversee the operations of the processing;
 - c) the Miami refinery will pay Petra for the Processed Gold at the spot price less 1%; the proceeds of which will be distributed as follows: (i) 25% to Boatright; and (ii) 75% to 611 BC until the Petra Loan is repaid in full, after which the 75% will be split 50%-50% between 611 BC and Petra.

A copy of the Petra Loan Agreement is attached hereto as **Appendix "77"**.

- 213 On November 10, 2016, Petra, 611 BC, and Mineros entered into a memorandum of understanding (the “**Columbia MOU**”), attached hereto as Appendix “78”, with Seminole Enterprises Group, Inc. / Seminole Group Columbia CI, SAS (collectively, “**Seminole**”), a producer of metallic ore minerals in Columbia and USA (collectively, 611 BC, Petra, Mineros, and Seminole are referred to as the “**Columbia Parties**”). The intent of the Columbia MOU was to develop a profitable, equitable business relationship through acquisition, processing, and marketing of natural resources obtained from mining activities primarily located in Columbia. The Columbia MOU further states that, among other things:
- a) Seminole owns and controls 27 mineral claims in the Guiana Shield near Puerto Carreno, Columbia;
 - b) 611 BC is to provide to Seminole, sophisticated equipment for the mutual benefit of the Columbia Parties;
 - c) Mineros (611 BC and Petra) will advance the funds necessary to establish: (i) a trading post in Puerto Carreno, Columbia; (ii) a processing plant in Andes, Columbia; and (iii) a warehouse / office in Bogota, Columbia; and
 - d) Seminole and Mineros will share profits from the activities equally after the costs of start-up put forth by Mineros, 611 BC, and Petra have been recovered.
- 214 At the time that Mineros was establishing the processing plant in Andes, Columbia, tin ore was made available. As a result, on January 1, 2017, Seminole entered into an agreement with Malaysia Smelting Company (“**MSC**”) for the processing of tin ore (the “**MSC Tin Agreement**”). A partial copy of the MSC Tin Agreement was provided by Pinnell, however, the contents provided did not outline the substantial terms of the MSC Tin Agreement.
- 215 In an email dated November 27, 2017, from Robert Jupe (“**Jupe**”), the principal of Petra (the “**November 27, 2017 Jupe Email**”), Jupe provided an update on the activities regarding the Columbia Mine Project. Among other things, the November 27, 2017 Jupe Email stated that:
- a) The Columbia Parties’ attempts to sell the Processed Gold from the Gold Tailings failed as the quality of same could not be verified by third parties and that to remedy

this issue, the Columbia Parties required an additional US \$12 million of capital to construct a small refinery; and

- b) the Colombia Parties do not have the capital to secure the tin ore required to ship to MSC for processing to fulfill the MSC Tin Agreement.

A copy of the November 27, 2017 Jupe Email is attached hereto as **Appendix "79"**.

- 216 The Pinnell July 1, 2018 Email further advised that ongoing efforts to secure additional funding are needed. Accordingly, it appears that the Columbia Parties do not have the necessary capital to continue profitable operations.

USA Oil Wells

- 217 On February 18, 2017, 611 BC entered into a memorandum of understanding with Black Gold and Boatright (the "**Black Gold MOU**") whereby Black Gold, Boatright, and 611 BC entered into a joint venture (the "**Black Gold JV**"). Under the Black Gold MOU:

- a) 611 BC was to raise the funds required for the USA Oil Wells; and
- b) Black Gold was to use the funds to execute various methods of oil-well remediation with the ultimate responsibility of performing all aspects required to start the USA Oil Wells;

A copy of the Black Gold MOU is attached hereto as **Appendix "80"**.

- 218 In an email dated November 27, 2017, a copy of which is attached hereto as **Appendix "81"**, Jupe advised 611 BC that, among other things, the USA Oil Wells will require additional funding of US \$895,000 to begin production.
- 219 In the Pinnell July 1, 2018 Email, Pinnell advised the Receiver that "*a large funding that we had worked on for months fell apart in late May*" and that 611 BC, while optimistic, has no timelines on production with respect to the US Oil Wells.

Inca

- 220 As outlined in the Second Report, under the Inca Loans, the Hedge Fund and Bullion Fund are both unsecured creditors. Accordingly, if Inca does not deliver payment in accordance

with the Inca Loans, or if a satisfactory alternative arrangement cannot be agreed upon, the Receiver's enforcement options as against Inca are limited.

- 221 After determining that no management takeover offers would be accepted through the Sales Process, the Receiver inquired as to Inca's financial position and ability to repay the Inca Loans. Inca advised that it did not have the financial resources to repay the Inca Loans in full, however, stated that it would put forth a payment proposal in short order.
- 222 On November 9, 2017, the Receiver sent follow-up email correspondence to Inca advising that a proposal had not been received. The Receiver had not received a payment proposal as at the date of the Second Report.

Updates Subsequent to the Second Report

- 223 On December 13, 2017, the Receiver inquired as to when it should expect to receive a repayment proposal from Inca. In response, Inca stated that it was still in the process of raising funds to be able to satisfy secured and unsecured creditors of Inca. Inca further advised that once the funding was completed, Inca would be in a better position to provide a payment plan to the Receiver.
- 224 On February 7, 2018, the Receiver sent an email to Inca, a copy of which is attached as **Appendix "82"**, that, among other things:
- a) advised Inca that the Inca Loans had all matured whereby a cash settlement was required to be received from Inca to satisfy same;
 - b) stated that the Receiver had not received any payments with respect to the Inca Loans;
 - c) stated that Inca had failed to deliver to the Receiver a proposal outlining how Inca will be repaying the amounts owing under the Inca Loans;
 - d) requested that Inca deliver to the Receiver such a proposal by no later than 5:00 pm EST on Friday, February 9, 2018; and
 - e) advised Inca that if it failed to deliver a proposal to the Receiver by the above mentioned date, the Receiver would take whatever steps it considered necessary or appropriate to collect and recover the amounts owing under the Inca Loans.

225 In response to the Receiver's email on February 7, 2018, Inca advised the Receiver:

"[Inca] just closed a financing last week that will allow us to buy enough mineral to fill our plant. It will probably take 3 months to get up to full capacity and put us in a position whereby we can start covering our monthly bills and start considering a plan for repayment of all the various components of our outstanding debts."

226 On February 26, 2018, the Receiver received an email from Inca that, among other things:

- a) advised the Receiver that Inca's secured debentures of \$2.7 million were due on September 1, 2018 and that Inca's cash flow model predicted that it would be approximately \$2 million short in fulfilling the payment of same;
- b) stated that Inca was working to restructure the secured debentures and, if required, find new holders for the secured debentures; and
- c) based on certain assumptions, outlined to the Receiver that Inca could possibly begin the repayment of the Inca Loans on August 1, 2018 at \$50,000 per month.

* 227 On March 5, 2018, the Receiver and Inca attended a meeting at the Receiver's office to discuss, among other things, the items raised in Inca's email to the Receiver dated February 26, 2018. During the meeting, the Receiver advised that it was unlikely to convert the Inca Loans into equity as Inca had proposed, as the Receiver was unwilling to give up its rights as a creditor, albeit unsecured, should Inca become insolvent. The Receiver requested that Inca continue to keep it apprised of the developments and negotiations with respect to the restructuring of the secured debentures.

228 On March 16, 2018, Inca's most recent interim consolidated financial statements for the three and nine month ended January 31, 2018 ("Inca's Jan 31 Statements") were approved by the board of directors. Inca's Jan 31 Statements demonstrate that for the nine months ending January 31, 2018, Inca incurred a net loss of \$2,630,717 and had **negative** cash flow from operations of \$1,391,023. As at January 31, 2018, Inca had total liabilities of approximately \$7,172,054 (\$2.7 million of which were the secured debentures), and a reported cash balance of \$2,226,817 (obtained from a private placement completed for shares of Inca). Although the financial results were somewhat improved, Inca's Jan 31 Statements still contained the Going Concern Note (as detailed

at paragraph 257 of the Second Report), putting into question Inca's ability to continue operations.

- 229 Based on the above, it is clear that Inca's distressed financial position and its ability to continue as a going concern puts into question Inca's ability to repay the Inca Loans and thus the Bullion/Hedge Fund's ultimate value and recoverability of same.
- 230 On June 21, 2018, the Receiver received an email from Inca (the "**Inca June 2018 Update**") that, among other things:
- a) advised the Receiver that Inca had restructured \$1.1 million of the \$2.7 million in secured debentures by converting same into equity and had extended the repayment of the remaining \$1.6 million until September 2021;
 - b) stated that Inca had achieved record throughput during May 2018; and
 - c) advised the Receiver that Inca was approximately 12 months away from being able to consider a payment plan on the Inca Loans.

COMMERCIAL LOANS

- 231 As outlined in the Second Report, the Company and/or the Crystal Wealth Funds entered into Commercial Loans which included:
- a) a loan agreement with Pond dated December 15, 2015 (as amended, the "**Pond Loan Agreement**") with a principal value of \$4,500,000, at an interest rate of 12% payable quarterly in arrears, maturing on February 2, 2018 (the "**Pond Loan**");
 - b) loan agreements (collectively, the "**OOM Energy Loans**") with the following entities (all of which are under the control of a common individual, Clydesdale, and are collectively referred to as the "**OOM Energy Group**"):
 - i) Magnitude CS Energy Inc. (formerly, 2445958 Ontario Inc.) ("**Magnitude**");
 - ii) 2441472 Ontario Inc. ("**244 Ontario**"), as guaranteed by 2404783 Ontario Corp. ("**240 Ontario**");
 - iii) MCSnoxrecovery Inc. ("**MCSnox**"); and

iv) MCSAB10 Inc. ("MCSAB"), as guaranteed by 4873 Ontario,

which, based on the Company's books and records, the April 20th Package, and the information obtained by the Receiver thus far, collectively appear to have had a cumulative principal balance of approximately \$12,535,270 as at April 20, 2017, plus outstanding interest of approximately \$478,794, totaling \$13,014,064 (the "**OOM Energy Balance**");

- c) a promissory note between 109 BC, as borrower, and the Company, as lender, dated November 4, 2016, for a principal balance of US \$125,000, which has matured (the "**109 BC Promissory Note**");
- d) a promissory note issued by Cinnos Mission Critical Incorporated ("**Cinnos**") in favour of the Infrastructure Fund dated September 30, 2016, for a principal balance of \$300,000, which matures on September 28, 2018 (the "**Cinnos Promissory Note**"); and
- e) a participation interest in a mortgage issued to Kanwal Investments Inc. ("**Kanwal**") by Liberty Mortgage Services Inc. (the "**Kanwal Mortgage**").

232 The Receiver is of the view that the OOM Energy Loans, the 109 BC Promissory Note, and the Kanwal Mortgage, with a cumulative Recorded Value of \$13,242,761 and US \$155,514 are impaired, but intends to continue realization efforts for the benefit of investors.

Pond Loan

233 As outlined in the Second Report, due to Pond's inability to repay the Pond Loan in accordance with the original terms of same, the Receiver and Pond entered into the Pond Amendment which, among other things, extended the maturity of the Pond Loan and restructured the timing of the required principal and interest payments. The terms of the Pond Amendment are outlined in detail in the Second Report.

Updates Subsequent to the Second Report

234 During a meeting at the Receiver's office on November 2, 2017, Pond advised the Receiver that it would be unable to make the first interest payment of \$581,398 due on November 30, 2017 (the "**First Interest Payment**") pursuant to the Pond Amendment. In

response, the Receiver and Pond entered into an amendment to the Pond Amendment dated November 16, 2017 (the "**November Amending Agreement**"), which extended the date of the First Interest Payment to December 21, 2017, and required Pond to remit to the Receiver a \$10,000 extension fee (the "**First Extension Fee**") alongside the First Interest Payment. A copy of the November Amending Agreement is attached hereto as **Appendix "83"**.

- 235 On December 16, 2017, counsel to Pond further advised the Receiver that due to certain delays in completing the RTO with Ironhorse (as detailed in the Second Report), Pond would be unable to remit to the Receiver both the first principal payment of \$1,000,000 (the "**First Principal Payment**") due on December 31, 2017 pursuant to the Pond Amendment, and the First Interest Payment on December 21, 2017. As a result, the Receiver and Pond entered into an amendment to the Pond Amendment dated December 19, 2017 (the "**December Amending Agreement**") which, among other things:
- a) extended the date of the First Principal Payment to January 31, 2018;
 - b) extended the date of the First Interest Payment, due on December 21, 2017, pursuant to the November Amending Agreement, to January 31, 2018; and
 - c) required Pond to remit to the Receiver a \$10,000 extension fee (the "**Second Extension Fee**") upon execution of the December Amending Agreement.

A copy of the December Amending Agreement is attached hereto as **Appendix "84"**.

- 236 As required, Pond paid the Second Extension Fee on December 20, 2017.
- 237 On December 15, 2017, the shareholders of Pond approved the amalgamation of Pond with 2597905 Ontario Inc., a wholly-owned subsidiary of Ironhorse, in connection with the proposed completion of the business combination with Ironhorse.
- 238 On December 18, 2017, Ironhorse shareholders voted at the annual and special meeting of shareholders to approve the business combination of Ironhorse and Pond by way of a "three-cornered amalgamation". At this meeting, Ironhorse also received shareholder approval for the related share consolidation and name change of Ironhorse to Pond Technologies Holdings Inc.

- 239 On February 5, 2018, trading of the newly amalgamated company, Pond Technologies Holdings Inc., resumed on the TSX Venture Exchange under the ticker “POND”.
- 240 As at the date of this Fourth Report, the Receiver has received from Pond payments totaling \$1,770,359, made up of the following:
- a) December 20, 2017 – a payment of \$10,000 consisting of the Second Extension Fee;
 - b) December 29, 2017 – a payment in the amount of \$611,890 consisting of: (i) the First Interest Payment (\$581,398); and (ii) the December 31, 2017 Quarterly Interest Payment of \$30,492;
 - c) January 31, 2018 – a payment of \$1,010,000 consisting of the First Principal Payment and the First Extension Fee;
 - d) April 5, 2018 – a payment of \$68,852 consisting of the March 31, 2018 Quarterly Interest Payment of \$68,852 pursuant to the Pond Amendment; and
 - e) June 28, 2018 – a payment of \$69,617 consisting of the June 30, 2018 Quarterly Interest Payment of \$69,617 pursuant to the Pond Amendment.

Receiver's Next Steps

- 241 The Receiver has and will continue to monitor and correspond with Pond to ensure the required payments under the Pond Amendment will be made on time and in full.

OOM Energy Loans

- 242 On October 26, 2017, as outlined in the Second Report, A&B, on behalf of the Receiver, issued default notices in respect of the OOM Energy Loans (the “**OOM Default Notices**”) to the OOM Energy Group, Clydesdale, and Clydesdale’s counsel, Bill McKenzie (“**McKenzie**”). The OOM Default Notices:
- a) advised certain OOM Energy Group entities that their failure to make the required interest payments when due under the terms of the applicable loan agreement(s) triggered an Event of Default under the applicable loan agreement(s);
 - b) advised all OOM Energy Group entities that their failure to provide the information requested by the Receiver on May 18, 2017 and June 6, 2017 in connection with the

various loan agreements is an Event of Default under the applicable loan agreement(s);

- c) requested the most recent review engagement report for each of the OOM Energy Group companies, as provided for in their respective loan agreements; and
- d) made formal demand for payment of interest or principal owing under certain of the OOM Energy Loans, to the extent that such amounts were payable on demand without a default notice.

- 243 Following the issuance of the OOM Default Notices, the applicable cure periods provided under the OOM Energy Loans expired without a response from any of the OOM Energy Group, Clydesdale, or McKenzie.
- 244 On November 13, 2017, A&B, on behalf of the Receiver, issued demand letters and notices of intention to enforce security pursuant to subsection 244(1) of the BIA to the OOM Energy Group, together with Clydesdale (in his personal capacity, as a guarantor of certain arrangements with Magnitude) (the "**OOM Demand Letters**").
- 245 On November 28, 2017, after being served with the Receiver's Motion Record returnable December 11, 2017, McKenzie requested that the Receiver adjourn the scheduled motion date as McKenzie was not available on that date to make submissions to the Court. In response, on November 29, 2017, A&B advised McKenzie that the Receiver would not agree to an adjournment. Moreover, A&B reiterated to McKenzie that the Receiver had made extensive efforts to receive information from Clydesdale and McKenzie regarding the OOM Energy Loans, to no avail. McKenzie made further requests to adjourn, which were denied by A&B. Correspondence between A&B and McKenzie regarding the requested adjournment (in reverse chronological order) is attached hereto as **Appendix "85"**.
- 246 As detailed throughout this section of this Fourth Report, McKenzie's actions since the commencement of the receivership have obstructed the Receiver's investigation and enforcement efforts.
- 247 When Clayton Smith was questioned during his examination by A&B concerning the Company's failure to obtain security instruments prior to advancing loan monies, which

instruments, according to loan documentation, ought to have been obtained in connection with the OOM Energy Loans, Smith responded as follows:

CS “*...I was overwhelmed. I mean, there is no excuse. I am just trying to explain the state of mind at the time. That is why the oversight wasn't sufficient on a lot of these things. I was working with Jonathan Dyck [of Miller Thomson LLP] to try and get a lot of these agreements in place, and as you have now experienced, Mr. Clydesdale, with Mr. McKenzie, there was some resistance, delays, obstruction. We were getting on with running other stuff at Crystal Wealth. So, time would go by. It is not an excuse, but that is simple fact, so.”*

MVZ “*So, why advance the money without that protection in hand to secure the investment?”*

CS “*In hindsight, it was a bad idea....”*

244 Ontario Loan – Updates Subsequent to the Second Report

- 248 As outlined in the Second Report, the Company entered into a loan agreement with 244 Ontario (as borrower) and 240 Ontario (as guarantor) dated November 7, 2014 (the “**244 Ontario Loan Agreement**”), whereby the Mortgage Fund advanced \$1,800,000 at 13% to finance the installation of a MCS COGEN MARK 6 CoEnergyPoD (the “**MCS PoD**”), to be deployed at the premises of St. Mary’s Cement Inc. (Canada) (“**SMC**”) located at 55 Industrial St., Toronto, Ontario (the “**244 Ontario Loan**”). The 244 Ontario Loan was assigned to the Mortgage Fund on November 2, 2016.
- 249 Prior to the Company entering into the 244 Ontario Loan Agreement, 2363265 Ontario Inc. (the “**Original Supplier**”), another company controlled by Clydesdale, and SMC had entered into an Energy Services Agreement dated November 27, 2013 (as was subsequently amended on July 17, 2014, and September 22, 2014, the “**SMC ESA**”). The Original Supplier, with the consent of SMC pursuant to a consent letter dated November 20, 2014 (the “**Consent Letter**”), assigned the SMC ESA to 244 Ontario by way of an Assignment of Energy Services Agreement dated November 20, 2014.
- 250 The 244 Ontario Loan was secured by, among other things: (i) a general security agreement dated November 20, 2014, by which 244 Ontario granted the Mortgage Fund

a security interest in all of 244 Ontario's present and after-acquired property (which included the MCS PoD); and (ii) a further Assignment of the SMC ESA made between the Supplier and the Mortgage Fund on November 20, 2014 (the "**Assignment of ESA**").

- 251 Pursuant to the Consent Letter, SMC is required to remit all payments due to 244 Ontario under the SMC ESA into a segregated account. The amount required to be remitted pursuant to the SMC ESA is \$38,895 per month (excluding HST) (the "**ESA Payments**" and individually, an "**ESA Payment**").
- 252 On December 12, 2017, A&B, on behalf of the Receiver, delivered to SMC a letter (the "**First Letter to SMC**") that, among other things:
- a) provided background to the Receiver's appointment and 244 Ontario's default under the 244 Ontario Loan Agreement;
 - b) inquired if SMC had been sending the ESA Payments due under the SMC ESA to 244 Ontario; and
 - c) provided notice to SMC that 244 Ontario had defaulted on the 244 Ontario Loan and that the Receiver was in a position to enforce its security.

A copy of the First Letter to SMC is attached hereto as **Appendix "86"**. A courtesy copy of the First Letter to SMC was sent to McKenzie.

- 253 On December 14, 2017, in response to an email from McKenzie criticizing the Receiver for allegedly being uncooperative, A&B delivered to McKenzie an email, a copy of which is attached hereto as **Appendix "87"**, that, among other things:
- a) advised that an in-person meeting between Clydesdale, McKenzie, the Receiver, and A&B (which had been requested by McKenzie) would be one step in a settlement process, however, prior to such a meeting taking place, a call must be convened to ensure such a meeting was productive;
 - b) reminded McKenzie that in the December 11, 2017 Endorsement of the Honourable Justice Myers, His Honour stated that:

"third parties that dealt with Crystal Wealth who should be quickly and completely transparent to establish their innocence are attracting attention and suspicion by their dilatory, unhelpful responses"; and

- c) advised McKenzie that the December 11 2017 Order specifically directed Mr. Clydesdale to provide the Receiver and its counsel with all previously requested information, including but not limited to: (i) the documents and information requested in writing by the Receiver on June 8, 2017; and (ii) the financial statements for each of Magnitude, MCSnox, 244 Ontario, MCSAB, and 240 Ontario, which had been previously requested by the Receiver on October 26, 2017.
- 254 On December 15, 2017, the Receiver received a letter from WeirFoulds LLP ("WeirFoulds") that advised the Receiver that it currently represented SMC and that it was in the process of reviewing the First Letter to SMC to be able to provide a substantive response. Furthermore, WeirFoulds advised that it would commence depositing the ESA Payments into a segregated trust account until a determination as to whom such payments belong could be made. For greater clarity, the ESA Payments would no longer be issued to 244 Ontario until a resolution between the Receiver and 244 Ontario materialized. A copy of the letter received from WeirFoulds is attached hereto as **Appendix "88"**.
- 255 Between December 20, 2017, and February 28, 2018, various correspondence was exchanged by McKenzie, the Receiver, A&B on the Receiver's behalf, and WeirFoulds, some of which was of a without prejudice nature.
- 256 On February 28, 2018, WeirFoulds delivered an email to McKenzie that followed up on a request by WeirFoulds for a meeting with Clydesdale, McKenzie, the Receiver, and SMC to discuss a potential agreement to determine the allocation of the ESA Payments for January, February, and March 2018 totaling \$135,244.50 (inclusive of HST) (the "**Q1 ESA Payments**") among the parties.
- 257 On March 19, 2018, the Receiver received an email from WeirFoulds (the "**March 2018 WeirFoulds Email**") that, among other things, outlined a plan (agreeable to SMC and 244 Ontario) to distribute the Q1 ESA Payments amongst SMC, 244 Ontario, and the Receiver as follows:

- a) SMC – \$61,587.04, including: (i) \$24,474.79 to pay for amounts owed to Enbridge as a result of 244 Ontario's failures under the SMC ESA; and (ii) \$37,112.25 for hydro costs required to be paid by SMC;
 - b) Receiver – \$37,112.25 to be applied against interest owing on the 244 Ontario Loan; and
 - c) 244 Ontario – \$36,545.21 to service and operate the MCS PoD.
- 258 On March 21, 2018, A&B, on behalf of the Receiver, notified WeirFoulds that, in order to not delay the release of the Q1 ESA Payments, the Receiver agreed to proceed with the payment scheme outlined in the March 2018 WeirFoulds Email. Notwithstanding the Receiver's acceptance to the terms, A&B requested, among other things:
- a) documentation supporting the amounts that were/are required to be paid to Enbridge and Hydro One;
 - b) confirmation that OOM Energy would be taking steps to refinance its obligations to the Crystal Wealth Funds;
 - c) confirmation that SMC would be taking steps to purchase the MCS PoD; and
 - d) confirmation from OOM Energy of the ownership of the intellectual property or technology required to operate the generator and documentation to substantiate same.
- 259 On March 27, 2018, the Receiver received the allocated payment of \$37,112.25. The March 2018 WeirFoulds Email and the Receiver's response to same are collectively attached hereto (in reverse chronological order) as **Appendix “89”**.
- 260 Since March 2018, the Receiver has continued to receive a monthly payment of \$12,370.75 from SMC on account of the monthly ESA Payment.

MCSAB Loan – Updates Subsequent to the Second Report

- 261 As outlined in the Second Report, the Company entered into a loan agreement among MCSAB (as borrower) and 4873 Ontario Corp (as guarantor), dated November 28, 2016 (the “**MCSAB Loan Agreement**”) whereby the Sustainable Property Fund advanced

\$2,000,000 at 13% to finance the installation of a MCS PoD, to be deployed at the premises of Imaginea Energy Corp. (“Imaginea”) located in Jenner, Alberta (the “**MCSAB Loan**”). The MCSAB Loan was assigned to the Sustainable Property Fund on December 9, 2016.

- 262 Prior to the Company entering into the MCSAB Loan Agreement, MCSAB and Imaginea entered into an Energy Services Agreement dated June 20, 2016 (as may have been amended from time to time, the “**Imaginea ESA**”).
- 263 The MCSAB Loan was secured by, among other things: (i) a general security agreement by which the MCSAB granted the Sustainable Property Fund a security interest in all of MCSAB’s present and after-acquired property (which included the MCS PoD); and (ii) an Assignment of the Imaginea ESA made between MCSAB and the Sustainable Property Fund on November 28, 2016 (the “**Imaginea ESA Assignment**”).
- 264 Pursuant to the Imaginea ESA, Imaginea is required to remit all payments due to MCSAB under same into a segregated account. The amount required to be remitted pursuant to the Imaginea ESA is \$39,550 per month (excluding HST) (the “**Imaginea ESA Payments**”).
- 265 On December 15, 2017, Imaginea formally changed its name to Cor4 Oil Corp. (“**Cor4**”).
- 266 On December 12, 2017, A&B, on behalf of the Receiver, delivered to Cor4 a letter dated December 12, 2017 (the “**First Letter to Cor4**”) that, among other things:
 - a) provided background to the Receiver’s appointment and MCSAB’s default under the MCSAB Loan Agreement;
 - b) inquired if the MCS PoD had been installed and if so, if Cor4 had been sending the Imaginea ESA Payments to MCSAB; and
 - c) provided notice to Cor4 that MCSAB had defaulted and that the Receiver is in a position to enforce its security.

A copy of the First Letter to Cor4 is attached hereto as **Appendix “90”**. A courtesy copy of the First Letter to Cor4 was sent to McKenzie.

- 267 On December 20, 2017, Cor4 advised the Receiver that the MCS PoD was neither delivered nor installed at Cor4's facility in Jenner, Alberta.
- 268 On February 13, 2018, A&B delivered a letter to Lindsay Goos ("Goos"), a listed director of Imaginea, requesting that Goos and/or the previous president of Imaginea, Suzanne West, ("West"), attend a call with the Receiver to discuss, among other things, the background with respect to the MCS PoD and Imaginea's relationship with MCSAB. Goos advised the Receiver that she and West were no longer directors of Imaginea and that the correspondence would be sent to Cor4. Notwithstanding follow-up requests for a call, the Receiver has not received a response from Goos. A copy of the letter sent to Goos on February 13, 2018 is attached hereto as **Appendix "91"**.
- 269 The Receiver has since learned that West passed away on or about March 6, 2018.

MCSnox and Magnitude Loans – Updates Subsequent to the Second Report

- 270 Aside from the examination described below, the Receiver has not received any additional information regarding the MCSnox and Magnitude Loans since the date of the Second Report.

Examination of Clydesdale

- 271 On March 12 and 13, 2018, A&B conducted an examination of Clydesdale in accordance with the December 11, 2017 Order and Endorsement (the "**Clydesdale Examination**"). Clydesdale was represented at the examination by McKenzie.
- 272 The Clydesdale Examination was largely unhelpful. A&B and the Receiver confirmed that, aside from the MCS PoD installation located at the SMC facility in Leaside, none of the OOM Energy Group's projects have been completed, and they are not generating any funds. Accordingly, the OOM Energy Group does not hold assets which can be readily enforced against.
- 273 Clydesdale gave a number of undertakings relating to the flow of the funds received from Crystal Wealth, the status of the applicable projects, and any refinancing efforts that the OOM Energy Group was undertaking in order to obtain funds to complete the projects. To date, Clydesdale has not answered any of the undertakings.
- 274 A&B continues to follow up with McKenzie regarding the answers to undertakings.

- 275 A copy of the transcript of the Clydesdale Examination has been posted to the Receiver's website.

109 BC

- 276 As outlined in the Second Report, by letter dated October 26, 2017, the Receiver issued to 109 BC a demand for repayment of the 109 BC Promissory Note (the "**109 BC Demand Letter**"). Since the issuance of the 109 BC Demand Letter, the Receiver and A&B have had various correspondence with the principal of 109 BC, Marcel Rada ("**Rada**"), whom the Receiver previously noted in the Second Report has a history of engaging in similarly structured transactions in which investors are not repaid in full.
- 277 On November 22, 2017, Mr. Rada sent an email to A&B advising that 109 BC was insolvent, that it had a large amount of debt, and that there was no guarantee that certain mining permits would be granted in a timely manner. 109 BC required the mining permits to carry out the project in respect of which the Company had entered into the 109 BC Promissory Note. Mr. Rada proposed to settle the 109 BC Promissory Note by way of one of the following payment options:
- a) US \$12,500 on or before January 30, 2018;
 - b) US \$25,000 on or before April 30, 2018; or
 - c) US \$37,500 on or before July 31, 2018
- (collectively, the "**Rada Proposal**").

- 278 In addition, Mr. Rada stated that:

"If one of [the above three options] options is not acceptable 1092545 BC Ltd will be forced into dissolution. It has no cash or assets. Only debt."

Updates Subsequent to the Second Report

- 279 On November 24, 2017, in response to a previous request by the Receiver for cash flow documentation and financial statements to evaluate the Rada Proposal, Rada delivered to the Receiver an email that stated that:

- a) 109 BC did not have any financial statements prepared as it is a “*shell [company] that was setup for the transaction*”; and
- b) 109 BC had approximately \$700,000 in senior secured debt.
- 280 On November 27, 2017, A&B, on behalf of the Receiver, sent an email to Rada that, among other things:
- a) requested certain information be provided by 109 BC to validate certain claims made by Rada;
 - b) inquired as to who is holding the trust account deposit of US \$250,000 that is noted in the 109 BC Promissory Note to be held in trust at Morton Law LLC (Morton Law LLC confirmed to the Receiver that 109 BC was never its client and that these funds were never held by it in trust); and
 - c) the source of the funds used to put forth an offer to the Receiver for the repayment of the 109 BC Promissory Note.
- 281 On November 29, 2017, A&B conducted a phone call with Rada. On the call, Rada refused to provide the names of 109 BC’s secured creditors for reasons of purported confidentiality; the Receiver stated that this was unacceptable due to its role as a Court officer. With respect to the US \$250,000 deposit, Rada acknowledged that the 109 BC Promissory Note was misleading to the extent that it provides that the trust account deposit is in 109 BC’s name, however, the intention was for it to be secured by a trust deposit in Century Energy Ltd.’s name, which funds, to his knowledge, were no longer in this account. At the conclusion of the call, Rada agreed to provide the Receiver with certain information in due course. A summary of this telephone conversation is set out in an email dated November 29, 2017 from A&B to Rada, which is attached hereto as **Appendix “92”**.
- 282 Rada did not provide the requested information, despite numerous follow-up emails from A&B.
- 283 After extensive correspondence and negotiations between Rada and the Receiver, the parties agreed to settle the 109 BC Promissory Note for US \$50,000, to be paid on or before February 15, 2018. The Receiver and 109 BC entered into a settlement agreement dated December 20, 2017 (the “**109 BC Settlement Agreement**”) to document the terms

of the settlement between the parties. A copy of the 109 BC Settlement Agreement is attached hereto as **Appendix “93”**.

- “ 284 On February 20, 2018, after not receiving the US \$50,000 by February 15, 2018, A&B sent an email to Rada indicating that the payment had not been received by the Receiver. Rada in correspondence dated February 23, 2018 indicated that the payment would be made the following week.
- “ 285 Despite repeated follow-up correspondence, the Receiver has not received payment in the amount of US \$50,000 pursuant to the 109 BC Settlement Agreement from Rada or 109 BC.
- “ 286 Accordingly, the Receiver requests that judgment be issued against 109 BC for the agreed upon sum of USD \$50,000.

Cinnos Debenture

- “ 287 The Cinnos Promissory Note principal and interest is repayable on maturity, or convertible into preferred shares of Cinnos in the event of a qualified financing. The Receiver has and continues to monitor (through the issuance of investor updates prepared and released by Cinnos) the performance of this investment until its stated maturity date, being September 28, 2018.

US REAL ESTATE LP

- “ 288 As outlined in previous reports, through subscription agreements (the “**Subscription Agreements**”), from June 6, 2016 to March 14, 2017, the Hedge Fund and Factoring Fund respectively purchased US \$5,750,000 and US \$2,150,000 of preferred share units in 107 LP, an entity that has an indirect ownership interest in the US Properties together with corporate and individual partners. The Hedge Fund and Factoring Fund cumulatively own 99.99% of 107 LP and act as limited partners (the “**Limited Partners**”) in the US Real Estate LP.
- “ 289 The remaining 0.01% ownership of 107 LP is held by 1076874 B.C. Ltd., an entity listed as the general partner which is owned by the following individuals: (i) Alberto Storelli (Canadian) (“**Storelli**”) – 51.0%; (ii) Brian Peoples (USA) (“**Peoples**”) – 24.5%; and (iii) Joe Harker (USA) (“**Harker**”) – 24.5% (collectively the “**General Partners**”). The Receiver

understands that Storelli is the directing mind of the US Real Estate LP and is a personal friend of Housego.

- 290 The Limited Partners own a minority interest in the US Real Estate LP. In addition, as preferred shareholders, it appears that the Limited Partners have no security over the assets of 107 LP and/or the various US Real Estate LP entities.

The Receiver's Continued Dealings with Storelli and the US Real Estate LP

- 291 As at the date of this Fourth Report, the Receiver had not been able to make direct contact with Storelli; however, it has had limited discussions with Storelli's counsel, Sean O'Neill ("O'Neill"), as detailed below.
- 292 As outlined in the Second Report, the Receiver had made requests for financial information for the various entities included in the US Real Estate LP but had not received such information as at the date of same.
- 293 Despite repeated follow-up requests on February 22, 2018, March 13, 2018, April 5, 2018, April 17, 2018, and June 18, 2018, the Receiver has not received any requested financial information nor any updates on the status of the US Properties since the initial updates provided by O'Neill, outlined in the Second Report.
- 294 As outlined in the Second Report, O'Neill indicated that the other owners of the US Properties were potentially interested in acquiring 107 LP's interests in same for cash and/or units of a different limited partnership which intends to become listed on the TSX Venture Exchange by June 30, 2018; Housego further reiterated this intent during the Receiver's Examination of him.
- 295 On June 28, 2018, in response to A&B's requests to provide an update as to the status of the proposal to purchase the Receiver's interest in the US Real Estate LP, Housego's counsel advised that:

"[Housego] has made inquiries and apparently an offer is forthcoming. [Housego] could not get any details beyond that (timing or specifics). I will advise if we have any further information."

296 As at the date of this Fourth Report, the Receiver has not received any further correspondence regarding the potential purchase.

MEDICAL FACTORING CONTRACTS

- 297 As outlined in the Receiver's previous reports, the Medical Fund invested in, among other things, Medical Factoring Contracts (as defined below) which were administered by Xynergy Medical Capital LLC ("Xynergy"). In these arrangements, Xynergy would enter into contracts (the "**Medical Factoring Contracts**") to purchase healthcare receivables (after purchase, invoices are referred to as "**Purchased Medical Receivables**") from operating businesses in the United States and Puerto Rico (the "**Clients**") for a discount and service fees.
- 298 Pursuant to a Master Medical Receivables Purchase and Administration Agreement dated March 31, 2016 (defined in the First Report as the "**MMRPAA**"), the Medical Fund entered into participation agreements (the "**Participation Agreements**") with Xynergy whereby it purchased a stated interest in certain of the Medical Factoring Contracts (the "**Participation**") as follows:
- a) a Participation Agreement dated March 31, 2016 between the Medical Fund and Xynergy for a Participation in GeodataPR International, Inc.'s ("**Geodata**") accounts receivable and 72% of the factoring fees (the "**Geodata Participation**");
 - b) a Participation Agreement dated March 31, 2016 between the Medical Fund and Xynergy for a Participation in Servicios de Salud Integrada, CSP's ("**SSI**") accounts receivable and 70% of the factoring fees (the "**SSI Participation**"); and
 - c) a Participation Agreement dated August 22, 2014 between the Medical Fund and Xynergy for a Participation in Unlimited Prosthetics, Inc.'s ("**UPI**") accounts receivable and 33.94% of the factoring fees (the "**UPI Participation**").

Sale of the Geodata Participation and SSI Participation

- 299 As outlined in the First Report, Second Report, Third Report, and Third Report Supplement, the Receiver and Xynergy executed bills of sale whereby Xynergy repurchased the Geodata Participation and SSI Participation for US \$684,313 (the "**Geodata Purchase Price**") and US \$222,291 (the "**SSI Purchase Price**") respectively;

both transactions were approved by the Court pursuant to vesting orders issued May 15, 2018, attached hereto at **Appendix "94"** and **Appendix "95"**.

- 300 The Receiver received the Geodata Purchase Price on July 12, 2017, and received the SSI Purchase Price and US \$103,885 from Xynergy on January 30, 2018.

Settlement of the UPI Participation

- 301 As outlined in the Second Report, as part of the UPI Settlement Agreement, the account balance with same was settled for US \$215,000 to be paid in a series of instalments. As at the date of the Second Report, there had been a total of 21 payments totaling US \$147,000 (the "**UPI Proceeds**"). As a result, the account balance for UPI was US \$68,000, consisting of nine (9) payments to be received. Xynergy has concerns if the remaining payments will be received.
- 302 Subsequent to the Second Report, Xynergy advised that it had not received any further payments as UPI's financial situation had deteriorated as a result of Hurricane Harvey and the impact same had on its facilities and its ability to manufacture the prosthetics the business sells.
- 303 As at the date of the UPI Settlement Agreement, the UPI account balance totaled \$257,534 whereby Xynergy and the Medical Fund were owed the following:
- a) Medical Fund – US \$216,064 (84.29% of the total balance); and
 - b) Xynergy – US \$40,471 (15.71% of the total balance).
- 304 On December 13, 2017, the Receiver sent an email to Xynergy (the "**UPI Email**") whereby it agreed to split the UPI Payments based on the pro-rata amount outstanding from UPI as at the date of the UPI Settlement Agreement as outlined above; more specifically, the Medical Fund and Xynergy would receive US \$123,995 and US \$23,005 of the UPI Proceeds respectively. The Receiver indicated that its agreement to the allocation of the UPI Payments did not prejudice its entitlement to any further amounts collected from UPI under the UPI Settlement Agreement. A copy of the UPI Email is attached hereto as **Appendix "96"**.

- 305 On December 19, 2017, Xynergy agreed to the Receiver's terms contained in the UPI Email.
- 306 On January 30, 2018, the Receiver received US \$123,995, reflecting the Medical Fund's allocated portion of the UPI Payments. Should further payments be received under the UPI Settlement Agreement, the Receiver will update the Court and investors accordingly.

NFL PARTICIPATION AGREEMENTS

- 307 As detailed in the Second Report, in March 2016, under the MMRPAA, the Medical Fund began entering into Participation Agreements to purchase a stated percentage in the NFL Funding Agreements between certain NFL Players and KrunchCash LLC (an entity associated with Xynergy) ("KrunchCash") (the "**NFL Participation Agreements**"), which participations were effected through the execution of assignment agreements. Under the NFL Participation Agreements, the Medical Fund advanced funds toward the participation and would earn a stated factoring fee. The factoring fee and initial advance under each NFL Participation Agreement is to be repaid to the Medical Fund as each claim made by NFL Players is paid by the NFL pursuant to its agreement to pay \$765 million to settle a lawsuit brought by more than 4,500 NFL Players and their families to provide medical help to more than 18,000 former NFL Players suffering from severe neurological conditions, or who could potentially suffer from such conditions in the future. After subsequent hearings and appeals, the Settlement became effective on January 7, 2017 (the "**NFL Settlement Agreement**").
- 308 As at the date of the Receiver's appointment, the Medical Fund entered into a total of 26 NFL Participation Agreements totaling US \$4,318,359 consisting of principal advances of US \$3,824,240 and accrued fees owed to the Medical Fund of US \$247,060.
- 309 In July 2017, four (4) of the NFL Participation Agreements totaling US \$662,500 in principal and US \$104,374 in accrued fees (half of the accrued fees were owed to Xynergy), were paid out through refinancing obtained by the respective NFL Players. The total amount remitted to the Medical Fund was US \$714,687 (i.e. US \$662,500 in principal plus US \$52,187 in accrued fees)

- 310 As at June 30, 2018, there are currently 22 NFL Participation Agreements outstanding with a total value of US \$3,908,286 consisting of principal advances of US \$3,161,740 and accrued fees owed to the Medical Fund of US \$373,273.

NFL Litigation

- 311 As noted in the Second Report, on November 10, 2017, Xynergy advised that it was served with a subpoena from a New York court regarding complaints made by NFL Players for bad practices of financial institutions with respect to the purchase of all or a portion of NFL Player Claims (i.e. charging egregious fees to NFL Players). At the time, Xynergy advised that this was currently being handled by its legal counsel who advised Xynergy that nothing significant should come of the subpoena as Xynergy's fees are fair.
- 312 On December 11, 2017, Xynergy made the Receiver aware of an order issued by the Honourable Anita B. Brody of the United States District Court for the Eastern District of Pennsylvania regarding the NFL Players' Concussion Injury Litigation dated December 8, 2017 (the "**December 8 2017 NFL Order**"), a copy of which is attached hereto as **Appendix "97"**. The December 8 2017 NFL Order, among other things, concludes that:

"To the extent that any Class Member has entered into an agreement that assigned or attempted to assign any monetary claims, that agreement is void, invalid and of no force and effect. Class Members receiving awards are, by definition, cognitively impaired [emphasis added]."

Furthermore, the December 8 2017 NFL Order states that:

"...under the principle of rescission, Class Members should return to the Third-Party Funder the amount already paid to them."

- 313 On March 16, 2018, Xynergy provided the Receiver with an order issued by the Honourable Anita B. Brody of the United States District Court for the Eastern District of Pennsylvania regarding the NFL Players' Concussion Injury Litigation dated February 20, 2018 (the "**February 20 2018 NFL Order**", together with the December 8 2018 NFL Order, the "**NFL Litigation Orders**") ordering that the Claims Administrator under the NFL Settlement Agreement pay any Monetary Awards (as defined in the NFL Settlement Agreement) directly to the NFL Player in cases where an improper assignment has

occurred. A copy of the February 20 2018 NFL Order is attached hereto as **Appendix "98"**.

314 In summary, it is the Receiver's understanding that the NFL Litigation Orders void the Medical Fund's entitlement to receive any amounts owing to it other than those amounts advanced directly to an NFL Player (the "**Direct Advances**"). Based on this definition, the following would appear to be excluded from the definition of "principal" under the NFL Litigation Orders:

- a) any interest or accrued fees earned pursuant to the individual funding arrangements (collectively, "**Accrued Fees**");
 - b) any amounts advanced on behalf of NFL Players, including but not limited to:
 - i) payments made directly to any creditor to which an NFL Player owed an outstanding obligation;
 - ii) monies paid to professionals and advisors acting on behalf of NFL Players with respect to obtaining financing; and
 - iii) monies paid directly to underwriters on behalf of NFL Players with respect to financing
- (collectively, the "**Indirect Advances**").

315 As at May 31, 2018, the Medical Fund's total investment in the NFL Participation Agreements amounts to US \$3,680,866 consisting of:

- a) Direct Advances – US \$2,004,342;
- b) Indirect Advances – US \$1,157,398; and
- c) Accrued Fees – US \$519,126.

316 As a result, depending on the US court's definition of "principal", the Indirect Advances and Accrued Fees, totaling US \$1,676,524, are in jeopardy of being collected.

Receiver's Next Steps

- 317 Xynergy has continued to keep the Receiver apprised of any developments with respect to the NFL Litigation. Xynergy has advised that, to its knowledge, no lender has yet decided to accept the payment of only Direct Advances as "principal" and waive any Indirect Advances and Accrued Fees. Furthermore, Xynergy has advised that certain larger lenders have filed formal appeals disputing the ruling.
- 318 The Receiver will continue to update the Court and investors as new information is received with respect to the NFL Litigation and the NFL Participation Agreements.

RESIDENTIAL MORTGAGES

- 319 As outlined in the Receiver's previous reports, as at the date of the Appointment Order, the Mortgage Fund, High Yield Mortgage Fund, and Sustainable Property Fund collectively held a total of 191 investments in first, second, or third ranking non-conventional residential mortgages administered by third parties ("**Residential Mortgages**"). Of the Residential Mortgages, 189 (\$18,813,884) were administered by a third-party, Spectrum Canada Mortgage Services Inc. ("**Spectrum**") (the "**Spectrum Mortgages**"), while the remaining two (2) Residential Mortgages (\$196,000) were administered by Squire Management Inc. ("**Squire**") (the "**Squire Mortgages**").
- 320 On June 23, 2017, the Receiver accepted Squire's offer to acquire the Squire Mortgages for proceeds of \$197,526. The proceeds included the entire principal value of the Squire Mortgages in the sum of \$196,000, plus accrued interest of \$1,526 to June 23, 2017.
- 321 Most of the Residential Mortgages are performing as the underlying mortgagors continue to remit their required payments. As at May 31, 2018, a total of two (2) Residential Mortgages totaling approximately \$662,150 in balances owing were in a default position and are currently undergoing foreclosure proceedings (the "**Non-Performing Mortgages**"). Spectrum has continued to keep the Receiver apprised of the actions taken by Spectrum or its agents in each case. Based on the information currently available, Spectrum has advised that a portion of these balances is expected to not be collected.
- 322 As at May 31, 2018, the number of Spectrum Mortgages has reduced to 98 with a cumulative balance owing of \$9,241,572 held in the following Funds:

Fund	Number of Mortgages	Remaining Recorded Value
Mortgage Fund	75	\$ 8,036,851
High Yield Mortgage Fund	21	814,720
Sustainable Property Fund	2	390,000
Total	98	\$ 9,241,572

- 323 The Receiver has continued to instruct Spectrum to encourage the pay-out of Spectrum Mortgages upon renewal to avoid the continued renewal of same. If pay-out is not possible, the Residential Mortgages are being renewed on a six month basis at a modestly higher interest rate with the goal of a payout being made at the end of such renewal term(s).
- 324 As at the date of this Fourth Report, the Receiver is of the view that a continued orderly wind-down of the Residential Mortgage portfolio with the assistance of Spectrum will yield the best recovery for a majority of the Residential Mortgage investments. As the Residential Mortgages continue to expire, the Receiver expects that most mortgagors will be able to obtain refinancing to payout their balances owing; similar to what has been occurring since the Appointment Order. Notwithstanding the above, the Receiver expects that there will be a small number of mortgagors who cannot obtain refinancing and therefore may possibly require short-term renewal(s) until such refinancing can be obtained.

THE BDO ACTIONS AND ACTION AGAINST MCCREADY

THE PROPOSED CLASS ACTION UPDATE

325 As outlined in paragraphs 412b) and 419 to 422 of the Second Report, Whitehouse, an investor in certain of the Crystal Wealth Funds, issued an action against BDO Canada LLP (“**BDO**”), who was the auditor of the Company and the Crystal Wealth Funds prior to the Receiver’s appointment. The Statement of Claim issued by Whitehouse outlines that Whitehouse is claiming, among other relief:

- a) an order certifying the Class Action Proceeding (as defined in the Statement of Claim) and appointing Whitehouse as representative Plaintiff on his own behalf and on behalf of the Class (as defined in the Statement of Claim);
- b) a declaration that BDO had a duty of care to the Class which it breached by negligently performing its professional services, causing damages (as described in the Statement of Claim);
- c) damages for negligence in the sum of \$150,000,000; and
- d) punitive damages of \$25,000,000.

326 Whitehouse is represented by Adair Goldblatt Bieber LLP (“**AGB LLP**”) in the Proposed Class Action.

327 On June 15, 2018, AGB LLP served BDO with a 20 volume motion record in support the Whitehouse’s motion to certify the Proposed Class Action as a class proceeding. Materials filed with respect to the Proposed Class Action are available on the Receiver’s Case Website. A date for the motion has yet to be scheduled.

THE RECEIVER’S ACTION AND PROPOSED ENGAGEMENT OF AGB LLP

328 The Receiver has executed an engagement letter with AGB LLP (the “**AGB LLP Engagement Letter**”), which is subject to approval of this Court and is attached hereto as **Confidential Appendix “1”**, to represent the Receiver as its lawyer of record in an action commenced by the Receiver against BDO in the Ontario Superior Court of Justice (Commercial List) (CV-18-595063-00CL) (the “**Receiver’s Action**”).

- 329 Specifically, on behalf of the Company and the Crystal Wealth Funds, the Receiver issued a Notice of Action against BDO (the “**Receiver’s Notice of Action**”) to ensure that the Receiver’s legal rights remain preserved. A statement of claim (the “**Receiver’s Statement of Claim**”) was subsequently filed by the Receiver. A copy of the Receiver’s Notice of Action and Statement of Claim in the Receiver’s Action is attached hereto as **Confidential Appendix “2”**. To date, neither the Notice of Action nor the Statement of Claim have been served upon BDO, pending the Court’s approval of the Receiver’s engagement of AGB LLP.
- 330 Similar to the Proposed Class Action, the Receiver’s Action pertains to the audit services provided by BDO to the Company and the Crystal Wealth Funds prior to the Appointment Order, albeit it is being advanced by the Company and the Crystal Wealth Funds as opposed to the investors directly. In other words, while the substance of the allegations against BDO is similar in both the Receiver’s Action and the Proposed Class Action, the Receiver’s Action concerns alleged duties owed by BDO to the Company and the Crystal Wealth Funds, whereas the Proposed Class Action concerns alleged duties owed by BDO to Crystal Wealth Fund investors.
- 331 The Receiver recommends that this Honourable Court approve the Receiver’s engagement of AGB LLP pursuant to the AGB LLP Engagement Letter given that: (i) the Receiver’s counsel, A&B, is unable to act for the Receiver in the Receiver’s Action; (ii) the AGB LLP team, led by Simon Bieber, who will be involved in representing the Receiver, are qualified and accomplished litigators, as reflected in the team member biographies attached hereto as **Appendix “99”**; (iii) the Proposed Class Action and the Receiver’s Action have questions of law and fact in common, and both claim relief arising out of the same transaction or occurrence or series of transactions; (iv) AGB LLP is already counsel to Whitehouse in the Proposed Class Action, and accordingly, can minimize the current legal costs to the estate of the Company and Crystal Wealth Funds by similarly acting for the Receiver on a contingency fee basis, and as a result of having access to the Class Proceeding Fund in the Proposed Class Action with respect to certain costs and disbursements which may be duplicative in both proceedings; and (v) the Receiver will be considered to fulfill the role as the administrator of the claims process in the Proposed Class Action, and would consequently be tasked with issuing distributions to investors arising from any recovery in the Proposed Class Action, in addition to any recovery obtained in the Receiver’s Action.

THE ACTION AGAINST MARTIN MCCREADY

- 332 On July 5, 2018, the Receiver commenced a further action in the Ontario Superior Court of Justice (Commercial List) (CV-18-601019-00CL) against Martin McCready ("McCready"), claiming damages for breach of contract in the sum of \$1,250,000, along with additional damages with respect to the carrying and miscellaneous costs incurred by the Receiver, including the Receiver's fees, in connection with the Mount Nemo Property, from April 28, 2017 through to May 18, 2018.
- 333 As is detailed in the Receiver's prior reports, on April 26, 2017, in addition to issuing the Appointment Order, the Honourable Justice Newbould issued an Order (the "**Vesting Order**") that, among other things, authorized the Receiver to complete, on behalf of CLJ Everest, the sale of the Mount Nemo Property to McCready for the purchase price of \$3,350,000 (the "**McCready Purchase Price**") pursuant to and in accordance with an Agreement of Purchase and Sale dated April 12, 2017 which was entered into by CLJ Everest and McCready (the "**McCready APS**").
- 334 The Mount Nemo Sale Agreement contained a completion date for the underlying transaction (the "**McCready Mount Nemo Sale Transaction**") of April 28, 2017. In breach of the McCready APS, McCready failed to complete the transaction.
- 335 After an extensive sales and marketing process, the Receiver, as vendor on behalf of CLJ Everest, entered into an Agreement of Purchase and Sale dated April 11, 2018, as amended by an amendment thereto dated April 17, 2018, with Daniel Palmer ("Palmer"), as purchaser, regarding the sale of the Mount Nemo Property (the "**Palmer APS**") to Palmer for a purchase price of \$2.1 million (the "**Palmer Purchase Price**").
- 336 On May 3, 2018, the Receiver served a motion record, including a notice of motion dated May 3, 2018 (the "**Notice of Motion**") and the Third Report, on McCready personally. The Notice of Motion sought, among other relief, an Order: (i) approving the Palmer APS; (ii) authorizing the Receiver to complete the transaction contemplated thereby (the "**Palmer Sale Transaction**"); and (iii) vesting title in the Mount Nemo Property to Palmer free and clear of any liens, claims, and encumbrances (the "**Proposed Approval and Vesting Order**").

- 337 On May 15, 2018, this Honourable Court issued the Proposed Approval and Vesting Order as requested by the Receiver in its Notice of Motion.
- 338 On May 18, 2018, the Palmer Sale Transaction was completed.
- 339 The Receiver has accordingly commenced the McCready Action to obtain judgment as against McCready for the difference between the McCready Purchase Price and the Palmer Purchase Price, along with the carrying and miscellaneous costs incurred by the Receiver in connection with the Mount Nemo Property from April 28, 2017 through to May 18, 2018.

THE SETTLEMENT ENTERED INTO BY SMITH AND OSC STAFF

340 As indicated at paragraph 10 above, Staff of the OSC ("Staff") and Clayton Smith executed a Settlement Agreement dated May 28, 2018 (**Appendix "3"**). On June 14, 2018, the OSC issued an Order approving the Settlement Agreement (the "**Order Approving Settlement**"), and released Oral Reasons for Approval of Settlement (both attached as **Appendix "4"**).⁸ The Receiver was not involved in connection with the negotiation of the Settlement Agreement, or the OSC hearing in which it was approved, but has provided a summary below of the details contained in the Settlement Agreement and Order Approving Settlement.

THE SETTLEMENT AGREEMENT

341 Part III and IV of the Settlement Agreement contain facts and conclusions which were agreed to by Smith for the purposes of the proceedings initiated against him by the OSC (and any other proceeding commenced against him by a securities regulatory body). Such facts which were acknowledged and agreed to by Smith include, but are not limited to:

- a) Smith, the Company, and Smith's holding companies engaged in fraud involving two Crystal Wealth Funds – the Mortgage Fund and the Media Fund. Smith caused monies to be advanced from the Mortgage Fund and Media Funds, purportedly in connection with the purchase of investments for the Funds. In fact, at Smith's direction, certain of the monies were transferred to Smith's holding company, 115 Ontario, and to the Respondents, Chrysalis Yoga, CLJ Everest, or to Smith himself. With respect to other monies, Smith instructed the third-party recipients to transfer the funds to Smith, his holding company, or a related company.
- b) As an example of the foregoing, on November 2, 2016, Smith caused the Mortgage Fund to advance \$2 million to MCSnox, an OOM Energy Group entity controlled by Clydesdale, which was recorded as a loan in the Mortgage Fund's financial statements. On November 7, 2016, MCSnox advanced \$1.75 million to CLJ Everest, substantially funded with the monies which MCSnox received from the Mortgage Fund.

⁸ The Settlement Agreement, the OSC's Order, and the OSC's Oral Reasons for Approval and Settlement are available on the OSC's website: <http://www.osc.gov.on.ca>

The day after MCSnox advanced the \$1.75 million to CLJ Everest, Smith caused CLJ Everest to use \$1,586,277 of it to buy the shares in the Company which were held by Scott Whale;

- c) Smith arranged to personally receive payments from an entity (Media House Capital (Canada) Corp. – hereinafter, "**Media House**") that sold investments to the Media Fund, creating a material conflict of interest that the Company neither responded to nor disclosed. From August 2014 to February 2015, Media House and Bron Management Ltd., another company associated with Aaron Gilbert, paid Crystal Wealth Marketing Inc., a company of which Smith was a 50% shareholder, officer, and director, approximately 30% of the loan facilitation fee (totaling approximately \$622,780) which Media House received to source and administer Media Loans for the Media Fund, with respect to Media Loans acquired by the Media Fund during that period. Smith received \$323,000 of this amount;
- d) By engaging in fraud and failing to respond to or disclose a material conflict, the Company breached its obligation to discharge its duties honestly, in good faith, and in the best interest of the Mortgage and Media Funds. Smith and the Company continued to cause clients to be invested in the Mortgage and Media Funds and in so doing, they failed to deal fairly, honestly, and in good faith with clients;
- e) As the Company's Chief Compliance Officer and Ultimate Designated Person, Smith failed to discharge his obligations to ensure, promote, and monitor compliance with securities legislation by the Company and individuals acting on its behalf. He also misled OSC Staff during his examination under oath about his relationship to one of the corporate entities involved in the fraud;
- f) By engaging in the conduct set out in the Settlement Agreement:
 - i) Smith, Crystal Wealth, CLJ Everest, and 115 Ontario engaged or participated in acts, practices, or courses of conduct relating to the Mortgage and Media Funds that Smith, the Company, CLJ Everest, and 115 Ontario knew, or reasonably ought to have known, perpetrated a fraud on investors, in breach of subsection 126.1(1)(b) of the Ontario *Securities Act*;

- ii) the Company failed to respond to or disclose a conflict of interest to investors, contrary to subsections 13.4(2) and (3) of National Instrument 31-103 – *Registration Requirements, Exemptions, and Ongoing Registrant Obligations* (“NI 31-103”);
 - iii) Smith and the Company breached their obligation to deal fairly, honestly, and in good faith with clients, contrary to section 2.1 of OSC Rule 31-505 – *Conditions of Registration*;
 - iv) Smith failed to fulfil his obligation as CCO and UDP to ensure, promote, and monitor compliance with securities legislation by the Company and individuals acting on its behalf, contrary to sections 5.1 and 5.2 of NI 31-103; and
 - v) the Company breached its fiduciary duty and failed to discharge it duties honestly, in good faith and in the best interests of the Mortgage and Media Funds, contrary to subsection 116(a) of the Ontario Securities Act.
- 342 The foregoing is a summary only of the facts and conclusions acknowledged and agreed to by Smith as part of the Settlement Agreement. The Receiver was not privy to the details, or breadth, of the OSC investigation of Smith. The Receiver encourages all readers of this Fourth Report to read, in their entirety, the Settlement Agreement, Order Approving Settlement, and Oral Reasons for Approval of Settlement, for further details.

THE ORDER APPROVING SETTLEMENT

- 343 As indicated, based on the facts set out in the Settlement Agreement, Smith consented to the Order Approving Settlement which was issued by the OSC on June 14, 2018. The OSC also released its Oral Reasons for Approval of Settlement on the same date.
- 344 Pursuant to the Order Approving Settlement, Smith was ordered to pay an administrative penalty in the sum of \$250,000, and costs in the amount of \$50,000. As is set out in the Settlement Agreement, but for the appointment of the Receiver over Smith’s property in the Receivership Proceeding, OSC Staff would have sought significantly greater monetary sanctions than the \$250,000 administrative penalty and \$50,000 in costs which Smith was ordered to pay pursuant to the Order Approving Settlement.

- 345 In addition to the foregoing monetary sanctions against Smith, the Order Approving Settlement includes additional sanctions against Smith, including the following:
- a) the registrations granted to Smith under Ontario securities law were terminated;
 - b) trading in any securities or derivatives by Smith were ordered to permanently cease;
 - c) the acquisition of any securities by Smith is prohibited permanently;
 - d) any exemptions contained in Ontario securities law shall not apply to Smith permanently;
 - e) Smith is reprimanded;
 - f) Smith shall immediately resign any position that he holds as a director or officer of an issuer or a registrant, including an investment fund manager;
 - g) Smith is permanently prohibited from becoming or acting as a director or officer of any issuer or registrant, including an investment fund manager; and
 - h) Smith is permanently prohibited from becoming or acting as a registrant, including an investment fund manager, or a promoter.

- 346 In its Oral Reasons for Approval of Settlement, the OSC noted that the conduct of Smith, as detailed in the Settlement Agreement,

“...provides an illustration of the potential for abuse when unchecked authority is conferred on a single individual”.

The OSC further noted that the conduct admitted by Smith in the Settlement Agreement

“...demonstrates a conscious disregard by Smith and [the Company], under Smith’s direction, of their fiduciary responsibilities to, and their obligations to act honestly, in good faith and in the best interests of, mutual funds they managed and clients who invested in those funds”.

RECEIPTS AND DISBURSEMENTS OF THE RECEIVERSHIP

- 347 Attached hereto as **Appendix “25”** is the Receiver’s Interim Statement of Receipts and Disbursements for the period April 26, 2017 to May 31, 2018 which outlines the cash balances of the Company and the Crystal Wealth Funds. From April 26, 2017 to May 31, 2018, cash receipts totaled \$62 million while disbursements before the first interim distribution were \$5 million. The ending cash balances as at May 31 were \$30,924,244.
- 348 Cash receipts to the Crystal Wealth Funds were generated from the following significant receipts, among others:
- a) the monetization of Equities held by the Funds and those obtained through Warrants being exercised – \$9,535,760 and US \$4,228,221;
 - b) the sale of certain Media Loans pursuant to the APA between Bron Releasing Inc. and the Receiver (as detailed in the Second Report Supplement) – \$14,375,000;
 - c) collection of interest and principal with respect to the Residential Mortgages – \$11,095,979;
 - d) collection of Media Loan principal and interest payments – \$6,879,130 and US \$229,690;
 - e) the monetization of External Mutual Funds – \$5,095,907;
 - f) the sale of the Mount Nemo Property (detailed in the Third Report and Third Report Supplement) – \$2,100,000;
 - g) the collection of principal and interest owed under certain Commercial Loans – \$1,761,789 (\$1,700,742 of which relates to the Pond Loan); and
 - h) the sale and settlement of the Medical Factoring Contracts (detailed in the Third Report and Third Report Supplement) – US \$1,134,313.
- 349 Cash disbursements from the Crystal Wealth Funds relate to, among other things, the following significant disbursements:

- a) the interim distribution pursuant to the December 11, 2017 Order – \$31,407,010;
- b) payment of the first secured mortgage on the Mount Nemo Property – \$1,394,080;
- c) consulting fees paid to Quiver regarding its administration of the Media Fund – \$1,023,114; and
- d) payment of the Court approved Receiver and legal fees – \$1,322,741.

OTHER ACTIVITIES OF THE RECEIVER SINCE THE APPOINTMENT ORDER

350 Upon its appointment, the Receiver took immediate steps to secure and preserve the Property of the Crystal Wealth Group, communicate with stakeholders, and deal with other operational and administrative tasks. The Receiver has conducted the following key activities in relation to its appointment:

- a) attended and participated in the Examinations as outlined in this Fourth Report;
- b) investigated the conduct of various participants and traced the flow of funds;
- c) corresponded with Smith regarding the delivery of a revised statutory declaration and an estimate of current income and expenses;
- d) responded to numerous calls and emails from Crystal Wealth Group investors and other stakeholders;
- e) distributed notices from the Receiver to all investors, which were also posted to the Receiver's Case Website, from November 1, 2017 to June 30, 2018, updating them on the receivership as events unfolded;
- f) created and maintained a listing of investors with holdings, accounts, and contact information including email addresses;
- g) held meetings and corresponded with NBCN on a number of investor matters, including the on-going management of the securities, records and monetization of assets within the Crystal Wealth Funds;
- h) prepared the financial statements for the 2017 taxation year for each of the Crystal Wealth Funds and compiled the supporting information for same;
- i) prepared the necessary taxation reporting and filings for each of the Crystal Wealth Funds;
- j) issued tax receipts to investors in connection with the 2017 tax year, and engaged SS&C Fund Administration Company in connection with same in accordance with the engagement letter attached hereto as **Confidential Appendix "3"**;

- k) corresponded with various third-parties involved in administering certain Crystal Wealth Funds, and, in some cases, their legal counsel and financial advisors;
- l) collected monthly payments and funds held by third-parties administering certain Crystal Wealth Funds and/or their assets;
- m) corresponded with borrowers and debtors of the Crystal Wealth Funds, and, in some cases, their legal counsel and financial advisors and entered into settlement negotiations for amounts owing;
- n) conducted meetings with certain third-parties and borrowers/debtors, as appropriate;
- o) corresponded and held numerous discussions with various stakeholders, providers and/or their legal counsel;
- p) corresponded and held various discussions with the Receiver's counsel concerning enforcement and recovery initiatives; and
- q) maintained a public website for the Receivership Proceedings in accordance with the Commercial List E-Service Protocol.

RECEIVER'S FEES AND DISBURSEMENTS

- 351 Pursuant to paragraph 23 of the Appointment Order, the Receiver and its counsel are to be paid their reasonable fees and disbursements at their standard rates and charges, incurred both before and after the making of the Appointment Order. Pursuant to paragraph 24 of the Appointment Order, the Receiver and its counsel shall pass their accounts.
- 352 The Receiver seeks to have its fees and disbursements, including those of its legal counsel, approved by the Court for the period beginning October 1, 2017 and ending May 31, 2018, and seeks approval of the allocation methodology described in paragraphs 43 to 45 above. The Receiver and its counsel have maintained detailed records of their professional time and costs.
- 353 The total fees for the Receiver for the period October 1, 2017 to May 31, 2018, were \$701,068.99, plus disbursements of \$10,101.96, plus HST of \$92,452.23, for a total of \$803,623.18. The time spent by the Receiver is more particularly described in the Affidavit of Bruce Bando sworn July 19, 2018 (the "**Bando Affidavit**"), which is attached hereto as **Appendix "100"** and contains copies of invoices that set out the services provided during this time period.
- 354 The total fees of A&B, as counsel to the Receiver, for the period of October 1, 2017 to May 31, 2018, were \$591,449, plus disbursements of \$38,602.21, plus HST of \$81,341.74, for a total of \$711,442.95. The time spent by A&B is more particularly described in the Affidavit of Mark van Zandvoort sworn July 10, 2018 (the "**van Zandvoort Affidavit**"), which is attached as **Appendix "101"** and contains, among other things, copies of invoices that set out the services provided during this period of time.⁹
- 355 It is the Receiver's opinion that the fees and disbursements of the Receiver and A&B accurately reflect the work done by the Receiver and on behalf of the Receiver by A&B in connection with the receivership and the administration of the Property of the Crystal Wealth Group from October 1, 2017 to May 31, 2018.

⁹ The foregoing figures include some fees prior to October 1, 2017, as detailed in the van Zandvoort Affidavit and the accounts appended at Exhibit A thereto.

- 356 It is the Receiver's opinion that the fees and disbursements of A&B are fair and reasonable and justified in the circumstances. The Receiver recommends approval of A&B's accounts by this Honourable Court.

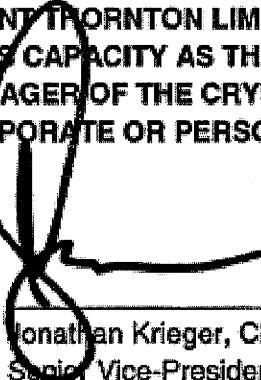
CONCLUSION

- 357 For the reasons set out in this Second Report, the Receiver respectfully requests the relief and approval requested in the Receiver's Notice of Motion dated July 20, 2018.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 20th day of July, 2018.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND
MANAGER OF THE CRYSTAL WEALTH GROUP, AND NOT IN ITS
CORPORATE OR PERSONAL CAPACITY**

Per:


Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

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This is **Exhibit “J”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-579357-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

ANTHONY WHITEHOUSE

Plaintiff

- and -

BDO CANADA LLP

Defendant

ACKNOWLEDGMENT OF EXPERT'S DUTY

1. My name is Nigel Meakin. I live in the City of Toronto in the province of Ontario.
2. I have been engaged by or on behalf of Blake, Cassels & Graydon LLP, counsel to the defendant BDO Canada LLP, to provide evidence in relation to the above-noted court proceeding.
3. I acknowledge that it is my duty to provide evidence in relation to this proceeding as follows:
 - (a) to provide opinion evidence that is fair, objective and non-partisan;
 - (b) to provide opinion evidence that is related only to matters that are within my area of expertise; and
 - (c) to provide such additional assistance as the Court may reasonably require, to determine a matter in issue.
4. I acknowledge that the duty referred to above prevails over any obligation which I may owe to any party by whom or on whose behalf I am engaged.

Date _____ _____
Signature

NOTE: This form must be attached to any expert report under subrules 53.03(1) or (2) and any opinion evidence provided by an expert witness on a motion or application.

ANTHONY WHITEHOUSE -and- BDO CANADA LLP
Plaintiff

Defendant

Court File No. CV-17-579357-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

ACKNOWLEDGMENT OF EXPERT'S DUTY

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Barristers & Solicitors
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Fax: 416-863-2653
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Lawyers for the Defendant

This is **Exhibit “K”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST



THE HONOURABLE
JUSTICE N. Newbold

) WEDNESDAY, THE 26th DAY

) OF APRIL, 2017

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ
EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA
STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL
ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH
MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING
STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH
HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION
FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE
PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL
WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS
CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and
CHRYSALIS YOGA INC.

Respondents

Application under Section 129 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended

ORDER
(Appointing Receiver)

THIS APPLICATION made by the Ontario Securities Commission (the "Commission") for an Order pursuant to section 129 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Securities Act*") appointing Grant Thornton Limited ("GTL") as: (i) receiver and manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("Chrysalis Yoga") (each of the Respondents except for Chrysalis Yoga being individually and collectively, the "Crystal Wealth Group"); and (ii) Receiver of the account of the Respondent, Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia (the "Chrysalis Account"), and of all contents, including funds, contained in the Chrysalis Account, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the application record of the Commission, including the affidavit of Marcel Tillie sworn April 17, 2017 and the exhibits thereto, the affidavit of Michael Ho sworn April 17, 2017 and the exhibits thereto, the supplementary affidavit of Michael Ho sworn April 24, 2017 and the exhibits thereto, the affidavit of David Adler sworn April 24, 2017 and the exhibits thereto, the consent of GTL to act as the Receiver, and the factum and brief of authorities of the Commission, and on hearing the submissions of counsel for the Commission, counsel for the Crystal Wealth Group, and counsel for Chrysalis Yoga,

CONSOLIDATION

1. THIS COURT ORDERS that the application to extend Freeze Directions commenced by the Commission by way of a notice of application issued through this Honourable Court on April 18, 2017 (Court File No. CV-17-11769-00CL) is hereby consolidated with the within application and that they proceed as one application identified by Court File No. CV-17-11779-00CL.

SERVICE

2. THIS COURT ORDERS that the time for service and filing of the Commission's notice of application, application record, and factum is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

3. **THIS COURT ORDERS** that pursuant to section 129 of the *Securities Act*, GTL is hereby appointed Receiver, without security, of:

- (a) all of the present and future assets, undertakings and properties of the Crystal Wealth Group of every nature and kind whatsoever, whether in the possession or under the control of the Crystal Wealth Group or any other Person (as defined herein) and wherever situate including all proceeds thereof (the "Property"), including, without limitation, cash, deposit instruments, securities or other property held by the Crystal Wealth Group on behalf of or in trust for any other person or entity and the funds, securities, or other property frozen by Freeze Directions issued by the Commission on April 6 and 7, 2017 which are attached hereto as Schedule "A"; and
- (b) as the Receiver of the Chrysalis Account, and of all contents, including funds, contained in the Chrysalis Account (hereinafter included in all references to the Property).

4. **THIS COURT ORDERS** that all institutions holding funds on deposit to the credit of the Crystal Wealth Group, or any of them, including the institutions which are the subject of the Freeze Directions attached hereto as Schedule "A", are directed to pay all such funds to the Receiver or as the Receiver may otherwise direct in writing.

5. **THIS COURT ORDERS** that the the Freeze Directions issued by the Commission on April 6, 2017 with respect to Chrysalis Yoga, copies of which are attached hereto as Schedule "B", shall continue until further order of this Court, with the exception:

- (a) that the funds contained in the Chrysalis Account shall be paid by Bank of Nova Scotia to the Receiver or as the Receiver may otherwise direct in writing, and that the Receiver shall have unrestricted access to the Chrysalis Account and records in connection therewith; and

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- (b) Chrysalis Yoga shall be permitted to use a bank account opened by Chrysalis Yoga at the Canadian Imperial Bank of Commerce, account no. 05162 010 59 37914 (the "**Chrysalis Yoga CIBC Account**"), for the sole purpose of operating Chrysalis Yoga's yoga studio business, provided that:
- (i) the sole sources of the funds deposited into the Chrysalis Yoga CIBC Account shall be: (i) the parents of Shanine Lee Dennill; or (ii) clients of the yoga studio operated by Chrysalis Yoga, and not, directly or indirectly, from the Respondent Clayton Smith ("Smith") and entities connected with or related to Smith as further particularized in sub-paragraph 5(b)(i) below;
- (ii) the Chrysalis Yoga CIBC Account shall not be used in any manner by, and the funds contained therein shall not be received from or distributed to, directly or indirectly, Smith or persons or entities connected with or related to Smith, including, without limitation: (i) the Crystal Wealth Group; (ii) any investment funds managed by Crystal Wealth Management System Limited; or (iii) any other company associated with Smith; and
- (iii) copies of monthly bank statements for the Chrysalis Yoga CIBC Account shall forthwith be provided on a monthly basis by Chrysalis Yoga to Staff of the Ontario Securities Commission ("Staff"), until such time as Staff revokes or varies this requirement in writing, or the Ontario Securities Commission or Ontario Superior Court of Justice (Commercial List) orders otherwise.

RECEIVER'S POWERS

6. **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, protect and maintain control of 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 Crystal Wealth Group, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Crystal Wealth Group;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, legal 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 Crystal Wealth Group or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Crystal Wealth Group and to exercise all remedies of the Crystal Wealth Group in collecting such monies, including, without limitation, to enforce any security held by the Crystal Wealth Group;

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- (g) to settle, extend or compromise any indebtedness owing to the Crystal Wealth Group;
- (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 Crystal Wealth Group, 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 Crystal Wealth Group, 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 sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business as follows:
 - (i) without the approval of this Court, liquidating any exchange traded securities and derivatives held by the Respondents, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal

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Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund (collectively, the “**Crystal Wealth Funds**”), Crystal Wealth Management System Limited (“**Crystal Wealth**”), CLJ Everest Ltd. (“**CLJ Everest**”), and 1150752 Ontario Limited (“**115**”), within 60 days of the Receiver’s appointment, or within such longer period of time as the Receiver deems advisable;

- (ii) without the approval of this Court, selling, conveying, transferring, leasing, or assigning any other Property of the Crystal Wealth Funds, including without limitation illiquid assets such as film loans, mortgages, medical receivables, factoring receivables, or any other illiquid assets, regardless of the purchase price or aggregate purchase price of such transactions;
- (iii) without the approval of this Court, selling, conveying, transferring, leasing, or assigning any other Property of Crystal Wealth, CLJ Everest, and 115 in which the consideration for the transaction does not exceed \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000;
- (iv) with the approval of this Court, selling, conveying, transferring, leasing, or assigning any other Property of Crystal Wealth, CLJ Everest, and 115 in which the consideration for the transaction or the aggregate consideration for all such transactions exceeds \$250,000 or \$1,000,000, respectively; and
- (v) with the approval of this Court, selling, conveying, transferring, leasing, or assigning any Property of the Respondent, Clayton Smith;

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 any person or entity deemed necessary or advisable by the Receiver on all matters as the Receiver deems appropriate relating to the Property, the affairs of the Crystal Wealth Group, and the receivership, and to share information with such persons and entities, 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 or regulatory authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Crystal Wealth Group;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Crystal Wealth Group, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Crystal Wealth Group;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Crystal Wealth Group may have;
- (r) without limiting the generality of clause 6(m) above, to share information, meet with and discuss with any regulatory bodies and their advisors, including without limitation the Commission and any other regulatory

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authorities as the Receiver deems appropriate on all matters relating to the Property, the affairs of the Crystal Wealth Group, and the receivership of the Crystal Wealth Group, subject to such terms as to confidentiality as the Receiver deems advisable, including, without limitation, the Communications Protocol attached as Schedule "C" hereto;

- (s) to examine under oath any person the Receiver reasonably considers to have knowledge of the affairs of the Crystal Wealth Group, including, without limitation, any present or former director, officer, employee or person registered or previously registered with the Commission or subject to or formerly subject to the jurisdiction of the Commission or any other regulatory body respecting the Property and affairs of the Crystal Wealth Group;
- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations; and
- (u) 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 Crystal Wealth Group, and without interference from any other Person.

7. **THIS COURT ORDERS** that the Receiver may engage as its legal counsel Aird & Berlis LLP, notwithstanding that Aird & Berlis LLP has had an advisory role with respect to the Commission.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

8. **THIS COURT ORDERS** that (i) the Respondents, (ii) all of their current and former directors, officers, employees, persons registered or previously registered or subject or formerly subject to the jurisdiction of the Commission or any other regulatory body, 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

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"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.

9. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not required, to take possession and control of any monies, funds, deposit instruments or securities held by or in the name of the Crystal Wealth Group, or any of them, or by a third party for the benefit of the Crystal Wealth Group, or any of them, including without limitation the monies, funds, deposit instruments, or securities held in the accounts listed on the attached Schedule "D".

10. **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 Respondents, 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 10 or in paragraph 11 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, and that, without limiting the generality of subparagraph 6(r) or this paragraph 10 of this Order, the process for the Commission's review of information that may include documents over which privilege may be claimed, which process is attached as Schedule "E" hereto, is hereby approved.

11. **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

- 10 -

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.

12. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

13. **THIS COURT ORDERS** that no proceeding or enforcement process in any court, tribunal, regulatory or administrative body (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 CRYSTAL WEALTH GROUP OR THE PROPERTY

14. **THIS COURT ORDERS** that no Proceeding against or in respect of the Crystal Wealth Group 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 Crystal Wealth Group or the Property are hereby stayed and suspended pending further Order of this Court, provided that nothing herein shall prevent the commencement or continuation of any investigation or proceedings against the Respondents or any of them by or

- 11 -

before any regulatory body including, without limitation, the Commission or the Enforcement Staff of the Ontario Securities Commission.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that all rights and remedies against the Crystal Wealth Group, 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 *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), and further provided that nothing in this paragraph shall: (i) empower the Receiver or the Crystal Wealth Group to carry on any business which the Crystal Wealth Group is not lawfully entitled to carry on; (ii) exempt the Receiver or the Crystal Wealth Group 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

16. **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 Crystal Wealth Group, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Crystal Wealth Group 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 Crystal Wealth Group 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 Crystal Wealth Group'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

- 12 -

accordance with normal payment practices of the Crystal Wealth Group 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

18. **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

19. **THIS COURT ORDERS** that all employees of the Crystal Wealth Group shall remain the employees of the Crystal Wealth Group until such time as the Receiver, on the Crystal Wealth Group'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.

PIPEDA

20. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* and any other applicable privacy legislation, 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

- 13 -

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 Crystal Wealth Group, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

21. **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

22. **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. Nothing in this Order shall derogate from the protections afforded the Receiver by any applicable legislation.

RECEIVER'S ACCOUNTS

23. **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.

24. **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.

25. **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

26. **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 \$500,000 (or such greater amount as this Court may by further Order authorize) 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.

- 15 -

27. **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.

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

29. **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 shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

30. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in these 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 (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; www.grantthornton.ca/crystalwealth.

31. **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, and any notices or other correspondence, by forwarding a notice with a link to the Case Website to the Crystal Wealth Group's creditors or other interested parties by email, facsimile transmission, or ordinary mail to their respective addresses as last shown on the records of the Crystal Wealth Group, or as otherwise ordered by the Court, and that any such service or distribution by email, facsimile transmission, or ordinary

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mail shall be deemed to be received on the next business day following the date of sending thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

32. **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.

33. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Crystal Wealth Group.

34. **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.

35. **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.

36. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than thirty (30) 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:

APR 26 2017

PER / PAR:

WJ

Dale J.

SCHEDULE "A"
FREEZE DIRECTIONS - CRYSTAL WEALTH GROUP

See attached.



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22^e étage
20, rue queen ouest
Toronto ON M5H 3S8

Phone: 416-263-7653 **Fax:** 416-593-2319 **Web site:** www.osc.gov.on.ca

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

FREEZE DIRECTION

(Subsection 126(1))

TO: CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED
192 Plains Road East
Burlington, Ontario
L7T 2C3

C/O: CLAYTON SMITH
192 Plains Road East
Burlington, Ontario
L7T 2C3

RE: Accounts at NBCN Inc., Royal Bank of Canada, The Toronto Dominion Bank and Interactive Brokers Canada Inc.

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to refrain from withdrawing any funds, securities or property from the institutions listed in Schedule "A" to this Freeze Direction including from, but not limited to, the accounts listed in Schedule "A" to this Freeze Direction until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

TAKE NOTICE THAT pursuant to subsection 126(1) of the Act you are directed to maintain funds, securities or property, and you are directed to refrain from disposing of, transferring,

dissipating or otherwise dealing with or diminishing the value of those funds, securities or property until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise, except that Crystal Wealth may dispose of securities and derivatives already held in Brokerage Accounts identified on Schedule "A" as at the date of the Directions on behalf of one or more of the following funds:

Crystal Wealth Media Strategy (the "Media Fund")
Crystal Wealth Mortgage Strategy (the "Mortgage Fund")
Crystal Enlightened Resource & Precious Metal Fund (the "Enlightened Resource Fund")
Crystal Wealth Medical Strategy (the "Medical Fund")
Crystal Wealth Enlightened Factoring Strategy (the "Factoring Fund")
ACM Growth Fund
ACM Income Fund
Crystal Wealth High Yield Mortgage Strategy (the "High Yield Mortgage Fund")
Crystal Enlightened Bullion Fund (the "Enlightened Bullion Fund")
Absolute Sustainable Dividend Fund (the "Sustainable Dividend Fund")
Absolute Sustainable Property Fund (the "Sustainable Property Fund")
Crystal Wealth Enlightened Hedge Fund (the "Enlightened Hedge Fund")
Crystal Wealth Infrastructure Strategy (the "Infrastructure Fund")
Crystal Wealth Conscious Capital Strategy (the "Conscious Capital Fund")
Crystal Wealth Retirement One Fund (the "Retirement Fund")

(collectively the "Funds"),

provided that any disposition of securities on behalf of the Funds occurs through the facilities of a recognized exchange and all proceeds of such sales are maintained in the account of the Fund on whose behalf the trade is executed.

DATED at Toronto this 6th day of April, 2017.

M. J. Dunn

SCHEDULE "A" TO FREEZE DIRECTION

Institution	Account Name	Account Number
NBCN Inc.	Crystal Wealth Management System Limited	27Q000A
NBCN Inc.	Crystal Wealth Management System Limited	27QCNAA
NBCN Inc.	Crystal Wealth Management System Limited	27QTAAA
NBCN Inc.	Crystal Wealth Management System Limited	27QAABC
NBCN Inc.	Crystal Wealth Management System Limited	27QCNC
Royal Bank of Canada	Crystal Wealth Management System Limited	00002 1304211
Royal Bank of Canada	Crystal Wealth Management System Limited	00002 1304260
The Toronto Dominion Bank	Crystal Wealth Management System Limited	5004279-0122
Interactive Brokers Canada Inc.	Crystal Wealth Management System Limited	F4795511
The Toronto Dominion Bank	Crystal Wealth Mortgage Strategy	5266530-0125
Interactive Brokers Canada Inc.	ACM Growth Fund	U1446894
Interactive Brokers Canada Inc.	Crystal Wealth Strategic Yield Media Fund	U4657920
Interactive Brokers Canada Inc.	Crystal Wealth Medical Income Fund	U4895282
Interactive Brokers Canada Inc.	Crystal Enlightened Resource and Precious Metals Fund	U4804316

Institution	Account Name	Account Number
NBCN Inc.	Crystal Wealth Media Strategy	27Q003E
NBCN Inc.	Crystal Wealth Media Strategy	27Q003F
NBCN Inc.	Crystal Wealth Mortgage Strategy	27Q050E
NBCN Inc.	Crystal Wealth Mortgage Strategy	27Q050F
NBCN Inc.	Crystal Enlightened Resource & Precious Metal Fund	27Q070E
NBCN Inc.	Crystal Enlightened Resource & Precious Metal Fund	27Q070F
NBCN Inc.	Crystal Wealth Medical Strategy	27Q080E
NBCN Inc.	Crystal Wealth Medical Strategy	27Q080F
NBCN Inc.	Crystal Wealth Enlightened Factoring Strategy	27Q090E
NBCN Inc.	Crystal Wealth Enlightened Factoring Strategy	27Q090F
NBCN Inc.	ACM Growth Fund	27QA23E
NBCN Inc.	ACM Growth Fund	27QA23F
NBCN Inc.	ACM Income Fund	27QA24E
NBCN Inc.	ACM Income Fund	27QA24F
NBCN Inc.	Crystal Wealth High Yield Mortgage Strategy	27QB26E
NBCN Inc.	Crystal Wealth High Yield Mortgage Strategy	27QB26F

Institution	Account Name	Account Number
NBCN Inc.	Crystal Enlightened Bullion Fund	27QC25E
NBCN Inc.	Crystal Enlightened Bullion Fund	27QC25F
NBCN Inc.	Absolute Sustainable Dividend Fund	27QD93A
NBCN Inc.	Absolute Sustainable Dividend Fund	27QD93B
NBCN Inc.	Absolute Sustainable Property Fund	27QD94A
NBCN Inc.	Absolute Sustainable Property Fund	27QD94B
NBCN Inc.	Crystal Wealth Enlightened Hedge Fund	27QF14E
NBCN Inc.	Crystal Wealth Enlightened Hedge Fund	27QF14F
NBCN Inc.	Crystal Wealth Infrastructure Strategy	27QG01E
NBCN Inc.	Crystal Wealth Infrastructure Strategy	27QG01F
NBCN Inc.	Crystal Wealth Conscious Capital Strategy	27QH93E
NBCN Inc.	Crystal Wealth Conscious Capital Strategy	27QH93F
NBCN Inc.	Crystal Wealth Retirement Retirement One Fund	27QB27E
NBCN Inc.	Crystal Wealth Retirement Retirement One Fund	27QB27F



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22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

**FREEZE DIRECTION
(Subsection 126(1))**

TO: CLAYTON SMITH
5043 Mount Nemo Crescent
Burlington, Ontario
L7M 0T7

RE: Accounts at The Toronto Dominion Bank

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to refrain from withdrawing any funds, securities or property from the institutions listed in Schedule "A" to this Freeze Direction including from, but not limited to, the accounts listed in Schedule "A" to this Freeze Direction until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

TAKE NOTICE THAT pursuant to subsection 126(1) of the Act you are directed to maintain funds, securities or property, and you are directed to refrain from disposing of, transferring, dissipating or otherwise dealing with or diminishing the value of those funds, securities or property until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

DATED at Toronto this 6th day of April, 2017.

M. Dunn

SCHEDULE "A" TO FREEZE DIRECTION

Institution	Account Name	Account Number
The Toronto Dominion Bank	Clayton Edward Smith	6045439-2228
The Toronto Dominion Bank	Clayton Edward Smith and Lee Ann Smith	0523771-0122



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**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

**FREEZE DIRECTION
(Subsection 126(1))**

TO: CLJ EVEREST LTD.
5043 Mount Nemo Crescent
Burlington, Ontario
L7M 0T7

C/O: CLAYTON SMITH
5043 Mount Nemo Crescent
Burlington, Ontario
L7M 0T7

RE: Accounts at The Toronto Dominion Bank

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to refrain from withdrawing any funds, securities or property from the institutions listed in Schedule "A" to this Freeze Direction including from, but not limited to, the accounts listed in Schedule "A" to this Freeze Direction until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

TAKE NOTICE THAT pursuant to subsection 126(1) of the Act you are directed to maintain funds, securities or property, and you are directed to refrain from disposing of, transferring, dissipating or otherwise dealing with or diminishing the value of those funds,

securities or property until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

DATED at Toronto this 6th day of April, 2017.

M. J. M.

SCHEDULE "A" TO FREEZE DIRECTION

Institution	Account Name	Account Number
The Toronto Dominion Bank	CLJ Everest Ltd	5002640-0122



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22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

**FREEZE DIRECTION
(Subsection 126(1))**

TO: Branch Manager
Royal Bank of Canada
200 Bay Street
Main Floor
Toronto, Ontario
M5J 2J5

RE: Crystal Wealth Management System Limited

All Accounts and Sub Accounts under Nos. (1) 00002 1304211 and (2) 00002 1304260

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") you are hereby directed to retain all funds, securities or property that you may have on deposit or under your control or for safekeeping in the name of or otherwise under the control of **Crystal Wealth Management System Limited** including any funds, securities or property on deposit in accounts with the following numbers:

**00002 1304211, and
00002 1304260**

or any other account, and hold them until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

AND TAKE FURTHER NOTICE THAT this Freeze Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Freeze Direction may be served by fax or courier to the last known address of the parties named in this Freeze Direction in the records of Royal Bank of Canada.

DATED at Toronto this 6th day of April, 2017.

M. Dunn



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de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

FREEZE DIRECTION
(Subsection 126(1))

TO: Branch Manager
Interactive Brokers Canada Inc.
1800 McGill College Avenue
Suite 2106
Montreal, Quebec
H3A 3J6

RE: 1. ACM Growth Fund,
2. Crystal Wealth Management System Limited,
3. Crystal Wealth Strategic Yield Media Fund,
4. Crystal Wealth Medical Income Fund, and
5. Crystal Enlightened Resource and Precious Metals Fund

All Accounts and Sub Accounts under Nos. (1) U1446894, (2) F4795511, (3) U4657920,
(4) U4895282 and (5) U4804316

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") you are hereby directed to retain all funds, securities or property that you may have on deposit or under your control or for safekeeping in the name of or otherwise under the control of ACM Growth Fund, Crystal Wealth Management System Limited, Crystal Wealth Strategic Yield Media Fund, Crystal Wealth Medical Income Fund and Crystal Enlightened Resource and Precious Metals Fund (the "Funds") including any funds, securities or property on deposit in accounts with the following numbers:

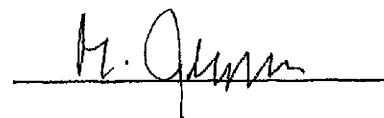
U1446894,
F4795511,
U4657920,
U4895282, and
U4804316

or any other account, and hold them until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise, with the exception that securities other than units of Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metal Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund (collectively the "Crystal Wealth Funds"), held in the name of, or otherwise under the control of, or on behalf of any of the Funds in the accounts at the brokerage may be sold provided that the disposition occurs through the facilities of a recognized exchange and all proceeds of such sales are maintained in the account where such securities were held.

AND TAKE FURTHER NOTICE THAT this Freeze Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Freeze Direction may be served by fax or courier to the last known address of the parties named in this Freeze Direction in the records of Interactive Brokers Canada Inc.

DATED at Toronto this 6th day of April, 2017.

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



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

FREEZE DIRECTION
(Subsection 126(1))

TO: Branch Manager
NBCN Inc.
The Exchange Tower
130 King Street West
Suite 3000
PO Box 21
Toronto, Ontario
M5X 1J9

RE: 1. Crystal Wealth Media Strategy,
2. Crystal Wealth Mortgage Strategy,
3. Crystal Enlightened Resource & Precious Metal Fund,
4. Crystal Wealth Medical Strategy,
5. Crystal Wealth Enlightened Factoring Strategy,
6. ACM Growth Fund,
7. ACM Income Fund,
8. Crystal Wealth High Yield Mortgage Strategy,
9. Crystal Enlightened Bullion Fund,
10. Absolute Sustainable Dividend Fund,
11. Absolute Sustainable Property Fund,
12. Crystal Wealth Enlightened Hedge Fund,
13. Crystal Wealth Infrastructure Strategy,
14. Crystal Wealth Conscious Capital Strategy,
15. Crystal Wealth Management System Limited, and
16. Crystal Wealth Retirement One Fund

All Accounts and Sub Accounts under Nos. (1) 27Q003E and 27Q003F, (2) 27Q050E and 27Q050F, (3) 27Q070E and 27Q070F, (4) 27Q080E and 27Q080F, (5) 27Q090E and 27Q090F, (6) 27QA23E and 27QA23F, (7) 27QA24E and 27QA24F, (8) 27QB26E and 27QB26F, (9) 27QC25E and 27QC25F, (10) 27QD93A and 27QD93B, (11) 27QD94A and 27QD94B, (12) 27QF14E and 27QF14F, (13) 27QG01E and 27QG01F, (14) 27QH93E and 27QH93F, (15) 27Q000A, 27QCNA, 27QTAAA, 27QAABC and 27QCNA, and (16) 27QB27E and 27QB27F

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") you are hereby directed to retain all funds, securities or property that you may have on deposit or under your control or for safekeeping in the name of or otherwise under the control of Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metal Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund (collectively the "Funds") and Crystal Wealth Management System Limited including any funds, securities or property on deposit in accounts with the following numbers:

27Q003E and 27Q003F,
27Q050E and 27Q050F,
27Q070E and 27Q070F,
27Q080E and 27Q080F,
27Q090E and 27Q090F,
27QA23E and 27QA23F,
27QA24E and 27QA24F,
27QB26E and 27QB26F,
27QC25E and 27QC25F,
27QD93A and 27QD93B,
27QD94A and 27QD94B,
27QF14E and 27QF14F,
27QG01E and 27QG01F,
27QH93E and 27QH93F,
27Q000A, 27QCNA, 27QTAAA, 27QAABC and 27QCNA, and
27QB27E and 27QB27F

or any other account, and hold them until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise, with the exception:

- (1) securities other than units of the Funds held in the name of or otherwise under the control of or on behalf of any of the Funds in the accounts at the brokerage may be sold provided that the sale or disposition occurs through the facilities of a recognized

exchange and all proceeds of such sales or distributions are maintained in the account where such securities were held; and

- (2) of managed accounts, except managed accounts in the name or for the benefit of Clayton Edward Smith, Crystal Wealth Management System Limited, CLJ Everest Ltd., Chrysalis Yoga Inc., 1150752 Ontario Limited and Lee Ann Smith.

AND TAKE FURTHER NOTICE THAT this Freeze Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Freeze Direction may be served by fax or courier to the last known address of the parties named in this Freeze Direction in the records of NBCN Inc.

DATED at Toronto this 6th day of April, 2017.

M. O. Dunn



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

**FREEZE DIRECTION
(Subsection 126(1))**

TO: Branch Manager
TD Bank Group
2931 Walkers Line
Burlington, Ontario
L7M 4M6

RE: Clayton Edward Smith
All Accounts and Sub Accounts under No. 6045439-2228

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") you are hereby directed to retain all funds, securities or property that you may have on deposit or under your control or for safekeeping in the name of or otherwise under the control of Clayton Edward Smith including any funds, securities or property on deposit in accounts with the following number:

6045439-2228

or any other account, and hold them until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

AND TAKE FURTHER NOTICE THAT this Freeze Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Freeze Direction may be served by fax or courier to the last known address of the parties named in this Freeze Direction in the records of TD Bank Group.

DATED at Toronto this 6th day of April, 2017.

M. Quinn



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

FREEZE DIRECTION
(Subsection 126(1))

TO: Branch Manager
TD Bank Group
20 Main Street East
Grimsby, Ontario
L3M 1M9

RE: 1. CLJ Everest Ltd
2. Crystal Wealth Management System Limited
3. Clayton Edward Smith and Lee Ann Smith

All Accounts and Sub Accounts under Nos. (1) 5002640-0122, (2) 5004279-0122 and (3)
0523771-0122

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") you are hereby directed to retain all funds, securities or property that you may have on deposit or under your control or for safekeeping in the name of or otherwise under the control of CLJ Everest Ltd, Crystal Wealth Management System Limited and Clayton Edward Smith and Lee Ann Smith including any funds, securities or property on deposit in accounts with the following numbers:

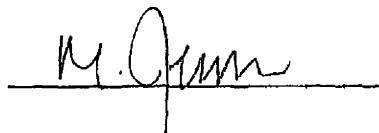
5002640-0122,
5004279-0122, and
0523771-0122

or any other account, and hold them until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

AND TAKE FURTHER NOTICE THAT this Freeze Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Freeze Direction may be served by fax or courier to the last known address of the parties named in this Freeze Direction in the records of TD Bank Group.

DATED at Toronto this 6th day of April, 2017.

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



Ontario
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Commission des
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de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

**FREEZE DIRECTION
(Subsection 126(1))**

TO: Branch Manager
TD Bank Group
55 King Street West
Toronto, Ontario
MSK 1A2

RE: Crystal Wealth Mortgage Strategy
All Accounts and Sub Accounts under No. 5266530-0125

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") you are hereby directed to retain all funds, securities or property that you may have on deposit or under your control or for safekeeping in the name of or otherwise under the control of **Crystal Wealth Mortgage Strategy** including any funds, securities or property on deposit in accounts with the following number:

5266530-0125

or any other account, and hold them until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

AND TAKE FURTHER NOTICE THAT this Freeze Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Freeze Direction may be served by fax or courier to the last known address of the parties named in this Freeze Direction in the records of TD Bank Group.

DATED at Toronto this 6th day of April, 2017.

M. Dunn

SCHEDULE "B"
FREEZE DIRECTIONS OVER CHRYSALIS YOGA

See attached.



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

Phone:	416-283-7653	Web site: www.osc.gov.on.ca
Fax:	416-583-2319	

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

**FREEZE DIRECTION
(Subsection 126(1))**

TO: CHRYSALIS YOGA INC.
4040 Palladium Way
Burlington, Ontario
L7M 0C2

C/O: Shanine Lee Dennill
4040 Palladium Way
Burlington, Ontario
L7M 0C2

RE: Accounts at The Bank of Nova Scotia

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to refrain from withdrawing any funds, securities or property from the institutions listed in Schedule "A" to this Freeze Direction including from, but not limited to, the accounts listed in Schedule "A" to this Freeze Direction until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

SCHEDULE "B"
FREEZE DIRECTIONS OVER CHRYSALIS YOGA

See attached.



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

Phone: 416-263-7653
Fax: 416-593-2319

Web site: www.osc.gov.on.ca

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

FREEZE DIRECTION
(Subsection 126(1))

TO: CHRYSALIS YOGA INC.
4040 Palladium Way
Burlington, Ontario
L7M 0C2

C/O: Shanine Lee Dennill
4040 Palladium Way
Burlington, Ontario
L7M 0C2

RE: Accounts at The Bank of Nova Scotia

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to refrain from withdrawing any funds, securities or property from the institutions listed in Schedule "A" to this Freeze Direction including from, but not limited to, the accounts listed in Schedule "A" to this Freeze Direction until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

TAKE NOTICE THAT pursuant to subsection 126(1) of the Act you are directed to maintain funds, securities or property, and you are directed to refrain from disposing of, transferring, dissipating or otherwise dealing with or diminishing the value of those funds, securities or property until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

DATED at Toronto this 17th day of April, 2017.

M. O. MM

SCHEDULE "A" TO FREEZE DIRECTION

Institution	Account Name	Account Number
The Bank of Nova Scotia	Chrysalis Yoga Inc.	87296 00518 10



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED

**FREEZE DIRECTION
(Subsection 126(1))**

TO: Branch Manager
Bank of Nova Scotia
4519 Dundas Street
Burlington, Ontario
L7M 5B4

RE: Chrysalis Yoga Inc.
All Accounts and Sub Accounts under No. 87296 00518 10

TAKE NOTICE THAT pursuant to subsection 126(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") you are hereby directed to retain all funds, securities or property that you may have on deposit or under your control or for safekeeping in the name of or otherwise under the control of Chrysalis Yoga Inc. including any funds, securities or property on deposit in accounts with the following number:

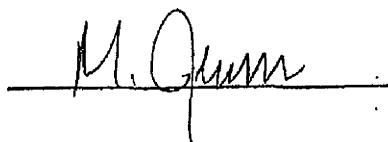
87296 00518 10

or any other account, and hold them until the Ontario Securities Commission in writing revokes or varies this Freeze Direction or consents to release a particular fund, security or property from this Freeze Direction or until the Ontario Superior Court of Justice orders otherwise.

AND TAKE FURTHER NOTICE THAT this Freeze Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Freeze Direction may be served by fax or courier to the last known address of the parties named in this Freeze Direction in the records of Bank of Nova Scotia.

DATED at Toronto this 6th day of April, 2017.

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

SCHEDULE "C"
COMMUNICATIONS PROTOCOL

WHEREAS:

1. Pursuant to Orders of the Honourable Justice _____ of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated April 26, 2017 (the "Appointment Order"), Grant Thornton Limited has been appointed as Receiver of a bank account No. 87296 00518 10 at Bank of Nova Scotia in the name of Chrysalis Yoga Inc., and of all of the assets, undertakings and properties (collectively, the "Property") of:
 - (i) Clayton Smith;
 - (ii) Crystal Wealth Management System Limited;
 - (iii) CLJ Everest Ltd.;
 - (iv) 1150752 Ontario Limited;
 - (v) Crystal Wealth Media Strategy;
 - (vi) Crystal Wealth Mortgage Strategy;
 - (vii) Crystal Enlightened Resource & Precious Metals Fund;
 - (viii) Crystal Wealth Medical Strategy;
 - (ix) Crystal Wealth Enlightened Factoring Strategy;
 - (x) ACM Growth Fund;
 - (xi) ACM Income Fund;
 - (xii) Crystal Wealth High Yield Mortgage Strategy;
 - (xiii) Crystal Enlightened Bullion Fund;
 - (xiv) Absolute Sustainable Dividend Fund;
 - (xv) Absolute Sustainable Property Fund;
 - (xvi) Crystal Wealth Enlightened Hedge Fund;
 - (xvii) Crystal Wealth Infrastructure Strategy;
 - (xviii) Crystal Wealth Conscious Capital Strategy,
 - (xix) Crystal Wealth Retirement One Fund,

C - 2 -

- (collectively, the “**Crystal Wealth Group**”);
2. The Receiver was initially appointed pursuant to an Application of the Ontario Securities Commission (the “**OSC**”) under section 129 of the *Securities Act* (Ontario);
 3. The OSC has commenced an investigation into the activities of Crystal Wealth Management Systems Limited (“**Crystal Wealth**”) and its principal, Clayton Smith (“**Smith**”), as well as the activities of companies connected to Smith, which investigation is ongoing.
 4. In the course of the Receiver’s appointment it receives, reviews and is otherwise advised of confidential information (including personal information), documents and/or materials (collectively, the “**Confidential Information**”), including without limitation Confidential Information relating to (i) the business, operations, financial condition and/or affairs of the Crystal Wealth Group; and (ii) former and current officers, directors, employees, clients, investors, shareholders and/or creditors of the Crystal Wealth Group;
 5. Pursuant to paragraph 6(r) of the Appointment Order, the Receiver is authorized to share information, meet with and discuss with any regulatory bodies (“**Regulators**”) and their advisors, including without limitation the OSC and any other regulatory authorities as the Receiver deems appropriate, on all matters relating to the Property, the affairs of the Crystal Wealth Group and the receivership of the Crystal Wealth Group, subject to such terms as to confidentiality as the Receiver deems advisable;
 6. The Receiver is of the view that if so requested by the OSC or any other Regulator, the Receiver should have the authority to provide the requesting Regulator with information and documentation regarding the Crystal Wealth Group (the “**Information**”, which term includes, without limitation, Confidential Information), on and subject to the terms of this protocol; and
 7. Staff of the OSC seeks approval of this protocol by the Court.

NOW THEREFORE:

1. The Receiver may provide Information to the OSC or a Regulator upon request by the OSC or the Regulator; provided that the Receiver determines in its sole discretion that provision of such Information (i) is in the best interests of the estate herein, (ii) would not breach or be prohibited by any agreement to which the Receiver is a party or by the laws of any jurisdiction to which the Receiver (which term includes any of its officers, partners, employees and agents) may be subject; and (iii) would not result in the breach of any duty or obligation of confidentiality to which the Receiver (which term includes any of its officers, partners, employees and agents) may be subject or which the Receiver may owe pursuant to the laws of Canada or of any other jurisdiction.
2. The Regulator will deal with any Information provided by the Receiver in a manner consistent with any law to which the OSC or Regulator is subject, including, without limitation, the *Securities Act* (Ontario) and subject to any specific confidentiality

C - 3 -

requirements imposed by the Receiver in respect of any such Information provided to the Regulator.

3. The Receiver is in no way responsible or liable for any incorrect and/or incomplete Information.
4. The Receiver shall have no liability arising from (i) the disclosure of Information to the Regulator; (ii) the content of the Information; (iii) the use of the Information by the Regulator; or (iv) any disclosure of the Information by the OSC or Regulator.

SCHEDULE "D"
DEPOSIT ACCOUNTS

As provided at paragraph 9 of the Order to which this Schedule is attached, the Receiver is hereby empowered and authorized, but not required, to take possession and control of any monies, funds, deposit instruments, or securities held by or in the name of the Crystal Wealth Group, or any of them, or by a third party for the benefit of the Crystal Wealth Group, or any of them, including without limitation the monies, funds, deposit instruments, or securities held in the following accounts:

Institution	Account Name	Account Number
Bank of Nova Scotia	Chrysalis Yoga Inc.	87296 00518 10
Royal Bank of Canada	Crystal Wealth Management System Limited	00002 1304211
Royal Bank of Canada	Crystal Wealth Management System Limited	00002 1304260
TD Bank Group	Clayton Edward Smith	6045439-2228
TD Bank Group	CLJ Everest Ltd.	5002640-0122
TD Bank Group	Crystal Wealth Management System Limited	5004279-0122
TD Bank Group	Crystal Wealth Mortgage Strategy	5266530-0125
TD Bank Group	Clayton Edward Smith and Lee Ann Smith	0523771-0122
TD Bank Group	1150752 Ontario Limited	5001601-0122
Interactive Brokers Canada Inc.	ACM Growth Fund	U1446894
Interactive Brokers Canada Inc.	Crystal Wealth Management System Limited	F4795511

D - 2

Institution	Account Name	Account Number
Interactive Brokers Canada Inc.	Crystal Wealth Strategic Yield Media Fund	U4657920
Interactive Brokers Canada Inc.	Crystal Wealth Medical Income Fund	U4895282
Interactive Brokers Canada Inc.	Crystal Enlightened Resource and Precious Metals Fund	U4804316
NBCN Inc.	Crystal Wealth Media Strategy	27Q003E
NBCN Inc.	Crystal Wealth Media Strategy	27Q003F
NBCN Inc.	Crystal Wealth Mortgage Strategy	27Q050E
NBCN Inc.	Crystal Wealth Mortgage Strategy	27Q050F
NBCN Inc.	Crystal Enlightened Resource & Precious Metals Fund	27Q070E
NBCN Inc.	Crystal Enlightened Resource & Precious Metals Fund	27Q070F
NBCN Inc.	Crystal Wealth Medical Strategy	27Q080E
NBCN Inc.	Crystal Wealth Medical Strategy	27Q080F
NBCN Inc.	Crystal Wealth Enlightened Factoring Strategy	27Q090E
NBCN Inc.	Crystal Wealth Enlightened Factoring Strategy	27Q090F
NBCN Inc.	ACM Growth Fund	27QA23E
NBCN Inc.	ACM Growth Fund	27QA23F

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Institution	Account Name	Account Number
NBCN Inc.	ACM Income Fund	27QA24E
NBCN Inc.	ACM Income Fund	27QA24F
NBCN Inc.	Crystal Wealth High Yield Mortgage	27QB26E
NBCN Inc.	Crystal Wealth High Yield Mortgage	27QB26F
NBCN Inc.	Crystal Enlightened Bullion Fund	27QC25E
NBCN Inc.	Crystal Enlightened Bullion Fund	27QC25F
NBCN Inc.	Absolute Sustainable Dividend Fund	27QD93A
NBCN Inc.	Absolute Sustainable Dividend Fund	27QD93B
NBCN Inc.	Absolute Sustainable Property Fund	27QD94A
NBCN Inc.	Absolute Sustainable Property Fund	27QD94B
NBCN Inc.	Crystal Wealth Enlightened Hedge Fund	27QF14E
NBCN Inc.	Crystal Wealth Enlightened Hedge Fund	27QF14F
NBCN Inc.	Crystal Wealth Infrastructure Strategy	27QG01E
NBCN Inc.	Crystal Wealth Infrastructure Strategy	27QG01F
NBCN Inc.	Crystal Wealth Conscious Capital Strategy	27QH93E
NBCN Inc.	Crystal Wealth Conscious Capital Strategy	27QH93F

D - 4

Institution	Account Name	Account Number
NBCN Inc.	Crystal Wealth Management System Limited	27Q000A
NBCN Inc.	Crystal Wealth Management System Limited	27QCNA
NBCN Inc.	Crystal Wealth Management System Limited	27QTAA
NBCN Inc.	Crystal Wealth Management System Limited	27QAAB
NBCN Inc.	Crystal Wealth Management System Limited	27QCNA
NBCN Inc.	Crystal Wealth Retirement One Fund	27QB27E
NBCN Inc.	Crystal Wealth Retirement One Fund	27QB27F

SCHEDULE "E"**IN THE MATTER OF
CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, ET AL.****PRIVILEGE PROTOCOL FOR RECEIVER PRODUCTION**

This Protocol identifies how Staff of the Ontario Securities Commission ("Staff") intend to address any potentially solicitor-client privileged documents that may be obtained from the Receiver in Staff's investigation of Crystal Wealth Management Systems Limited ("Crystal Wealth") and its principal, Clayton Smith ("Smith"), as well as the activities of companies connected to Smith. Generally, Staff will make best efforts to identify, in accordance with this Protocol, any documents over which privilege may be claimed prior to reviewing them and exclude those documents from Staff's review. Staff will advise the Receiver of any privilege issues that may arise as a result of the review and will consult with the Receiver on those issues that are not otherwise addressed in this Protocol.

A. HARD COPY DOCUMENTS

1. The investigating team (the "**Team**") will endeavor not to request any hard copy documents from the Receiver that could be privileged.
2. Prior to requesting any documents, the Team will review any index provided by the Receiver. The Team will also not review any documents or folders obtained that on their face may contain privileged advice. For example, folders labelled "**Privileged and Confidential**" will not be reviewed and will be immediately returned to the Receiver.
3. Hard copy documents obtained from the Receiver will be scanned by the Technology & Evidence Control Unit ("TEC") and added to the main database of documents (the "**Main Database**").

B. E-MAILS

4. Upon request by the Team, the Receiver will provide electronic documents, which include the emails of certain custodians. These electronic documents will not have been reviewed for privilege prior to production.
5. TEC will upload the electronic documents into a database (the "**Receiver Database**") that is segregated from the Main Database. The Team will never have access to the Receiver Database.
6. TEC may "**de-dupe**" the electronic documents in the Receiver Database.
7. TEC will run searches through the Receiver Database to attempt to identify potentially privileged electronic documents (the "**Blind Search**"). The search terms for the Blind Search will be provided by the Team, based on its knowledge of the file (see Appendix

“A”). This list will be supplemented with a list of Ontario law firms provided by TEC.¹ Electronic documents that do not include “hits” from the Blind Search will be added to the Main Database and can be reviewed by the Team.

8. TEC will generate a summary report of the emails in the Receiver Database that contain “hits” from the Blind Search. The Report will set out the address fields (i.e., “To”; “From”; “CC” and “BCC”). A Team member will review the report to determine which emails have also been addressed to third parties and will code those emails as “Third Party”. Those emails may also be added to the Main Database and can be reviewed by the Team.
9. With regard to the remaining electronic documents in the Receiver Database, that is those which generated a “hit” in the Blind Search, the Team will discuss next steps with the Receiver before taking any steps with respect to these documents. Options to consider may include, but are not limited to, delaying the assessment of privilege issues in the Receiver Database to a later time when a privilege holder is able to review or initiating a privilege review with the use of a “Filter Lawyer”.

IDENTIFICATION AND SEGREGATION OF POTENTIALLY PRIVILEGED DOCUMENTS DURING REVIEW

1. In the event a Team member comes across a potentially privileged document in the Main Database, the Team member will stop reviewing the document immediately, record the document ID and advise litigation counsel, who will advise the Receiver.
2. If the potentially privileged document identified was originally a hard copy document, TEC will remove the electronic version from the Main Database and will identify the original document from the boxes provided by the Receiver. TEC will secure the document in an envelope, which will be returned to the Receiver with a completed chain of custody form.
3. If the potentially privileged document identified was originally an electronic document, TEC will remove the document from the Main Database and put it back into the Receiver Database, to which the Team has no access.
4. If possible, TEC may extract information such as name of lawyer, name of law firm, email address and, upon direction by litigation counsel, use the information to run further Blind Searches in the Main Database to segregate any similar, additional documents identified. These electronic documents will be dealt with as described in item 8, above.

Staff reserve the right to challenge at a later date any claim of solicitor client privilege that may be made over any documents identified as potentially privileged in accordance with this

¹ List downloaded from Korbitec Inc. (ACL or Automated Civil Litigation software) on July 27, 2016. The list for the Blind Search shall not include Kelly Margaritas, Margaritis Law, Stephanie McManus, or Compliance Support Services.

Protocol. Staff also acknowledge that production of a document by the Receiver does not constitute a waiver of solicitor client privilege with respect to it.

APPENDIX "A"**PRIVILEGE SEARCH TERMS
LAWYERS AND LAW FIRMS**

From following list, search:

- (a) last name of known lawyer
- (b) portions of law firm email address
- (c) email address of known lawyer (to the extent not covered by (b))

	Name of Lawyer	Law Firm	Email Address
1.	Laura Paglia	Borden Ladner Gervais LLP	lPaglia@blg.com
2.	Suzanne Kittell	Borden Ladner Gervais LLP	SKittell@blg.com
3.	Kathryn M. Fuller	Borden Ladner Gervais LLP	kfuller@blg.com
4.	Martin J. Doane	Martin J. Doane, Barrister & Solicitor	mjd@martinjdoane.com
5.	Jeremy Devereux	Norton Rose Fulbright Canada LLP	Jeremy.devereux@nortonrosefulbright.com
6.	Bruce O'Toole	Crawley MacKewn Brush LLP	botoole@cmlaw.ca
7.	Ellen Bessner	Babin Bessner Spry	ebessner@babinbessnerspry.com
8.	Nigel Campbell	Blake, Cassels & Graydon LLP	nigel.comapbell@blakes.com
9.	Doug McLeod	Blake, Cassels & Graydon LLP	Doug.mcleod@blakes.com

SCHEDULE "F"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Grant Thornton Limited is the receiver and manager (in such capacities, the "Receiver") of the assets, undertakings and properties of all of the Respondents, except the Respondent Chrysalis Yoga Inc., including all proceeds thereof (collectively, the "Property", which term shall include the funds contained in the account of Chrysalis Yoga Inc. bearing No. 87296 00518 10 at Bank of Nova Scotia), appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the _____ day of _____, 2017 (the "Order") made in an application having Court file number 17-CL-_____, 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 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.

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.

4. All sums payable in respect of principal and interest 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 _____, 20__.

GRANT THORNTON LIMITED, solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

ONTARIO SECURITIES COMMISSION

Applicant

and CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, ET AL.

Respondents

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at TORONTO

APPOINTMENT ORDER

ONTARIO SECURITIES COMMISSION
20 Queen Street West, 22nd Floor
Toronto ON M5H 3S8

Catherine Weiler (LSUC # 52424M)
Tel: (416) 204-8985
Fax: (416) 593-8321
Email: cweiler@osc.gov.on.ca

Yvonne B. Chisholm (LSUC No. #37040F)
Tel: (416) 593-2363
Fax: (416) 593-8321
Email: ychisholm@osc.gov.on.ca

*Lawyers for the Applicant,
Ontario Securities Commission*

This is **Exhibit "L"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Exhibit "L" – Crystal Wealth Funds

Fund	Portfolio Manager	Year of Inception
Mortgage Fund	Clayton Smith	2007
Resource Fund	Al Housego	2009
Factoring Fund	Al Housego	2010
Medical Fund	Clayton Smith	2010
Bullion Fund	Al Housego	2015
Media Fund	Clayton Smith	2011
High Yield Mortgage Fund	Clayton Smith	2015
Infrastructure Fund	Clayton Smith	2016
Hedge Fund	Al Housego	2016
Conscious Capital Fund	Clayton Smith	2016
ACM Income Fund	Clayton Smith	2014
ACM Growth Fund	Clayton Smith	2014

Sustainable Dividend Fund	Clayton Smith	2016
Sustainable Property Fund	Clayton Smith	2016

This is **Exhibit “M”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



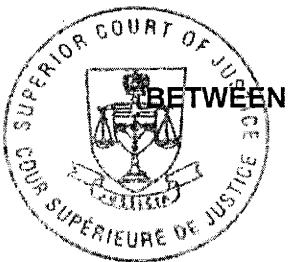
A Commissioner, etc.

Court File No. CV- 17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE
JUSTICE CONWAY

) MONDAY, THE 20th DAY
)) OF AUGUST, 2018
))



BETWEEN:
ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

ORDER

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed receiver and manager (in such capacity, the "Receiver"), without security, of all of the assets, undertakings and properties of each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("Chrysalis Yoga") (each of the Respondents except for Chrysalis Yoga being individually and collectively, the "Crystal Wealth Group"), for an Order, *inter alia*, approving the Fourth Report of the Receiver dated July 20, 2018 (the "Fourth Report") and the activities of the Receiver set out in the Fourth Report, and for other relief requested by the

- 2 -

Receiver in its Notice of Motion dated July 20, 2018, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Fourth Report, including the affidavit of Bruce Bando sworn July 19, 2018 (the "Bando Affidavit"), and the affidavit of Mark van Zandvoort sworn July 10, 2018 (the "van Zandvoort Affidavit"), the factum of Craig Clydesdale served August 13, 2018, and on hearing the submissions of counsel for the Receiver and such other counsel who were present, no one appearing for any other person on the service list, although duly served as appears from the affidavits of service of Miranda Spence sworn July 23, 2018 and August 16, 2018, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the Receiver's 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 Fourth Report and the activities of the Receiver described therein be and are hereby approved.
3. **THIS COURT ORDERS** that Confidential Appendix 1 and Confidential Appendix 3 (as defined in the Fourth Report) be and are hereby sealed until further Order of the Court.
4. **THIS COURT ORDERS** that the Receiver's methodology and proposal to make an interim distribution to investors of certain Crystal Wealth Funds, as set out in the Fourth Report, be and is hereby approved, and that the Receiver is hereby authorized to make such interim distribution to such investors.
5. **THIS COURT ORDERS** that Alberto Storelli, Brian Peoples, and Joe Harker are in contempt as a result of their failure to comply with the Order issued by this Court on December 11, 2017 (the "December 11, 2017 Order"), which Order required that each of them provide the Receiver and its lawyers, Aird & Berlis LLP, with certain requested but still outstanding information required by the Receiver for a proper account reconciliation and assessment of the US Real Estate LP (as defined in the Fourth Report). *AC*
6. **THIS COURT ORDERS** that, as a result of their failure to comply with the December 11, 2017 Order and the finding of contempt against them as set out in paragraph 5 above, Alberto Storelli, Brian Peoples, and Joe Harker are forthwith ordered to comply with the December 11, 2017 Order, and to pay to the Receiver costs in the sum of \$10,000. *AC*

7. **THIS COURT ORDERS** that the Receiver's Interim Statement of Receipts and Disbursements through to May 31, 2018, as appended to the Fourth Report, be and is hereby approved.

8. **THIS COURT ORDERS** that the Receiver's engagement of Adair Goldblatt Bieber LLP ("AGB LLP") pursuant to an engagement letter dated June 11, 2018, attached as Confidential Appendix 1 to the Fourth Report, be and is hereby approved.

9. **THIS COURT ORDERS** that each of Clayton Smith, Darcy Pahl, David DenHollander, Robert Maljaars, Jeffrey Maljaars, Al Housego, and Jerry Froese be and are hereby ordered to answer the undertakings given, and the questions which were taken under advisement and which were refused, during their respective examinations by the Receiver, as follows:

- (a) Clayton Smith shall forthwith answer the outstanding undertaking given, and shall answer the questions refused during his examination out of court, as set out in the charts appended as Appendix 17 to the Fourth Report;
- (b) Darcy Pahl shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 19 to the Fourth Report;
- (c) David DenHollander shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 21 to the Fourth Report;
- (d) Robert Maljaars shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 20 to the Fourth Report;
- (e) Jeffrey Maljaars shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 22 to the Fourth Report;
- (f) Al Housego shall forthwith answer the outstanding undertaking given during his examination out of court, as set out in the chart appended as Appendix 23 to the Fourth Report; and

- (g) on the consent of Jerry Froese and the Receiver, Jerry Froese shall forthwith answer: (i) the outstanding undertakings given during his examination out of court, being nos. 13, 18, 19, 20, 31 [production of a USB drive with the actual/native data as saved in the software], 34 [missing enclosures], 36, 41, and 42, as set out in the charts appended at Appendix 24 of the Fourth Report; and (ii) the questions taken under advisement and which were refused during his examination out of court, as set out in the charts appended as Appendix 24 to the Fourth Report.

10. **THIS COURT ORDERS** that, on the consent of the Receiver at the request of Regent Law Professional Corporation, paragraphs 162 and 164 of the Fourth Report be and are hereby amended as set out in Schedule "A" to this Order.

11. **THIS COURT ORDERS** that Craig Clydesdale be and is hereby ordered to answer the undertakings given, and the questions which were taken under advisement and which were refused at his examination held March 12 and 13, 2018, as set out at Appendix 18 to the Fourth Report, by no later than September 20, 2018, subject to the following:

- (a) Mr. Clydesdale's answer to Refusal #1 shall be kept confidential by the Receiver and counsel to the Receiver, and not posted on the Receiver's website or filed with the Court; and
- (b) Mr. Clydesdale shall not be required to answer Refusal #3 pending further Order of the Court.

12. **THIS COURT ORDERS** that the fees and disbursements of the Receiver for the period October 1, 2017 to May 31, 2018, as described in the Fourth Report and as set out in the Bando Affidavit, be and are hereby approved, and that the allocation of the Receiver's fees and disbursements from October 1, 2018 to May 31, 2018, as described and detailed in the Fourth Report, be and is hereby approved.

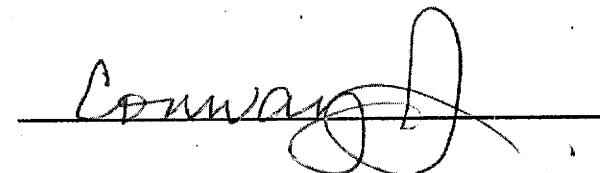
13. **THIS COURT ORDERS** that the fees and disbursements of Aird & Berlis LLP, counsel to the Receiver, for the period April 7, 2017 to May 31, 2018, as described in the Fourth Report and as set out in the van Zandvoort Affidavit, be and are hereby approved, and that the allocation of A&B's fees and disbursements in this regard, as described and detailed in the Fourth Report, be and is hereby approved.

- 5 -

14. **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.

15. **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.

16. **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.



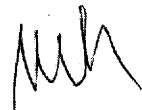
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AUG 20 2018

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- 6 -

SCHEDULE A

**Paragraph 162 of the Fourth Report shall be deemed to have been amended as follows
(underlined portion reflecting amendment made to existing paragraph):**

162 Also on February 23, 2018, A&B sent correspondence to Dionne indicating that it had received confirmation from Hudson Inc. that she had personally filed for bankruptcy, however, that neither DDI Corp nor DDI had filed for bankruptcy. In response, Dionne insisted that she had not executed the DDI Corporate Guarantees and requested that she be provided with the individual's name who provided same to the Receiver. A&B advised Dionne that Darren Smits ("Smits"), at that time of Miller Thomson LLP in Calgary, Alberta (now a lawyer of Burstall LLP), had provided the DDI Corporate Guarantees to the Receiver and that Wilson was counsel to the specific transaction. A&B further requested that the Receiver be included on all future correspondence between Smits and Dionne.

**Paragraph 164 of the Fourth Report shall be deemed to have been amended as follows
(underlined portion reflecting amendment made to existing paragraph):**

164 Froese testified during his examination that the potential investment in Restoration Energy through a Factoring Agreement was initially put forth by Smits, who is Frontline's lawyer, and was also the lawyer to Restoration Energy, which Smits confirmed to the Receiver. Recently, the Receiver learned that Smits has left Miller Thomson LLP, and is now practicing at Burstall LLP in Calgary.

ONTARIO SECURITIES COMMISSION

-and-

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED et al.

Applicant

Respondents

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

ORDER

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

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

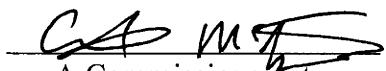
Mark van Zandvoort (LSUC # 59120U)
Tel: (416) 865-4742
Fax: (416) 863-1515
E-mail: mvanzandvoort@airdberlis.com

Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit “N”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.



September 28, 2018

TO: THE INVESTORS IN THE CRYSTAL WEALTH FUNDS

- and to -

CRYSTAL WEALTH DISCRETIONARY ACCOUNT HOLDERS

Interim Distribution

Further to the Receiver's Notice to Investors dated August 21, 2018, the Receiver released the second interim distribution to the relevant custodial entities, including but not limited to National Bank Independent Network ("NBIN"), on September 27, 2018. Please note that it may take up to five (5) business days for the respective custodians to process the second interim distribution.

The second interim distribution has been made on a per unit basis, specific to each of the Crystal Wealth Funds, as outlined in the table below¹. The amount that will be received by investors is based on: (i) the number of units held and (ii) the Crystal Wealth Funds in which an investor holds units. The number of units held by each investor has not changed since the Appointment Order or the first interim distribution declared on January 18, 2018.

Fund	Fund Description	Per Unit
AAG210	Crystal Wealth Mortgage Strategy	\$ 1.625
AAG230	Crystal Enlightened Resource and Precious Metals Fund	\$ 1.944
AAG250	Crystal Wealth Medical Strategy	\$ 1.678
AAG300	Crystal Wealth Media Strategy	\$ 2.479
AAG310	Crystal Wealth High Yield Mortgage Strategy	\$ 2.642
AAG700	ACM Income Fund	\$ 2.404
AAG710	ACM Growth Fund	\$ 0.179
AAG786	Absolute Sustainable Property Fund	\$ 2.203

For example, if an investor holds 1,000 units in the Crystal Wealth Mortgage Strategy (the "Mortgage Fund") and 500 units in the Crystal Wealth Medical Strategy (the "Medical Fund"), the investor would receive an interim distribution of \$2,464. This amount is comprised of: (i) \$1,625 based upon the number of units held by the investor in the Mortgage Fund (1,000 units x \$1.625 per unit) and (ii) \$839 based upon the number of units held by the investor in the Medical Fund (500 units x \$1.678 per unit).

¹ A detailed explanation of the calculation of the per unit distribution to be received by certain of the Crystal Wealth Funds and the methodology of same is outlined in paragraphs 39 to 45 of the Receiver's Fourth Report to Court dated July 20, 2018 (the "Fourth Report") which was approved by the Court on August 20, 2018.

Frequently Asked Questions

The Receiver has prepared answers to common questions that have been received from investors by the Receiver with respect to the second interim distribution.

Q: Is this the final distribution?

Answer:

The release of the second interim distribution does not mean that this is the final distribution to investors. That being said, as outlined in the Fourth Report, the Receiver has serious concerns as to the ultimate collectability of specific investments held in certain of the Crystal Wealth Funds and as a result, the Receiver cannot confirm at this time the quantum of a further distribution(s), if any.

Q: Where will the funds be deposited?

Answer:

As previously communicated, the second interim distribution will be deposited into an investor's account(s) which holds units in the Crystal Wealth Funds (e.g. if an investor's investments are held at NBIN, the second interim distribution will be deposited into each of the investor's NBIN account(s) in the form of cash). Once deposited, these monies will then be accessible to investors. This also means that distributions into registered accounts (e.g. RRSP, RRIF, TFSA, etc.) will be deposited into those registered accounts as cash.

Q: Can I transfer or withdraw cash received from the interim distribution?

Answer:

For investors whose units in the Crystal Wealth Fund(s) are in an account(s) at NBIN, the table below outlines the ways in which investors can access the cash available in their Registered Account(s) (e.g. TFSA, RRSP, RIF, LIF, etc.) and/or their Non-Registered Accounts (i.e. cash accounts).

ACCOUNT TYPE	WITHDRAWAL METHOD	ACTION
Registered Accounts	Transfer cash to another financial institution	Must complete transfer forms with the receiving financial institutions (i.e. the institution where investors would like to transfer their cash)
	Withdrawal cash via cheque or electronic fund transfer (possible tax consequences may apply, please see note below)	Contact National Bank Independent Network directly (T: 416-542-2200 E: NBINinformation@nbc.ca)
Non-Registered Accounts	Transfer cash to another financial institution	Must complete transfer forms with the receiving financial institutions (i.e. the institution where investors would like to transfer their cash)
	Withdrawal cash via cheque or electronic fund transfer	Contact National Bank Independent Network directly (T: 416-542-2200 E: NBINinformation@nbc.ca)

As previously communicated, while the second interim distribution to registered accounts will not trigger any tax consequences, withdrawals or transfers of same by investors may have tax implications. Neither the Receiver nor NBIN nor any other custodian can advise investors of the tax consequences that may or may not result from withdrawals from the account(s) as each investors' individual circumstances will vary. Investors are encouraged to speak with their tax advisors.

For investors whose units in the Crystal Wealth Fund(s) are in an account(s) at custodians other than NBIN, please contact your respective custodian for instructions on how to process a transfer or withdrawal request.

Q: Is the Receiver's approval required for withdraws or transfers?

Answer:

No. Investors, or their authorized representatives, can liaise directly with the custodian entity where their account(s) are held.

Q: Do I have to report income on my tax return?

Answer:

The Receiver will be providing relevant tax slips in accordance with the income tax legislation in Canada by no later than March 31, 2019. Such tax slips will provide the necessary information required for taxation reporting purposes for the entire 2018 calendar year.

Please contact the Receiver at any time should you have any questions.

Contact details for the Receiver:

Toll Free Number: +1 (866) 448-5867

Email: CrystalWealth@GrantThornton.ca

Receiver's Case Website: www.GrantThornton.ca/CrystalWealth

DATED at Toronto, Ontario, this 28th day of September, 2018

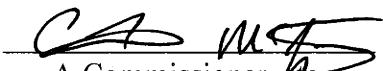
Grant Thornton Limited,

In its capacity as the Court-appointed Receiver and Manager of
the Crystal Wealth Group, and not in its corporate or personal capacity

This is **Exhibit “O”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Revised: January 21, 2014
s.243(1) BIA (National Receiver) and s. 101 CJA (Ontario) Receiver

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) WEEKDAY, THE #
)
JUSTICE) DAY OF MONTH, 20YR
)

PLAINTIFF¹

Plaintiff

- and -

DEFENDANT

Defendant

ORDER
(appointing Receiver)

THIS MOTION made by the Plaintiff² 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 [RECEIVER'S NAME] as receiver [and manager] (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of [DEBTOR'S NAME] (the "Debtor")

¹ The Model Order Subcommittee notes that a receivership proceeding may be commenced by action or by application. This model order is drafted on the basis that the receivership proceeding is commenced by way of an action.

² Section 243(1) of the BIA provides that the Court may appoint a receiver "on application by a secured creditor".

- 2 -

.. acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of [NAME] sworn [DATE] and the Exhibits thereto and on hearing the submissions of counsel for [NAMES], no one appearing for [NAME] although duly served as appears from the affidavit of service of [NAME] sworn [DATE] and on reading the consent of [RECEIVER'S NAME] 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 validated³ 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, [RECEIVER'S NAME] is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (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;

³ If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.

- (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, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (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 or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor 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;
- (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, the Property or the Receiver, and to settle or compromise any such proceedings.⁴ 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 sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$_____, provided that the aggregate consideration for all such transactions does not exceed \$_____; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

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,]⁵ shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

⁴ This model order does not include specific authority permitting the Receiver to either file an assignment in bankruptcy on behalf of the Debtor, or to consent to the making of a bankruptcy order against the Debtor. A bankruptcy may have the effect of altering the priorities among creditors, and therefore the specific authority of the Court should be sought if the Receiver wishes to take one of these steps.

⁵ If the Receiver will be dealing with assets in other provinces, consider adding references to applicable statutes in other provinces. If this is done, those statutes must be reviewed to ensure that the Receiver is exempt from or can be exempted from such notice periods, and further that the Ontario Court has the jurisdiction to grant such an exemption.

- 5 -

- (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 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 any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; 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 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

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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.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

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 DEBTOR OR THE PROPERTY

9. 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.

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, 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,

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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 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.⁶

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 \$ _____ (or such greater amount as this Court may by further Order authorize) 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.

⁶ Note that subsection 243(6) of the BIA provides that the Court may not make such an order "unless it is satisfied that the secured creditors who would be materially affected by the order were given reasonable notice and an opportunity to make representations".

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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.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" 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 shall rank on a *pari passu* basis, 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 '<@>'.

26. 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

27. 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.

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

29. 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.

30. 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.

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

32. 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

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

DOCSTOR: 1771742\8

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that [RECEIVER'S NAME], the receiver (the "Receiver") of the assets, undertakings and properties [DEBTOR'S NAME] acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ____ day of ____, 20____ (the "Order") made in an action having Court file number ____-CL-_____, 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 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.

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.

4. All sums payable in respect of principal and interest 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.

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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 _____, 20____.

[RECEIVER'S NAME], solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

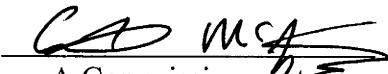
Name:

Title:

This is **Exhibit “P”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

CITATION: Ontario Securities Commission v. Crystal Wealth Management System Limited, 2017 ONSC 4160
COURT FILE NO.: CV-17-11779-00CL
DATE: 20170705

**SUPERIOR COURT OF JUSTICE – ONTARIO
COMMERCIAL LIST**

IN THE MATTER OF THE *SECURITIES ACT*, R.S.O. 1990, c. S.5, AS AMENDED

RE: ONTARIO SECURITIES COMMISSION, Applicant

AND:

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, et al.,
Respondents

BEFORE: HAINY J.

COUNSEL: *Catherine Weiler*, for the Applicant, Ontario Securities Commission

Steven K. Graff and Mark van Zandvoort, for Grant Thornton Limited, in its
capacity as Court-Appointed Receiver

Michael Finley, for Tony Whitehouse

Alistair Crawley, Melissa MacKewn and Kate McGrann, Proposed Representative
Counsel

Clayton Smith, Respondent In Person

HEARD: June 30, 2017

ENDORSEMENT

Overview

[1] The law firm of Crawley MacKewn Brush LLP (“CMB”) brings this motion for an order appointing it as representative counsel to the approximately 3,000 investors (“Investors”) in the proprietary funds offered by Crystal Wealth Management Systems Inc. (“Crystal Wealth”) in the receivership of Crystal Wealth.

[2] Crystal Wealth’s receiver, Grant Thornton Limited (“Receiver”) opposes CMB’s motion to be appointed representative counsel of Crystal Wealth’s Investors.

[3] On April 26, 2017, on an application brought by the Ontario Securities Commission (“OSC”), the Receiver was appointed as receiver and manager of all of the assets, undertakings and property of all of the respondents. The appointment of the Receiver was based, in part, on

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the OSC's concerns regarding potential breaches of the *Securities Act*, R.S.O. 1990, c. S.5, as amended ("Act") by Crystal Wealth and its principal, Clayton Smith ("Smith").

Analysis

[4] The Receiver's role is to protect and enhance the interests of the Investors. Since its appointment, I am satisfied that the Receiver has maintained regular communications with the Investors while investigating and evaluating the Crystal Wealth funds to determine the appropriate approach to maximize Investors' returns.

[5] The Receiver, as a court-appointed officer, has as its primary objective the interests and needs of the Investors. I am satisfied, based upon the Receiver's actions to date, that it has and will continue to advance the interests of the Investors in an objective and impartial manner with a view to recognizing the unique interests of the Investors in each of Crystal Wealth's different and unique funds.

[6] The Receiver has begun monetizing certain of Crystal Wealth's funds to make interim distributions to some Investors. Further, a sales process has been proposed by the Receiver to accomplish either a purchase or a management takeover of certain of Crystal Wealth's funds.

[7] The OSC and certain of the Investors oppose the appointment of CMB as representative counsel on the grounds that it would be duplicative of the Receiver's role and will result in unnecessary professional fees that will be incurred by all Investors. Smith supports the appointment of CMB as representative counsel.

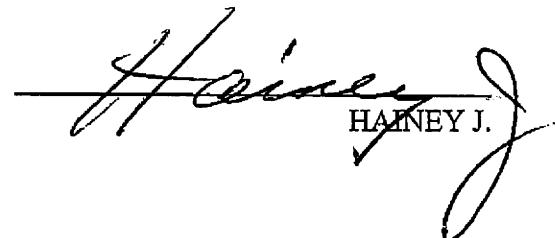
[8] Having considered the balance of convenience, I have concluded that the appointment of representative counsel is not necessary for the following reasons:

- (a) The Investors' interests are being protected and advanced by the Receiver which is why the appointment was made by Newbould J. in the first instance;
- (b) Although the Investors may be vulnerable, their vulnerability will be protected by the Receiver, who has been appointed by the Court for the sole purpose of acting in their best interest;
- (c) The appointment of representative counsel will add unnecessary expense to the receivership which will adversely affect Investors; and
- (d) There is no good reason to appoint representative counsel to effectively duplicate the Receiver's role.

[9] I have, therefore, concluded for these reasons that CMB's motion should be dismissed. In view of this conclusion, it is not necessary for me to determine whether CMB is conflicted from acting as representative counsel due to a previous related retainer.

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[10] CMB's motion is dismissed. If counsel cannot settle the costs of the motion they may schedule a 9:30 a.m. attendance with me to deal with costs.

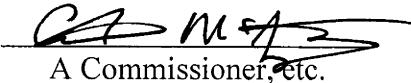

HAINY J.

Date: July 5, 2017

This is **Exhibit “Q”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

**RESPONDING FACTUM OF THE COURT-APPOINTED RECEIVER,
GRANT THORNTON LIMITED**

Date: June 22, 2017

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

Steven L. Graff (LSUC # 31871V)
Tel: (416) 865-7726
Fax: (416) 863-1515
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Kyle Plunkett (LSUC #61044N)
Tel: (416) 865-3406
Fax: (416) 863-1515
E-mail: kplunkett@airdberlis.com
Lawyers for Grant Thornton Limited, in its capacity as Court-Appointed Receiver

TO THE SERVICE LIST:

SERVICE LIST
(Current as of June 23, 2017)

TO: **ONTARIO SECURITIES COMMISSION**
20 Queen St, 22nd floor
Toronto, ON M5II 3S8

Catherine Weiler
Email: cweiler@osc.gov.on.ca
Tel: (416) 204-8985

Yvonne B. Chisholm
Email: ychisholm@osc.gov.on.ca
Tel: (416) 593-2363

Lawyers for the Applicant, Ontario Securities Commission

AND TO: **GRANT THORNTON LIMITED**
19th Floor, Royal Bank Plaza
South Tower, 200 Bay Street
Toronto, ON M5J 2P9

Jonathan Krieger
Tel: (416) 360-5055
Email: jonathan.krieger@ca.gt.com

Bruce S. Bando
Tel: (416) 369-6418
Email: bruce.bando@ca.gt.com

Court-Appointed Receiver

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AND TO: **AIRD & BERLIS LLP**
Barristers and Solicitors
Brookfield Place
Suite 1800, 181 Bay Street
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AND TO: **CLAYTON SMITH**

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Respondent

AND TO: **CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED**

192 Plains Road East
Burlington, Ontario
L7T 2C3

Respondent

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AND TO: CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, AND CRYSTAL WEALTH RETIREMENT ONE FUND

c/o Crystal Wealth Management System Limited
192 Plains Road East
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Respondents

AND TO: **1150752 ONTARIO LIMITED**

3385 Harvester Road
Suite 200
Burlington, Ontario
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Respondent

AND TO: **CLJ EVEREST LTD.**

3385 Harvester Road
Suite 200
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Respondent

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29096507.1

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ
EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA
STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL
ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH
MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING
STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH
HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION
FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE
PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL
WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS
CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and
CHIRYSALIS YOGA INC.

Respondents

APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

RESPONDING FACTUM OF THE COURT-APPOINTED RECEIVER,
GRANT THORNTON LIMITED

PART I – OVERVIEW

1. The Receiver opposes Crawley Mackewn Brush LLP's ("CMB") motion to be appointed representative counsel of the investors (the "**Investors**") in the 15 Respondent open-ended mutual fund trusts (the "**Crystal Wealth Funds**").
2. While the Receiver opposes the appointment of representative counsel generally, CMB is particularly conflicted from being appointed to such mandate. CMB represented the Respondent, Chrysalis Yoga Inc. ("**Chrysalis Yoga**"), in this proceeding, an entity which was co-founded by Clayton Smith ("**Smith**") and to which the Ontario Securities Commission traced monies from one of the Crystal Wealth Funds.
3. Furthermore, Alistair Crawley ("**Crawley**") of CMB was introduced to this proceeding, in part, by Tim Johnston ("**Johnston**") and Al Housego ("**Housego**"), two former registered representatives of the Respondent, Crystal Wealth Management System Limited ("the "**Company**"), who have been terminated by the Receiver since its appointment. The interests of Chrysalis Yoga, Housego, Smith, and Johnston are not aligned with Investors. CMB's alleged proxies from Investors have been obtained through an email sent by Housego encouraging Investors to support CMB's proposed appointment by clicking on a hyperlink, while falsely representing to Investors that the Receiver would bear the cost of representative counsel. CMB has proffered no evidence as to which Investors are allegedly supporting its appointment, which Funds they are invested in, how such support was obtained, or any particulars of the mandate which CMB proposes to fulfill if appointed.
4. Conversely, the Receiver's role is to protect and enhance the interest of the Investors. Since its appointment, the Receiver has maintained consistent communication with Investors

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while investigating and evaluating the Crystal Wealth Funds in order to determine the appropriate approach by which to maximize Investor returns. The Receiver, as a court appointed officer, has as its primary objective the interests and needs of the Investors and has and will continue to advance them in an objective, impartial manner, and in a way that recognizes the unique interests of the Investors in each different and unique fund.

5. The Receiver has commenced monetizing certain Crystal Wealth Funds with a view to making interim distributions to Investors. A Sales Process has also been proposed by the Receiver in its First Report to gage interest from third parties with respect to the potential purchase, or management takeover, of the assets of certain Crystal Wealth Funds which otherwise might require individual and protracted realization strategies. Where appropriate, the Receiver has consulted with, and engaged, expert consultants with respect to the most appropriate realization strategies with respect to certain Crystal Wealth Funds.

6. The appointment of representative counsel, with an undefined mandate and charge over the entirety of the Property of the Crystal Wealth Group as CMB is proposing, will only result in costs being unnecessarily incurred by all Investors and stakeholders of the Crystal Wealth Group, and will not further the administration and efficiency of the proceeding.

PART II – FACTS

I. Background

7. On April 7, 2017, the OSC issued a temporary order providing that the trading of units of all of the Crystal Wealth Funds cease.¹

¹ The Temporary Order was extended by the OSC on April 26, 2017 to October 3, 2017. See Appendix “2” of the First Report to the Court of the Receiver dated June 22, 2017 [First Report], contained in the Motion Record of the Receiver dated June 22, 2017 [Receiver Motion Record], p. 131.

8. On April 26, 2017, on application of the OSC, Grant Thornton Limited was appointed as receiver and manager (in such capacities, the “**Receiver**”), without security, of all of the assets, undertakings and properties (collectively, the “**Property**”) of each of each of the Respondents, except the Respondent, Chrysalis Yoga (excluding Chrysalis Yoga, the “**Crystal Wealth Group**”); and (ii) as Receiver of the bank account of Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia, to which funds from one of the Crystal Wealth Funds were traced by the OSC.²

9. The appointment of the Receiver was based, in part, on the OSC’s concerns regarding potential breaches of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Securities Act**”), by the Company and its principal, Smith.³

II. The Prior Role of CMB in these Proceedings and Corresponding Conflict

10. At the time of the Receiver’s appointment, CMB acted as counsel to Chrysalis Yoga and appeared on its behalf at the hearing before the Honourable Justice Newbould on April 26, 2017. In its evidentiary record in support of the appointment of the Receiver, the OSC tendered evidence tracing \$187,000 advanced by the Respondent, Crystal Wealth Media Strategy (the “**Media Fund**”), purportedly in its purchase of film loans from a third party, to Chrysalis Yoga. Chrysalis Yoga is a yoga studio in Burlington, Ontario, which Smith co-founded with his former common law spouse.⁴

² First Report at paras. 1-2, Receiver Motion Record, tab 2, p. 53; Receiver Motion Record, Appendix “2” (Extension Order dated April 28, 2017), tab 2, p. 131.

³ First Report at paras. 4-5, Receiver Motion Record, tab 2, pp. 54-55; Receiver Motion Record, Appendix “5” (Commission Affidavits), tab 5, p. 211.

⁴ First Report at para. 220, Receiver Motion Record, tab 2; Receiver Motion Record, Appendix “5” (Affidavit of Michael Ho sworn April 17, 2017), tab 5, p. 240, para. 20 (see also p. 237, para. 14(iii); p.243, para. 25(iii); and p. 245, para. 30).

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11. Shortly following the hearing on April 26, 2017, counsel for the Receiver, Aird & Berlis LLP (“A&B”), was contacted by Crawley, a lawyer at CMB. Crawley indicated that he had been informally speaking with an investor named Tony Murphy, as well as Johnston, a now terminated registered representative of the Company. On May 10, 2017, Crawley advised A&B that CMB would be interested in seeking an appointment as representative counsel for Investors, but has acknowledged that neither he nor CMB has previously acted in such a role. At that time, CMB remained counsel to Chrysalis Yoga in this proceeding.⁵

12. On May 11, 2017 Crawley advised A&B and the Receiver that he was also introduced to this proceeding by Housego.⁶

13. On May 16, 2017, Crawley sent a letter to A&B reiterating CMB’s interest in being appointed representative counsel (the “**May 16th Crawley Letter**”). On May 17, 2017, A&B sent a letter in response to the May 16th Crawley Letter reiterating the Receiver’s view, and rationale for it, that it was premature for representative counsel to be appointed at that juncture.⁷

14. On May 17, 2017, the Receiver was made aware of an email sent by Housego to a group of Investors in the Crystal Wealth Funds using the email address crystalwealthupdates@gmail.com (the “**Housego Email**”). The Housego Email, among other things, “strongly recommended” that Investors endorse the appointment of Crawley and CMB as representative counsel for Investors. Housego’s recommendation supporting Crawley and CMB was done utilizing false statements. Most notably, Housego asserted that the cost of CMB’s services to the Investors would be borne by the Receiver. The Housego Email contained a

⁵ First Report at paras. 221 and 222, Receiver Motion Record, tab 2, pp. 120-121.

⁶ First Report at para. 222, Receiver Motion Record, tab 2, p. 121.

hyperlink which Investors could click on to support CMB's appointment as Representative Counsel.⁸

15. On May 19, 2017 (two days after the Housego Email was sent), Crawley sent a letter to A&B (the "May 19th Crawley Letter"). The May 19th Crawley Letter, among other things, contained a critical and aggressive tone towards the Receiver and its actions taken to date and made many incorrect assumptions regarding same. In the letter, Crawley took issue with the fact that the Receiver had not contacted Housego with respect to the management of certain Crystal Wealth Funds. A&B responded to Crawley by letter dated May 19, 2017 advising, among other things, that it was "surprised by the aggressive tone of [Crawley's] letter", while reiterating that the Receiver believed it to be premature to introduce representative counsel at that stage, and to unnecessarily levy the cost of representative counsel to Investors at that time. A&B further advised CMB that the Receiver had intentionally not consulted with Housego, given the Receiver's view that it was neither necessary nor desirable to do so in order for the Receiver to review and make appropriate decisions in connection with the Crystal Wealth Funds.⁹

16. The Receiver does not consider Housego to be a reliable and impartial source of information with respect to the Crystal Wealth Funds. Upon securing the books and records of the Crystal Wealth Group following its appointment, the Receiver discovered that certain emails contained in the inbox and sent items of the email account of Housego had either been deleted in

⁷ First Report at para. 223, Receiver Motion Record, tab 2, p. 121; Receiver Motion Record, Appendix "30" (May 16th Crawley Letter dated May 16, 2017), tab 30, p.463; Receiver Motion Record, Appendix "31" (A&B Response to May 16th Crawley Letter dated May 17, 2017), tab 31, p. 465.

⁸ First Report at para. 216, Receiver Motion Record, tab 2, p. 119; Receiver Motion Record, Appendix "27" (Housego Email dated May 17, 2017), tab 27, p. 460.

⁹ First Report at para. 224, Receiver Motion Record, tab 2, p. 121; Receiver Motion Record, Appendix "32" (May 19th Crawley Letter dated May 19, 2017), tab 32, p.467; Receiver Motion Record, Appendix "33" (A&B Response to May 19th Crawley Letter dated May 19, 2017), tab 33, p.471.

their entirety, or had been removed.¹⁰ Furthermore, Crystal Wealth Enlightened Hedge Fund and Crystal Wealth Enlightened Factoring Strategy, of which Housego had been the lead portfolio strategist, had entered into Gold Certificate Subscription Agreements with Onstar Exploration Ltd. (“Onstar”) pursuant to which gold deliveries to the funds were to commence on April 30, 2017, yet no gold has been delivered to either fund by Onstar.¹¹

17. At the June 2, 2017 hearing before the Honourable Justice Hainey, Crawley attended to advise the Court of CMB’s intention to bring this motion to be appointed as representative counsel for the Investors in the Crystal Wealth Funds.¹²

PART III – ISSUES, LAW & AUTHORITY

18. The issue before this Honourable Court is whether representative counsel ought to be appointed for the Investors, and if so, should CMB be appointed to fulfil that mandate.

I. The Authority by which the Court may Appoint Representative Counsel

19. The Court’s authority to appoint representative counsel is derived from Rules 10.01 and 12.07 of the *Rules of Civil Procedure*. There are no reported decisions where the appointment of representative counsel has been contested in the context of a *Securities Act* receivership.

20. The appointment of representative counsel has been considered in the context of proceedings under the *Companies’ Creditors Arrangement Act*, which has independent considerations, in part, arising from s. 11.52 of the *CCAA*. In *Canwest Publishing Inc.*, Madam Justice Pepall (as Her Honour then was) summarized certain factors regularly considered by the

¹⁰ First Report at para. 178d), Receiver Motion Record, tab 2, pp. 111-112.

¹¹ First Report at para 68d), Receiver Motion Record, tab 2, p. 79.

¹² First Report at para. 219, Receiver Motion Record, tab 2, p. 120.

Court in CCAA proceedings when determining whether to issue a representative counsel order, including:

- the vulnerability and resources of the group sought to be represented;
- any benefit to the companies under CCAA protection;
- the facilitation of the administration of the proceedings and efficiency;
- the avoidance of a multiplicity of legal retainers;
- the balance of convenience and whether it is fair and just, including to the creditors of the Estate; and
- the position of the other stakeholders and the Monitor.¹³

21. Whether to appoint representative counsel is a question of equity; there can be no hard and fast rules governing any particular case.¹⁴ In this particular case, the relevant considerations do not support the appointment of representative counsel.

II. Application of the Relevant Canwest Factors

i. Vulnerability and Resources of the Investors

22. This is not a case where representative counsel is warranted on the basis that Investors' interests are not being advanced or protected. The Receiver was appointed given Justice Newbould's finding that the relief sought by the OSC was "fully justified", and that the requirements of s. 129 of the *Securities Act* had been met. Implicit therein, Justice Newbould

¹³ *CanWest Publishing Inc. (Re)*, 2010 ONSC 1328 [*CanWest*] at para 21, tab 1 of the Receiver's Brief of Authorities dated June 29, 2017 [Brief of Authorities]. See also *Re Target Canada Co.*, 2015 ONSC 303 [*Target*] Brief of Authorities, tab 2 at paras. 60-61, and *Urbancorp Inc. (Re)*, 2016 ONSC 5426 [*Urbancorp*] Brief of Authorities, tab 4 at para 11.

¹⁴ *Urbancorp* at para 12, *supra* note 13.

recognized that the requirements of ss. 129(2)(a) of the *Securities Act* had been met, and that the appointment of the Receiver was in the best interests of Investors in the Crystal Wealth Funds.¹⁵

23. Nor is this a case, such as in the CCAA proceedings of *Target, Fraser Papers Inc.* and *Canwest*, where current and former employees – with common interests – had little or no assistance or means to advance their interests and protect their rights.¹⁶ Rather, the Receiver is acting in a manner to best advance the divergent interests of all Investors.¹⁷ In fact, that is the fulcrum objective of its role.

ii. Representative counsel will not benefit the administration of the Crystal Wealth Funds or facilitate efficiency

24. Representative counsel will not provide a consistent and streamlined process to the overall benefit of all Investors, given the existing role of the Receiver and the divergent interests among the Investors in different funds.

25. As is outlined in the First Report, the Receiver has thoroughly taken steps to understand, and evaluate each of the Crystal Wealth Funds, and their divergent interests, and to efficiently carry out the administration of the Crystal Wealth Funds for the benefit of all Investors. In so doing, the Receiver has:

- (a) collected monthly payments and funds held by third-parties administering certain Crystal Wealth Funds and/or their assets;¹⁸

¹⁵ Receiver Motion Record, Appendix “3” (Endorsement of Justice Newbould issued April 26, 2017), tab 3, p. 199; *Securities Act*, ss. 129(2)(a).

¹⁶ *Fraser Papers Inc. (Re)*, 2009 CarswellOnt 6169, [2009] O.J. No. 4287, 181 A.C.W.S. (3d) 256 [*Fraser Papers*], Brief of Authorities, tab 5; *Target* at para. 60, *supra* note 13; *Urbancorp* at para 21, *supra* note 13.

¹⁷ First Report at para. 225(a), Receiver Motion Record, tab 2, p. 122.

¹⁸ First Report at para. 78 (“Administration of the Funds”), Receiver Motion Record, tab 2, p. 111.

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- (b) begun monetizing marketable securities of certain Crystal Wealth Funds, which realization process is anticipated to be completed by June 30, 2017.¹⁹ Once the monetization process is complete, the Receiver intends to make interim distributions to Investors, where possible, in accordance with the Unit Holder Listings maintained by International Financial Data Services (Canada) Limited;²⁰
- (c) with respect to certain of the Crystal Wealth Funds which contain significant Off-Book Assets, such as mortgages, term loans, factoring contracts, film loan purchases, and other alternative investments, the Receiver has put forth for Court Approval a Sales Process by which: (i) potential bidders may make an offer to purchase the investments from one or more of the Crystal Wealth Funds; and/or (ii) potential managers may present an offer to assume the management of one or more of the Crystal Wealth Funds' investment activities;²¹ and
- (d) the Receiver has engaged an expert consultant to assist it in the management and development of realization strategies of the Media Fund, arguably one of, if not the most complex investments of the Crystal Wealth Funds, and will consider the need for such a specialized advisor in respect of any other Fund if the circumstances warrant it.²²

26. Throughout its administration, the Receiver has diligently kept Investors apprised of the Receiver's activities and efforts to advance the administration in their interests. The Receiver has:

¹⁹ First Report at paras. 136-138, Receiver Motion Record, tab 2, p. 96-96.

²⁰ First Report at para. 175, Receiver Motion Record, tab 2, p. 108.

²¹ First Report at paras. 130 - 144, Receiver Motion Record, tab 2, p. 97.

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- (a) established a Crystal Wealth Funds toll free number and email account;
- (b) responded to numerous calls and emails from Investors, and counsel on their behalf;
- (c) published the fact of this proceeding in the national editions of the Globe and Mail and the National Post on May 4, 2017; and
- (d) distributed four (4) notices from the Receiver to all Investors on May 1, 2017, May 10, 2017, May 17, 2017, and June 9, 2017, updating them on the receivership as events unfolded. These notices were also posted to the Receiver's Case Website.²³

27. The balance of convenience does not favour the appointment of representative counsel. As an officer of the Court, the Receiver functions as one focused point of contact for all Investors, advancing the interests of each of them.²⁴ Conversely, an omnibus representative counsel will not likely have a meaningful role, given the differences between the Crystal Wealth Funds, and the varying realization strategies among them.²⁵ The appointment of representative counsel at this point, in the context of these facts, can only serve to create mixed messages and create confusion among Investors as to the status and role of the Receiver.

²² First Report at para. 225(d), Receiver Motion Record, tab 2, p. 122; See also the Supplement to the First Report dated June 29, 2017, paras. 9-10 and Confidential Appendix "1".

²³ First Report at para 178 (Investor Matters), Receiver Motion Record, tab 2, p. 110.

²⁴ First Report at para. 225(a), Receiver Motion Record, tab 2, p. 122.

²⁵ First Report at para. 225(c) and (d), Receiver Motion Record, tab 2, p. 122.

iii. *CMB Ought Not to be Appointed Representative Counsel*

28. While the Receiver is of the view that the appointment of representative counsel is not warranted, in the event this Honourable Court nevertheless believes that representative counsel should be appointed, it is the Receiver's view that CMB – which has not previously acted as representative counsel²⁶ – ought not be appointed.²⁷

29. Of critical importance, CMB is conflicted from acting on behalf of the Investors given its previous representation of Chrysalis Yoga, which was the recipient of funds traced from the Media Fund.²⁸

30. CMB's ability to act in the interest of Investors is further compromised by its acknowledgement that it was introduced to this proceeding, in part, by Housego and Johnston. Both of these individuals were actively working with Smith, were registered representatives of the Company prior to being terminated by the Receiver, were subject to the OSC's Temporary Order and Extension Order, and are the subject of the Receiver's continued investigation. The interests of Investors, on the first part, and of Chrysalis Yoga, Housego, and Johnston, on the second part, are in conflict.

31. With respect to CMB's alleged proxies from Investors, the credibility of such Investor support is compromised by the fact that the Housego Email strongly supported CMB's appointment as representative counsel, and falsely represented that the cost of representative counsel would be borne by the Receiver, while including the hyperlink by which Investors'

²⁶ First Report at para 222, Receiver Motion Record, tab 2, p. 121.

²⁷ *Fraser Papers* at paras. 11 and 12, *supra* note 16; *Re U.S. Steel Canada Inc.*, 2014 ONSC 6145 [*U.S. Steel Canada*], Brief of Authorities, tab 3 at para 41.

²⁸ First Report at para 226(a), Receiver Motion Record, tab 2, p. 123; *U.S. Steel Canada* at para 39, *supra* note 27.

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could record their support for CMB's proposed appointment.²⁹ The extent to which CMB's purported support from Investors was obtained through the Housego Email is unknown, and has not been addressed by CMB as part of its evidentiary record on this motion.

32. Furthermore, CMB has tendered no evidence as to the nature of the Investors which are supposedly supporting its appointment, or that those Investors are unable to fund CMB's fees and disbursements. To the extent CMB is appointed by the Court despite the Receiver's opposition, it is appropriate that Investors be required to "opt in" to CMB's appointment, and that CMB's fees and disbursements be paid by those specific Investors, similarly to what Justice Newbould ordered in *Urbancorp*.³⁰

33. CMB, if appointed representative counsel, ought not to accordingly be granted a charge on the entirety of the Property of the Crystal Wealth Group as security for its fees and disbursements, as is requested by CMB in paragraph 1(c) of its notice of motion. CMB has not proposed or sought approval of a fee cap, and has simply advised Investors that "*we expect that the total fees would be less than \$100,000, spread across the approximately \$170 million in assets reported by the OSC*".³¹ CMB's statement in this regard is itself misleading to Investors, given the concerns raised by the OSC concerning the accuracy of the represented net assets under value of the Crystal Wealth Funds, and in particular, the Media Fund.³²

²⁹ First Report at para. 216, Receiver Motion Record, tab 2, pp. 119-120; Receiver Motion Record, Appendix "27" (Housego Email dated May 17, 2017), tab 27, p. 460.

³⁰ *Urbancorp* at paras. 22 and 28, *supra* note 13.

³¹ *Urbancorp* at paras. 22 and 28, *supra* note 13; *Canwest* at para 24, *supra* note 13; *Target* at para. 74, *supra* note 13.

³² Motion Record of CMB dated June 9, 2017, affidavit of Cynthia Singh sworn June 9, 2017, tab 4, Exhibit K, p. 81; Receiver Motion Record, Appendix "5"(Affidavit of Marcel Tillie sworn April 17, 2017), p. 214, paras. 11 and 40-46.

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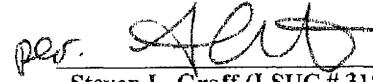
34. Finally, CMB's correspondence to the Receiver to date has been inflammatory, accusatory, and misleading.³³ CMB's efforts to malign the activities of the Receiver, a Court officer tasked with protecting the Investors, undermines confidence in the Court's process, and deflects the Receiver from its tasks contrary to the fair administration of justice, particularly when all the evidence supports the extreme vigilance and diligence with which the Receiver has been fulfilling its role and advancing the administration of the receivership, and there is no evidence whatsoever to the contrary.³⁴

PART IV – CONCLUSION AND ORDER REQUESTED

35. The Receiver accordingly requests that CMB's motion be dismissed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Date: June 29, 2017



Steven L. Graff (LSUC # 31871V)

Mark van Zandvoort (LSUC # 59120U)

*Lawyers for Grant Thornton Limited, in its capacity as
Receiver and Manager of the Crystal Wealth Group*

³³ First Report at para 226(d), Receiver Motion Record, tab 2, p. 126.

³⁴ *The Superintendent of Financial Services v. Textbook Student Suites (525 Princess Street) Trustee Corporation*, 2017 ONSC 2694 (Commercial List) (Myers J.), at p. 8, para. 30.

SCHEDULE "A"
LIST OF AUTHORITIES

- (a) *Canwest Publishing Inc. (Re)*, 2010 ONSC 1328.
- (b) *Re Target Canada Co.*, 2015 ONSC 303.
- (c) *Re U.S. Steel Canada Inc.*, 2014 ONSC 6145 .
- (d) *Urbancorp Inc. (Re)*, 2016 ONSC 5426.
- (e) *Fraser Papers Inc. (Re)*, 2009 CarswellOnt 6169, [2009] O.J. No. 4287, 181 A.C.W.S. (3d) 256.
- (f) *The Superintendent of Financial Services v. Textbook Student Suites (525 Princess Street) Trustee Corporation*, 2017 ONSC 2694 (Commercial List) (Myers J.)

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SCHEDULE "B"
RELEVANT STATUTES

Rules of Civil Procedure, R.R.O. 1990, Reg 1994

Proceedings in which Order may be Made

10.01 (1) In a proceeding concerning,

- (a) the interpretation of a deed, will, contract or other instrument, or the interpretation of a statute, order in council, regulation or municipal by-law or resolution;
- (b) the determination of a question arising in the administration of an estate or trust;
- (c) the approval of a sale, purchase, settlement or other transaction;
- (d) the approval of an arrangement under the *Variation of Trusts Act*;
- (e) the administration of the estate of a deceased person; or
- (f) any other matter where it appears necessary or desirable to make an order under this subrule,

a judge may by order appoint one or more persons to represent any person or class of persons who are unborn or unascertained or who have a present, future, contingent or unascertained interest in or may be affected by the proceeding and who cannot be readily ascertained, found or served.

Proceeding against representative defendant

12.07 Where numerous persons have the same interest, one or more of them may defend a proceeding on behalf or for the benefit of all, or may be authorized by the court to do so.

Securities Act, R.S.O. 1990, c. S.5

129 (1) The Commission may apply to the Superior Court of Justice for an order appointing a receiver, receiver and manager, trustee or liquidator of all or any part of the property of any person or company.

(2) No order shall be made under subsection (1) unless the court is satisfied that,

- (a) the appointment of a receiver, receiver and manager, trustee or liquidator of all or any part of the property of the person or company is in the best interests of the creditors of the person or company or of persons or companies any of whose property is in the possession or under the control of the person or company or the security holders of or subscribers to the person or company; or

(b) it is appropriate for the due administration of Ontario securities law.

(3) The court may make an order under subsection (1) on an application without notice, but the period of appointment shall not exceed fifteen days.

(4) If an order is made without notice under subsection (3), the Commission may make a motion to the court within fifteen days after the date of the order to continue the order or for the issuance of such other order as the court considers appropriate.

(5) A receiver, receiver and manager, trustee or liquidator of the property of a person or company appointed under this section shall be the receiver, receiver and manager, trustee or

- 3 -

liquidator of all or any part of the property belonging to the person or company or held by the person or company on behalf of or in trust for any other person or company, and, if so directed by the court, the receiver, receiver and manager, trustee or liquidator has the authority to wind up or manage the business and affairs of the person or company and has all powers necessary or incidental to that authority.

(6) If an order is made appointing a receiver, receiver and manager, trustee or liquidator of the property of a person or company under this section, the powers of the directors of the company that the receiver, receiver and manager, trustee or liquidator is authorized to exercise may not be exercised by the directors until the receiver, receiver and manager, trustee or liquidator is discharged by the court.

(7) The fees charged and expenses incurred by a receiver, receiver and manager, trustee or liquidator appointed under this section in relation to the exercise of powers pursuant to the appointment shall be in the discretion of the court.

(8) An order made under this section may be varied or discharged by the court on motion.

Companies Creditors Arrangement Act, R.S.C., 1985, c. C-36

Court may order security or charge to cover certain costs

11.52 (1) On notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of a debtor company is subject to a security or charge — in an amount that the court considers appropriate — in respect of the fees and expenses of

- (a) the monitor, including the fees and expenses of any financial, legal or other experts engaged by the monitor in the performance of the monitor's duties;
- (b) any financial, legal or other experts engaged by the company for the purpose of proceedings under this Act; and
- (c) any financial, legal or other experts engaged by any other interested person if the court is satisfied that the security or charge is necessary for their effective participation in proceedings under this Act.

ONTARIO SECURITIES COMMISSION

and CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, ET AL.

Applicant

Short Title of Proceedings

Respondents

Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at TORONTO**

**FACTUM OF THE COURT-APPOINTED
RECEIVER, GRANT THORNTON LIMITED**

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 Barristers and Solicitors
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 Tel: (416) 865-3406
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 E-mail: kplunkett@airdberlis.com

Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit “R”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.



July 7, 2017

TO: THE INVESTORS IN THE CRYSTAL WEALTH FUNDS ("Investors")

- and to -

CRYSTAL WEALTH DISCRETIONARY ACCOUNT HOLDERS

We wish to provide you with an update concerning the Receiver's recent motion, and the dismissal of Crawley MacKewn Brush LLP's ("CMB") motion to be appointed as representative counsel to investors. Both motions were heard on June 30, 2017 by the Honourable Justice Hainey of the Ontario Superior Court of Justice (Commercial List). For reasons elaborated upon below, our motion was granted,¹ while CMB's motion was dismissed.²

Since our appointment by the Court on April 26, 2017, our activities have been focused on achieving one objective: to protect and enhance your interests as investors. This objective will not change. We have made all efforts to diligently investigate and evaluate the Crystal Wealth Funds, in order to determine the appropriate approach by which to maximize returns on your investments. In granting the relief sought at our motion on June 30, 2017, the Court authorized two important steps which we proposed in order to achieve this goal:

- I. The Court approved our request to make interim cash distributions to investors, where possible, from the proceeds of the divestiture of certain assets of Crystal Wealth Funds.³ The Receiver will continue to provide further updates to investors, once available, concerning the proposed timing of such distributions; and
- II. The Court approved our proposed Sales Process⁴ to solicit interest from third parties with respect to the potential purchase, or assumption of the management of the investments of certain Crystal Wealth Funds which otherwise might require individual and protracted realization strategies given the alternative investments held by such Funds. We cannot predict the outcome of the Sales Process, or whether any attractive offers will be received,

¹ See on the Receiver's Case Website (www.grantthornton.ca/crystalwealth) the: (i) Order of Justice Hainey dated June 30, 2017; (ii) the Creditor Claims Procedure Order issued by Justice Hainey dated June 30, 2017; and (iii) the endorsement of Justice Hainey dated June 30, 2017.

² See the endorsement of Justice Hainey dated July 5, 2017 on the Receiver's Case Website.

³ In this regard, the Receiver has begun carefully monetizing all marketable securities, where possible, held by the ACM Growth Fund, ACM Income Fund, Crystal Wealth Enlightened Factoring Strategy, Crystal Wealth Medical Strategy, Crystal Wealth Media Strategy, Crystal Enlightened Resource & Precious Metals Fund, and the Absolute Sustainable Dividend Fund.

⁴ The Sales Process is described in the Receiver's First Report to Court dated June 22, 2017, which is published on the Receiver's Case Website.



but we will report to investors with further updates concerning the outcome of the Sales Process.

Should we believe that a third party offer from a potential purchaser or manager is in the best interest of investors, we will seek Court approval of such an offer prior to proceeding with it. Based on the current deadlines set out in the Sales Process, any such Court approval will likely be sought in late August/early September 2017.

Immediately following the hearing of our motion on June 30, 2017, Justice Hainey heard CMB's motion to be appointed as representative counsel to the investors and released his decision dismissing CMB's motion on July 5, 2017.⁵

Justice Hainey, in dismissing CMB's motion, agreed that representative counsel is not necessary for the following reasons:

- i. The Receiver is protecting and advancing your interests as investors;
- ii. Although the investors may be vulnerable, your vulnerability will be protected by the Receiver, who has been appointed by the Court for the sole purpose of acting in your best interest;
- iii. The appointment of representative counsel will add unnecessary expense to the receivership which will adversely affect you as investors; and
- iv. The representative counsel role is effectively duplicative to the role of the Receiver.

We assure each of you that we will continue to carry out our mandate in furtherance of your best interests, and in an effort to maximize returns on your investment. Please continue to provide us with your comments, feedback, and any inquiries at our contact information below, and continue to monitor our Case Website for further updates:

Toll Free Number: 1-866-448-5867

Local Number: 416-607-4130

Email: crystalwealth@grantthornton.ca

Case Website: www.grantthornton.ca/crystalwealth

DATED at Toronto, Ontario, this 7th day of July, 2017

Grant Thornton Limited,

In its capacity as the Court-appointed Receiver and Manager of
Crystal Wealth Management System Limited and the Crystal Wealth Funds,
and not in its corporate or personal capacity

⁵ See the endorsement of Justice Hainey dated July 5, 2017 on the Receiver's Case Website.



August 18, 2017

TO: THE INVESTORS IN THE CRYSTAL WEALTH FUNDS

- and to -

CRYSTAL WEALTH DISCRETIONARY ACCOUNT HOLDERS

This Notice is being issued in order to provide an update regarding the receivership of the Crystal Wealth Funds.

On June 30, 2017, the Honourable Justice Hainey of the Ontario Superior Court of Justice (Commercial List) issued an order which approved, among other things, the Creditor Claims Procedure and the Sales Process, both as outlined in the Receiver's First Report to Court dated June 22, 2017 (the "First Report").

Creditor Claims Procedure

The purpose of the Creditor Claims Procedure, which required that all creditor claims be submitted to the Receiver by August 3, 2017 (the "Claims Bar Date"), was to identify potential claims being made by non-investor creditors against entities in the Crystal Wealth Group. Claims submitted after the Claim Bar Date are barred and will not be accepted by the Receiver.

A number of claims were received before the Claims Bar Date. The Receiver is currently reviewing the validity of the claims filed. This process is expected to be completed in September and reported to the Court shortly thereafter at the Receiver's next Court attendance.

Sales Process

The deadline for the submission of offers for the Sales Process conducted by the Receiver was August 10, 2017. This Sales Process resulted in the Receiver obtaining offers from:

- (a) potential bidders to purchase some or all of the investments from one or more of the Crystal Wealth Funds (the "Potential Bidders"); and
- (b) potential managers to assume the management of one or more of the Crystal Wealth Funds (the "Potential Managers")

(collectively, the "Offers")

Currently, the Receiver is reviewing and evaluating the Offers, which process is anticipated to be completed in the next few weeks.

The Receiver's mandate is to act in the best interest of investors and, therefore, all Offers which have been received from Potential Bidders and/or Potential Managers are being evaluated based upon what the Receiver believes, in its experience and judgment, will be in the best interests of the investors. As communicated previously, the Receiver is not required to accept any Offers if the Receiver does not believe that an Offer is in the best interests of investors.



Any transaction (sale of investments or assumption of management) arising from the Sales Process will be subject to Court approval before it is permitted to proceed. In this regard, the Receiver expects to be able to report to the Court on its recommendation regarding the Sales Process in late September.

Interim Distribution

As previously mentioned, the first interim distribution to be received by investors will depend on each of the Crystal Wealth Funds' initial cash balances, the proceeds received from the monetization of marketable securities as set out in the First Report, and the creditor claims filed. After the conclusion of the Creditor Claims Procedures, the Receiver will be in a position to recommend to the Court which of the Crystal Wealth Funds' investors should receive an interim distribution. The Receiver expects this recommendation will be made to the Court in late September.

Contact details for the Receiver:

Toll Free Number: 1-866-448-5867
Email: crystalwealth@grantthornton.ca

Please continue to monitor the Receiver's Case Website at:
www.grantthornton.ca/crystalwealth for further updates in connection with the Receiver's activities.

DATED at Toronto, Ontario, this 18th day of August, 2017

Grant Thornton Limited,
In its capacity as the Court-appointed Receiver and Manager of
the Crystal Wealth Group, and not in its corporate or personal capacity



October 30, 2017

TO: THE INVESTORS IN THE CRYSTAL WEALTH FUNDS

- and to -

CRYSTAL WEALTH DISCRETIONARY ACCOUNT HOLDERS

Further to the Receiver's Notice to Investors dated October 13, 2017, the Receiver has received several communications from investors raising similar issues. In reviewing these investor communications, it is evident to the Receiver that third parties, which may include former representatives of Crystal Wealth, have continued to communicate with investors, and are purporting to provide investors with information concerning the Receiver's administration of the Crystal Wealth Group, and with respect to the Crystal Wealth Funds. The Receiver wishes to emphasize that such information is unreliable and often inaccurate, and that the Receiver remains the sole source of accurate and reliable information with respect to the nature and quality of the investments of the Crystal Wealth Funds, and with respect to the administration of the Crystal Wealth Group. As such, please continue to direct your inquiries to the Receiver, in addition to sharing your input and concerns, so that you ensure that you are being provided with accurate and reliable information.

The Receiver has taken into account each and every one of these communications, and has prepared the response below with the goal of providing additional information and clarity in response to the issues raised.

1. The Sales Process, the BDO Claim, and the Status of Interim Distributions

In the Receiver's most recent updates dated October 6 and 13, 2017 (available on the Case Website: www.grantthornton.ca/crystalwealth), the Receiver conveyed to investors the status of the Sales Process. The Receiver will be issuing a further Report to the Court in due course which thoroughly sets out the Receiver's most recent activities in administering the receivership of the Crystal Wealth Group, including its activities throughout the summer while the Sales Process was being conducted. The Receiver confirms that the Receiver's next report to Court (and motion record) will be posted on the Case Website at least two weeks prior to the Court attendance in which approval of the Report is sought.

The Receiver has also made available for investors' review the amended Proof of Claim which was submitted by BDO Canada LLP ("BDO") (found at the following link: BDO Claim - Amended and Submitted August 23, 2017). The BDO claim, as amended, remains under evaluation by the Receiver at this time. It has neither been accepted nor revised/disallowed by the Receiver. To this end, the Creditor Claims Procedure Order issued by the Court on June 30, 2017 provides for a procedure by which the Receiver may accept, revise, or disallow (in whole or in part) the amount and/or status of a creditor claim submitted. In the event that the Receiver was to revise or disallow the BDO claim at this stage, and BDO disputes the revision or disallowance, it would likely necessitate a determination by the Court as to the classification and/or amount of the claim. The Receiver believes that proceeding in this manner, and the

time which would elapse in the claims adjudication process, would not be the best way to facilitate an interim distributions to investors, where possible, in the near future.

Accordingly, at this time, the Receiver has taken steps to seek BDO's endorsement of the Receiver's proposed interim distributions to investors, where available, while BDO's claim remains under evaluation. The Receiver will be keeping investors apprised of further developments concerning whether an agreement can be reached with BDO which will permit the Receiver to proceed in the near future to request Court approval of proposed interim distributions to investors, where possible.

2. Management Offers Received through the Sales Process

The Receiver wishes to provide additional clarity with respect to the Receiver's rationale in determining that the transfer of management of the Crystal Wealth Funds, based upon the management offers received, was not in the best interest of Crystal Wealth Fund investors. The management offers received via the Sales Process provided no certainty that the Crystal Wealth Funds would be managed back to fiscal health (especially in light of the concerns with many of the recorded investments, as described below). In addition, no offer was received that gave the Receiver any comfort that the investors would have a timely avenue through which to redeem their units and turn them into cash (let alone any certainty with respect to the price at which such redemption might happen). The proposed management transactions themselves would have taken several months to be completed, with no guarantees of completion. The Receiver wishes to be clear that the claim filed by BDO through the Creditor Claims Procedure was not the determining factor in the Receiver's decision not to pursue a management offer. As will be more fully particularized in the Receiver's next report to Court, the value ascribed to certain investments, including "Off-Book Assets" (i.e. Factoring Contracts, Commercial Loans, Media Loans), as reflected in Crystal Wealth Management System Limited's books and records is, in many instances, materially misrepresentative of the quality and/or nature of the investments and the likelihood that the principal of the investments will be able to be recovered, let alone with profit. The management offers received failed to propose a definitive solution to the above problems.

While the Receiver remains open to reconsidering management offers, should circumstances arise which would warrant such reconsideration, it is the Receiver's view that the time and expense of pursuing a management offer, with no guarantee of completion or of a greater recovery on the investments of the Crystal Wealth Funds if a transfer of management is effected, is not in the best interest of investors when contrasted with the steps being taken by the Receiver to attempt to realize on and monetize, where possible, the recorded investments.

3. Representation

As a final point, the Receiver wishes to clarify that its opposition to the representative counsel motion on June 30, 2017, which sought to appoint Crawley MacKewen Brush LLP as representative counsel, was not an attempt to deny investors their right to seek legal counsel, but rather, as a result of the Receiver's view that representative counsel would be duplicative of the Receiver's role and would result in unnecessary additional professional fees being incurred by the Crystal Wealth Group which would adversely affect all investors. Should investors wish to independently consult with a lawyer to obtain legal advice in respect of their investments, they of course remain entitled to do so.



The Receiver wishes to assure you that it is listening to investors' concerns, and is taking their input into consideration as it carries out its mandate, the primary objective of which is to serve the interests and needs of investors.

We encourage you to continue to provide your feedback and input to the Receiver, and hope that the above provides clarification to the issues which have been consistently raised in recent correspondence from investors.

Contact details for the Receiver:

Toll Free Number: 1-866-448-5867
Email: crystalwealth@grantthornton.ca

Receiver's Case Website: www.GrantThornton.ca/CrystalWealth

DATED at Toronto, Ontario, this 30th day of October, 2017

Grant Thornton Limited,
In its capacity as the Court-appointed Receiver and Manager of
the Crystal Wealth Group, and not in its corporate or personal capacity

This is **Exhibit "S"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.



December 5, 2018

TO: THE INVESTORS IN THE CRYSTAL WEALTH FUNDS

- and to -

CRYSTAL WEALTH DISCRETIONARY ACCOUNT HOLDERS

The purpose of the notice is to provide a brief update on the administration of the receivership proceedings with respect to the Crystal Wealth Funds since the issuance of the Receiver's Fourth Report to Court dated July 20, 2018 (the "Fourth Report"). A more fulsome update on the events since the Fourth Report and the Receiver's administration of the estate will be provided in subsequent reports to Court.

Second Interim Distribution

On September 27, 2018, pursuant to the Court Order issued on August 20, 2018 (the "August 20, 2018 Order"), the Receiver released the second interim distribution (the "Second Interim Distribution") to the relevant custodial entities, including National Bank Independent Network, GMP Securities LP, and others. For more information regarding the Second Interim Distribution, please refer to the Notice to Investors dated September 28, 2018.

Proposed Class Action and Receiver's Action against BDO Canada LLP

As previously communicated, the August 20, 2018 Order approved the Receiver's engagement of Adair Goldblatt Bieber LLP ("AGB") as the Receiver's lawyer of record in an Ontario Superior Court of Justice action (the "Receiver's Action", and together with the Proposed Class Action, the "BDO Actions") against BDO Canada LLP ("BDO"). As noted in the Fourth Report, similar to the Proposed Class Action, the Receiver's Action pertains to the audit services provided by BDO prior to the receivership proceedings, but is brought on behalf of the Company and the Crystal Wealth Funds (as opposed to the investors directly).

As AGB acts as counsel to the plaintiffs in both the Receiver's Action and the Proposed Class Action, AGB has created a case website containing additional information regarding the Proposed Class Action and the Receiver's Action, which can be accessed at: www.agbllp.com/class-actions.html (the "AGB Case Website"); investors are encouraged to continue to monitor the AGB Case Website for further developments concerning the BDO Actions.

Should you have any questions regarding the Proposed Class Action and/or the Receiver's Action, please contact either Nathaniel Read-Ellis or Simon Bieber of AGB:

Nathaniel Read-Ellis
 Adair Goldblatt Bieber LLP
 T: (416) 351-2789
 E: nreadellis@AGBLLP.com

Simon Bieber
 Adair Goldblatt Bieber LLP
 T: (416) 351-2781
 E: sbieber@AGBLLP.com

Update on the Receiver's Enforcement Initiatives

The Receiver has continued to communicate with various parties who have failed to repay amounts owing to the Crystal Wealth Funds under certain Factoring Contracts, Gold Loans, and Commercial Loans, amongst other recorded investments which were entered into by the Crystal Wealth Funds prior to the receivership proceedings. In certain instances where parties have failed to repay such amounts, or appear to be insolvent, the Receiver has commenced litigation or bankruptcy proceedings.

Bankruptcy Proceedings

Since the Fourth Report, the Receiver has placed into bankruptcy by Court Order the following entities who owe approximately \$3,153,242 to the Factoring Fund and \$569,222 to the Hedge Fund:

- 647497 B.C. Ltd. [www.bowragroup.com/647497bcLtd]
- 1566496 Alberta Ltd. [www.bowragroup.com/1566496-alberta-ltd]
- Restoration Energy Inc. [www.bowragroup.com/restoration-energy]

In the above noted cases, The Bowra Group Inc. was appointed as the Trustee in Bankruptcy. The case websites with respect to the above noted estates are included above. The results of these bankruptcies will be contained in the Receiver's future reports to Court.

Enforcement on Guarantees

The Receiver has also initiated an action in the Ontario Superior Court of Justice (Commercial List) to enforce on personal guarantees provided by individuals, including: (i) Robert Maljaars; (ii) Jeffrey Maljaars; (iii) Darcy Pahl; and (iv) Marion DenHollander.

Other Enforcement Initiatives

In addition to the above, the Receiver, with the assistance of counsel, is in the process of initiating various other enforcement initiatives, including but not limited to additional bankruptcy and litigation proceedings against entities or persons that are in default in repaying funds owing to the Crystal Wealth Funds.

Please contact the Receiver at any time should you have any questions.

Toll Free Number: +1 (866) 448-5867

Email: CrystalWealth@GrantThornton.ca

Receiver's Case Website: www.GrantThornton.ca/CrystalWealth

DATED at Toronto, Ontario, this 5th day of December, 2018

Grant Thornton Limited,

in its capacity as the Court-appointed Receiver and Manager of
the Crystal Wealth Group, and not in its corporate or personal capacity

This is **Exhibit “T”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019


A Commissioner etc.

Court File No. CV- 17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) FRIDAY, THE 30th DAY
JUSTICE HAINY) OF JUNE, 2017
)



ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

ORDER

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed receiver and manager (in such capacity, the "Receiver"), without security, of all of the assets, undertakings and properties of each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("Chrysalis Yoga") (each of the Respondents except for Chrysalis Yoga being individually and collectively, the "Crystal Wealth Group"), for an Order, *inter alia*: (i) approving the First Report of the Receiver dated June 22, 2017 (the "First Report") and the activities of the Receiver set out in the First Report; (ii) approving the Supplement to the First Report of the Receiver dated June 29, 2017 (the "Supplement to the First Report") and the

- 2 -

activities of the Receiver set out in the Supplement to the First Report; (iii) sealing certain appendices to the First Report and the Supplement to the First Report (the "**Confidential Appendices**") until further Order of the Court; (iv) approving the Receiver's reliance on the Unit Holder Listing (as defined in the First Report) to make interim distributions of the proceeds obtained from the divestiture of certain assets of Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, and Crystal Wealth Retirement One Fund (collectively, the "**Crystal Wealth Funds**"), where possible, to investors in the Crystal Wealth Funds; (v) approving the Sales Process (the "**Sales Process**") as defined and described in the First Report and authorizing the Receiver to carry out its functions in accordance with the Sales Process; (vi) approving the Receiver's interim statement of receipts and disbursements for the period from April 26, 2017 to May 31, 2017 (the "**Receiver's Interim R&D**"); and (vii) approving the fees and disbursements of the Receiver and its counsel, Aird & Berlis LLP, was heard this day at 330 University Avenue, Toronto, Ontario.

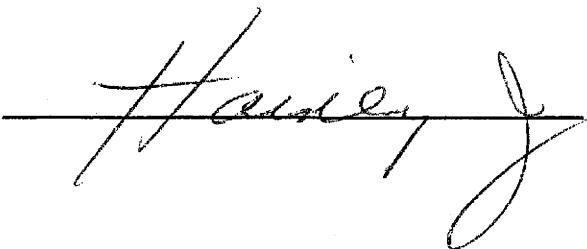
ON READING the First Report, including the affidavit of Jonathan Krieger sworn June 21, 2017 (the "**Krieger Affidavit**"), and the affidavit of Steven L. Graff sworn June 22, 2017 (the "**Graff Affidavit**"), the Supplement to the First Report, and on hearing the submissions of counsel for the Receiver, counsel for the Ontario Securities Commission, and of the Respondent, Clayton Smith, no one appearing for any other person on the service list, although duly served as appears from the affidavit of service of Diana Saturno sworn June 22, 2017, filed,

1. **THIS COURT ORDERS** that the time for service and filing 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 First Report and the Supplement to the First Report, and the activities of the Receiver described therein be and are hereby approved.

3. **THIS COURT ORDERS** that the Confidential Appendices be and are hereby sealed until further Order of the Court.
4. **THIS COURT ORDERS** that the Sales Process, as defined and described in the First Report, be and is hereby approved.
5. **THIS COURT ORDERS** that the Receiver may rely on the Unit Holder Listing (as defined in the First Report) to make distributions, without further approval of the Court, of the proceeds obtained from the divestiture of certain assets of the Crystal Wealth Funds to investors of the Crystal Wealth Funds.
6. **THIS COURT ORDERS** that the Receiver's Interim R&D, as described in the First Report, be and is hereby approved.
7. **THIS COURT ORDERS** that the fees and disbursements of the Receiver, as described in the First Report and as set out in the Krieger Affidavit, be and are hereby approved.
8. **THIS COURT ORDERS** that the fees and disbursements of Aird & Berlis LLP, counsel to the Receiver, as described in the First Report and as set out in the Graff Affidavit, be and are hereby approved.
9. **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.
10. **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.
11. **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

- 4 -

within proceedings for the purpose of having these proceedings recognized in a jurisdiction
outside Canada.



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

JUN 30 2017

PER / PAR: 

ONTARIO SECURITIES COMMISSION

-and-

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED et al.

Applicant

Short Title of Proceedings

Respondents

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

ORDER

AIRD & BERLIS LLP
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Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit "U"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner, etc.

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST



BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

ORDER

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed receiver and manager (in such capacity, the "Receiver"), without security, of all of the assets, undertakings and properties of each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("Chrysalis Yoga") (each of the Respondents except for Chrysalis Yoga being individually and collectively, the "Crystal Wealth Group"), for an Order, *inter alia*, approving the Second Report of the Receiver dated November 24, 2017 (the "Second Report") and the activities of the Receiver set out in the Second Report, and for other relief requested by

- 2 -

the Receiver in its Notice of Motion dated November 24, 2017, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report, including the affidavit of Jonathan Krieger sworn November 17, 2017 (the "**Krieger Affidavit**"), and the affidavit of Mark van Zandvoort sworn November 22, 2017 (the "**van Zandvoort Affidavit**"), and on hearing the submissions of counsel for the Receiver and such other counsel who were present, no one appearing for any other person on the service list, although duly served as appears from the affidavit of service of Colette Dillard sworn November 24, 2017, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the Receiver's 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 Second Report and the activities of the Receiver described therein be and are hereby approved.
3. **THIS COURT ORDERS** that the Confidential Appendices be and are hereby sealed until further Order of the Court.
4. **THIS COURT ORDERS** that the Receiver's resolution of the amended proof of claim filed by BDO Canada LLP ("BDO"), and the BDO Agreement (as defined in the Second Report), be and are hereby approved;
5. **THIS COURT ORDERS** that the Receiver's methodology and proposal to make interim distributions to investors of certain Crystal Wealth Funds (as defined in the Second Report) (the "**Investors**"), as set out in the Second Report, be and is hereby approved, and that the Receiver is hereby authorized to make such interim distributions to Investors.
6. **Deleted.**

7. **THIS COURT ORDERS** that each of the following entities and/or individuals be and is hereby specifically directed to provide the Receiver and its counsel, Aird & Berlis LLP ("A&B"), with all information previously sought from each of them in writing by or on behalf of the Receiver that remains still outstanding:

- (i) Jerry Froese ("Froese") – President & CEO of Frontline Factoring Inc. ("Frontline");
- (ii) Alberto Storelli, Brian Peoples; and Joe Harker as it relates to their involvement in the US Real Estate LP (defined and described in the Second Report);
- (iii) Craig Clydesdale ("Clydesdale") – principal of the OOM Energy Group (defined in the Second Report);
- (iv) Kari Gillespie ("Gillespie") – Operations Manager of Liberty Mortgage Services Ltd.;
- (v) Stephen Miller ("Miller") – a representative of MGE Corporation Limited;
- (vi) Chuck Pinnell – Principal of 611802 B.C. Ltd.; and
- (vii) Stan Spletzer – Principal of Solid Holdings Inc.

8. **Deleted.**

9. **THIS COURT ORDERS** that the Receiver be and is hereby authorized to examine the following individuals under oath pursuant to a summons, interprovincial summons, or letter of request as the case may be. (The Receiver may apply without notice for any authorization or letter of request that it may require to compel the witnesses' attendance.)

- (i) Al Housego, the former Lead Portfolio Strategist for certain of the Crystal Wealth Funds ("Housego");
- (ii) Clayton Smith ("Smith");
- (iii) Joanne Bentley;
- (iv) Clydesdale;

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- (v) Gillespie;
- (vi) Miller;
- (vii) Steven Bandola, a former employee of Frontline;
- (viii) Pinnell; and
- (ix) Alan Braun – Principal of Onstar Exploration Ltd.

10. **THIS COURT ORDERS** that the Receiver be and is authorized to examine the following individuals under oath in accordance with paragraph 6(s) of the Order (Appointing Receiver) of the Ontario Superior Court of Justice dated April 26, 2017 (the "Appointment Order"):

- (i) Froese;
- (ii) David DenHollander, the President of 647497 B.C. Ltd.;
- (iii) Jeffrey Maljaars, Principal of 1566496 Alberta Ltd.
- (iv) Darcy Pahl, President of Dome Mountain Resources of Canada Inc.; and
- (v) Robert Maljaars, previous signing authority of Dome Mountain Resources of Canada Inc.

11. **THIS COURT ORDERS** that Frontline pay to the Receiver the sum of \$53,094.02 representing payments received by Frontline from Zomongo TV, Advanced Metal, 156 Alberta and Restoration Energy (as such entities are defined in the Second Report), which payments have yet to be remitted to the Receiver in trust for the Factoring Fund and Hedge Fund contrary to the FPAA (as defined in the Second Report).

12. **THIS COURT ORDERS** that the Quiver MOU Amendments executed by the Receiver and Quiver (as those terms are defined in the Second Report) be and are hereby approved.

13. **THIS COURT ORDERS** that the Receiver's Interim Statement of Receipts and Disbursements through to October 31, 2017, as appended to the Second Report, be and is hereby approved.

- 5 -

14. **THIS COURT ORDERS** that the fees and disbursements of the Receiver for the period June 1, 2017 to September 30, 2017, as described in the Second Report and as set out in the Krieger Affidavit, be and are hereby approved, and that the allocation of the Receiver's fees and disbursements from April 24, 2017 to September 30, 2017, as described and detailed in the Second Report, be and is hereby approved.

15. **THIS COURT ORDERS** that the fees and disbursements of Aird & Berlis LLP, counsel to the Receiver, for the period June 1, 2017 to September 30, 2017, as described in the Second Report and as set out in the van Zandvoort Affidavit, be and are hereby approved, and that the allocation of A&B's fees and disbursements from April 24, 2017 to September 30, 2017, as described and detailed in the Second Report, be and is hereby approved.

16. **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.

17. **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.

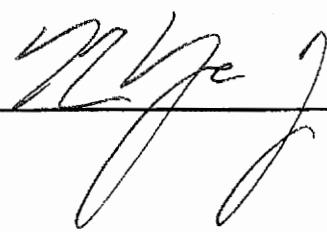
18. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is 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.

19. **THIS COURT ORDERS AND DECLARES** that this Order is subject to provisional execution.

ENTERED AT / INScrit à TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

DEC 13 2017

PER / PAR:



ONTARIO SECURITIES COMMISSION

-and-

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED et al.

Applicant

Respondents

Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

ORDER

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Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit "V"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019


A Commissioner, etc.



Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE

)

TUESDAY, THE 20th DAY

JUSTICE S. L. WOODWARD

)

OF FEBRUARY, 2018

)

)

BETWEEN:**ONTARIO SECURITIES COMMISSION****Applicant****- and -**

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

**APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

ORDER

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed receiver and manager (in such capacity, the "Receiver") of: (i) each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("Chrysalis Yoga") (the Respondents except for Chrysalis Yoga being collectively referred to as the "Crystal Wealth Group"); and (ii) the account of the Respondent, Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia (the "Chrysalis Account"), for an Order, *inter alia*, approving the Supplement to the Second Report of the Receiver dated February 8, 2018 (the "Second Report Supplement") and the activities of the Receiver set out in the Second Report Supplement; (ii) sealing the

- 2 -

confidential appendix to the Second Report Supplement (the "Confidential Appendix"); and (iii) approving the assignment agreement entered into among the Receiver, as assignee, and Bron Studios Inc. and Bron Animation Inc., each as assignors (the "Assignment Agreement"), and for other relief requested by the Receiver in its Notice of Motion dated February 8, 2018, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report Supplement and on hearing the submissions of counsel for the Receiver and such other counsel who were present, no one appearing for any other person on the service list, although duly served as appears from the affidavit of service of Timothy Jones sworn February 9, 2018, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the Receiver's 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 Second Report Supplement and the activities of the Receiver described therein be and are hereby approved.

3. **THIS COURT ORDERS** that the Confidential Appendix be and is hereby sealed until further ^{THE RECEIVER FILING OR MARCH 26, 2018.} A.W.D.

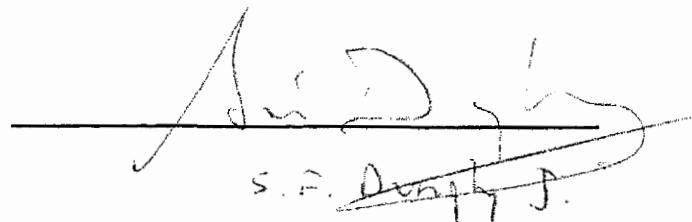
4. **THIS COURT ORDERS** that the Assignment Agreement be and is hereby approved, and the Receiver be and is hereby authorized to proceed with the transaction contemplated therein.

5. **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.

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 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.

- 3 -

7. **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.



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

FEB 20 2018

PER / PAR:



ONTARIO SECURITIES COMMISSION

-and-

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED et al.

Applicant

Respondents

Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

ORDER

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Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit “W”** referred to in
the Affidavit of

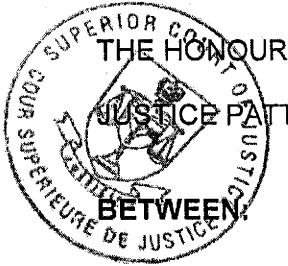
NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019


A Commissioner, etc.

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST



) TUESDAY, THE 15th DAY
)

OF MAY, 2018

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

APPLICATION UNDER SECTION 129 OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

ORDER

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed receiver and manager (in such capacity, the "Receiver") of: (i) each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("Chrysalis Yoga") (the Respondents except for Chrysalis Yoga being collectively referred to as the "Crystal Wealth Group"); and (ii) the account of the Respondent, Chrysalis Yoga, No. 87296 00518 10 at Bank of Nova Scotia (the "Chrysalis Account"), for an Order, *inter alia*, approving the Third Report of the Receiver dated May 3, 2018 (the "Third Report") and the Supplement to the Third Report of the Receiver dated May 14, 2018 (the "Third Report Supplement") and the activities of the Receiver set out in each of the Third Report and Third Report Supplement; and (ii) sealing the confidential appendices to the Third Report (the "Confidential Appendices"), and for other

- 2 -

relief requested by the Receiver in its Notice of Motion dated May 3, 2018, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Third Report and the Third Report Supplement and on hearing the submissions of counsel for the Receiver and such other counsel who were present, no one appearing for any other person on the service list, although duly served as appears from the affidavits of service of Diana Saturno sworn May 3, 2018 and May 14, 2018, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion, the Receiver's motion record, and the Third Report Supplement 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 Third Report and the Third Report Supplement, and the activities of the Receiver described in each of them, be and are hereby approved.

3. **THIS COURT ORDERS** that the Confidential Appendices be and are hereby sealed until further Order of the Court, except that the Palmer APS (as defined in the Third Report) shall be unsealed upon the completion of the transaction contemplated by the Palmer APS.

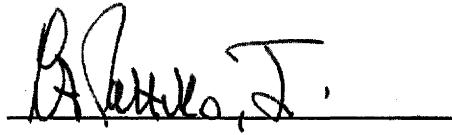
4. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

5. **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.

6. **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.

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

MAY 15 2018


Brian J. Bettolo

ONTARIO SECURITIES COMMISSION

-and-

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED et al.

Applicant

Respondents

Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

ORDER

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Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit “X”** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



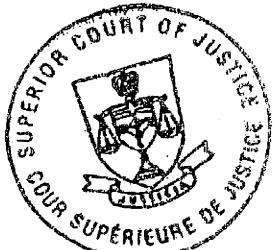
A Commissioner, etc.

Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE
JUSTICE HAINY

) FRIDAY, THE 30th DAY
OF JUNE, 2017



ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, and CHRYSALIS YOGA INC.

Respondents

Application under Section 129 of the Securities Act, R.S.O. 1990, c. S.5, as amended

CREDITOR CLAIMS PROCEDURE ORDER

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed receiver and manager (in such capacities, the "Receiver"), without security, of all of the assets, undertakings and properties of each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("Chrysalis Yoga") (each of the Respondents except for Chrysalis Yoga being individually and collectively, the "Crystal Wealth Group"), for an order approving a procedure for the determination and resolution of claims filed by non-investor creditors against

the Crystal Wealth Group and authorizing the Receiver to administer the claims process in accordance with its terms, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the First Report of the Receiver dated June 22, 2017 and the appendices thereto (collectively, the "First Report"), the Supplement to the First Report dated June 29, 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, although properly served as appears from the affidavit of service of Diana Saturno sworn June 22, 2017, filed,

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.

DEFINITIONS

2. **THIS COURT ORDERS** that for the purposes of this Order, the following terms shall have the following meanings:

- (a) "**Appointment Date**" means April 26, 2017;
- (b) "**Appointment Order**" means the Appointment Order made by the Honourable Justice Newbould dated April 26, 2017 in the within proceeding;
- (c) "**Business Day**" means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;
- (d) "**Claim**" means any right of any Person against the Crystal Wealth Group in connection with any indebtedness, liability or obligation of any kind of the Crystal Wealth Group, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future that could be asserted by way of set-off, counterclaim

or otherwise, which indebtedness, liability or obligation is based in whole or in part on facts existing on or prior to the Appointment Date or which would have been claims provable in bankruptcy had the Crystal Wealth Group, or any individual entity included therein, as the case may be, become bankrupt on the Appointment Date (each, a "**Creditor Claim**" and, collectively, the "**Creditor Claims**"), provided, however, that "Claim" shall not include an Excluded Claim. For greater certainty, a claim of a Known Creditor arising from a lease, contract, employment agreement or other agreement which was terminated or disclaimed by the Receiver between the Appointment Date and the date of this Order, is included in the definition of a "**Claim**" and "**Creditor Claim**";

- (e) "**Claims Bar Date**" means **5:00 p.m. (Toronto time) on August 3, 2017**, or any later date ordered by the Court;
- (f) "**Claims Package**" means a package of information to be provided by the Receiver, which package shall include a copy of this Order without attachments, an Instruction Letter, a Proof of Claim, and such other materials as the Receiver may consider appropriate or desirable;
- (g) "**Claims Procedure**" means the procedures outlined in this Order, including the Schedules;
- (h) "**Claims Procedure Order**" means this Order;
- (i) "**Court**" means the Ontario Superior Court of Justice (Commercial List);
- (j) "**Creditor**" means any Person having a Claim;
- (k) "**Excluded Claim**" means any claims of an investor in any entity comprising the Crystal Wealth Group (each, an "**Investor**") with respect to such Investor's investment;
- (l) "**Instruction Letter**" means a letter to Creditors regarding the Claims Procedure containing instructions regarding the completion and return of a Proof of Claim, substantially in the form attached as **Schedule "B"** hereto;

- (m) "**Investor**" has the meaning ascribed to that term in paragraph 2(k) of the Claims Procedure Order;
- (n) "**Known Creditors**" means:
 - (i) those Creditors which the books and records of the Crystal Wealth Group disclose were owed monies by the Crystal Wealth Group as of the Appointment Date and which monies remain unpaid in whole or in part, excluding Investors;
 - (ii) any Person which commenced a legal proceeding against the Crystal Wealth Group which legal proceeding was commenced and served upon the Crystal Wealth Group prior to the Appointment Date;
 - (iii) any Person which is party to a lease, contract, employment agreement or other agreement of the Crystal Wealth Group which was terminated or disclaimed by the Receiver between the Appointment Date and the date of this Order; and
 - (iv) any other Creditor actually known to the Receiver as of the date of this Order;
- (o) "**Notice of Dispute**" means a notice delivered to the Receiver by a Creditor disputing a Notice of Revision or Disallowance, which notice shall be substantially in the form attached hereto as **Schedule "E"** and shall set out the reasons for the dispute;
- (p) "**Notice of Revision or Disallowance**" means a notice informing a Creditor that the Receiver has revised or disallowed all or any part of such Creditor's Claim, which notice shall be substantially in the form attached hereto as **Schedule "D"** and shall set out the reasons for such revision and/or disallowance;
- (q) "**Notice to Creditors**" means the notice publicizing this Claims Procedure to be published in accordance with this Order, substantially in the form of the notice attached as **Schedule "A"**;

- (r) "**Person**" means any individual, general or limited partnership, firm, association, joint venture, trust, entity, corporation, limited or unlimited liability company, unincorporated organization, trade union, pension plan administrator, pension plan regulator, governmental authority or agency, employee or other association, or any other juridical entity howsoever designated or constituted;
- (s) "**Proof of Claim**" means the form of Proof of Claim to be completed and filed by a Creditor setting forth its purported Claim, substantially in the form attached as Schedule "C";
- (t) "**Proven Claim**" means the amount and classification of any Creditor's Claim as finally determined in accordance with this Claims Procedure;
- (u) "**Receivership Proceedings**" means the receivership proceedings commenced in respect of the Crystal Wealth Group by way of the Appointment Order; and
- (v) "**Receiver's Website**" means <http://www.grantthornton.ca/crystalwealth>.

NOTICE TO CREDITORS AND OTHERS

3. THIS COURT ORDERS that:

- (a) the Receiver shall, no later than five Business Days following the making of this Order, post a copy of this Order (together with all Schedules) on the Receiver's Website;
- (b) the Receiver shall send to each of the Known Creditors (in each case, for which it has an address) a copy of the Claims Package by July 10, 2017;
- (c) the Receiver shall, no later than July 10, 2017, cause to be published the Notice to Creditors in The Globe and Mail; and
- (d) the Receiver shall, provided such request is received prior to the Claims Bar Date, deliver as soon as reasonably possible following receipt of a request therefore a copy of the Claims Package to any Person claiming to be a Creditor and requesting such material.

PROOFS OF CLAIM

4. **THIS COURT ORDERS** that all Creditors shall file with the Receiver a Proof of Claim within the time periods herein stipulated.

DEADLINE FOR FILING OR PROOF OF CLAIM

5. **THIS COURT ORDERS** that all Proofs of Claim, together with supporting documentation in respect of such Claim, must be filed with the Receiver by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission, so that such Proof of Claim is received by the Receiver by no later than the Claims Bar Date.

6. **THIS COURT ORDERS** that any Creditor that does not file a Proof of Claim, together with supporting documentation in respect of such Claim,

- (a) shall be and is hereby forever barred from asserting or enforcing any Claim against the Crystal Wealth Group;
- (b) shall not be entitled to receive any distributions from any of the Crystal Wealth Group's estates; and
- (c) shall not be entitled to any further notice in, and shall not be entitled to participate as a creditor in, the Receivership Proceedings.

DETERMINATION OF CLAIMS AGAINST THE CRYSTAL WEALTH GROUP

7. **THIS COURT ORDERS** that the Receiver shall review all Proofs of Claim filed on or before the Claims Bar Date and may accept, revise or disallow (in whole or in part) the amount and/or status of a Claim set out in any Proof of Claim. If the Receiver determines to revise or disallow a Claim, the Receiver shall send a Notice of Revision or Disallowance to the Creditor. At any time, the Receiver may request additional information with respect to any Claim, and may request that the Creditor file a revised Proof of Claim, as the case may be.

8. **THIS COURT ORDERS** that the Receiver may attempt to consensually resolve the classification and amount of any Claim with the Creditor prior to accepting, revising or disallowing such Claim.

9. **THIS COURT ORDERS** that where a Proof of Claim has been revised or disallowed (in whole or in part) by a Notice of Revision or Disallowance, the revised or disallowed portion of

that Claim shall not establish a Proven Claim unless the Creditor has disputed the revision or disallowance and proven the revised or disallowed Claim (or portion thereof) in accordance with paragraphs 12-14 of this Order.

NOTICES OF DISPUTE

10. **THIS COURT ORDERS** that if a Creditor disputes the Notice of Revision or Disallowance and intends to contest the Notice of Revision or Disallowance then such Creditor shall deliver a Notice of Dispute by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission so that such Notice of Dispute is received by the Receiver by no later than 5:00 p.m. (Toronto time) on the day which is ten (10) Business Days after the Receiver delivered the Notice of Revision or Disallowance or such later date as the Receiver may agree in writing or the Court may order. The filing of a Notice of Dispute with the Receiver within the time limited therefore shall constitute an application to have the amount or status of such Claim determined as set out in paragraphs 12-14 hereof.

11. **THIS COURT ORDERS** that where a Creditor that receives a Notice of Revision or Disallowance fails to file a Notice of Dispute with the Receiver within the time frame required by paragraph 10 above, the amount and status of such Creditor's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance and such amount and status, if any, shall constitute such Creditor's Proven Claim.

RESOLUTION OF CLAIMS

12. **THIS COURT ORDERS** that as soon as practicable after the delivery of the Notice of Dispute to the Receiver, the Receiver may:

- (a) attempt to consensually resolve the classification and amount of the Claim with the Creditor; and/or
- (b) schedule an appointment with the Court for the purpose of scheduling a motion to have the classification and/or amount of the Claim determined by the Court, and at such motion the Creditor shall be deemed to be the applicant and the Receiver shall be deemed to be the respondent.

13. **THIS COURT ORDERS** that notwithstanding the other provisions of this Order, the Receiver may make a motion to the Court for a final determination of a Claim at any time, whether or not a Notice of Revision or Disallowance has been sent by the Receiver.

14. **THIS COURT ORDERS** that in the event that the dispute between the Creditor and the Receiver is not settled within a time period or in a manner satisfactory to the Receiver or the Creditor, the Receiver or the Creditor may make a motion to the Court for the final determination of the Creditor's Claim.

ADEQUACY OF INFORMATION/CURRENCY

15. **THIS COURT ORDERS** that:

- (a) the Receiver may, where it is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Order as to completion and execution of Proofs of Claim; and
- (b) any Creditor Claims denominated in a currency other than Canadian dollars shall, for the purposes of this Order, be converted to, and constitute obligations in, Canadian dollars, such calculation to be effected by the Receiver using the Bank of Canada noon spot rate on the Appointment Date.

NOTICE OF TRANSFEREES

16. **THIS COURT ORDERS** that the Receiver shall not be obligated to give notice to or otherwise deal with a transferee or assignee of a Claim as the Creditor in respect thereof unless:

- (a) actual written notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received by the Receiver; and
- (b) the Receiver shall have acknowledged in writing such transfer or assignment, and thereafter such transferee or assignee shall for the purposes hereof constitute the "Creditor" in respect of such Claim.

Any such transferee or assignee of a Claim, and such Claim, shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Order prior to the written acknowledgement by the Receiver of such transfer or assignment.

17. **THIS COURT ORDERS** that if the holder of a Claim has transferred or assigned the whole of such Claim to more than one Person or part of such Claim to another Person or

Persons, such transfer or assignment shall not create a separate Claim or Claims and such Claim shall continue to constitute and be dealt with as a single Claim notwithstanding such transfer or assignment, and the Receiver shall in each such case not be bound to acknowledge or recognize any such transfer or assignment and shall be entitled to give notices to and to otherwise deal with such Claim only as a whole and then only to and with the Person last holding such Claim in whole as the Creditor in respect of such Claim. Provided that a transfer or assignment of the Claim has taken place in accordance with paragraph 16 of this Order and the Receiver has acknowledged in writing such transfer or assignment, the person last holding such Claim in whole as the Creditor in respect of such Claim may by notice in writing to the Receiver direct that subsequent dealings in respect of such Claim, but only as a whole, shall be with a specified Person and, in such event, such Creditor, such transferee, or assignee of the Claim and the whole of such Claim shall be bound by any notices given or steps taken in respect of such Claim by or with respect to such Person in accordance with this Order.

18. **THIS COURT ORDERS** that the Receiver is under no obligation to give notice to any Person other than the Creditor holding the Claim and shall, without limitation, have no obligation to give notice to any Person holding a security interest, lien, or charge in, or a pledge or assignment by way of security in, a Claim.

19. **THIS COURT ORDERS** that the transferee or assignee of any Claim:

- (a) shall take the Claim subject to the rights and obligations of the transferor/assignor of the Claim, and subject to the rights of any Crystal Wealth Group entity against any such transferor or assignor, including any rights of set-off which any Crystal Wealth Group entity had against such transferor or assignor; and
- (b) cannot use any transferred or assigned claim to reduce any amount owing by the transferee or assignee to any Crystal Wealth Group entity, whether by way of set-off, application, merger, consolidation or otherwise.

PROTECTIONS FOR RECEIVER

20. **THIS COURT ORDERS** that in carrying out the terms of this Order:

- (a) the Receiver shall have all of the protections given to it by the Appointment Order or as an officer of this Court, including the stay of proceedings in its favour;

- (b) the Receiver shall incur no liability or obligation as a result of the carrying out of the provisions of this Order;
- (c) the Receiver shall be entitled to rely on the Crystal Wealth Group's books and records, and any information provided by the Crystal Wealth Group, all without independent investigation; and
- (d) the Receiver shall not be liable for any claims or damages resulting from any errors or omissions in such books or records.

DIRECTIONS

21. **THIS COURT ORDERS** that the Receiver may, at any time, and with such notice as this Court may require, seek directions from this Court with respect to this Order, the Claims Procedure set out herein and the forms attached as Schedules hereto, including with respect to the appointment of a claims officer if the Receiver deems it necessary or appropriate.

SERVICE AND NOTICE

22. **THIS COURT ORDERS** that the Receiver be at liberty to deliver the Claims Package, and any letters, notices or other documents to Creditors or other interested Persons, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to such Persons at the address as last shown on the records of the Crystal Wealth Group and that any such service or notice by courier, personal delivery or electronic or digital transmission shall be deemed to be received on the next Business Day following the date of forwarding thereof, or if sent by prepaid ordinary mail, on the fourth (4th) Business Day after mailing.

23. **THIS COURT ORDERS** that any notice or other communication (including, without limitation, Proofs of Claim and Notices of Dispute) to be given under this Order by a Creditor to the Receiver shall be in writing substantially in the form, if any, provided for in this Order and will be sufficiently given only if given by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission addressed to:

Grant Thornton Limited
in its capacity as Receiver and Manager of the Crystal Wealth Group

200 King Street West, 11th Floor
Toronto, Ontario M5H 3T4

Attention: Jason Knight
E-mail: jason.knight@ca.gt.com or crystalwealth@grantthornton.ca

Any such notice or other communication by a Creditor shall be deemed received only upon actual receipt thereof by the Receiver during normal business hours on a Business Day.

MISCELLANEOUS

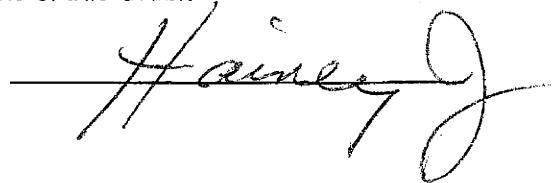
24. **THIS COURT ORDERS** that this Claims Procedure Order does not and is not intended to provide for the calculation or methodology of determining distributions but solely for providing a process for submitting and adjudicating Claims. The Receiver will request additional relief from this Court with respect to determining a final basis for calculating and determining ultimate distributions, if any, to Creditors.

25. **THIS COURT ORDERS** that Claims on behalf of any of the Crystal Wealth Group entities against any other of the Crystal Wealth Group entities shall be deemed filed and accepted by the Receiver in amounts determined by the Receiver on the basis of the books and records of the Crystal Wealth Group, without the need for the Receiver to file Proofs of Claim with respect to such Claims.

26. **THIS COURT ORDERS** that the Receiver may set off (whether by way of legal, equitable or contractual set-off) against the Claims of any Creditor, any claims of any nature whatsoever that any of the Crystal Wealth Group entities may have against such Creditor arising prior to the entry of this Claims Procedure Order, provided that such set-off satisfies the requirements for legal, equitable or contractual set-off to the extent permitted by applicable law as may be determined by the Court. If there is any dispute between the Receiver and the applicable Creditor, however, neither the failure to assert set-off nor the allowance of any Claim hereunder shall constitute a waiver or release by the Receiver of any such claim that the Receiver may have against such Creditor.

27. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court of any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the

United States of America, and of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Order.



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

JUN 30 2017

PER / PAR: M

SCHEDULE "A"**NOTICE TO CREDITORS**

IN THE MATTER OF THE RECEIVERSHIP OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, CLJ EVEREST LTD., AND 1150752 ONTARIO LIMITED

AND IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 129 OF THE **SECURITIES ACT, R.S.O. 1990, C. S.5, AS AMENDED**

RE: NOTICE OF CLAIMS PROCEDURE

PLEASE TAKE NOTICE that this notice is being published pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) made June 30, 2017 (the "**Claims Procedure Order**"). All the creditors of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited (individually and collectively, the "**Crystal Wealth Group**") should have received a claims package by mail from Grant Thornton Limited, Court-appointed receiver and manager (in such capacity, the "**Receiver**") of the Crystal Wealth Group. Creditors may also obtain the Claims Procedure Order and a claims package from the Receiver's website at www.grantthornton.ca/crystalwealth or by contacting the Receiver by telephone at (866) 448-5867 or by email at crystalwealth@grantthornton.ca.

Completed documents must be received by the Receiver by 5:00 p.m. (Toronto time) on August 3, 2017 (the "**Claims Bar Date**"). It is your responsibility to complete the appropriate documents and ensure that the Receiver receives your completed documents by the Claims Bar Date.

Among those creditors who do not need to file a Proof of Claim are investors in the Crystal Wealth Group and whose claim derives from such investor's investment in the Crystal Wealth Group. Please consult the Claims Procedure Order made on June 30, 2017 for details with respect to this and other exemptions.

CLAIMS WHICH ARE NOT RECEIVED BY THE CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

DATED at Toronto this _____ day of _____, 2017.

SCHEDULE "B"**INSTRUCTION LETTER FOR THE CLAIMS PROCEDURE**

IN THE MATTER OF THE RECEIVERSHIP OF CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND, CLJ EVEREST LTD., AND 1150752 ONTARIO LIMITED

AND IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 129 OF THE SECURITIES ACT, R.S.O. 1990, C. S.5, AS AMENDED

A. CLAIMS PROCEDURE

By Order of the Ontario Superior Court of Justice (Commercial List) made June 30, 2017 (the "Claims Procedure Order"), Grant Thornton Limited, the Court-appointed receiver and manager (in such capacity, the "Receiver") of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited (individually and collectively, the "Crystal Wealth Group"), has been authorized to conduct a claims procedure (the "Claims Procedure") for the determination of certain claims against the Crystal Wealth Group.

This letter provides instructions for understanding and completing a Proof of Claim. Please note that capitalized terms which are not defined in this Instruction Letter shall have the meanings ascribed to them in the Claims Procedure Order.

The Claims Procedure is intended for any Person with any Claim (as defined in the Claims Procedure Order) of any kind or nature whatsoever, other than an Excluded Claim, whether unliquidated, contingent or otherwise against one or more of the entities within the Crystal Wealth Group (collectively, the "Claims"). Please review the Claims Procedure Order on the Receiver's Website (www.grantthornton.ca/crystalwealth) for the complete definition of Claim and Excluded Claim.

If you have any questions regarding the Claims Procedure, please consult the Receiver's Website or contact the Receiver at the address provided below.

All notice and enquiries with respect to the Claims Procedure should be addressed to

Grant Thornton Limited
in its capacity as Receiver and Manager of the Crystal Wealth Group

200 King Street West, 11th Floor
Toronto, Ontario M5H 3T4

Attention: Jason Knight
E-mail: jason.knight@ca.gt.com or crystalwealth@grantthornton.ca
Toll-Free Telephone Number: 1-866-448-5867

B. FOR CREDITORS SUBMITTING A PROOF OF CLAIM

If you believe that you have a Claim against the Crystal Wealth Group, you will have to file a Proof of Claim with the Receiver. **Your Proof(s) of Claim must be received by 5:00 p.m. (Toronto time) on August 3, 2017, the Claims Bar Date. Pursuant to the Claims Procedure Order, failure to submit a Proof of Claim by the Claims Bar Date will result in such Claim being barred and extinguished, released and discharged forever.**

Additional Proof of Claim forms and other information, including the Claims Procedure Order, can be obtained from the Receiver's Website at www.grantthornton.ca/crystalwealth, or by contacting the Receiver at the telephone number indicated above and providing particulars as to your name, address and contact information.

It is your responsibility to ensure that the Receiver receives your Proof of Claim by the Claims Bar Date.

SCHEDULE "C"

**PROOF OF CLAIM AGAINST CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED,
CLAYTON SMITH, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH
MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS
FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED
FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH
HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND,
ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY
FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH
INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY,
CRYSTAL WEALTH RETIREMENT ONE FUND, CLJ EVEREST LTD., AND 1150752
ONTARIO LIMITED (INDIVIDUALLY AND COLLECTIVELY, THE "CRYSTAL WEALTH
GROUP") PURSUANT TO THE CLAIMS PROCEDURE ORDER DATED JUNE 30, 2017**

A. PARTICULARS OF CREDITOR:

1. Full Legal Name of Creditor: _____
2. Full Mailing Address of the Creditor (the original Creditor and not the Assignee):

3. Telephone number: _____
4. E-mail address: _____
5. Facsimile number: _____
6. Attention (Contact Person): _____
7. Has the Claim been sold or assigned by the Creditor to another party [check (✓) one]?
Yes: _____ No: _____

B. PARTICULARS OF ASSIGNEE(S) (IF ANSWER TO QUESTION 7 IS YES):

8. Full Legal Name of Assignee(s): _____
(If Claim has been assigned, insert full legal name of assignee(s) of Claim (if all or a portion of the Claim has been sold). If there is more than one assignee, please attach a separate sheet with the require information)
9. Full Mailing Address of Assignee(s):

-
-
-
10. Telephone number of Assignee(s): _____
11. E-mail address: _____
12. Facsimile number: _____
13. Attention (Contact Person): _____

C. PROOF OF CLAIM:

I, _____ [name of Creditor or Representative of the Creditor],

of _____ [City or Province] do hereby certify that:

(a) I [check (✓) one]

am the Creditor of the Crystal Wealth Group; OR

am _____ (state position or title) of
_____ (name of creditor);

(b) I have knowledge of all the circumstances connected with the Claim referred to below;

(c) _____ [Insert the name(s) of the specific Crystal Wealth Group entity(ies) to which the Claim relates] was and still is indebted to the Creditor as follows:

(i) TOTAL CLAIM: \$ _____ CAD

(Claims in a foreign currency are to be converted to Canadian Dollars at the Bank of Canada noon spot rate as at April 26, 2017. The Canadian Dollar/U.S. Dollar rate of exchange on that date was CDN\$1.3592/US\$1.00); and

D. NATURE OF CLAIM:

(check (✓) one and complete appropriate category)

A. UNSECURED CLAIM OF \$ _____

That in respect of this debt, I do not hold any security and
(Check (✓) appropriate description)

- Regarding the amount of \$ _____, I do not claim a right to a priority.
- Regarding the amount of \$ _____, I claim a right to a priority under section 136 of the Bankruptcy and Insolvency Act (Canada) (the "BIA") or would claim such a priority if this Proof of Claim were being filed in accordance with that Act.

(Set out on an attached sheet details to support priority claim.)

- B. SECURED CLAIM OF \$ _____

That in respect of this debt, I hold security valued at \$ _____ particulars of which are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

E. PARTICULARS OF CLAIM:

Other than as already set out herein the particulars of the undersigned's total Claim are attached.

(Provide all particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of Crystal Wealth Group entity/entities involved, name of any guarantor which has guaranteed the Claim, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Crystal Wealth Group to the Creditor and estimated value of such security, and particulars of any interim period claim.)

This Proof of Claim must be received by the Receiver by no later than 5:00 p.m. (Toronto time) on August 3, 2017 ("Claims Bar Date"), by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission at the following address:

Grant Thornton Limited
in its capacity as Receiver and Manager of the Crystal Wealth Group

200 King Street West, 11th Floor
Toronto, Ontario M5H 3T4

Attention: Jason Knight
E-mail: jason.knight@ca.gt.com or crystalwealth@grantthornton.ca

F. FILING OF CLAIM:

Failure to file your Proof of Claim as directed by the Claims Bar Date will result in your Claim being barred and in you being prevented from making or enforcing a Claim against the Crystal Wealth Group. In addition, you shall not be entitled to further notice in, and shall not be entitled to participate as a creditor in these proceedings.

G. EXCLUDED CLAIMS

Claims by creditors who are investors in the Crystal Wealth Group and whose claim derives from such investor's investment in the Crystal Wealth Group are Excluded Claims and no such person or entity needs to file any claim in respect thereof at this time. Please consult the Claims Procedure Order made on June 30, 2017 for details with respect to this and other exemptions.

Dated at _____ this _____ day of _____, 2017.

Signature of Creditor

SCHEDULE "D"**NOTICE OF REVISION OR DISALLOWANCE OF CLAIM
REFERENCE NUMBER _____**

TO: [insert name of creditor]

Grant Thornton Limited, in its capacity as receiver and manager (in this capacity, the "Receiver") of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited (individually and collectively, the "Crystal Wealth Group"), hereby gives you notice that the Receiver has reviewed your Proof of Claim, as the case may be, and has revised or rejected your Claim or any part thereof or any information relating thereto, as follows:

The Proof of Claim as Submitted	The Claim as Accepted

Reasons for Revision or Disallowance:

[insert explanation]

If you do not agree with this Notice of Revision or Disallowance, please take notice of the following:

1. If you dispute this Notice of Revision or Disallowance, you must, no later than 5:00 p.m. (Toronto time) on [____], being the day which is ten Business Days after the Notice of Revision or Disallowance is sent by the Receiver (see paragraph 10 of the Claims Procedure Order), notify the Receiver by delivery of a Notice of Dispute in accordance with the Claims Procedure Order made on June 30, 2017 (which Order can be found on the Receiver's Website at www.grantthornton.ca/crystalwealth). The form of Notice of Dispute is enclosed.
2. IF YOU DO NOT DELIVER A NOTICE OF DISPUTE WITHIN THE PRESCRIBED TIME PERIOD, THIS NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING UPON YOU AND YOUR CLAIM SHALL BE DEEMED TO BE AS SET OUT IN THIS NOTICE OF REVISION OR DISALLOWANCE.

DATED at Toronto, this ____, day of _____, 2017.

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER OF THE CRYSTAL WEALTH
GROUP**

SCHEDULE "E"**NOTICE OF DISPUTE**

We hereby give you notice of our intention to dispute the Notice of Revision or Disallowance bearing Reference Number _____ and dated _____ issued in respect of our claim.

Reasons for Dispute (attach additional sheet and copies of all supporting documentation if necessary):

Name of Creditor: _____

(Signature of individual completing this Dispute) _____ Date _____

(Please print name) _____

Telephone Number: _____

Email address: _____

Facsimile Number: _____

Full Mailing Address: _____

THIS FORM IS TO BE RETURNED BY PREPAID ORDINARY MAIL, COURIER, PERSONAL DELIVERY OR ELECTRONIC OR DIGITAL TRANSMISSION AND MUST BE RECEIVED NO LATER THAN 5:00 P.M. (TORONTO TIME) ON _____, BEING THE DAY WHICH IS TEN BUSINESS DAYS AFTER THE NOTICE OF REVISION OR DISALLOWANCE IS SENT BY THE RECEIVER (PURSUANT TO PARAGRAPH 10 OF THE CLAIMS PROCEDURE ORDER WHICH IS POSTED ONLINE AT www.grantthornton.ca/crystalwealth) TO:

Grant Thornton Limited
in its capacity as Receiver and Manager of the Crystal Wealth Group

200 King Street West, 11th Floor
Toronto, Ontario M5H 3T4

Attention: Jason Knight
E-mail: jason.knight@ca.gt.com or crystalwealth@grantthornton.ca

ONTARIO SECURITIES COMMISSION

and CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, ET AL.

Short Title of Proceedings

Applicant

Respondents

Court File No. CV-17-11779-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at TORONTO**

CLAIMS PROCEDURE ORDER

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

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

Mark van Zandvoort (LSUC # 59120U)
 Tel: (416) 865-4742
 Fax: (416) 863-1515
 E-mail: mvanzandvoort@airdberlis.com

Kyle Plunkett (LSUC # 61044N)
 Tel: (416) 865-3406
 Fax: (416) 863-1515
 E-mail: kplunkett@airdberlis.com

Lawyers for Grant Thornton Limited, in its capacity as Receiver and Manager of Crystal Wealth Management System Limited, Clayton Smith, Crystal Wealth Media Strategy, Crystal Wealth Mortgage Strategy, Crystal Enlightened Resource & Precious Metals Fund, Crystal Wealth Medical Strategy, Crystal Wealth Enlightened Factoring Strategy, ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy, Crystal Enlightened Bullion Fund, Absolute Sustainable Dividend Fund, Absolute Sustainable Property Fund, Crystal Wealth Enlightened Hedge Fund, Crystal Wealth Infrastructure Strategy, Crystal Wealth Conscious Capital Strategy, Crystal Wealth Retirement One Fund, CLJ Everest Ltd., and 1150752 Ontario Limited

This is **Exhibit "Y"** referred to in
the Affidavit of

NIGEL MEAKIN

Sworn before me this 22 day of
August, 2019



A Commissioner etc.

Exhibit "Y" – Proceeds Made Available to Unitholders Through Interim Distributions

Fund	Total Cash Made Available As of May 31/18	Proceeds Made Available for Distribution as of May 31/18 (Less Holdbacks and Professional Fees)	Per Unit Second Distribution	Per Unit First Distribution (Jan 18/18)	Per Unit Total Distributions
Mortgage Fund	\$11,138,001	\$8,236,702	\$1.625	\$1.445	\$3.071
Resource Fund	\$3,218,766	\$2,346,517	\$1.944	\$2.931	\$4.875
Factoring Fund	\$1,247,647	\$0	-	-	-
Medical Fund	\$3,566,693	\$3,098,186	\$1.678	\$2.858	\$4.536
Bullion Fund	\$358,308	\$166,507	-	\$2.021	\$2.021
Media Fund	\$24,920,229	\$19,787,729	\$2.479	\$1.181	\$3.660
High Yield Mortgage Fund	\$3,276,851	\$1,585,219	\$2.642	\$2.923	\$5.565
Infrastructure Fund	\$2,479,371	\$3,027,234	-	\$2.193	\$2.193
Hedge Fund	\$1,084,890	\$156,358	-	\$0.125	\$0.125
Conscious Capital Fund	\$53,912	\$0	-	-	-
ACM Income Fund	\$2,070,137	\$657,534	\$2.404	\$0.623	\$3.027
ACM Growth Fund	\$6,478,572	\$8,373,284	\$0.179	\$4.882	\$5.060
Sustainable Dividend Fund	\$6,796,591	\$6,500,807	-	\$10.761	\$10.761
Sustainable Property Fund	\$2,323,788	\$1,903,265	\$2.203	\$1.994	\$4.197
Total	\$69,012,756	\$55,929,342			

ANTHONY WHITEHOUSE -and- BDO CANADA LLP
Plaintiff

Defendant

Court File No. CV-17-579357-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

**AFFIDAVIT OF NIGEL MEAKIN
(SWORN AUGUST 22, 2019)**

BLAKE, CASSELS & GRAYDON LLP
Barristers & Solicitors
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9

Andrea Laing LSO #43103Q
Tel: 416-863-4159
andrea.laing@blakes.com

Doug McLeod LSO #58998Q
Tel: 416-863-2705
Fax: 416-863-2653
doug.mcleod@blakes.com

Lawyers for the Defendant

TAB 2

Court File No. CV-17-579357-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N:

ANTHONY WHITEHOUSE

Plaintiff

- and -

BDO CANADA LLP

Defendant

AFFIDAVIT OF LINC ROGERS

(Sworn August 29, 2019)

I, Linc Rogers of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a Partner at the law firm of Blake, Cassels & Graydon LLP ("Blakes") in the Restructuring and Insolvency Group. I am a member of the Blakes team acting as counsel to the defendant BDO Canada LLP ("BDO") in the proposed class proceeding, *Whitehouse v BDO Canada LLP* (CV-17-579357-00CP) ("Whitehouse"). As such, I have knowledge of the matters to which I hereinafter depose.

2. BDO asserts that the receivership proceedings (the "**Crystal Wealth Receivership**") in respect of the Crystal Wealth group of companies and proprietary investment funds (the "**Crystal Wealth Group**") and, in particular, the action commenced by Grant Thornton Limited in its capacity as receiver of the Crystal Wealth Group (in such capacity, the "**Receiver**") against BDO, having Court File #CV-18-195063-00CL (the "**Receiver's Action**") is the preferable procedure for resolving the claims of unitholders at issue in *Whitehouse*.

3. On July 16, 2019, on behalf of BDO, I wrote to Steven Graff and Mark van Zandvoort of Aird & Berlis LLP ("A&B"), counsel to the Receiver, copying Simon Bieber of Adair Goldblatt Bieber LLP ("AGB"), class counsel in *Whitehouse*, requesting that the Receiver answer written questions to provide information relevant to the preferable procedure inquiry in *Whitehouse*.

4. As Mr. Bieber and AGB are class counsel in *Whitehouse* but are also counsel of record for the Receiver for the purpose of pursuing the Receiver's Action, Blakes requested that a protocol be developed for the process by which written questions would be asked and answered. In particular, Blakes, on behalf of BDO, wished to clarify what capacity A&B and AGB would be acting, in light of AGB's dual role.

5. Attached as **Exhibit "A"** is a copy of the email correspondence dated August 8, 2019, on which I was copied, setting out the protocol which Blakes and A&B agreed upon and attaching the written questions that were posed by Blakes to the Receiver.

6. On August 21, 2019, Blakes received responses from the Receiver to the written questions. A copy of the Receiver's answers, is attached as **Exhibit "B"**.

7. In its answer to question 6(b), the Receiver stated that it was prepared to respond to the question and disclose the particulars of AGB's payment terms, provided that all parties consent. Both Blakes, on behalf of BDO and AGB, acting as class counsel provided such consent.

8. On August 28, 2019, the Receiver's response to question 6(b) was received. A copy of the email correspondence from A&B, on which I was copied, setting out the particulars of AGB's payment terms is attached hereto as **Exhibit "C"**.

9. In the course of familiarizing myself with the Crystal Wealth Receivership, I reviewed the website established by the Receiver and, in particular, the discussions on the Crystal Wealth Receivership's website regarding proceedings against BDO.

10. I attach as **Exhibit "D"** an excerpt from the Receiver's website which provides information regarding the Receivership Action and the *Whitehouse* class action.

11. I also attach as **Exhibit "E"** the Amended and Restated Master Declaration of Trust dated December 17, 2007, amended June 9, 2016 (the "**Declaration**"). The Declaration sets out, amongst other things, the respective rights of unitholders and Crystal Wealth Management System Limited, as trustee. As set out in Schedule "A" of the Declaration, the Declaration applies to each of the 14 proprietary investment funds forming part of the Crystal Wealth Group. I caused this document to be obtained from BDO's working files.

12. I swear this affidavit in support of BDO's opposition to the certification of the *Whitehouse* action and for no other reason.

SWORN BEFORE ME at City of
Toronto, Ontario on August 29, 2019

A Commissioner for taking Affidavits or Notary
Public

Caitlin McIntyre
LSO # 72306 R


Linc Rogers

This is **Exhibit "A"** referred to in
the Affidavit of

LINC ROGERS

Sworn before me this 29th day of
August, 2019



A Commissioner, etc.

Caitlin McIntyre
LSO #72306R

From: Laing, Andrea
Sent: Thursday, August 8, 2019 10:19 AM
To: 'Steve Graff'; 'Mark van Zandvoort'; 'sieber@agbllp.com'
Cc: Rogers, Linc; McLeod, Doug
Subject: Whitehouse v. BDO: Written Questions for the Receiver
Attachments: Letter to Steven Graff and Mark van Zandvoort dated August 8, 2019.pdf; 23705732-v1-Written Questions for Receiver Re Whitehouse Certification Motion.DOCX

Dear Steven and Mark,

I attach correspondence and written questions for the Receiver. As discussed, we have agreed with Aird & Berlis to the following protocol for this process:

1. Blakes (counsel to BDO) will send written questions to Aird & Berlis (counsel to the Receiver) and will copy Adair, Goldblatt Bieber ("Class Counsel").
2. To the extent the Receiver considers Blakes' questions appropriate, it will answer them.
3. Class Counsel will have the opportunity to ask written follow up questions on behalf of the proposed class. The Receiver will answer these follow up questions to the extent it considers the questions to be appropriate.
4. To the extent that follow up questions arise from the process above, counsel may provide written follow up questions, provided that they do so on a timely basis. To the extent the Receiver considers these follow up questions appropriate, the Receiver will answer them.
5. Both Blakes and Class Counsel will be copied on all written questions and responses of the Receiver.
6. The Receiver's responses may be filed on the certification motion.
7. By answering questions, the Receiver will not be acknowledging or admitting that it can be compelled to respond to a rule 39.03 examination. The Receiver will respond to the questions as it would to questions posed of it by any interested person concerning the receivership proceedings.

All the Best,

Andrea Laing
Partner
Dir: 416 863 4159
andrea.laing@blakes.com



Blake, Cassels & Graydon LLP
 Barristers & Solicitors
 Patent & Trade-mark Agents
 199 Bay Street
 Suite 4000, Commerce Court West
 Toronto ON M5L 1A9 Canada
 Tel: 416-863-2400 Fax: 416-863-2653

August 8, 2019

VIA E-MAIL

Andrea Laing
 Dir: 416-863-4159
 Andrea.laing@blakes.com

Reference: 69170/44

Steven L. Graff
 Mark van Zandvoort
 Aird & Berlis LLP
 Brookfield Place
 181 Bay Street, Suite 1800
 Toronto, ON M5J 2T9

RE: Written Questions for the Receiver in Connection with Whitehouse v. BDO

Dear Steven and Mark,

Further to our discussions, I attach a set of written questions for the Receiver in connection with the above-referenced matter. As you will see, our questions are succinct. We wish to include these questions and the Receiver's answers in BDO's responding motion record, which is due at the end of August. Accordingly, the Receiver's timely attention to these questions would be greatly appreciated. I attach a word version of the question chart to facilitate the responses.

All the Best,

Andrea Laing

ADRL:nnx
 Attachment (Question Chart)

c: S. Bieber (*Adair Goldblatt Bieber LLP*)
 L. Rogers (*Blake, Cassels & Graydon LLP*)
 D. McLeod (*Blake, Cassels & Graydon LLP*)

23705592.2

BDO Canada LLP
 Re: Anthony Whitehouse / Crystal Wealth

Written Questions for Receiver re: Whitehouse Certification Motion

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
1.	(a) Does the Receiver agree that the claims of creditors of the Crystal Wealth entities subject to the receivership (collectively "Crystal Wealth") must be paid in priority to the claims of Crystal Wealth unitholders?		
	(b) If the answer to question (a) is "yes", does the Receiver agree that Crystal Wealth unitholders will receive the benefit of any recoveries in excess of the amount necessary to satisfy creditor claims (net of the Receiver's fees and expenses)?		
	(c) Based on current knowledge, is the Receiver satisfied that creditor claims will be paid in full from the amounts that have been withheld to date from distributions to Crystal Wealth unitholders?		
2.	Does the Receiver still intend to make further distributions to Crystal Wealth Unitholders as indicated in the Receiver's Fourth Report? If so, please provide the Receiver's best current estimates as to the amounts and timing of such distributions.		

- 2 -

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
3.	Please provide a high-level summary of material steps taken by the Receiver since the Fourth Report.		
4.	(a) Does the Receiver agree that it is pursuing the action against BDO (the "BDO Action") for the benefit of all stakeholders of Crystal Wealth, including unitholders?		
	(b) Does the Receiver agree that a settlement amount or award in the BDO Action, if any, will be exclusively for the benefit of unitholders (net of fees and expenses) in light of the Receiver's ability to satisfy creditors' claims?		
5.	Anthony Whitehouse swore an affidavit dated June 15, 2018 in a proposed class proceeding against BDO indicating that he had received \$199,001.33 in distributions as of that date. Please confirm whether Mr. Whitehouse received any additional distributions after June 15, 2018 and the amounts. We would be pleased to provide a copy of the affidavit upon request.		
6.	(a) Please provide the retainer agreement with Adair Goldblatt Bieber ("AGB") for the BDO Action.		

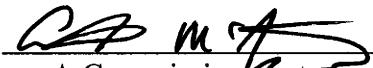
- 3 -

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
	(b) If question (a) is refused, please advise as to the payment terms in the AGB retainer agreement. If AGB is to be paid on a contingency basis, please advise as to how the contingency will be calculated. If the contingency is a percentage of a settlement or award, please provide the percentage.		
7.	Does the Receiver have effective systems in place to communicate with Crystal Wealth unitholders?		
8.	With reference to the statement on page 7 of the Receiver's Fourth Report, paragraph 2 (v), that AGB will have access to the Class Proceeding Fund ("CPF") for certain "costs and disbursements", does the Receiver have any information as to whether AGB has in fact been approved for funding from the CPF?		
9.	To the best of the Receiver's knowledge, are descriptions of the Receiver's decisions and actions to date in connection with the BDO Claim in the Receiver's Reports and other materials published on the Receiver's website accurate in all material respects? If not, please identify any inaccuracies.		
10.	Is the Receiver satisfied that it has discharged its obligations as a Court appointed officer to maximize recoveries for the benefit of all stakeholders through its activities to date?		

This is **Exhibit “B”** referred to in
the Affidavit of

LINC ROGERS

Sworn before me this 29th day of
August, 2019



A Commissioner, etc.

Caitlin McIntyre
LSO #72306R

BDO Canada LLP
 Re: Anthony Whitehouse / Crystal Wealth

Written Questions for Receiver re: Whitehouse Certification Motion

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
1.	(a) Does the Receiver agree that the claims of creditors of the Crystal Wealth entities subject to the receivership (collectively "Crystal Wealth") must be paid in priority to the claims of Crystal Wealth unitholders?	Claims of creditors determined to be valid and ranking ahead of Crystal Wealth unitholders will be paid in priority to the interests of the Crystal Wealth unitholders, assuming the sufficiency of funds, on a Crystal Wealth fund by fund basis.	
	(b) If the answer to question (a) is "yes", does the Receiver agree that Crystal Wealth unitholders will receive the benefit of any recoveries in excess of the amount necessary to satisfy creditor claims (net of the Receiver's fees and expenses)?	If applicable, Crystal Wealth unitholders will receive pro-rata distributions of recoveries in excess of the amount necessary to satisfy valid creditor claims (net of the Receiver's fees and expenses), assuming the sufficiency of funds, on a Crystal Wealth fund by fund basis.	
	(c) Based on current knowledge, is the Receiver satisfied that creditor claims will be paid in full from the amounts that have been withheld to date from distributions to Crystal Wealth unitholders?	As it relates to each and every Crystal Wealth fund, based on knowledge, the Receiver is unable to confirm whether creditor claims will be paid in full from the amounts that have been withheld to date from distributions to Crystal Wealth unitholders.	
2.	Does the Receiver still intend to make further distributions to Crystal Wealth Unitholders as indicated in the Receiver's Fourth Report? If so,	On the same basis as the Receiver had performed in regards to the first interim distribution and the second interim distribution, the Receiver will review the financial situation of each Crystal Wealth fund and recommend to the Court a third interim distribution, where applicable. Until	

Error! Unknown document property name.

- 2 -

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
	please provide the Receiver's best current estimates as to the amounts and timing of such distributions.	such time as the financial review is performed, the Receiver does not have an estimate of the distribution and timing thereof.	
3.	Please provide a high-level summary of material steps taken by the Receiver since the Fourth Report.	<p>A high-level summary of material steps taken by the Receiver since the Fourth Report include:</p> <ul style="list-style-type: none"> a) Those set out in the Receiver's Notice to Investors dated December 5, 2018 (posted on the Receiver's Case Website), the purpose of which was to provide an update on the administration of the receivership proceedings since the issuance of the Fourth Report; b) Obtaining bankruptcy orders adjudging certain Crystal Wealth fund debtors bankrupt; c) Commencing and/or continuing litigation against certain individuals and entities on behalf of entities contained in the Crystal Wealth Group; d) Preparing the financial statements for the 2018 taxation year for each of the Crystal Wealth Funds and compiled the supporting information for same; e) Preparing the necessary taxation reporting and filings for each of the Crystal Wealth Funds; f) Issuing tax receipts to investors in connection with the 2018 tax year; g) Corresponding with borrowers and debtors of the Crystal Wealth Funds, and, in some cases, their legal counsel and financial advisors and entering 	

- 3 -

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
		<p>into settlement negotiations and/or settlements for amounts owing;</p> <p>h) Conducting meetings with certain third-parties and borrowers/debtors, as appropriate; and</p> <p>i) Corresponding and holding various discussions with the Receiver's counsel concerning enforcement and recovery initiatives.</p> <p>The Receiver intends to provide an update as to its activities subsequent to the Fourth Report in its next report to Court.</p>	
4.	(a) Does the Receiver agree that it is pursuing the action against BDO (the "BDO Action") for the benefit of all stakeholders of Crystal Wealth, including unitholders?	The Receiver is pursuing the BDO Action for the benefit of all stakeholders of Crystal Wealth, so entitled.	
	(b) Does the Receiver agree that a settlement amount or award in the BDO Action, if any, will be exclusively for the benefit of unitholders (net of fees and expenses) in light of the Receiver's ability to satisfy creditors' claims?	See responses to 1(c) and 4(a) above.	
5.	Anthony Whitehouse swore an affidavit dated June 15, 2018 in a proposed class proceeding against BDO indicating that he had received \$199,001.33 in distributions as of that date. Please confirm whether Mr. Whitehouse received any additional distributions after June 15, 2018 and the amounts.	\$153,586.86.	

- 4 -

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
	We would be pleased to provide a copy of the affidavit upon request.		
6.	(a) Please provide the retainer agreement with Adair Goldblatt Bieber ("AGB") for the BDO Action.		The engagement letter dated June 11, 2018 is sealed pursuant to paragraph 3 of the Order of the Honourable Madam Justice Conway issued in the Receivership Proceedings on August 20, 2018.
	(b) If question (a) is refused, please advise as to the payment terms in the AGB retainer agreement. If AGB is to be paid on a contingency basis, please advise as to how the contingency will be calculated. If the contingency is a percentage of a settlement or award, please provide the percentage.		As indicated in 6(a) above, the engagement letter is sealed. The Receiver is prepared to respond to this question, provided that all parties consent, or an Order is sought lifting the sealing order. Please advise.
7.	Does the Receiver have effective systems in place to communicate with Crystal Wealth unitholders?	Yes.	
8.	With reference to the statement on page 7 of the Receiver's Fourth Report, paragraph 2 (v), that AGB will have access to the Class Proceeding Fund ("CPF") for certain "costs and disbursements", does the Receiver have any information as to whether AGB has in fact been approved for funding from the CPF?	The reference to p. 7 of the Receiver's Fourth Report appears to be incorrect in the question posed. We assume reference is meant to paragraph 331 of the Receiver's Fourth Report which provides " <i>AGB LLP is already counsel to Whitehouse in the Proposed Class Action, and accordingly, can minimize the current legal costs to the estate of the Company and Crystal Wealth Funds by similarly acting for the Receiver on a contingency basis, and as a result of having access to the Class Proceeding Fund in the Proposed Class Action with respect to certain costs and disbursements which may be duplicative in both proceedings</i> ". The Receiver understands that the Proposed Class Action has been approved for funding from CPF, the particulars of which are unknown to the Receiver.	

- 5 -

<u>No.</u>	<u>Question</u>	<u>Response</u>	<u>Reason for Refusal</u>
9.	To the best of the Receiver's knowledge, are descriptions of the Receiver's decisions and actions to date in connection with the BDO Claim in the Receiver's Reports and other materials published on the Receiver's website accurate in all material respects? If not, please identify any inaccuracies.	Yes (we assume the reference to the "BDO Claim" is intended to be a reference to the "BDO Action" as defined in 4(a) above).	
10.	Is the Receiver satisfied that it has discharged its obligations as a Court appointed officer to maximize recoveries for the benefit of all stakeholders through its activities to date?	The Receiver believes that it has discharged its duties as a Court-appointed officer to maximize recoveries in the circumstances and that such efforts are on-going.	

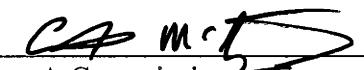
36986019.3

Error! Unknown document property name.

This is **Exhibit “C”** referred to in
the Affidavit of

LINC ROGERS

Sworn before me this 29th day of
August, 2019



A Commissioner, etc.

Caitlin McIntyre
LSO #72306R

Rogers, Linc

From: Laing, Andrea
Sent: Thursday, August 29, 2019 5:05 PM
To: Rogers, Linc
Subject: FW: Whitehouse v. BDO Canada LLP

Andrea Laing
 Partner
 Dir: 416 863 4159
andrea.laing@blakes.com

From: Laing, Andrea
Sent: Thursday, August 29, 2019 4:13 PM
To: McIntyre, Caitlin <caitlin.mcintyre@blakes.com>
Subject: FW: Whitehouse v. BDO Canada LLP

Andrea Laing
 Partner
 Dir: 416 863 4159
andrea.laing@blakes.com

From: Mark van Zandvoort <mvanzandvoort@airdberlis.com>
Sent: Wednesday, August 28, 2019 6:17 PM
To: Laing, Andrea <andrea.laing@blakes.com>
Cc: Steve Graff <sgraff@airdberlis.com>; Erin Tucker <ETucker@agbllp.com>; Rogers, Linc <linc.rogers@blakes.com>; Nathaniel Read-Ellis <NReadEllis@agbllp.com>; McLeod, Doug <doug.mcleod@blakes.com>; Simon Bieber <Sieber@agbllp.com>
Subject: RE: Whitehouse v. BDO Canada LLP

Andrea,

With respect to question 6(b), the Receiver responds as follows:

"AGB LLP ("AGB") is to be paid on a contingency fee basis in the BDO Action (CV-18-595063-00CL). AGB will receive 30 percent from the combined recovery in both the BDO Action and the Whitehouse Action (CV-17-579357-00CP) (the "Whitehouse Action"), and applicable amounts for disbursements and HST. Any money received from the Defendant for costs is not included in the calculation of AGB's contingency fee. If AGB's entitlement in the Whitehouse Action is determined or agreed to be or is otherwise reduced to less than 30 percent from the recovery in the Whitehouse Action (the "Reduced Percentage"), then AGB's contingency fee shall correspondingly be reduced for the BDO Action (CV-18-595063-00CL), such that AGB will receive no more than the Reduced Percentage from the combined recovery in both the BDO Action and the Whitehouse Action."

Regards,

Mark

From: Laing, Andrea [<mailto:andrea.laing@blakes.com>]
Sent: Wednesday, August 28, 2019 5:52 PM
To: Nathaniel Read-Ellis <NReadEllis@agbllp.com>; Mark van Zandvoort <mvanzandvoort@airdberlis.com>; McLeod, Doug <doug.mcleod@blakes.com>; Simon Bieber <SBieber@agbllp.com>
Cc: Steve Graff <sgraff@airdberlis.com>; Erin Tucker <ETucker@agbllp.com>; Rogers, Linc <linc.rogers@blakes.com>
Subject: RE: Whitehouse v. BDO Canada LLP

Thank you for confirming Nathaniel. Mark and Steve, any chance you can provide the terms by tomorrow?

Andrea Laing
 Partner
 Dir: 416 863 4159
andrea.laing@blakes.com

From: Nathaniel Read-Ellis <NReadEllis@agbllp.com>
Sent: Wednesday, August 28, 2019 5:49 PM
To: Laing, Andrea <andrea.laing@blakes.com>; 'Mark van Zandvoort' <mvanzandvoort@airdberlis.com>; McLeod, Doug <doug.mcleod@blakes.com>; Simon Bieber <SBieber@agbllp.com>
Cc: 'Steve Graff' <sgraff@airdberlis.com>; Erin Tucker <ETucker@agbllp.com>; Rogers, Linc <linc.rogers@blakes.com>
Subject: RE: Whitehouse v. BDO Canada LLP

Andrea,

We have no objection if the Receiver answers question 6(b).

Regards,
 Nate



Visit our website at AGBLLP.com or follow us @AGBLPLaw

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From: Laing, Andrea [<mailto:andrea.laing@blakes.com>]
Sent: Monday, August 26, 2019 12:07 PM
To: 'Mark van Zandvoort'; McLeod, Doug; Simon Bieber; Nathaniel Read-Ellis
Cc: 'Steve Graff'; Erin Tucker; Rogers, Linc
Subject: RE: Whitehouse v. BDO Canada LLP

Hello Simon,
 I am just following up regarding consent from Class Counsel to the Receiver answering question 6(b). If Class Counsel

does not consent we will ask the Court to draw an adverse inference. Kindly respond so we can wrap this matter up before we file our responding record.

All the Best,

Andrea Laing
Partner
Dir: 416 863 4159
andrea.laing@blakes.com

From: Laing, Andrea
Sent: Wednesday, August 21, 2019 4:12 PM
To: Mark van Zandvoort <mvanzandvoort@airdberlis.com>; McLeod, Doug <doug.mcleod@blakes.com>; [sieber@agbllp.com](mailto:sbieber@agbllp.com); Nathaniel Read-Ellis (NReadEllis@agbllp.com) <NReadEllis@agbllp.com>
Cc: Steve Graff <sgraff@airdberlis.com>; Erin Tucker <ETucker@agbllp.com>; Rogers, Linc <linc.rogers@blakes.com>
Subject: RE: Whitehouse v. BDO Canada LLP

Thank you for the Receiver's timely responses. BDO has no follow up questions. However, in the event that Class Counsel has follow up questions and the Receiver responds, BDO reserves its right to ask additional clarifying questions.

We confirm that BDO consents to the Receiver responding to question 6(b). Class Counsel, as the Receiver is amenable to disclosing this information subject to consent of the parties we trust you will consent as well, but please confirm.

All the Best,

Andrea Laing
Partner
Dir: 416 863 4159
andrea.laing@blakes.com

From: Mark van Zandvoort <mvanzandvoort@airdberlis.com>
Sent: Wednesday, August 21, 2019 12:09 PM
To: Laing, Andrea <andrea.laing@blakes.com>; McLeod, Doug <doug.mcleod@blakes.com>; [sieber@agbllp.com](mailto:sbieber@agbllp.com); Nathaniel Read-Ellis (NReadEllis@agbllp.com) <NReadEllis@agbllp.com>
Cc: Steve Graff <sgraff@airdberlis.com>; Erin Tucker <ETucker@agbllp.com>; Rogers, Linc <linc.rogers@blakes.com>
Subject: RE: Whitehouse v. BDO Canada LLP

Counsel,

Please find attached the Receiver's responses to the questions provided. You will note that the response to Question No. 6(b) seeks clarification from the parties. Please let us know your clients' position.

Thank you,

Mark

This is **Exhibit "D"** referred to in
the Affidavit of

LINC ROGERS

Sworn before me this 29th day of
August, 2019



A Commissioner, etc.

Caitlin McIntyre

LSO # 723 OGR

Due to principals of certain of the foregoing investments being uncooperative, the Receiver employed various methods of furthering its investigative and realization efforts which included the following:

- issuing demands against relevant companies and individuals;
- commencing litigation proceedings against certain companies and individuals; and
- commencing bankruptcy proceedings against select companies.

All of the foregoing actions are on-going. Investors will be provided a detailed update in a future report to the Court. In addition, a full accounting of each of the Crystal Wealth Funds (the same as that contained in the Fourth Report) will be provided in a future report to the Court along with the Receiver's recommendation for another interim distribution if balances warrant same. Due to the current status of the enforcement activities, there are not enough monies to warrant another interim distribution at this time.

Proposed Class Action and Receiver's Action against BDO Canada LLP

As previously communicated, Adair Goldblatt Bieber LLP ("AGB") is the Receiver's lawyer of record in an Ontario Superior Court of Justice action (the "Receiver's Action", and together with the Proposed Class Action, the "BDO Actions") against BDO Canada LLP ("BDO"). As noted in the Fourth Report, similar to the Proposed Class Action, the Receiver's Action pertains to the audit services provided by BDO prior to the receivership proceedings, but is brought on behalf of the Company and the Crystal Wealth Funds (as opposed to the investors directly).

Information in regards to the BDO Actions can be accessed at:

www.agbllp.com/class-actions.html (the "AGB Case Website"); investors are encouraged to continue to monitor the AGB Case Website for further developments concerning the BDO Actions.

Should you have any questions regarding the Proposed Class Action and/or the Receiver's Action, please contact either Nathaniel Read-Ellis or Simon Bieber of AGB:

Nathaniel Read-Ellis

Adair Goldblatt Bieber LLP

T: (416) 351-2789

E: nreadellis@AGBLLP.com

Simon Bieber

Adair Goldblatt Bieber LLP

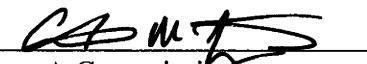
T: (416) 351-2781

E: sbieber@AGBLLP.com

This is **Exhibit "E"** referred to in
the Affidavit of

LINC ROGERS

Sworn before me this 29th day of
August, 2019



A Commissioner, etc.

Caitlin McIntyre
LSO # 72306 R

**AMENDED AND RESTATED
MASTER DECLARATION OF TRUST**

OF

CRYSTAL WEALTH MUTUAL FUNDS

December 17, 2007

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MASTER DECLARATION OF TRUST

THE MASTER DECLARATION OF TRUST made in Burlington, Ontario, Canada on the 12th day of April, 2007, and amended and restated on December 17, 2007.

DECLARATION

WHEREAS Crystal Wealth Management System Limited, a corporation incorporated under the laws of the Province of Ontario, hereby declares:

- (a) this master declaration of trust is being executed by the Trustee to facilitate the administration of all of the mutual fund trusts listed from time to time in Schedule "A" (the "Funds");
- (b) this master declaration of trust may be amended in the future to add or delete mutual fund trusts or classes or series of units of mutual fund trusts and for any other purpose permitted by the terms of this declaration; and
- (c) it is the trustee for the Unitholders of each of the Funds on the terms and conditions herein set out.

AND WHEREAS Crystal Wealth Management System Limited further declares that:

- (a) it is the trustee of ESI Managed Portfolio, pursuant to an amended and restated master declaration of trust dated April 26, 2005 (the "ESI Declaration of Trust");
- (b) it desires to amend and restate the ESI Declaration of Trust and this master declaration of trust into one combined master declaration of trust, in order to bring all of the mutual fund trusts for which it acts as trustee under one document;
- (c) has determined that the ESI Declaration of Trust is substantially similar to this master declaration of trust and so this master declaration of trust is being amended pursuant to Section 10.3 herein by the Trustee ,without the approval of or prior notice to any Unitholders of the Funds, to add ESI Managed Portfolio, as the Trustee reasonably believes that the proposed amendment does not have the potential to adversely impact the financial interests or rights of Unitholders; and
- (d) this master declaration of trust is being restated pursuant to Section 10.4 herein, setting forth the terms of the master declaration of trust as amended and effective from the date of its execution by the Trustee.

ARTICLE I INTERPRETATION

SECTION 1.1 Definitions. In this Declaration of Trust, unless the subject matter or context otherwise requires, the following expressions shall have the meanings set forth below:

- (a) “Adjusted Cost Base” means the adjusted cost base of a Unit as computed in accordance with the provisions of the Tax Act as determined by the Manager;

- (b) “Alternate Valuation Date” means the last business day in each calendar month in each year and any other day as the Manager may from time to time determine, in its sole discretion.
- (c) “business day” means any day on which Toronto Stock Exchange is open for trading;
- (d) “Change in Non Portfolio Assets” for a Fund on a Valuation Date means:
 - (i) the aggregate of all income accrued by the Fund on that Valuation Date, including cash dividends and distributions, interest and compensation; plus or minus
 - (ii) any change in the value of any non portfolio assets or liabilities stated in any foreign currency accrued on that Valuation Date, including, without limitation, cash, accrued dividends or interest and any receivables or payables; plus or minus
 - (iii) any gain or loss resulting from transfers of currencies accrued on that Valuation Date; plus or minus
 - (iv) any other item accrued on that Valuation Date determined by the Manager to be relevant in determining a Change in Non Portfolio Assets;
- (e) “Common Expenses” means those expenses of a Fund other than Series Expenses;
- (f) “this Declaration of Trust”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder” and similar expressions refer to this instrument in its entirety, as amended from time to time, and not to any particular Article, Section or portion hereof, and include any and every instrument supplemental or ancillary hereto and any and every Schedule hereto; “Article”, “Section” and “Subsection” refer to the specified article, section or subsection of this Declaration of Trust;
- (g) “Disclosure Documents” means any offering memorandum and annual and interim financial statements of the Funds; or if any of the Funds' units are offered to the public, any documents which may from time to time be filed as part of the permanent information record of a Fund as required in connection with the distribution of Units of the Fund by Securities Authorities in each of the jurisdictions in which Units of the Fund are qualified for distribution;
- (h) “Distributor” means any person engaged from time to time in the soliciting of purchase orders from investors as contemplated by Section 12.4;

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- (i) “Funds” means the trusts set out from time to time in Schedule “A” and individually referred to as a “Fund”;
- (j) “Investment Objective” means the investment objective of a Fund as set forth in Schedule “A” as the same may be changed from time to time in accordance with Securities Legislation and the provisions hereof;
- (k) “Management Fee Distribution” means a distribution pursuant to Section 6.5;
- (l) “Manager” means the person engaged from time to time as the manager of the Funds as contemplated by Section 12.3;
- (m) “Net Asset Value” means the net asset value of a Fund determined in accordance with Section 3.3;
- (n) “Net Capital Gains” for any year means the net capital gains of a Fund for such year computed in accordance with Section 6.2;
- (o) “Net Income” for any year means the net income of a Fund for such year computed in accordance with Section 6.1;
- (p) “Net Portfolio Transactions” for a Fund on any Valuation Date means the impact of portfolio transactions and the adjustments to the assets as a result of a stock dividend, stock split or other corporate action recorded on that Valuation Date;
- (q) “person” means any individual, body corporate, association, partnership, syndicate, trust, estate trustee, administrator, legal representative and any number or aggregate of such persons;
- (r) “Proportionate Share” when used to describe a Unitholder’s interest in any amount, means the portion of that amount obtained by multiplying that amount by a fraction, the numerator of which is the number of Units of a Series of Units of a Fund registered in the name of that Unitholder and the denominator of which is the total number of Units of that Series of that Fund then outstanding;
- (s) “Record Date for Notice of Meeting” means the date which shall be established from time to time pursuant to Section 9.3;
- (t) “Record Date for Voting” means the date which shall be established from time to time pursuant to Section 9.9;
- (u) “Securities Authorities” means the Ontario Securities Commission and equivalent regulatory authorities in each province and territory of Canada in which the Units are distributed;

-
- (v) "Securities Legislation" means the laws, regulations, requirements, rules and policies, including those of the Securities Authorities, which are applicable to the Funds;
 - (w) "Series" in respect of a particular Fund means a series of Units of that Fund;
 - (x) "Series Expenses" means those expenses of a Fund that are attributable to a particular Series of Units of that Fund other than Common Expenses;
 - (y) "Series Net Asset Value" means, in respect of any particular Series of Units of a Fund on any Valuation Date, the portion of the Net Asset Value of that Fund attributed to the Units of such Series on that Valuation Date determined in accordance with Section 3.4;
 - (z) "Series Net Asset Value per Unit" means, in respect of the Units of any particular Series of Units of a Fund on any Valuation Date, the portion of the Net Asset Value of that Series attributed to each of the Units of such Series of the Fund on that Valuation Date determined in accordance with Section 3.4;
 - (aa) "Special Distributions" means either of the Management Fee Distributions and the Trust Expense Distributions;
 - (bb) "Tax Act" means the *Income Tax Act* (Canada) and the regulations thereunder;
 - (cc) "Trust Expense Distribution" means a distribution pursuant to Section 6.6;
 - (dd) "Trustee" means Crystal Wealth Management System Limited or any successor person appointed as trustee in accordance with the provisions of this Declaration of Trust;
 - (ee) "Unitholders" means the person or persons for the time being entered in the register or registers hereinafter mentioned as the holder or holders of any of the Units or, when used in reference to a particular Series, means the person or persons for the time being entered in the register or registers as the holder or holders of Units of the particular Series;
 - (ff) "Units" means units in a Series of a Fund issued or to be issued hereunder and for the time being outstanding, and a "Unit" in reference to a particular Fund means an undivided interest in the net assets of that Fund or, when used in reference to a particular Series of Units, means an undivided interest in the assets of that Fund attributable to the applicable Series, and includes a fraction of a Unit; and
 - (gg) "Valuation Date" means the last business day of each week, the last business day in each calendar month in each year, December 31 in each calendar year and any other day as the Manager may from time to time determine, in its sole discretion.

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SECTION 1.2 Gender and Number. Words importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender.

SECTION 1.3 Statute References. Any reference herein to a statute or regulations thereunder shall be deemed to be a reference to such statute or regulations as amended, re-enacted or replaced from time to time and reference to specific parts, paragraphs or sections thereof shall include all amendments, re-enactments or replacements.

SECTION 1.4 Headings. The headings of all of the Articles and Sections hereof and the Table of Contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this Declaration of Trust.

SECTION 1.5 Governing Law. This Declaration of Trust, which by common accord has been drawn in the English language, shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

SECTION 1.6 Rights of Unitholders. A Unitholder in a Fund shall have no rights other than those rights expressly provided for Unitholders herein or added by amendment hereto.

SECTION 1.7 Conflict. In the event of a conflict between the terms and conditions of this Declaration of Trust and the Disclosure Documents the terms and conditions of this Declaration of Trust shall prevail.

ARTICLE II THE TRUST

SECTION 2.1 Name and Office. Each Fund administered hereunder shall be known by the name for that Fund set out in Schedule "A" or such other name as the Trustee may from time to time designate and each Fund may at any time adopt a French version of its name at the sole discretion of the Trustee and shall have its offices in Burlington, Ontario or at such other place as the Trustee may from time to time designate.

SECTION 2.2 Commencement of the Funds. The Funds shall consist of such separate investment trusts as may be established from time to time at the direction of the Manager. Each Fund shall be established by the delivery by the Manager to the Trustee of an amended Schedule "A" reflecting the name, series and investment objectives of such Fund and the payment by the Manager of a minimum of \$10 to constitute and settle such Fund. The assets of each Fund created hereunder will include:

- (a) the initial purchase price for the purchase of units of that Fund received by the Trustee concurrently with the initial execution or amendment of the declaration;
- (b) all other moneys from time to time committed to the Trustee for investment in units of the Fund; and

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- (c) the portfolio investments (including replacements and additions to these investments) made from time to time.

SECTION 2.3 Trust Property. The property of each Fund includes all moneys, securities, property, assets and investments paid or transferred to and accepted by or in any manner acquired by the Trustee and held by the Trustee on the trusts herein declared; all income which may hereafter be accumulated under the powers herein contained; and all moneys, securities, property, assets or investments substituted for or representing all or any part of the foregoing.

SECTION 2.4 Investment Objective. The Investment Objective of each Fund shall be as set out in Schedule "A" as amended from time to time.

SECTION 2.5 Possession of Fund Assets. The Trustee shall stand possessed of the property and assets of each Fund in trust for the Unitholders of that Fund according and subject to the provisions of this Declaration of Trust and the property and assets comprising that Fund from time to time shall be dealt with by the Trustee in accordance with the provisions hereof.

SECTION 2.6 Title to Fund Assets. The Trustee shall have the sole legal title to all property of whatsoever kind and wheresoever situate at any time held, acquired or received by it as Trustee hereunder or in which the Unitholders shall have any beneficial interest as Unitholders. All the property and assets of each Fund shall at all times be considered as property held in trust by the Trustee or its agents in trust for that Fund. No Unitholder shall have or be deemed to have individual ownership of any property or asset of a Fund and the interest of a Unitholder shall consist only of the right to receive payment from the Trustee of his interest in a Fund at the time, place, in the manner and subject to the conditions herein expressly provided.

SECTION 2.7 Officers of the Funds. The Trustee may, if considered appropriate, appoint a Chief Executive Officer and a Chief Financial Officer of a Fund and such other officers as it deems necessary.

SECTION 2.8 Declaration of Trust Binding on Unitholders. The terms and conditions of this Declaration of Trust and any deed supplemental hereto shall be binding upon each Unitholder and all persons claiming through him as if he had been a party to this Declaration of Trust.

SECTION 2.9 Master Declaration of Trust. This Declaration of Trust is a master declaration of trust for convenience of administration of the Funds, however, each Fund's obligations hereunder are its alone and no Fund shall be liable for any breach of this Declaration of Trust by another Fund.

SECTION 2.10 Legal Character of the Funds. The Funds are not intended to be and shall not be treated as anything other than trusts of which the Unitholders are beneficiaries with the rights ascribed to them hereunder and with no other rights. Without limitation, the Funds do not constitute a partnership, joint venture, corporation or joint stock company, nor shall the

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Trustee or the Unitholders or any of them for any purpose be, or be deemed to be, or be treated in any way whatsoever as, liable or responsible hereunder as partners or joint venturers. The Trustee shall not be, or be deemed to be, the agent of the Unitholders. The relationship of the Unitholders to the Trustee shall be solely that of beneficiaries of a Fund and the rights of the Unitholders shall be limited to those conferred upon them hereunder.

ARTICLE III DESCRIPTION AND ISSUE OF UNITS

SECTION 3.1 Creation of Units.

(a) The Trustee shall have sole discretion in determining whether the capital of a Fund is divided into one or more Series of Units and the attributes which shall attach to each Series of Units.

(b) The Series of Units authorized for each Fund shall be as shown from time to time on Schedule "A".

SECTION 3.2 Attributes of Units.

Until changed by the Trustee, the Units or Series of Units of a Fund shall have the following attributes:

- (a) each Unit shall be without nominal or par value;
- (b) a Unit of a Series shall entitle the holder thereof to vote:
 - (i) at all meetings where all Unitholders vote together, and
 - (ii) at all meetings where Unitholders of that particular Series vote separately as a Series;
- (c) at each meeting of Unitholders each Unitholder shall have one vote for each one dollar in value of all Units owned by such Unitholder as determined based on the Series Net Asset Value per Unit at the close of business on the Record Date for Voting for each such meeting, with no voting rights being attributed to portions of a dollar of such value;
- (d) each Unit of a Series of a Fund shall entitle the holder thereof to participate pro rata, in accordance with the provisions hereof, with respect to all distributions of the Series (except with respect to any Special Distributions) and, upon liquidation of the Fund to participate pro rata with the other Unitholders of the Series in the Series Net Asset Value of the Fund remaining after the satisfaction of outstanding liabilities of the Fund as provided in Article XI;

- (e) distributions shall be allocated among the Series of Units of a Fund in such manner and at such times as the Trustee considers appropriate and equitable;

- (f) there shall be no pre-emptive rights attaching to the Units;
- (g) there shall be no cancellation or surrender provisions attaching to the Units except as set out herein;
- (h) all Units shall be issued as fully paid and non-assessable so that there shall be no liability for future calls or assessments with respect to the Units;
- (i) all Units shall be fully transferable with the consent of the Trustee as provided herein;
- (j) subject to applicable conditions and requirements determined from time to time by the Trustee and stated in the Disclosure Documents, Units of a particular Series of a Fund may, at the option of the holder, be redesignated as Units of any other Series of the same Fund based on the applicable Series Net Asset Value per Unit for the two Series of Units on the date of the redesignation;
- (k) pursuant to Section 11.1 or 2 or subject to requirements determined from time to time by the Trustee and stated in the Disclosure Documents, Units of a particular Series of a Fund may be automatically redesignated by the Trustee as Units of any other Series of the same Fund based on the applicable Series Net Asset Value per Unit for the two Series of Units on the date of the redesignation;
- (l) the number of Units and Series of Units of a Fund which may be issued is unlimited; and
- (m) fractional Units of a Series may be issued and shall be proportionately entitled to all the same rights as whole Units of that same Series.

SECTION 3.3 Computation of Net Asset Value.

(a) The Net Asset Value of a Fund as at any particular time is the value as at such time of all assets of a Fund minus all of its liabilities as at such time. In calculating the Net Asset Value of a Fund as at any particular time and, to the extent they supplement the following principles, the valuation principles set out in the Fund's Disclosure Documents from time to time shall apply.

- (b) The assets of a Fund shall be deemed to include:
 - (i) all cash or its equivalent on hand, on deposit or on call, including any interest accrued thereon;
 - (ii) bills, demand notes and accounts receivable;

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- (iii) all shares, debt obligations, subscription rights and other securities owned or contracted for by the Fund;
 - (iv) all stock and cash dividends and cash distributions to be received by the Fund and not yet received by it but declared to securityholders of record on a date on or before that time;
 - (v) all interest accrued on any fixed interest-bearing securities owned by the Fund which is included in the quoted price; and
 - (vi) all other property of every kind and nature including prepaid expenses and derivative instruments;
- (c) The liabilities of a Fund shall be deemed to include:
- (i) all bills, notes and accounts payable;
 - (ii) all expenses incurred or payable by the Fund, including, but not limited to, management fees and amounts to be reimbursed to the Manager;
 - (iii) all contractual obligations for the payment of money or property, including the amount of any unpaid distribution declared upon Units and payable to Unitholders of record of the Fund prior to the time as of which the Net Asset Value of the Fund is being determined;
 - (iv) all allowances authorized or approved by the Trustee for taxes (if any) or contingencies; and
 - (v) all other liabilities of the Fund of whatsoever kind and nature, except liabilities represented by outstanding Units of the Fund and the balance of any undistributed income or capital gains;
- (d) A Unit of a Fund being issued shall be deemed to become outstanding as of the next calculation of Net Asset Value following the time at which the Net Asset Value of such Unit is determined and the issue price received or receivable for the issuance of the Unit shall then be deemed to be an asset of the Fund;
- (e) A Unit of a Fund being redeemed shall be deemed to remain outstanding until (but not after) the next calculation of Net Asset Value following the receipt by or on behalf of the Trustee of a redemption request therefor in the manner provided in the Disclosure Documents; thereafter, until paid, the redemption price shall be deemed to be a liability of the Fund; and
- (f) Each transaction of purchase or sale of portfolio securities effected by a Fund shall be reflected in the next calculation of the Net Asset Value of the Fund made after the date on which such transaction becomes binding.

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SECTION 3.4

Calculation of Series Net Asset Value and Series Net Asset Value per Unit.

(a) The Series Net Asset Value of a Series of Units of a Fund as at any particular time on a Valuation Date or Alternate Valuation Date is determined in accordance with the following calculation:

- (i) the Series Net Asset Value last calculated for that Series; plus
- (ii) the increase in the assets attributable to that Series as a result of the issue of Units of that Series or the redesignation of Units of that Series since the last calculation; minus
- (iii) the decrease in the assets attributable to that Series as a result of the redemption of Units of that Series or the redesignation of Units out of that Series since the last calculation; plus or minus
- (iv) the proportionate share of the Change in Non Portfolio Assets attributable to that Series since the last calculation; plus or minus
- (v) the proportionate share of the Net Portfolio Transactions attributable to that Series since the last calculation; plus or minus
- (vi) the proportionate share of market appreciation or depreciation of the portfolio assets attributable to that Series since the last calculation; minus
- (vii) any amounts to be paid by way of distributions including any Special Distributions to holders of Units of that Series since the last calculation; minus
- (viii) any Series Expenses attributable to that Series pursuant to Section 12.9 since the last calculation; minus
- (ix) the portion of the Common Expenses attributed to a Series of a Fund pursuant to Section 12.9 below.

(b) A Unit of a Series of a Fund being issued or a Unit that has been redesignated into a Series shall be deemed to become outstanding as of the next calculation of the applicable Series Net Asset Value following the time at which the applicable Series Net Asset Value per Unit that is the issue price or the redesignation basis of such Unit is determined and the issue or redesignation price received or receivable for the issuance of the Unit shall then be deemed to be an asset of the Fund attributable to the applicable Series.

(c) A Unit of a Series of a Fund being redeemed or a Unit that has been redesignated out of a Series shall be deemed to remain outstanding until immediately before the next calculation of the applicable Series Net Asset Value following the receipt by or on behalf of the

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Trustee of a redemption or redesignation request therefor in the manner provided in the relevant Disclosure Documents and the determination of the applicable Series Net Asset Value per Unit that is the redemption price or redesignation basis of such Unit; thereafter, until paid, the redemption or redesignation price of such Unit shall be deemed to be a liability of the Fund attributable to the applicable Series.

(d) On any Valuation Date or Alternate Valuation Date that a distribution is paid to Unitholders of a Series of Units, a second Series Net Asset Value shall be calculated for that Series, which shall be equal to the first Series Net Asset Value calculated on that Valuation Date or Alternate Valuation Date minus the amount of the distribution.

(e) The Series Net Asset Value per Unit of a Series of Units of a Fund as at any particular time is the quotient obtained by dividing the applicable Series Net Asset Value (as calculated in accordance with subparagraph (a)) as at such time by the total number of Units of that Series outstanding at such time. This calculation shall be made without taking into account any issuance, redesignation or redemption of Units of that Series to be processed by the Fund immediately after the time of such calculation on that Valuation Date or Alternate Valuation Date. The Series Net Asset Value per Unit for each Series of Units of a Fund for the purpose of the issue, redesignation or redemption of Units shall be calculated on each Valuation Date or Alternate Valuation Date by or under the authority of the Trustee as at such time on every Valuation Date or Alternate Valuation Date as shall be fixed from time to time by the Trustee and the Series Net Asset Value per Unit so determined for each Series shall remain in effect until the time as of which the Series Net Asset Value per Unit for that Series is next determined.

SECTION 3.5 Suspension of Right of Redemption and Calculation of Series Net Asset Value per Unit.

(a) The Trustee will suspend the right to redeem Units or a specific Series of Units of a Fund and the calculation of the Series Net Asset Value per Unit for each such Series of Units when required to do so under Securities Legislation or under any exemptive relief granted by Securities Authorities from such Securities Legislation.

(b) The Trustee may also suspend the right to redeem Units or a specific Series of Units and the calculation of the Series Net Asset Value per Unit for each such Series of Units at such other times it deems appropriate, provided that such suspension is permitted under Securities Legislation or under any exemptive relief granted by Securities Authorities from such Securities Legislation.

(c) The Trustee may also suspend the right to redeem Units or a specific Series of Units of a Fund, and the calculation of the Series Net Asset per Unit for each such Series of Units of that Fund if it receives redemption requests for Units representing more than the sum of the available line of credit, cash, treasury bills and other money market instruments that the Fund owned on any Valuation Date, provided that such suspension is not prohibited under Securities Legislation.

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(d) During any period of suspension there shall be no calculation of the Series Net Asset Value per Unit of any such Series of Units of that Fund and the Fund shall not be permitted to issue, redesignate or redeem any of such Units and the Trustee may postpone the payment of any redemption proceeds.

(e) The right to redeem Units and to receive redemption payments and the calculation of the Series Net Asset Value per Unit for each Series of Units shall resume in compliance with Securities Legislation or any exemptive relief granted therefrom.

(f) In the event of a suspension, a Unitholder who has delivered a redemption request for which the redemption price has not yet been calculated may either withdraw such investor's redemption request prior to the end of the suspension period or redeem the Units based on the Series Net Asset Value per Unit of the Applicable Series of Units next calculated after the termination of the suspension.

(g) In the event of a suspension, an investor who has submitted a redesignation request for which the redesignation basis has not yet been calculated may either withdraw such investor's redesignation request prior to the end of such suspension period or redesignate the Units based on the Series Net Asset Value per Unit of the applicable Series of Units next calculated after the termination of the suspension.

(h) In the event of a suspension, an investor who has submitted a purchase order for which the issue price has not yet been calculated may either withdraw such purchase order prior to the end of such suspension period or receive Units based on the Series Net Asset Value per Unit of the applicable Series next calculated after the termination of the suspension.

(i) If the calculation of the Series Net Asset Value of a Series is suspended, the calculation of the Series Net Asset Value per Unit of that Series will also be suspended.

SECTION 3.6 Minimum Investment. The minimum initial investment and each minimum subsequent investment in a Fund shall be determined from time to time by the Trustee and shall be set forth in the relevant Disclosure Documents.

SECTION 3.7 Issue Price of Units. The issue price for each Unit of a Series of Units of a Fund shall be the Series Net Asset Value per Unit of the applicable Series next determined on a Valuation Date by the Trustee after the receipt by the Fund of the purchase order as set forth in the relevant Disclosure Documents. The Series Net Asset Value per Unit for the purpose of the initial subscription for Units of each Series of a Fund shall be \$10.00 or such other amount as is selected by the Trustee in its discretion.

SECTION 3.8 Distribution of Units. The Trustee may from time to time, at its discretion, determine the terms upon which Units of a Series of a Fund will be offered for sale to the public and the nature and amount of any fees or charges to be paid by investors in that Fund, whether at the time of purchase or on such other basis as the Trustee shall determine. Such terms and fees or charges as may be so determined shall be described in the relevant Disclosure

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Documents or, in a notice which is given to Unitholders in accordance with the provisions of Article IX in order for them to be binding upon the investors in the Fund. Any change in such terms or fees or charges to be paid by an investor will not negatively affect any Unitholder in respect of any Unit acquired prior to the effective date of such change or any Unit acquired after the effective date of such change where the fee or charge on such Unit is contingent upon the ownership of a Unit acquired prior to the effective date of such change unless 30 days prior notice is given to the Unitholder in accordance with the provisions of Article IX. The person to whom any such fee or charge shall be payable shall be determined by or under the authority of the Trustee from time to time.

SECTION 3.9 Payment for Units Purchased. Payment for Units purchased shall be made by cash or cheque or any other manner as determined by the Manager and permitted by Securities Legislation and shall be payable to the Manager or otherwise as the Manager directs. If payment for Units purchased is not received within three business days of the applicable Valuation Date, (or such other period as determined by the Trustee in its discretion) or if payment has been made by way of a cheque or other method of payment that is subsequently not honoured, then the Fund shall be deemed to have received and accepted on the fourth Business Day (or such other day as determined by the Trustee in its discretion) after the applicable Valuation Date or on the day when the Fund first knows that the method of payment will not be honoured, an order for the redemption of such Units and shall apply the amount of the redemption proceeds to the payment of the issue price of such Units. If the amount of the redemption proceeds of such Units is more than the issue price, the excess shall belong to the Fund. If the amount of the redemption proceeds is less than the issue price of such Units, the Fund shall be entitled to seek reimbursement from the person on whose behalf the order for the purchase of the Units was placed together with the costs and expenses incurred in so doing and interest thereon.

SECTION 3.10 Subscription and Issue of Units. The Trustee reserves the right to accept or reject subscriptions for Units in whole or in part in its discretion. The Trustee shall, as of the relevant Valuation Date, issue to the subscriber the Units for which a subscription has been accepted. Upon rejection of a subscription, the Trustee shall refund to the subscriber all moneys received in connection with the subscription within two business days of receipt of the subscription without interest or deduction.

SECTION 3.11 Unit Certificates. Unless and until otherwise determined by the Trustee no certificates in respect of the Units held by a Unitholder shall be issued. In the event that the Trustee should authorize the issue of certificates as aforesaid the Trustee shall be entitled to determine all procedures relating to the issue or surrender of certificates, including, without limitation, the form thereof, the persons authorized to sign the same, any fees charged in connection therewith and the procedures to be followed in the event of the loss or destruction of a certificate.

SECTION 3.12 Registrar and Transfer Agent. The Trustee may from time to time appoint or remove a transfer agent and a registrar (who may, but need not be, the same individual or company and may, but need not be, the Trustee or the Manager) and one or more branch

transfer agents and registrars (who may, but need not be, the same individual or company and may, but need not be, the Trustee or the Manager) who shall maintain a register for the registration of Units of a Fund and may provide for the transfer and the registration of transfers of Units in one or more places and may provide that Units will be interchangeably transferable or otherwise and such transfer agents and/or branch transfer agents and/or registrars and/or branch registrars shall keep all necessary books and registers of each Series of Units of each Fund required by this Master Declaration of Trust. The registers referred to in this Section shall at all reasonable times be open for inspection by any Unitholders for any proper purpose.

SECTION 3.13 Trustee Not Affected by Notice of Trust. The Trustee and the registrar and/or transfer agent shall not be charged with notice of or be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any Units of a Fund.

SECTION 3.14 Transfer of Units. Units of a Series of a Fund shall be transferable only on the register of transfers or on one of the branch registers of transfers (if any) kept pursuant to this Master Declaration of Trust, by the registered holder of such Units or by his legal representative or representatives or his attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee or the transfer agent (if any) only with the approval of the Trustee and upon compliance with such reasonable requirements as the Trustee or the transfer agent may prescribe.

SECTION 3.15 Transfer by Representative of Unitholder. The written authorization of an estate trustee, executor, administrator, committee of a mentally incompetent person, guardian, trustee or other fiduciary who is registered on the books of a Fund as holding Units in any such capacity is sufficient justification for the Trustee, the registrar and/or transfer agent to register a transfer of such Units, including a transfer into the name of such executor, administrator, committee of a mentally incompetent person, guardian, trustee or other fiduciary absolutely.

SECTION 3.16 Subdivision of Units. The Trustee may, at any time or times subdivide each Unit of a Series of a Fund into additional Units whereupon each Unit shall stand subdivided accordingly. The Trustee shall take such steps as may be necessary to notify the registrar and/or transfer agent (if any) of the basis of the subdivision so that appropriate notification can be made in the register of Unitholders of the Fund.

SECTION 3.17 Consolidation of Units. The Trustee may, at any time or times, consolidate each Unit of a Series of a Fund into a fraction of a Unit whereupon each Unit shall stand consolidated accordingly. The Trustee shall take such steps as may be necessary to notify the registrar and/or transfer agent (if any) of the basis of the consolidation so that appropriate notification can be made in the register of Unitholders of the Fund.

SECTION 3.18 Closing of Registers. The Trustee may close the register of transfers and the branch register or registers of transfers, if any, for a period of time not exceeding 48 hours exclusive of Saturdays and holidays as defined in the Interpretation Act (Canada) for the time being in force immediately preceding any meeting of the Unitholders.

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SECTION 3.19 Receipts and Payments. The receipt of a Unitholder in whose name a Unit is registered shall be a valid and binding discharge to that Fund and to the Trustee for any payment in respect of such Unit and if two or more persons are registered as joint holders, any one of them may give an effectual receipt on behalf of all of them. Unless otherwise directed in writing by Unitholders, all cheques in payment of amounts owing to Unitholders shall be sent by ordinary post addressed to the last address appearing on the register of Unitholders. In the case of joint registered Unitholders, cheques shall, unless the joint registered Unitholders otherwise direct, be made payable to the order of all of the said joint registered Unitholders and if more than one address appears on the books of the Fund in respect of such joint unitholding, the cheque shall be mailed to the first address so appearing. The mailing of cheques as aforesaid shall satisfy and discharge all liability of the Fund and the Trustee for the payment represented thereby unless the cheque is not paid at par on presentation to the payor at any place where it is by its terms payable. In the event of non-receipt of any cheque by the person to whom it was mailed, the Trustee on proof of the non-receipt and upon satisfactory indemnity being given to it and to the Fund, shall issue to the person a replacement cheque for a like amount.

If a Unitholder has made arrangements acceptable to the Trustee, the Trustee will transfer any redemption proceeds or other amounts owing to the Unitholder by a Fund to the Unitholder's account with a financial institution. In the case of joint registered Unitholders, arrangements acceptable to the Trustee may include instructions from all joint registered Unitholders.

ARTICLE IV REDEMPTION OF UNITS

SECTION 4.1 Right to Redeem Units. Subject to Section 3.5, each Unitholder of a Fund shall be entitled at any time and from time to time to require the Fund to redeem all or any part of his Units at the Series Net Asset Value per Unit as at a Valuation Date, calculated in the manner herein provided, less, in the discretion of the Trustee, any redemption charge or other fee determined pursuant to Section 4.2. Upon payment to the redeeming Unitholder of the Series Net Asset Value per Unit, less any applicable redemption charge or fee, the Fund and the Trustee shall be discharged from all liability to the Unitholder in respect of the Units redeemed.

Subject to Section 3.5, where the holding of Units by a Unitholder is, in the reasonable opinion of the Trustee, detrimental to a Fund, including (without limitation to the generality of the foregoing) where such holding causes the Fund to contravene the laws of any jurisdiction or to become subject to the laws of the United States of America or any other jurisdiction, the Trustee shall be entitled, at any time and from time to time, at its discretion, to compulsorily redeem or cause to be redeemed all or any part of the Units held by any such Unitholder, on such terms and conditions as the Trustee may, from time to time, determine, at its discretion, at the Series Net Asset Value per Unit, calculated in the manner provided herein, less, in the discretion of the Trustee, any redemption charge or other fee determined pursuant to Section 4.2.

SECTION 4.2 Charges on Redemption. The Trustee may from time to time provide that a redemption charge or other fee may be charged with respect to the redemption of any Units of a particular Series of Units, the amount of the redemption charge or fee and the terms of the

application thereof to be fixed by the Trustee. Notice of any such redemption charge or fee that is so fixed and the terms of its application shall be given to Unitholders either as provided in Article IX or by stating the same in the Disclosure Documents. The Trustee may from time to time alter any such redemption charge or fee and the terms of its application. Any such change in the redemption charge or fee or the terms of its application shall not affect any Unitholder in respect of a Unit held on the effective date of such change or any Unit acquired after the effective date of such change where the redemption charge or fee payable on the redemption of such Unit is contingent upon the ownership of a Unit acquired prior to the effective date of such change unless 30 days prior notice is given to the Unitholder in accordance with the provisions of Article IX. Any applicable redemption charge or fee shall be deducted from the Series Net Asset Value per Unit otherwise payable on the redemption of such Units. The person to whom any such redemption charge or fee is payable shall be determined by or under the authority of the Trustee and, in the absence of such determination, such amounts shall be retained by the Fund.

SECTION 4.3 Method of Redemption.

(a) The Trustee may from time to time fix the time on each Valuation Date by which a redemption request must be received by or on behalf of the Trustee in order to receive the Series Net Asset Value per Unit calculated on that Valuation Date. Notice of such time that is so fixed shall be given to Unitholders either as provided in Article IX or by stating the same in the Disclosure Documents. Until changed by the Trustee such time shall be 4:00 p.m. Toronto time. A completed redemption request received after that time or on a day other than a Valuation Date will receive the Series Net Asset Value per Unit calculated on the next Valuation Date.

(b) The Trustee may from time to time prescribe redemption procedures which are not inconsistent herewith or with any Securities Legislation. Notice of such redemption procedures shall be given to Unitholders either as provided in Article IX or by stating the same in the relevant Disclosure Documents. Such procedures may include but are not limited to the establishment of:

- (i) any required method of transmission of a redemption request including any required forms for redemption requests;
 - (ii) any required documentation or evidence relating to the authority of any person to submit a redemption request;
 - (iii) any requirements for the surrender of certificates, if any, representing the Units to be redeemed; and
 - (iv) a systematic redemption programme.
- (c) Redemption requests will be processed in the order in which they are received.

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(d) Redemption requests specifying a specific price will not be processed, and redemption requests will not be processed before payment has been received for the Units which are the subject of the redemption request.

SECTION 4.4 Payment for Units Redeemed. Payment for Units which are redeemed shall be made by cash, cheque or any other manner as determined by the Manager and permitted by Securities Legislation. If all necessary redemption documents are not received by the Trustee within ten business days of the applicable Valuation Date (or such other period as determined by the Trustee in its discretion) and such requirements are not waived a Fund shall be deemed to have received and accepted at the close of business on the tenth business day after the applicable Valuation Date (or such other day as determined by the Trustee in its discretion), an order for the purchase of the equivalent number of Units and shall apply the amount of the redemption proceeds to the payment of the issue price of such Units. If the amount of the issue price of such Units is less than the redemption proceeds determined, the excess shall belong to the Fund. If the amount of the issue price exceeds the redemption proceeds determined, then the unitholder that placed the redemption order shall be obliged to immediately pay the amount of such deficiency to the Fund. Determination of the Series Net Asset Value per Unit for the Units being redeemed shall constitute a redemption of the Units being redeemed and the Unitholder shall thereafter cease to have any further rights (other than the right to receive the payment of redemption proceeds) with respect to such Units and upon payment of the redemption proceeds determined in accordance with this Article IV the Trustee shall be discharged from all liability to the Unitholder with respect to the Units so redeemed and the amount so paid.

SECTION 4.5 Minimum Net Asset Value. A Fund may redeem the Units of any Unitholder at the Series Net Asset Value per Unit thereof if at any time the aggregate Series Net Asset Value per Unit of such Units is less than an amount (the "Floor Amount") fixed from time to time by the Trustee and either specified in the relevant Disclosure Documents or, in respect of which, notice has been given to Unitholders. Unitholders will be notified when the aggregate Series Net Asset Value of their Units is less than the Floor Amount and allowed 30 days to subscribe for additional Units to increase the aggregate Series Net Asset Value of their Units to not less than the Floor Amount before such redemption is effected by the Fund. In the event that a Unitholder does not subscribe for such additional Units by the date which is 30 days after the date of such notice sent by the Fund, the Fund may redeem such Units at the Series Net Asset Value per Unit thereof determined on a Valuation Date after such 30-day period. Payments for Units so redeemed, less any applicable redemption charge or fee, will be made within three business days of the Valuation Date used to determine the redemption proceeds.

SECTION 4.6 Redemption to Pay Elected Fees. Units held by a Unitholder may be redeemed by or under the authority of the Trustee to satisfy the payment of fees or charges to which such Unitholder has agreed to be subject, such agreement by the Unitholder to be conclusively evidenced by the purchase or continued holding of any Unit which gives rise to such fee or charge being levied, provided the nature and amount of such fee or charge was disclosed in the relevant Disclosure Documents of a Fund at the time of such purchase or disclosed in a notice which is given to the Unitholders in accordance with the provision of Article IX.

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SECTION 4.7 Redemption on Failed Settlement. The Trustee may at any time require Unitholders to redeem Units if authorized to do so pursuant to Securities Legislation.

SECTION 4.8 Special Distributions on Redemptions. When a Unitholder redeems all or any of his Units, there shall be a distribution of such Unitholder's share, if any, of the:

- (a) accrued Management Fee Distribution; and
- (b) accrued Trust Expense Distribution.

The amount of such Special Distributions shall be determined by the Trustee in its absolute discretion. The balance of the amount paid to such Unitholder at the time of redemption shall be paid as proceeds of redemption.

ARTICLE V INVESTMENT OF TRUST PROPERTY

SECTION 5.1 General Powers. In pursuit of the Investment Objective, the Trustee may from time to time in its sole discretion, but subject to the investment restrictions adopted from time to time by the Trustee, invest and reinvest any assets at any time held in or for a Fund in securities of any kind or other assets (and, for greater certainty, the use of derivative instruments shall be deemed to be the investing of the assets of the Fund) as set out in the Disclosure Documents of the Fund or in Schedule "A" hereto and retain any assets at any time held in or for the Fund in cash or cash equivalents. Notwithstanding the Investment Objective of the Fund the Trustee may, from time to time in light of prevailing economic conditions, temporarily invest in any securities or other assets as the Trustee deems appropriate. For greater certainty, the Trustee may, in its discretion, use, write, purchase, hold, sell, exchange or swap derivatives and enter into derivative transactions of any kind, deposit securities and other assets as margin in connection therewith and pledge, grant security interests in or otherwise encumber its assets.

SECTION 5.2 Investment Restrictions and Policies. Subject to Section 5.1, the Trustee may adopt and amend from time to time in its sole discretion additional investment restrictions and policies which the Trustee intends to apply to the investment and reinvestment of the assets of a Fund. Changes in the investment restrictions and policies may be made from time to time by the Trustee without prior Unitholder approval.

SECTION 5.3 Not Restricted to Trustee Investments. Subject only to the express provisions contained herein, the Trustee may invest and reinvest assets and change and vary investments in a Fund's portfolio without being in any way restricted by the provisions of the laws of any jurisdiction purporting to limit investments that may be made by trustees and the Trustee shall have, without the necessity of authorization by, and free from any power of control on the part of, the Unitholders, all of the powers of a natural person, including, without limitation, full, absolute, and exclusive power, control and authority over the assets of the Fund and over the business and affairs of the Fund, to the same extent as if the Trustee were the sole, beneficial owner thereof in its own right, to do all such acts and things as in its judgment and

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discretion are necessary or incidental to, or desirable for, the carrying out of any of the terms hereof or the conduct of the business of the Fund.

SECTION 5.4 Borrowing. The Trustee may borrow any money to the extent that the Trustee in its discretion deems necessary and to evidence the borrowing may execute and deliver negotiable or non-negotiable instruments, to guarantee, indemnify or act as surety with respect to payment or performance of the obligations of any person, to enter into other obligations on behalf of a Fund, and to assign, convey, transfer, subordinate, pledge, grant security interests in, encumber or hypothecate the property of the Fund to secure any of the foregoing and in all cases in compliance with Securities Legislation.

ARTICLE VI DETERMINATION AND DISTRIBUTION OF NET INCOME AND NET CAPITAL GAINS

SECTION 6.1 Determination of Net Income. The Trustee shall compute the net income of each Fund (the "Net Income") for each taxation year in accordance with the provisions of the Tax Act, other than paragraph 82(1)(b), taking into account such adjustments thereto determined by the Trustee in respect of amounts paid or payable by the Fund to Unitholders and non-capital losses of the Fund carried forward but excluding therefrom the Net Capital Gains of the Fund for such taxation year, not less frequently than as of the close of business on the last day in each taxation year.

SECTION 6.2 Determination of Net Capital Gains. The Trustee shall compute the net capital gains of each Fund (the "Net Capital Gains") for each taxation year which shall be the capital gains of the Fund for such taxation year less the capital losses of the Fund for such taxation year computed in accordance with the provisions of the Tax Act, not less frequently than as of the close of business on the last day in each taxation year.

SECTION 6.3 Daily Accrual of Income. A Fund may, in the discretion of the Trustee, accrue daily in respect of any Series of a Fund, to the credit of Unitholders of record of such Series of the Fund on such day, all net income (excluding net capital gains) which, according to generally accepted accounting principles or according to the provisions of Section 6.1 (with such adjustments as may be required in the circumstances), at the discretion of the Trustee, is the accrued net income (excluding net capital gains) of the Series of the Fund as well as Management Fee Distributions and Trust Expense Distributions. All income, Management Fee Distributions and Trust Expense Distributions accrued daily to the credit of Unitholders of a Series of a Fund shall be distributed as provided in Sections 6.4, 6.5 and 6.6.

SECTION 6.4 Unitholder Entitlement for Tax Purposes. Subject to the procedure on termination described in Article XI, the Trustee shall have the sole discretion to determine if any distribution or distributions of the property or assets of a Fund are to be made, the Series of Units such distributions will be paid on, the time or times of such distributions and the record date or dates for the purposes of determining Unitholders entitled to receive distributions. The Trustee shall declare and credit as due and payable in each calendar year all of the Net Income of each

Fund for the taxation year ending in such calendar year and a sufficient amount of the Net Capital Gains of the Fund for the taxation year ending in such calendar year so that the Fund will not have any obligation to pay tax under Part I of the Tax Act (other than alternative minimum tax), after taking into account any entitlement to a capital gains refund under the Tax Act. At 11:59 p.m., on December 31st of each calendar year, an amount not less than the amount necessary to ensure that the Fund will not be liable for income tax under Part I of the Tax Act (other than alternative minimum tax), for the taxation year ending in such calendar year, after taking into account any entitlement to a capital gains refund, shall be considered to have been declared for the Fund by the Trustee and to have been due and payable to persons who are Unitholders on December 31st of that year, and such amounts shall be paid in accordance with Section 6.8 and immediately following this payment (including reinvestments thereof) the number of Units of the relevant Series outstanding may, at the Trustee's discretion, notwithstanding Section 3.17, be automatically consolidated so that the Series Net Asset Value per Unit after the reinvestment is the same as it was immediately before the amount was considered to have been declared due and payable by the Fund. Unitholders on December 31 of each calendar year shall be entitled to enforce payment of the amount of the aforesaid distributions to the extent that such distributions have not been paid or made payable to Unitholders in such calendar year and any allocation of such distribution as between the Series of Units of the Fund shall be deemed to be determined, if not determined by the Trustee, in the same manner as it was determined in the previous taxation year. For these purposes any taxes withheld from, or paid or payable on account of income shall be considered to have been paid or be payable on behalf of Unitholders to the extent that related income is allocated to such Unitholders for income tax purposes.

SECTION 6.5 Management Fee Distributions. In the event that the Manager agrees as a condition of a purchase of Units of a Series of a Fund to accept a management fee or performance fee with respect to the Units held by a Unitholder which is less than that otherwise payable, the Trustee shall distribute an amount equal to such reduction in the management fee and performance fee to such Unitholder (a "Management Fee Distribution"). Management Fee Distributions shall be calculated and distributed at such intervals as prescribed from time to time by the Trustee and shall be payable out of Net Income and Net Capital Gains of the Series of the particular Fund for the taxation year ending in the calendar year in which the Management Fee Distributions are made to the extent so that the Fund will not have any obligation to pay tax under Part I of the Tax Act (other than alternative minimum tax), after taking into account any entitlement to a capital gains refund under the Tax Act, and otherwise out of the capital of the particular Series.

SECTION 6.6 Trust Expense Distributions. In the event that the Manager agrees to reimburse a Fund for certain expenses of the Fund payable hereunder with respect to the Units held by a particular Unitholder on condition that an amount equal to such reimbursement of expenses is paid to the Unitholder, the Trustee shall distribute an amount equal to such reduction in expenses to such Unitholder (a "Trust Expense Distribution"). Trust Expense Distributions shall be calculated and distributed at such intervals as determined from time to time by the Trustee. Trust Expense Distributions shall be payable out of Net Income and Net Capital Gains

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of the Series of the Fund for the taxation year ending in the calendar year in which the Trust Expense Distribution is made to the extent so that the Fund will not, having regard also to any other distributions made by the Fund, have any obligation to pay tax under Part I of the Tax Act (other than alternative minimum tax), after taking into account any entitlement to a capital gains refund under the Tax Act, and otherwise out of the capital of the particular Series.

SECTION 6.7 Temporary Use of Capital. The Trustee, in its sole discretion, may transfer temporarily from capital to income within a Fund, sufficient cash to facilitate distributions of Net Income or Net Capital Gains to the Unitholders.

SECTION 6.8 Manner of Payment/Automatic Reinvestment.

(a) Except as provided for in Section 6.8(b) and subject to the payment of Special Distributions described in Section 4.8 and the payment of fees described in Section 6.9, and except with respect to the Units that a Unitholder is redeeming, all amounts payable pursuant to this Article VI (less any tax required by law to be deducted therefrom) shall be reinvested in additional Units of the applicable Series of Units of the Fund at the Series Net Asset Value per Unit computed for the Valuation Date on which such distribution is made. The Trustee shall credit each Unitholder with the additional Units so acquired. All distributions to Unitholders of a Series, other than Special Distributions, shall be credited to Unitholders pro rata in accordance with the number of Units of the Series held by them on the record date determined for the purpose of the distribution. The amounts so credited to each Unitholder (including any tax required by law to be deducted therefrom) shall not be included in the assets of the Fund for the purpose of determining the Series Net Asset Value per Unit at any time after the declaration of the distribution. No sales charge shall be payable with respect to Units issued upon the automatic reinvestment of distributions.

(b) A Unitholder may elect not to have amounts payable pursuant to this Article VI reinvested in additional Units of a Fund by notifying the Manager in writing and complying with any other conditions prescribed by the Manager for cash distributions. Cash distributions shall be made by such manner of payment as is approved by the Trustee from time to time (including, but not limited to, wire transfers, electronic fund transfers or via FundServ).

SECTION 6.9 Distribution to Pay Elected Fees. All or any part of a distribution payable to a Unitholder under this Article VI may be applied to the payment of any fee or charge to which the Unitholder has agreed to be subject, such agreement by the Unitholder to be conclusively evidenced by the purchase or continued holding of any Unit which gives rise to such fee or charge being levied, provided the nature and amount of such fee or charge was disclosed in the relevant Disclosure Documents of the Fund at the time of such purchase or disclosed in a notice which is given to the Unitholders in accordance with the provisions of Article IX. Upon payment of such fee or charge, any remaining amount of the distribution shall be reinvested in additional Units of the Fund or, if permitted by the Trustee, distributed in cash on the basis provided in Section 6.8.

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ARTICLE VII VOTING RIGHTS OF PORTFOLIO SHARES AND SECURITIES

SECTION 7.1 **Right to Vote Shares and Securities in Investment Portfolio.** Any shares or other securities carrying voting rights held from time to time as part of the assets of a Fund may be voted at any and all meetings of shareholders, bondholders, debentureholders, debenture stockholders or holders of other securities (as the case may be) in such manner and by such person or persons as the Trustee shall from time to time determine.

SECTION 7.2 **Execution of Proxies.** The Trustee may also from time to time execute and deliver or cause to be executed and delivered proxies for and on behalf of a Fund and arrange for the issuance of voting certificates or other evidence of the right to vote in such names as it may from time to time determine. The Trustee shall be entitled to exercise the foregoing rights in its discretion as it considers to be in the best interests of the Unitholders of the Fund and shall not be subject to any liability or responsibility in respect of the management of the investment in question or in respect of any vote, action or consent given or taken or not given or taken by the Trustee whether in person or by proxy.

SECTION 7.3 **Approval of Arrangements, Etc.** The provisions of this Article shall apply to and govern not only a vote at a meeting but any consent to or approval of any arrangement, scheme or resolution or any alteration in or abandonment of any rights attaching to any part of the assets of a Fund and the right to requisition or join in a requisition to convene any meeting or to give notice of any resolution or to circulate any statement.

ARTICLE VIII AUDITORS AND ACCOUNTS TO AND INFORMATION FOR UNITHOLDERS

SECTION 8.1 **Appointment of Auditors.** The auditors of each Fund shall be determined from time to time by the Trustee and shall be set out in the Disclosure Documents. The first auditors of each Fund shall be BDO Dunwoody LLP who shall continue in office until they have resigned or have been replaced in accordance with the provisions hereof and Securities Legislation.

SECTION 8.2 **Duties of Auditors.** The duties of the auditors shall include reviewing the annual financial statements of each Fund and reporting thereon in accordance with Securities Legislation.

SECTION 8.3 **Remuneration of Auditors.** The auditors' remuneration shall be fixed by the Trustee from time to time and shall be payable by the Funds.

SECTION 8.4 **Reporting to Unitholders.** The Trustee shall forward to each Unitholder any information required to be distributed to Unitholders by Securities Legislation.

SECTION 8.5 **Financial Year.** The financial year end of each Fund shall be determined by the Trustee.

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SECTION 8.6 Taxation Year. The taxation year of the Fund shall, from time to time, be determined by the Trustee, subject to the provisions of the Tax Act.

SECTION 8.7 Information for Income Tax Purposes. The Trustee shall send or cause to be sent to all Unitholders information required by law for income tax purposes within the time prescribed by law.

SECTION 8.8 Tax Returns, Etc. The Trustee is authorized to prepare and file, or cause to be prepared and filed, all tax returns and other information returns that each Fund or the Trustee is required by law to file. The Trustee is empowered to exercise all discretions and make all designations, elections, determinations and applications under the Tax Act or under any other applicable legislation, regulations, policies or guidelines as may, in the opinion of the Trustee, be advisable or appropriate in connection with the Fund.

ARTICLE IX MEETING AND NOTICE PROVISIONS

SECTION 9.1 Meetings of Unitholders.

(a) Meetings of Unitholders as a whole or of any particular Series of Unitholders of a Fund may be convened by the Trustee or the Manager from time to time as it may deem advisable and in accordance with the notice provisions following.

(b) Meeting of Unitholders as a whole of a Fund shall be convened to consider and approve:

- (i) any matter which pursuant to Securities Legislation must be submitted to all such Unitholders for approval; and
- (ii) the appointment of a successor trustee pursuant to Article XII hereof.

(c) If required by Securities Legislation, or if the Trustee determines that any matter would affect Unitholders of one or more particular Series of Units of a Fund in a manner materially different from the Unitholders as a whole of that Fund, the Trustee shall convene separate meetings of Unitholders of that Series. The meetings may be held concurrently and Unitholders shall be entitled to vote separately as a Series with respect to any of those matters.

(d) Notwithstanding subsections 9.1(a) to (c) above, Unitholders of a Series shall not be entitled to vote:

- (i) separately as a Series, as the case may be, on any matter in respect of which Unitholder approval is generally required by Security Legislation if they, as Unitholders of any Series, are not affected differently by any of the proposed matters; or

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- (ii) on a decision by the Trustee to offer any additional Series of Units of a Fund, or to cease offering or to terminate any Series of Units of a Fund.

SECTION 9.2 **Notice to Unitholders.** Any notice required to be given to a Unitholder under this Declaration of Trust may be effectively given to the Unitholder by ordinary post addressed to him at his last address appearing on the register of Unitholders. Any notice so given shall be conclusively deemed to have been received by the Unitholder three business days after the notice is mailed and, in proving notice, it shall be sufficient for the Trustee to prove that the notice was properly addressed, stamped and mailed. A notice convening a meeting of Unitholders shall be given in accordance with Securities Legislation and shall state in general terms the business to be considered by the meeting and shall be accompanied by an information circular or other document or documents as may be required from time to time by Securities Legislation. Accidental error or omission in giving notice to any Unitholder shall not invalidate any action or proceeding founded on such notice.

SECTION 9.3 **Record Date for Notice of Meeting.** Subject to compliance with Securities Legislation, the Trustee may fix in advance a time and date, preceding the date of any meeting of Unitholders, as the record date for the determination of the Unitholders entitled to notice of the meeting. If no record date is fixed by the Trustee, the record date for notice shall be at the close of business on the second business day immediately preceding the day on which notice is given.

SECTION 9.4 **Service on Joint Unitholders.** Service of a notice or document on any one of several joint holders of Units shall be deemed effective service on the other joint holders.

SECTION 9.5 **Sufficiency of Service.** Any notice or document sent by ordinary post to or left at the address of a Unitholder pursuant to this Article shall, notwithstanding the death or bankruptcy of such Unitholder, and whether or not the Trustee has notice of the death or bankruptcy, be deemed to have been duly served and the service shall be deemed sufficient service on all persons interested in the Units concerned.

SECTION 9.6 **Quorum for Meetings of Unitholders.** Unless otherwise required by the provisions hereof or by Securities Legislation, a quorum for purposes of a meeting of Unitholders of a Fund shall be two Unitholders of the Fund present in person or represented by proxy. If within one-half hour from the time appointed for the meeting of Unitholders a quorum is not present the meeting shall stand adjourned to such day and time not being less than 15 days thereafter and to such place as may be appointed by the Chairman and at such adjourned meeting the Unitholders present in person or by proxy shall be a quorum. Notice of any adjourned meeting of Unitholders shall not be required to be given. Unless otherwise required by the provisions hereof, all questions posed for the consideration of the Unitholders shall be determined by a majority of the votes cast.

SECTION 9.7 **Chairman, Secretary, Scrutineers.** A person, who need not be a Unitholder, appointed in writing by the Trustee shall preside at every meeting of Unitholders and if no such person is appointed or if at any meeting the person appointed shall not be present

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within 15 minutes after the time appointed for holding the meeting, the Unitholders shall choose one of their number to be Chairman. The Chairman shall appoint some person, who need not be a Unitholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be Unitholders, may be appointed by the Chairman.

SECTION 9.8 Adjournments. The Chairman may with the consent of any meeting of Unitholders at which a quorum is present and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

SECTION 9.9 Record Date for Voting. The Trustee may fix in advance a time and date as the record date for determination of the Unitholders entitled to vote at the meeting. If a Record Date for Voting is fixed by the Trustee, such date shall be specified in the notice calling the meeting. If no Record Date for Voting is fixed by the Trustee, the Record Date for Voting shall be 4:00 p.m. on the last business day before the meeting.

SECTION 9.10 Voting. Unless otherwise provided herein or by Securities Legislation, every question submitted to a meeting of Unitholders shall be decided by a majority of the votes cast. The vote shall be taken in such manner as the Chairman may direct and the result shall be deemed to be the resolution of the meeting at which the vote was taken. A vote demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A vote demanded on any other question shall be taken at such time and place as the Chairman directs. The demand for a vote shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the vote is required or has been demanded. Every Unitholder who, being an individual, is present in person or is represented by proxy or, being other than an individual, is present by proxy shall have the number of votes determined pursuant to the provisions of subsection 3.2(c) above. If Units are held jointly by two or more persons, any one of them present as aforesaid or represented by proxy at a meeting of Unitholders may, in the absence of the other or others, vote thereon, but if more than one of them is present or represented by proxy, they shall vote together on the Units jointly held.

SECTION 9.11 Proxies. Every Unitholder entitled to vote at meetings of Unitholders may by means of a proxy appoint a person, who need not be a Unitholder, as his nominee to attend and act at the meeting in the manner, to the extent and with the power conferred by the proxy. A proxy shall be in writing, shall be executed by the Unitholder or his attorney authorized in writing or, if the Unitholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized, and shall cease to be valid one year from its date. A proxy may be in such form as the Trustee from time to time may prescribe or in such other form as the Chairman of the meeting may accept as sufficient, and shall be deposited with the secretary of the meeting before any vote is cast under its authority, or at such earlier time and in such manner as the Trustee may prescribe.

SECTION 9.12 Validity of Proxies. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or mental incapability or

incompetency of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of Units in respect of which the proxy is given, provided that no intimation in writing of such death, mental incapability or incompetency, revocation or transfer shall have been received by the Trustee before the commencement of the meeting or adjourned meeting at which the proxy is used.

SECTION 9.13 Attendance by Others. Any officer or director of the Trustee or the Manager, representative of the auditors of a Fund and other individual approved by the Trustee may attend and speak at any meeting of Unitholders.

SECTION 9.14 Conduct of Meetings. To the extent that the rules and procedures for the conduct of a meeting of Unitholders are not prescribed herein, the rules and procedures shall be reasonable rules and procedures as are determined by the Chairman of the meeting and such rules and procedures shall be binding upon all parties participating in the meeting.

SECTION 9.15 Minutes. Minutes of all proceedings at every meeting of Unitholders shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee and any such minutes as aforesaid if purporting to be signed by the Chairman of the meeting shall be conclusive evidence of the matters therein stated and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed thereat to have been duly passed.

SECTION 9.16 Signed Instruments. Except as may be required by Securities Legislation, any action which may be taken or any powers which may be exercised by the Unitholders at a meeting may also be taken and exercised by a resolution in writing signed by Unitholders who hold not less than a majority of the votes determined pursuant to subsection 3.2(c) above. Notice of any written resolution passed in accordance with this Section 9.16 shall be given by the Trustee to the Unitholders within 30 days of the date on which the resolution was passed.

SECTION 9.17 Binding Effect of Resolutions. Every resolution passed at a meeting in accordance with the provisions of this Article IX shall be binding upon all the Unitholders, or on a particular Series of Unitholders, as the case may be, whether present at or absent from the meeting, and every resolution signed by Unitholders, in accordance with Section 9.16 shall be binding upon all Unitholders, or if the resolution was limited to Unitholders of a particular Series of Units, then on the Unitholders of the applicable Series of Units, whether signatories thereto or not. No action taken by Unitholders at any meeting of Unitholders or by a written resolution shall in any way bind the Fund or the Trustee without the approval of the Trustee other than a resolution passed in accordance with Section 9.1(b)(ii).

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ARTICLE X AMENDMENT

SECTION 10.1 Changes Requiring Approval of Unitholders at Meetings. No change proposed at a meeting of Unitholders of a Fund shall take effect until the Manager has obtained the prior approval of not less than a majority of the votes cast at a meeting of Unitholders of the Fund or, if separate Series meetings are required under Section 9.1, at meetings of one or more Series of Unitholders of the Fund.

SECTION 10.2 Changes Requiring Written Notice to Unitholders. Subject to section 10.3 and to any longer notice requirements imposed under Securities Legislation, the Trustee is entitled to amend this Declaration of Trust by giving not less than 30 days' notice to Unitholders of the Funds affected by the proposed amendment in circumstances where:

- (a) the Securities Legislation requires that written notice be given to Unitholders before the change takes effect; or
- (b) the change would not be prohibited by the Securities Legislation and the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders, so that it is equitable to give Unitholders advance notice of the proposed change.

All Unitholders of a Fund shall be bound by an amendment affecting that Fund from the effective date of the amendment.

SECTION 10.3 Changes Not Requiring Written Notice to Unitholders. The Trustee may amend this Declaration of Trust, without the approval of or prior notice to any Unitholders of the Funds, if the Trustee reasonably believes that the proposed amendment does not have the potential to adversely impact the financial interests or rights of Unitholders or that the proposed amendment is necessary to:

- (a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the Fund or the distribution of its Units;
- (b) remove any conflicts or other inconsistencies which may exist between any of the terms of this Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the Fund, the Trustee or its agents;
- (c) make any change or correction in this Declaration of Trust which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) facilitate the administration of the Fund as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments

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to the Tax Act or its administration which might otherwise adversely affect the tax status of the Fund or its Unitholders; or

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- (e) for the purposes of protecting the Unitholders of the Fund.

SECTION 10.4 Restated Declarations. A restated Declaration of Trust, setting forth the terms of this Declaration of Trust as amended, may be executed from time to time by the Trustee. The restated Declaration of Trust shall be effective from the date of its execution. No execution of a restated Declaration of Trust shall be deemed to constitute a termination and/or resettlement of the trust created by this Declaration of Trust.

ARTICLE XI TERMINATION

SECTION 11.1 Termination. The Trustee in its discretion may determine to terminate a Fund or a particular Series of a Fund and is empowered to take all steps necessary to effect such termination, including, without limitation, ceasing the distribution or redemption of Units and liquidating the assets of the Fund or Series of Units of a Fund, as the case may be or redesignating all of the Units of a Series of a Fund into Units of another Series of a Fund accordance with Section 3.2(k). Prior to termination, the Trustee shall give Unitholders affected reasonable notice of the proposed termination, if applicable, and shall discharge the liabilities and distribute the net assets to Unitholders entitled thereto, which distribution may be made at such time or times and in cash or in kind or partly in both, all as the Trustee in its discretion may determine. After all liabilities have been discharged and all distributions have been made to Unitholders entitled thereto or redesignation between Series being effected, the Fund, or Series of the Fund, shall be deemed to be terminated.

SECTION 11.2 Procedure on Termination. On the effective date of termination of a Fund or a Series of a Fund, or as soon thereafter as the Trustee deems advisable, the Trustee shall sell all non-cash assets of the Fund, or those attributable to the particular Series, as the case may be. The Trustee shall be entitled to retain out of any moneys in its hands full provision for all costs, charges, expenses, claims and demands incurred, made or apprehended by the Trustee in connection with or arising out of the termination of the Fund or Series and the distribution of the assets attributable thereto to Unitholders and out of the moneys so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands. The Trustee shall distribute from time to time to Unitholders of record affected by the termination as of the effective date of termination their Proportionate Share of all property and assets of the Fund attributable to the Series of Units held by the Unitholder available at that time for the purpose of such distribution. As of and from the effective date of such termination the rights of Unitholders with respect to redemption of Units shall cease. If required by the Trustee, a form of release satisfactory to the Trustee shall be provided by each Unitholder prior to the distribution of the Unitholder's Proportionate Share of the applicable assets. The provisions of this Section shall not apply where a Series is terminated through the redesignation of the Units of the Series into Units of another Series.

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SECTION 11.3 No Further Activities. Following the effective date of termination, the Trustee shall carry on no further activities with respect to the Fund or Series, as the case may be, save for the winding-up thereof.

ARTICLE XII THE TRUSTEE

SECTION 12.1 Rights and Powers. By way of supplement to the provisions of any act of any province or territory of Canada for the time being relating to trustees and in addition to any other provisions of this Declaration of Trust, it is expressly declared as follows, that is to say:

- (a) the Trustee shall have and shall be entitled to exercise, in its discretion, all of the rights and powers that an owner of the assets of each Fund would be entitled to have and exercise including the right and power to enter into any and all agreements which it deems necessary for the operation of the Fund;
- (b) the Trustee may employ such assistants, including agents, attorneys, bankers, chartered accountants, counsel, managers, investment advisers, investment managers, notaries, officers and servants, as it may reasonably require for the proper discharge of its duties hereunder and shall not be responsible for any misconduct, neglect or default on the part of any such assistant unless such assistant shall be the Trustee or an associate or affiliate of the Trustee or any of their respective directors, officers or employees and subject to Section 12.8 may pay reasonable remuneration for all services performed for it in the discharge of the trusts hereof without taxation of any costs or fees of such counsel, solicitor or attorney and shall be entitled to receive reimbursement for all disbursements, costs, liabilities and expenses made or incurred by it in the discharge of its duties hereunder;
- (c) the Trustee shall, except as herein otherwise provided, as regards all the trusts, powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode of and time for the exercise thereof, and, in the absence of wilful neglect or default, it shall not be responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof;
- (d) the Trustee may delegate to any company or person the performance of any of the trusts, authorities and powers vested in it hereunder without regard to whether such trusts, authorities or powers are normally delegated by trustees, and any such delegation may be made upon such terms and conditions and subject to such regulations, including limitations as to sub-delegation, as the Trustee may consider to be in the interests of the Unitholders;
- (e) subject to obtaining the prior approval of the Manager of a Fund, the Trustee may appoint any person including an affiliate of the Trustee to assume the duties and

responsibilities of the Trustee hereunder and upon such approval being obtained and such person agreeing to act as Trustee for the Unitholders of the applicable trust constituted hereunder and assuming the duties and responsibilities of the Trustee hereunder, the original Trustee shall cease to be Trustee for the Unitholders of the applicable trust constituted hereunder and shall be relieved from its duties and responsibilities hereunder.

SECTION 12.2 Banking. The banking business of the Funds, or any part thereof, shall be transacted with such bank, trust company or other firm or corporation carrying on a banking business as the Trustee may designate, appoint or authorize from time to time and all such banking business, or any part thereof, shall be transacted on the Funds' behalf by such one or more officers of the Trustee and/or other persons as the Trustee may designate, appoint or authorize from time to time including, but without restricting the generality of the foregoing, the operation of the Funds' accounts; the making, signing, drawing, accepting, endorsing, negotiating, lodging, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money; the giving of receipts for and orders relating to any property of a Fund; the execution of any agreement relating to any such banking business and defining the rights and powers of the parties thereto; and the authorizing of any officer of such banker to do any act or thing on the Funds' behalf to facilitate such banking business.

SECTION 12.3 Appointment of Manager.

(a) The Trustee shall appoint a Manager (which can be itself) to provide management, portfolio advisory and administration services to the Funds, including:

- (i) filing, signing and certifying disclosure documents to permit the continuous offering of Units of the Funds that are to be distributed to the public;
- (ii) preparing all written and printed materials for Unitholders;
- (iii) complying with the registration, filing, reporting and other requirements of all regulatory bodies having jurisdiction over the sale of Units of the Funds; and
- (iv) performing all general managerial, supervisory and administrative functions or any other tasks on behalf of the Funds as may be set out in the management agreement appointing the Manager or as may be required from time to time.

(b) In consideration of the performance of those services, the Manager shall be entitled to receive such fees, including the management fee and performance fee, if any, in respect of each Series of Units of a Fund set out in the management agreement appointing the Manager, payable out of the assets of each Fund. The fees payable by a Fund to the Manager in

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respect of any Series of Units of a Fund may only be increased in compliance with Securities Legislation.

(c) The Manager may engage agents to assist it in providing the management, portfolio advisory and administrative services required by the Funds. Except as specifically set out in the Disclosure Documents, the remuneration of those agents shall be payable by:

- (i) the Manager if the services fall within the management and portfolio advisory services for which the Funds pay a management fee to the Manager; and
- (ii) by the Funds if the services fall within the operating expenses of the Funds listed in Section 12.9.

Except to the extent required by Securities Legislation, the Manager shall not be liable for the actions of the agents if the selection of those agents was made in compliance with the standard of care imposed on the Manager under Securities Legislation.

SECTION 12.4 Distributors

(a) Each Distributor that wishes to distribute Units shall be required to adhere to all terms and conditions established by the Manager in connection with the distribution of Units.

(b) The Trustee and/or the Manager may enter into an agreement with a distribution agent or may otherwise arrange for the distribution by Distributors of Units on a redemption charge basis. The distribution agent may pay to Distributors a selling commission on each Unit sold by the Distributor on a redemption charge basis, in amounts to be set out in the disclosure documents. The distribution agent shall be entitled to receive the distribution fees (including redemption fees or amounts otherwise payable to the Manager pursuant to Article XII) designated by the terms of the agreement whether or not the Manager resigns or becomes bankrupt or otherwise ceases to be the manager of the Funds.

SECTION 12.5 Custodian. The Trustee shall appoint a bank or trust company who shall be responsible for the safekeeping of all of the assets of the Funds and who shall be paid out of the assets of the Funds.

SECTION 12.6 Standard of Care of Trustee. The Trustee shall exercise its powers and discharge its duties hereunder as the Trustee honestly, in good faith and in the best interests of the Funds and shall perform the duties of the Trustee to the standard of care, diligence and skill a reasonably prudent person would exercise in the circumstances.

SECTION 12.7 Reliance. In exercising its powers and discharging its duties hereunder, the Trustee may, but shall not be bound to, with respect to any act done or permitted to be done by it, rely upon:

- (a) financial statements of the Funds stated in a written report prepared by the auditors of the Funds to present fairly the financial position of the Funds;

- (b) any instrument or document reasonably believed by it to be genuine and to be correct; or
- (c) the advice or opinion of legal counsel, accountants, appraisers and of other experts including, without restricting the generality of the foregoing, any manager, consultant, adviser, investment manager or investment adviser or custodian retained by or on behalf of the Trustee;

and the Trustee shall in no event be liable under this Declaration of Trust for any action taken or not taken as a result of so relying in good faith.

SECTION 12.8 Indemnification of Trustee.

(a) To the full extent permitted under Securities Legislation, the Trustee and its affiliates and their respective directors, officers, employees and agents shall at all times be indemnified and saved harmless out of the assets of the Funds from and against all claims whatsoever, including costs (including legal costs on a solicitor and his own client basis), charges and expenses in connection therewith, brought, commenced or prosecuted against any of them for or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of the duties as Trustee and also from and against all other costs (including legal costs on a solicitor and his own client basis), charges, and expenses which it sustains or incurs in or about or in relation to the affairs of the Fund, except such as may be incurred as a result of a breach by the Trustee of the standard of care in Section 12.6. The Trustee intends to constitute itself as a trustee for itself, its affiliates and each of their respective directors, officers, employees and agents of the indemnity under this Section 12.8 and agrees to hold and enforce such indemnity on behalf of such persons.

(b) To the full extent permitted under Securities Legislation, the Trustee may indemnify and save harmless any person out of the assets of a Fund from and against all claims whatsoever, including costs, charges and expenses in connection therewith actually and reasonably incurred, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties to a Fund and also from and against all other costs, charges and expenses which it sustains or incurs in or about or in relation to the affairs of a Fund provided that the Trustee shall not indemnify any person from and against any claim if, in the opinion of the Trustee, such claim is the result of the negligence of such person or arose as a result of a breach of the standard of care in Section 12.6, or if the Trustee has reasonable grounds for believing that the person did not act in the best interests of the Fund.

(c) The Trustee at the expense of the Funds may purchase and maintain insurance on behalf of the Funds in respect of any obligation of the Funds to indemnify any person pursuant to Section 12.8 (a) and (b).

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SECTION 12.9 Compensation and Expenses. The Trustee shall be entitled to compensation for its services as Trustee of the Funds, as is agreed in writing between the Trustee and the Manager and shall be entitled to receive compensation for the provisions of services in any other capacity. In addition to the management fees or performance fees payable under the Management Agreement, the Funds shall be responsible for payment of all expenses relating to the operation of the Funds and the carrying on of their business, including, but not limited to, legal, audit, transfer agency, and custodial and safekeeping fees; taxes, brokerage commissions, interest, operating and administrative fees (including unitholder services fees), costs and expenses (including dealer compensation programs but excluding any advertising, marketing, sponsorship and promotional costs and expenses which will be the responsibility of the Manager); fees, costs and expenses relating to the issue and redemption, and change of Units; costs and expenses of financial statements and reports and prospectuses and any such other documents as may be required to comply with Securities Legislation or deemed beneficial to the Unitholders by the Manager; and the Trustee may attribute such expenses to the Units of any Series of a Fund as determined by the Trustee in its sole discretion.

SECTION 12.10 Resignation of Trustee. The Trustee or any successor Trustee may resign as Trustee of a Fund by giving written notice to the Manager, if any, of the Fund 90 days prior to the date when such resignation shall take effect. Such resignation shall take effect on the date specified in such notice, unless at or prior to such date a successor Trustee shall be appointed by the Manager, or failing appointment of a successor trustee by the Manager, the Unitholders in which case such resignation shall take effect immediately upon the appointment of such successor Trustee. The successor Trustee shall be required to assume all obligations of the Trustee under this Declaration of Trust. The Trustee shall continue to act as Trustee of each Fund until the date upon which a successor Trustee shall replace the Trustee. If a successor Trustee cannot be found within the 90-day period, the Trustee shall, upon the expiration thereof, terminate the Fund and distribute its assets to Unitholders as herein provided.

SECTION 12.11 Failure to Appoint Successor Trustee. In the event that the Trustee becomes incapable of acting or if for any cause a vacancy shall occur in the office of the Trustee, the Manager shall or, should the Manager fail to do so, any Unitholder may call a meeting of Unitholders within 30 days thereafter for the purpose of appointing a successor Trustee. If the Unitholders do not appoint a permanent successor Trustee at such meeting, the Fund shall terminate and the Trustee, or should the Trustee fail to do so, a person appointed by the Unitholders at such meeting as a temporary Trustee shall wind up the Fund and distribute its assets in accordance with the provisions hereof.

SECTION 12.12 Successor Trustees. The right, title and interest of the Trustee in and to the property of the Funds shall vest automatically in all persons who may hereafter become Trustee upon their due appointment without any further act and they shall thereupon have all the rights, privileges, powers, obligations and immunities of the Trustee hereunder. Such right, title and interest shall vest in the Trustee whether or not conveyancing documents have been executed and delivered in connection therewith.

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IN WITNESS WHEREOF the Trustee has caused this Master Declaration of Trust to be executed on the date first above written.

**CRYSTAL WEALTH MANAGEMENT SYSTEM
LIMITED**

Per:



Clayton Smith
President

::ODMA\PCDOCS\TOR01\3509145\8

SCHEDULE "A"

**LISTING OF FUNDS, SERIES AVAILABLE
AND INVESTMENT OBJECTIVES**

Date: as of June 9, 2016

CRYSTAL WEALTH MORTGAGE STRATEGY ("FORMERLY CRYSTAL ENHANCED MORTGAGE FUND")

Investment Objective:

The investment objective of the Fund is to generate a consistently high level of interest income while focusing on preservation of capital by investing primarily in residential mortgages in Canada.

Series Available:

Series A, F

CRYSTAL ENLIGHTENED RESOURCE AND PRECIOUS METALS FUND

Investment Objective:

The investment objective of the Fund is to generate positive absolute annual returns by investing primarily in resource and precious metals securities globally.

Series Available:

Series A

CRYSTAL WEALTH MEDICAL STRATEGY (FORMERLY "CRYSTAL WEALTH MEDICAL INCOME FUND")

Investment Objective:

The investment objective of the Fund is to generate a high level of interest income with minimal volatility and low correlation to most traditional asset classes by investing in American medical receivables factoring facilities contracts ("MRFFCs".)

Series Available:

Series A, F

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**CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY (FORMERLY
“CRYSTAL ENLIGHTENED INCOME FUND”)**

Investment Objective:

The investment objective of the Fund is to provide consistently positive total returns while seeking to protect against downside risk by investing primarily in commercial factoring contracts.

Series Available:

Series A

**CRYSTAL WEALTH MEDIA STRATEGY (FORMERLY “CRYSTAL WEALTH
STRATEGIC YIELD MEDIA FUND”)**

Investment Objective:

The investment objective of the Fund is to generate a high level of interest income with minimal volatility and low correlation to most traditional asset classes by investing in asset-backed debt obligations of motion pictures and series television productions.

Series Available:

Series A, F

ACM GROWTH FUND

Investment Objective:

The investment objective of the Growth Fund is to provide long term capital appreciation while minimizing the risk of loss of capital.

Series Available:

Series A

ACM INCOME FUND

Investment Objective:

The investment objective of the Income Fund is to provide a consistent level of current income while protecting against loss of capital.

Series Available:

Series A

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CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY

Investment Objective:

The investment objective of the Fund is to generate a consistently high level of interest income while focusing on preservation of capital by investing primarily in residential 2nd mortgages in Canada.

Series Available:

Series A, F

CRYSTAL WEALTH RETIREMENT ONE FUND

Investment Objective:

The investment objective of the Fund is to be a simple, all-encompassing investment that is suitable for anyone saving for retirement as well as those already in retirement who need regular, consistent income.

Series Available:

Series A

CRYSTAL ENLIGHTENED BULLION FUND

Investment Objective:

The investment objective of the Fund is to provide investors with the opportunity to invest in gold and silver bullion in a convenient way while simultaneously earning a yield on their bullion holdings.

Series Available:

Series A

ABSOLUTE SUSTAINABLE DIVIDEND FUND

Investment Objective:

The investment objective of the Fund is to generate long term capital appreciation while focusing on preservation of capital by investing primarily in a diversified portfolio of dividend paying, sustainable and socially responsible companies.

Series Available:

Series A

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ABSOLUTE SUSTAINABLE PROPERTY FUND

Investment Objective:

The investment objective of the Fund is to generate a consistently reasonable level of income while focusing on preservation of capital by investing primarily in real properties, participating in the residential and commercial real estate sector while adhering to sustainable principles.

Series Available:

Series A

CRYSTAL WEALTH ENLIGHTENED HEDGE FUND

Investment Objective:

The investment objective of the Crystal Wealth Enlightened Hedge Fund is to generate consistently positive annual returns regardless of the directional movement in equity, interest rate or currency markets.

Series Available:

Series A

CRYSTAL WEALTH INFRASTRUCTURE STRATEGY

Investment Objective:

The investment objective of the Crystal Wealth Infrastructure Strategy is to generate a consistently high level of interest income along with long-term growth potential while focusing on preservation of capital by investing primarily in debt and equity instruments of infrastructure projects and companies.

Series Available:

Series A, F

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CRYSTAL WEALTH SPECIALTY LENDING STRATEGY

Investment Objective:

The investment objective of the Crystal Wealth Specialty Lending Strategy is to generate a high level of interest income with minimal volatility and low correlation to most traditional asset classes by investing in a portfolio of debt obligations (such as consumer loans, SME loans, invoice receivables and other asset financing arrangements) that have been originated or issued by specialty lenders and originators (“Direct Lending Platforms”).

Series Available:

Series A

ANTHONY WHITEHOUSE -and- BDO CANADA LLP
Plaintiff

Defendant

Court File No. CV-17-579357-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

**AFFIDAVIT OF LINC ROGERS
(SWORN AUGUST 29, 2019)**

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Court File No. CV-17-579357-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto

VOLUME II OF II

**Responding Motion Record of BDO Canada LLP
in Respect of Certification**

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