

***ONTARIO*
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

ANTHONY WHITEHOUSE

Plaintiff

and

BDO CANADA LLP

Defendant

**MOTION RECORD OF THE PLAINTIFFS
VOLUME 11 OF 20**

June 15, 2018

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me, this 14th day of June, 2018


.....
A COMMISSIONER FOR TAKING AFFIDAVITS
IRIS GRAHAM

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

**MOTION RECORD
Volume 1 of 2**

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ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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 & 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.

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TAB 1

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Respondents

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

NOTICE OF MOTION

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") (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"), will make a motion to a Judge presiding over the Commercial List on a date to be set by the Judge presiding over the 9:30 a.m. Commercial List appointment scheduled in this matter for June 23, 2017 at 330 University Avenue, Toronto, Ontario.

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

1. THE MOTION IS FOR an Order, among other things:

- (a) if necessary, abridging the time for service and filing of this notice of motion and the motion record or, in the alternative, dispensing with same;
- (b) approving the First Report of the Receiver dated June 22, 2017 (the "**First Report**") and the activities of the Receiver set out therein;
- (c) sealing certain appendices to the First Report (the "**Confidential Appendices**") until further Order of the Court;
- (d) approving a claims procedure to be conducted by the Receiver in respect of non-investor creditor claims against the Crystal Wealth Group (the "**Creditor Claims Procedure Order**", attached as **Tab A**);
- (e) approving the Receiver's reliance on the Unit Holder Listing (as defined in the First Report) to make interim distributions of the proceeds, where possible, without further approval of the Court, 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**"), to investors in the Crystal Wealth Funds;
- (f) approving the proposed Sales Process (as defined and described in the First Report), and authorizing the Receiver to carry out its functions in accordance with the proposed Sales Process;
- (g) 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**");
- (h) approving the fees and disbursements of the Receiver and its counsel; and
- (i) such further and other relief as counsel may advise and this Court may permit.

2. THE GROUNDS FOR THE MOTION ARE:

Background:

- (a) pursuant to an Order of this Court issued April 26, 2017 (the "**Appointment Order**"), GTL was appointed as Receiver, without security, of the Chrysalis Account and of all the 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 in the Appointment Order) and wherever situate including all proceeds thereof (the "**Property**");
- (b) the proceedings were commenced by way of application (the "**Application**") made by the Ontario Securities Commission under section 129 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**"). On April 7, 2017, the Ontario Securities Commission (the "**OSC**") issued a temporary order (the "**Temporary Order**") providing, among other things, that the trading of units of all of the Crystal Wealth Funds cease and that trading in securities held by the Crystal Wealth Funds cease. On April 28, 2017, the OSC extended the Temporary Order to October 3, 2017 (the "**Extension Order**");
- (c) the Respondent, Crystal Wealth Management System Limited (the "**Company**"), created and managed the Crystal Wealth Funds, which are structured as open-ended mutual fund trusts, and distributed on an exempt basis, pursuant to offering memoranda ("**OMs**"). Prior to the Appointment Order, as the investment fund manager and portfolio manager of the Crystal Wealth Funds, 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;
- (d) the Respondent, Clayton Smith ("**Smith**"), is the directing mind, and sole officer and director of the Company, and holds a controlling interest in the shares of the Company;
- (e) based on internal information provided by Smith to the Receiver, the assets under management ("**AUM**") of the Crystal Wealth Funds, as at April 20, 2017, was purportedly approximately \$193,198,912.

Initial Stages of the Receiver's Appointment:

- (f) during the initial stages of its appointment, the Receiver obtained a general understanding of the Company and in particular, the Crystal Wealth Funds. A summary of the Crystal Wealth Funds and details regarding the steps and actions taken by the Receiver in this regard is discussed in detail in the First Report;
- (g) the Receiver conducted a series of discussions with Smith focusing on the process of administering the Crystal Wealth Funds, the individuals who make investment decisions, how buy/sell orders are executed by the Company, the entities involved in recording trades and investors within the Crystal Wealth Funds at any given time, and the frequency and methodology for the pricing of same;
- (h) in general, each of the Crystal Wealth Funds contain one or more of the following types of investments:
 - (i) 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.;
 - (ii) investments where the underlying security is held and recorded by NBCN Inc. ("**On-Book Assets**"); and
 - (iii) 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**")

- (i) through discussions with Smith and the Receiver's review of documentation provided by Smith, it became apparent to the Receiver that the governance and management of the Crystal Wealth Funds, and in particular relating to the Off-Book Assets, was insufficient for a Company managing represented AUM of approximately \$200M;

- (j) the Receiver has noted there to be little to no internal tracking mechanisms administered by 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.

Preliminary Conclusion Regarding Monetization of the Crystal Wealth Funds:

- (k) pursuant to the Appointment Order, the Receiver is authorized to sell, convey, transfer, lease or assign, without the approval of the Court, any Property of the Crystal Wealth Funds, including without limitation On-Book Assets such as exchange traded securities and derivatives held by Crystal Wealth Funds, and Off-Book Assets such as film loans, mortgages, medical receivables, factoring receivables, and other illiquid assets held by the Crystal Wealth Funds, regardless of the purchase price or aggregate purchase price of such transactions;
- (l) since its appointment, 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;
- (m) in its May 17, 2017 notice to investors, the Receiver stated that it was very mindful of the needs of the investors, and accordingly, conducted 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 largely comprise marketable securities and cash holdings;
- (n) 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 (as such terms are defined in the First Report), where possible, which are traded on various public stock exchanges. The Receiver anticipates that this realization process will be completed by the end of June 2017;

Proposed Sale Process:

- (o) a significant portion of the total AUM of the Crystal Wealth Funds, particularly, the Off-Book Assets, are illiquid and/or have long maturity dates and are difficult to value individually as they are not actively traded. Therefore, the Receiver is of the view that the monitoring and eventual realization of these assets individually would present significant effort and costs to the Crystal Wealth Funds and ultimately the investors;
- (p) the Receiver has 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;
- (q) the Receiver accordingly proposes that it conduct a Sales Process (as defined and explained in the First Report) for certain Crystal Wealth Funds in a manner in which:
 - (i) potential bidders may make an offer to purchase the investments from one or more of certain Crystal Wealth Funds; and
 - (ii) potential managers may present an offer to assume the management of one or more of certain Crystal Wealth Funds' investment activities and investors.
- (r) pursuant to the proposed Sales Process, the Receiver would be permitted to:
 - (i) accept a Qualified Offer (as defined in the First Report) (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 (as such terms are defined in the First Report); or
 - (iv) terminate the Sales Process.

Proposed Reliance on IFDS Unit Holder Listing to Make Distributions to Investors:

- (s) International Financial Data Services (Canada) Limited ("IFDS") is a third-party that maintains the listing of investors for the Crystal Wealth Funds;
- (t) on May 4, 2017, IFDS, through its counsel, provided the Receiver with a document setting out a current listing of investors in each of the Crystal Wealth Funds, indicating the number of each investor's holdings in each fund (the "**Unit Holder Listing**");
- (u) the Receiver is of the view that the Unit Holder Listing accurately presents the units held by each investor whereby a separate claims process to validate such holdings would not present a result materially different than the Unit Holder Listing;
- (v) as a result, the Receiver seeks approval of the Court to rely on the investor information contained in the Unit Holder Listing to make interim distributions to investors, where possible, without further approval of the Court, of proceeds obtained from the divestiture of certain assets of the Crystal Wealth Funds.

Proposed Creditor Claims Procedure Order (Non-Investors):

- (w) with respect to non-investor creditor claims against the Crystal Wealth Group, the Receiver is seeking approval of the Claims Procedure, as defined in the proposed Creditor Claims Procedure Order attached at **Tab A**;
- (x) pursuant to the proposed Claims Procedure, 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);
- (y) 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 the Claims Procedure;

- (z) 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 will be the subject matter of a separate motion;
- (aa) the proposed Creditor Claims Procedure Order provides the Receiver with an effective mechanism to determine the quantum of claims against each entity in the Crystal Wealth Group;
- (bb) the proposed Claims Procedure contemplates a claims submission deadline of 5 p.m. (Toronto time) on August 3, 2017 (the "**Claims Bar Date**"), and any claims not submitted by the Claims Bar Date would be extinguished and forever barred;
- (cc) the details and mechanics of the proposed creditor Claims Procedure are outlined in the First Report and the draft Creditor Claims Procedure Order.

Proposed Representative Counsel Motion:

- (dd) on June 9, 2017, Crawley MacKewn Brush LLP ("**CMB**") served the Receiver with a motion record, in which CMB proposes to be appointed as representative counsel to investors in the Crystal Wealth Funds. A date has not been scheduled for the motion;
- (ee) the Receiver has not foreclosed the option of recommending representative counsel to investors. However, the Receiver believes it is premature to engage representative counsel at this stage for the following reasons:
 - (i) the Receiver is acting as independent court officer, with legal representation from Aird & Berlis LLP ("**A&B**"), and is taking steps to advance the interests of all investors;
 - (ii) 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;

- (iii) the Receiver believes that the monetization of certain Crystal Wealth Funds is straight forward, and such monetization is currently underway. Accordingly, it is counter-productive to burden investors in such Crystal Wealth Funds with the cost of representative counsel at this stage; and
 - (iv) 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.
- (ff) 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 CMB for the following reasons:
- (i) 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;
 - (ii) CMB has not previously acted in a representative counsel role;
 - (iii) CMB was introduced to the Crystal Wealth situation, in part, by Al Housego ("Housego") and Tim Johnston ("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;
 - (iv) Housego circulated an email (the "Housego Email") containing false and misleading information to investors vehemently advocating for CMB to be appointed as representative counsel;
 - (v) 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

- (vi) CMB's alleged proxies from investors, through the hyperlink referenced in the Housego Email, were obtained under false pretenses from Housego;
- (gg) if this Honourable Court nevertheless 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 has confirmed to the Receiver that it is free of conflicts in acting in such capacity.

Conclusion:

- (hh) the Receiver has filed with the Court its First Report outlining, among others things, the actions of the Receiver since its appointment pursuant to the Appointment Order;
- (ii) the Receiver's activities have been reasonable and responsible in accordance with the Receiver's mandate as provided by the Appointment Order;
- (jj) pursuant to the Appointment Order, the Receiver and its counsel are required to pass their accounts before a Judge of the Commercial List;
- (kk) the Receiver is of the view that its accounts and the accounts of its counsel, A&B, are reasonable, given the significant efforts undertaken by the Receiver and its counsel in fulfilling the Receiver's mandate pursuant to the Appointment Order;
- (ll) the facts set out in the First Report;
- (mm) the Receiver's Interim Statement of Receipts and Disbursements for the period April 26, 2017 to May 31, 2017;
- (nn) section 129 of the *Securities Act*, R.S.O. 1990, c. S.5;
- (oo) rules 1.04, 2.03, 3.02, 11, 37 and 41 of the *Rules of Civil Procedure*; and
- (pp) such further and other grounds as counsel may advise and this Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) the First Report;
- (b) the affidavit of Jonathan Krieger sworn June 21, 2017;
- (c) the affidavit of Steven L. Graff sworn June 22, 2017; and
- (d) such further and other material as counsel may submit and this Court may permit.

Date: June 22, 2017

AIRD & BERLIS LLP
Barristers & Solicitors
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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

TO: ATTACHED SERVICE LIST

SERVICE LIST
(Current as of June 17, 2017)

TO: **ONTARIO SECURITIES COMMISSION**
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Toronto, ON M5H 3S8

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Tel: (416) 204-8985

Yvonne B. Chisholm
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Lawyers for the Applicant, Ontario Securities Commission

AND TO: **GRANT THORNTON LIMITED**
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Bruce S. Bando
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Court-Appointed Receiver

AND TO: **AIRD & BERLIS LLP**
Barristers and Solicitors
Brookfield Place
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Toronto, ON M5J 2T9

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Lawyers for the Court-Appointed Receiver

AND TO: **CLAYTON SMITH**

Email: catalystrising99@gmail.com

Respondent

AND TO: **CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED**

192 Plains Road East
Burlington, Ontario
L7T 2C3

Respondent

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
Burlington, Ontario
L7T 2C3

Respondents

AND TO: **1150752 ONTARIO LIMITED**

3385 Harvester Road
Suite 200
Burlington, Ontario
L7N 3N2

Respondent

AND TO: **CLJ EVEREST LTD.**

3385 Harvester Road
Suite 200
Burlington, Ontario
L7N 3N2

Respondent

AND TO: **CHRYsalis YOGA INC.**
4040 Palladium Way, Suite #11
Burlington, Ontario
L7M 0C2

Respondent

AND TO: **WARDLE DALEY BERNSTEIN BIEBER LLP**
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AND TO: **PETER F. CUMMINGS and 0714886 BC LTD.**
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Lawyers for Shanine Dennill

AND TO: **BLAIR COWPER-SMITH**

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Tab A

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) THE DAY
)
JUSTICE) OF , 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**"), 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

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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.

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 ~~xx~~, 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 ~~xx~~, 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 ~~2017~~, 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 [REDACTED], 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 _____ do hereby certify that:
[City or Province]

(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 [REDACTED], 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 ~~2017~~, 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.

Applicant
*Short Title of Proceedings*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)

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Mark van Zandvoort (LSUC # 59120U)

Tel: (416) 865-4742
Fax: (416) 863-1515
E-mail: mvanzandvoort@airdberlis.com

Kyle Plunkett (LSUC # 61044N)

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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 Billion 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

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Tab B

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) **<*>, THE <*>DAY**
)
JUSTICE) **OF <*>, <*>**
)
)

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*: (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) sealing certain appendices to the First Report (the "**Confidential Appendices**") until further Order of the Court; (iii) 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; (iv) 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; (v) 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 (vi) 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, 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**"), and on hearing the submissions of counsel for the Receiver, 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 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 within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

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
 Barristers and Solicitors
 Brookfield Place
 Suite 1800, 181 Bay Street
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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

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**

NOTICE OF MOTION

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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 Billion 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

TAB 2

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 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 -

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 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 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.

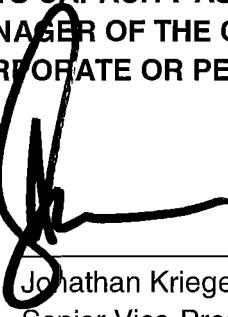
CONCLUSION

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

TAB 1



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**

**TEMPORARY ORDER
(Subsections 127(1) and 127(5))**

WHEREAS:

1. it appears to the Ontario Securities Commission (the “Commission”) that:
 - a. Crystal Wealth Management System Limited (“Crystal Wealth”) is a Burlington-based Ontario corporation, registered in the categories of Exempt Market Dealer (“EMD”), Investment Fund Manager (“IFM”), Portfolio Manager (“PM”) and Commodity Trading Manager;
 - b. Crystal Wealth is the trustee, IFM, PM and promoter, and for some funds is also the commodity trading manager, for the following 15 investment funds, which are structured as open-ended mutual fund trusts:

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 with any other investment funds managed or advised by Crystal Wealth, the “Crystal Wealth Funds”);

- c. Clayton Smith (“Smith”) is an Ontario resident and is the sole officer and director of Crystal Wealth. Smith is registered in Ontario as a dealing representative, an advising representative in the category of PM, an advising representative in the category of Commodity Trading Manager, and as Crystal Wealth’s Chief Compliance Officer (“CCO”) and Ultimate Designated Person (“UDP”);
- d. CLJ Everest Ltd, (“CLJ Everest”) is an Ontario company, with a registered office in Burlington. Smith is the sole officer and director of CLJ Everest. CLJ Everest holds 28.26% of Crystal Wealth’s shares and 100% of the shares of 1150752 Ontario Limited (“115 Limited”);
- e. 115 Limited holds 63.5% of Crystal Wealth’s outstanding shares;
- f. Smith and Crystal Wealth (collectively, the “Respondents”) may have participated in a course of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud contrary to subsection 126.1(1)(b) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”); failed to act fairly, honestly and in good faith with clients, contrary to section 2.1 of Rule 31-505 – *Conditions of Registration*; and failed to comply with the standard of care expected of an IFM under section 116 of the Act;
- g. Crystal Wealth may have failed to comply with the Funds’ obligations to deliver the Funds’ audited financial statements for the calendar year ending December 31,

2016, according to sections 2.1, 2.2 and 2.11 of National Instrument 81-106 – *Investment Fund Continuous Disclosure*;

- h. Crystal Wealth may have failed to comply with its obligations to file its audited financial statements in compliance with subsection 21.10(3) of the Act and sections 12.10(2), 12.12, 12.13 and 12.14 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registration Obligations*;
 - i. Crystal Wealth and Smith may have acted contrary to the public interest.
 - j. Smith may have authorized, permitted or acquiesced in Crystal Wealth's contraventions of the Act and if so, may be deemed to have failed to comply with Ontario securities law pursuant to section 129.2 of the Act;
 - k. Staff are conducting an investigation into the conduct described above;
2. the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in subsection 127(5) of the Act;
 3. the Commission is of the opinion that it is in the public interest to make this Order;
 4. by Authorization Order made March 24, 2017, pursuant to subsection 3.5(3) of the Act, each of Maureen Jensen, Monica Kowal, D. Grant Vingoe, Philip Anisman, Robert P. Hutchison, Janet Leiper, Timothy Moseley, and Mark J. Sandler, acting alone, is authorized to make orders under section 127 of the Act.

IT IS ORDERED pursuant to section 127 of the Act that:

1. pursuant to paragraphs 2 and 2.1 of subsection 127(1), all trading, including redemptions and distributions, or acquisitions of the securities of Crystal Wealth Funds shall cease;
2. pursuant to paragraphs 2 and 2.1 of subsection 127(1) all trading in securities held by the Crystal Wealth Funds, or the acquisition of securities by Crystal Wealth on behalf of the Crystal Wealth Funds shall cease;

3. pursuant to paragraphs 2 and 2.1 of subsection 127(1), the trading in or the acquisition of any securities or derivatives by Smith, CLJ Everest and 115 Limited shall cease;
4. pursuant to subsection 127(2), as an exception to the prohibition on trading securities and derivatives in paragraphs 2 and 3 above, Crystal Wealth in its capacity as portfolio manager for the Funds may, and Clayton Smith in his capacity as advising representative may, if in compliance with Ontario securities law, place orders to sell securities and derivatives already held as of the date of this temporary order by the Crystal Wealth Funds, provided that the sales occur through the facilities of a recognized exchange and all proceeds of such sales remain in the account of the respective Crystal Wealth Fund for which the order was placed until further order of the Commission;
5. pursuant to subsection 127(2), as an exception to the prohibition on trading securities and derivatives in paragraphs 2 and 3 above, Smith in his capacity as advising representative may, if in compliance with Ontario securities law, place orders to sell securities and derivatives already held by clients in discretionary accounts for which Crystal Wealth is the portfolio manager (the “Managed Accounts”), provided that the sales occur through the facilities of a recognized exchange;
6. pursuant to subsection 127(2), the following terms and conditions apply to the registration of Crystal Wealth as an exempt market dealer:
 - a. Crystal Wealth and any dealing representatives shall not accept any new money for investment from any existing clients, and shall not accept any new clients or open any new client accounts of any kind;
7. pursuant to subsection 127(2), the following terms and conditions apply to the registration of Crystal Wealth as a portfolio manager and investment fund manager:
 - a. Crystal Wealth’s activities as a portfolio manager and investment fund manager shall be applied exclusively to the Managed Accounts and to the Crystal Wealth Funds, subject to the restrictions on trading set out in paragraph 2 and the exception in paragraph 4;

- b. Crystal Wealth and any advising representatives shall not accept any new money for investment from any existing clients, shall not accept any new clients or open any new client accounts of any kind;
8. pursuant to subsection 127(6) of the Act, this Order shall take effect immediately and shall expire on the 15th day after its making unless extended by the Commission.

DATED at Toronto, this 7th day of April, 2017.

"Maureen Jensen"

TAB 2



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*,
RSO 1990, c S.5**

- and -

**IN THE MATTER OF
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 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 and
CRYSTAL WEALTH RETIREMENT ONE FUND**

**TEMPORARY ORDER
(Subsections 127(7) and 127(8))**

WHEREAS:

1. the Ontario Securities Commission (the "Commission") issued temporary orders on April 6 and April 7, 2017 pursuant to sections 127(1) and 127(5) of the *Securities Act*, RSO 1990, c S.5 (the "Act");
2. the April 7, 2017 temporary order was requested to add clarification to the April 6, 2017 temporary order;
3. the April 7, 2017 temporary order provided that:
 - a. pursuant to paragraphs 2 and 2.1 of subsection 127(1), all trading, including redemptions and distributions, or acquisitions of the securities of the following funds shall cease:

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 with any other investment funds managed or advised by Crystal Wealth, the “Crystal Wealth Funds”);

- b. pursuant to paragraphs 2 and 2.1 of subsection 127(1) all trading in securities held by the Crystal Wealth Funds, or the acquisition of securities by Crystal Wealth Management System Limited (“Crystal Wealth”) on behalf of the Crystal Wealth Funds shall cease;
- c. pursuant to paragraphs 2 and 2.1 of subsection 127(1), the trading in or the acquisition of any securities or derivatives by Clayton Smith (“Smith”), CLJ Everest Ltd (“CLJ Everest”) and 1150752 Ontario Limited (“115 Limited”) shall cease;
- d. pursuant to subsection 127(2), as an exception to the prohibition on trading securities and derivatives in paragraphs 2 and 3 above, Crystal Wealth in its capacity as portfolio manager for the Funds may, and Clayton Smith in his capacity as advising representative may, if in compliance with Ontario securities

law, place orders to sell securities and derivatives already held as of the date of this temporary order by the Crystal Wealth Funds, provided that the sales occur through the facilities of a recognized exchange and all proceeds of such sales remain in the account of the respective Crystal Wealth Fund for which the order was placed until further order of the Commission;

- e. pursuant to subsection 127(2), as an exception to the prohibition on trading securities and derivatives in paragraphs 2 and 3 above, Smith in his capacity as advising representative may, if in compliance with Ontario securities law, place orders to sell securities and derivatives already held by clients in discretionary accounts for which Crystal Wealth is the portfolio manager (the "Managed Accounts"), provided that the sales occur through the facilities of a recognized exchange;
- f. pursuant to subsection 127(2), the following terms and conditions apply to the registration of Crystal Wealth as an exempt market dealer:
 - i. Crystal Wealth and any dealing representatives shall not accept any new money for investment from any existing clients, and shall not accept any new clients or open any new client accounts of any kind;
- g. pursuant to subsection 127(2), the following terms and conditions apply to the registration of Crystal Wealth as a portfolio manager and investment fund manager:
 - i. Crystal Wealth's activities as a portfolio manager and investment fund manager shall be applied exclusively to the Managed Accounts and to the Crystal Wealth Funds, subject to the restrictions on trading set out in paragraph 2 and the exception in paragraph 4;
 - ii. Crystal Wealth and any advising representatives shall not accept any new money for investment from any existing clients, shall not accept any new clients or open any new client accounts of any kind;

(the “Temporary Order”)

- h. the Commission further ordered that pursuant to subsection 127(6) of the Act, the Temporary Order shall take effect immediately and shall expire on the 15th day after its making unless extended by the Commission;
 4. Smith, Crystal Wealth, CLJ Everest, 115 Limited and the Crystal Wealth Funds (collectively, the “Respondents”), through their counsel, consented to an extension of the Temporary Order until May 1, 2017, without prejudice to any position that might be advanced by the Respondents in the future with respect to the Temporary Order or the matters raised in the Notice of Hearing;
 5. on April 13, 2017, the Commission ordered that the Temporary Order was extended until May 1, 2017, and that the hearing to extend the Temporary Order would occur on April 28, 2017 at 10:00 a.m.;
 6. on April 13, 2017, the Commission issued a Notice of Hearing providing notice that it will hold a hearing on April 28, 2017 to consider whether, pursuant to subsections 127(7) and 127(8) of the Act, it is in the public interest for the Commission to extend the Temporary Order until the conclusion of the hearing or until such further time as considered necessary by the Commission, and to make such further orders as the Commission considered appropriate;
 7. on April 26, 2017, upon application by the Commission pursuant to section 129 of the Act, the Ontario Superior Court of Justice (Commercial List) made an order (the “Appointment Order”) appointing Grant Thornton Limited as: (i) receiver and manager (the “Receiver”) without security, of all of the assets, undertakings and properties of the Respondents; and (ii) receiver of the account of Chrysalis Yoga Inc. at the Bank of Nova Scotia (the “Chrysalis Account”), and of all contents, including funds, contained in the Chrysalis Account;
 8. on April 28, 2017, Staff attended at the Hearing, tendered evidence and made submissions;

9. despite having notice, neither the Respondents nor their counsel attended the hearing on April 28, 2017; and
10. the Commission is of the opinion that it is in the public interest to make this Order.

IT IS ORDERED that:

1. the Temporary Order is extended until October 3, 2017, or until further order of the Commission, without prejudice to the right of any of the parties to seek to vary the Temporary Order on application to the Commission; and
2. the hearing of this matter is adjourned until October 2, 2017 at 10:00 a.m. or such other date and time as provided by the Office of the Secretary and agreed to by the parties.

DATED at Toronto, this 28th day of April, 2017.

"Janet Leiper"

Janet Leiper

TAB 3

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST



THE HONOURABLE

JUSTICE *N. Eversou C.D.*

)
)
)

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.

- 2 -

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

- 3 -

- (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)(ii) 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

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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;

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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

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

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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

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

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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

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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.

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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/sci/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:

Dale J.

APR 26 2017

PER / PAR: *PL*

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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

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

Phone: 416-263-7663
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 7 day of April, 2017.

M. Quinn

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 Englightened Hedge Fund | 27QF14E |
| NBCN Inc. | Crystal Wealth Englightened 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 |



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: 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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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: CLJ EVEREST LTD.
5043 Mount Nemo Crescent
Burlington, Ontario
L7M 0T7

C/O: CLAYTON SMITH
5043 Mount Nemo Crescent
Burlington, Ontario
L7M 0T7

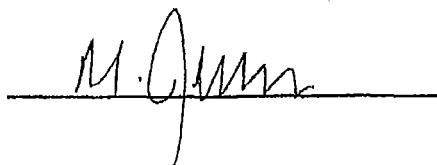
RE: Accounts at The Toronto Dominion Bank

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 12 day of April, 2017.



A handwritten signature in black ink, appearing to read "M. J. W.", is written over a horizontal line. The signature is fluid and cursive, with a distinct "J" and "W".

3492

163

SCHEDULE "A" TO FREEZE DIRECTION

| Institution | Account Name | Account Number |
|---------------------------|-----------------|----------------|
| The Toronto Dominion Bank | CLJ Everest Ltd | 5002640-0122 |



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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
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.

3494

165

2

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. Gunn



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
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.

M. 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
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. 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:

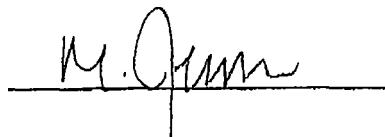
5002640-0122,
5004279-0122, and
0523771-0122

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
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
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: 416-263-7653
Fax: 416-603-2319

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.

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 Web site: www.osc.gov.on.ca
Fax: 416-503-2319

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.

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 1st day of April, 2017.

M. O. Murr

3511

182

11

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 M6H 3S8 | 22e étage 20, rue queen ouest Toronto ON M6H 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.

M. Dunn

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

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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 |

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| 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 |

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| 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 | 27QTAAA |
| NBCN Inc. | Crystal Wealth Management System Limited | 27QAABC |
| NBCN Inc. | Crystal Wealth Management System Limited | 27QCNC |
| 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*

April 26, 2017

ONTARIO SECURITIES COMMISSION

and

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, ET AL.

Applicant

Respondents

Court File No. CV-17-11779-0026

April 26, 2017

Counsel for Crystal Wealth Shows and Jr
Chrysalis Yoga Inc have attended & advised
they do not oppose the relief sought. They
are satisfied that the relief is fully
justified and that the requirement of
section 129 of the Securities Act has
been met. Order to go.

Dell J.

Service of a true copy hereof admitted
this 25 day of April 2017

Chrysalis Yoga Inc.
SOLICITOR FOR

Service of a true copy hereof admitted
this 1st day of April 2017

SOLICITOR FOR

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at Toronto

APPLICATION RECORD
VOLUME 8 OF 8

ONTARIO SECURITIES COMMISSION
20 Queen Street West, 22nd Floor
Toronto ON M5H 3S8

Catherine Weiler (LSUC # 52424M)
Tel: (416) 204-8985
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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

TAB 4

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE

JUSTICE *M. M. M.*



BETWEEN:

ONTARIO SECURITIES COMMISSION

WEDNESDAY, THE 26th DAY

OF APRIL, 2017

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

VESTING ORDER

THIS APPLICATION made by the Ontario Securities Commission (the "Commission"):

- a) Authorizing Grant Thornton Limited, in its capacity as the Court-appointed receiver and manager (in such capacity, the "Receiver") over the properties, assets and undertakings of each of the Respondents other than the Respondent,

Chrysalis Yoga Inc. ("Chrysalis Yoga", the other Respondents being referred to collectively as the "Crystal Wealth Group"), to complete, on behalf of CLJ Everest Ltd. (the "Vendor"), the sale transaction (the "Transaction") of the property located at 5043 Mount Nemo Crescent in Burlington, Ontario (the "Mount Nemo Property") to Martin McCready (the "Purchaser") as contemplated by an agreement of purchase and sale dated April 12, 2017 (the "Sale Agreement");

- b) Vesting title in the Purchaser the Vendor's right, title and interests in and to the assets described in the Sale Agreement (the "Purchased Assets"); and
- c) Authorizing the Receiver to make distributions from the sale proceeds of the Real Property (as defined herein) to the registered mortgagee of the Mount Nemo Property, without further order of the Court, subject to the Receiver satisfying itself as to the validity of such mortgage and the amounts claimed;

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING 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, and the consent of GTL to act as the Receiver, and on hearing the submissions of counsel for the Commission and counsel for the Crystal Wealth Group,

1. **THIS COURT ORDERS AND DECLARES** that the Receiver is hereby authorized, on behalf of the Vendor, to complete the Transaction contemplated by the Sale Agreement with such amendments to the Sale Agreement, except as to purchase price, as the Receiver may deem necessary. The Receiver, in its own name or on behalf of the Vendor, is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS** that Clayton Smith and any other occupants of the Mount Nemo Property forthwith vacate the Mount Nemo Property so that the Receiver may deliver vacant possession of it in accordance with the Sale Agreement.

3. **THIS COURT ORDERS THAT** the Land Titles Division of the Halton Land Registry Office (No. 20) remove from title to the Mount Nemo Property the Certificate of Direction issued by the Ontario Securities Commission on April 13, 2017 and registered on title to the Mount Nemo Property on the same date as instrument no. HR1446942.

4. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule "A" hereto (the "**Receiver's Certificate**"), all of the Vendor's right, title and interest in and to the Purchased Assets described in the Sale Agreement and listed on Schedule "B" hereto shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Newbould dated April 26, 2017; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule "C" hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule "D" hereto) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

5. **THIS COURT ORDERS** that upon the registration in the Land Titles Division of the Halton Land Registry Office (No. 20) of an application for Vesting Order in the form prescribed by the *Land Titles Act*, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the "**Real Property**") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.

6. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

7. **THIS COURT ORDERS AND DIRECTS** the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

8. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Vendor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Vendor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Vendor and shall not be void or voidable by creditors of the Vendor, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

9. 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.

Dan J.

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

APR 26 2017

PER / PAR: PL

Schedule A – Form of Receiver's Certificate

Court File No.

**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, AND CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

RECEIVER'S CERTIFICATE**RECITALS**

A. Pursuant to an Order of the Honourable Justice Newbould of the Ontario Superior Court of Justice (the "Court") dated April 26, 2017, Grant Thornton Limited was appointed as the receiver and manager (in such capacity, the "Receiver") of the undertaking, property and assets of CLJ Everest Ltd. (the "Vendor").

B. Pursuant to an Order of the Court dated April 26, 2017, the Court authorized the Receiver to complete the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale between the Vendor and Martin McCready (the "Purchaser") dated April 12, 2017 (the "Sale Agreement") and provided for the vesting in the Purchaser of the Vendor's right, title and

interest in and to the assets described in the Sale Agreement (the "Purchased Assets"), which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the purchase price for the Purchased Assets pursuant to the Sale Agreement; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the purchase price for the Purchased Assets payable on closing pursuant to the Sale Agreement;
2. The conditions to closing as set out in the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at _____ [TIME] on _____ [DATE].

GRANT THORNTON LIMITED, in its capacity as Receiver of the undertaking, property and assets of the Vendor, and not in its personal capacity

Per: _____

Name: _____

Title: _____

Schedule B – Purchased Assets**PIN 07198-0202 (LT)**

PT LT 1 , CON 4 NS DES AS PTS 1, 2 & 3 ON 20R16429; BURLINGTON. S/T EASEMENT IN GROSS OVER PT 2 ON 20R16429 AS IN HR436235.

Municipally known as 5043 Mount Nemo Cres., Burlington, Ontario

Schedule C – Claims to be deleted and expunged from title to Real Property

1. Instrument No. HR1241568, registered on January 16, 2015, is a Transfer/Deed of Land in favour of CLJ Everest Ltd., for consideration of \$2,700,000.
2. Instrument No. 1241569, registered on January 16, 2015, is a Charge/Mortgage of Land, in the amount of \$1,331,250, in favour of Home Trust Company.
3. Instrument No. HR1446942, registered on April 13, 2017, is a Certificate in favour of the Ontario Securities Commission.

**Schedule D – Permitted Encumbrances, Easements and Restrictive Covenants
related to the Real Property**

(unaffected by the Vesting Order)

1. Instrument Number 119980 being a By Law registered on January 25, 1961 in favour of The Corporation of the City of Burlington re: Subdivision Control.
2. Instrument Number 20R16429 being a Registered Plan, registered on November 18, 2005 in favour of The Corporation of the City of Burlington.
3. Instrument Number HR436235 being a Transfer Easement registered on December 5, 2005 in favour of The Corporation of the City of Burlington re sewers, drains, etc. for maintenance and repair.

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**

VESTING 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*

TAB 5

**IN THE MATTER OF THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

**CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED,
CLAYTON SMITH, CLJ EVEREST LTD and 1150752 ONTARIO LIMITED**

**AFFIDAVIT OF MARCEL TILLIE
(Sworn April 17, 2017)**

I, **MARCEL TILLIE**, of the City of Toronto, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am a Senior Forensic Accountant with staff of the Enforcement Branch ("Staff") of the Ontario Securities Commission (the "Commission") and have been employed by the Commission since April 2000. I have worked in the Enforcement Branch since March 2007. I am a Chartered Professional Accountant (CPA, CA) and received my designation in 1989. I am a member of the Chartered Professional Accountants, Ontario.
2. I am a Senior Forensic Accountant assigned to the Crystal Wealth Management System Limited ("Crystal Wealth") file. As such, I have personal knowledge of the matters referred to in this affidavit, save for those matters of which I have been advised and do believe.
3. I have been involved in an investigation into the activities of Crystal Wealth and its principal, Clayton Smith ("Smith"), as well as the activities of companies connected

to Smith, CLJ Everest Ltd (“CLJ Everest”) and 1150752 Ontario Limited (“115 Limited”), in regard to certain investment funds managed by Crystal Wealth. Staff’s investigation into these matters is ongoing.

A. THE TEMPORARY ORDER AND FREEZE DIRECTIONS

4. Based on Staff’s investigation conducted to date, Staff applied for and obtained from the Commission a temporary order on April 7, 2017 (the “Temporary Order”) against Smith, Crystal Wealth, CLJ Everest Ltd and 1150752 Ontario Limited (“115 Limited”) pursuant to section 127(5) of the *Securities Act*, R.S.O. 1990, c S.5 as amended (the “Act”). The Temporary Order modified and replaced the temporary order issued by the Commission on April 6, 2017.¹

5. The Temporary Order prohibits all trading, including redemptions and distributions, and acquisitions of securities 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;

¹ Attached as Exhibit “1” are copies of the Temporary Order, issued on April 7, 2017, and the temporary order signed on the April 6, 2017.

Absolute Sustainable Dividend Fund (the "Sustainable Dividend Fund");

Absolute Sustainable Property Fund (the "Sustainable Property Fund");

Crystal Wealth Enlightened Hedge Fund (the "Hedge Fund");

Crystal Wealth Infrastructure Strategy (the "Infrastructure Fund");

Crystal Wealth Conscious Capital Strategy (the "Conscious Capital Fund"); and

Crystal Wealth Retirement One Fund

(collectively with any other investment funds managed or advised by Crystal Wealth, the "Crystal Wealth Funds" or the "Funds").

6. The Media Fund is the largest of the Funds and is described in greater detail beginning at paragraph 26.

7. The Temporary Order also prohibits, among other things, all trading in securities held by the Crystal Wealth Funds, and the acquisition of securities by Crystal Wealth on behalf of the Crystal Wealth Funds.

8. The Temporary Order contains narrow exceptions for Crystal Wealth to be able to liquidate positions in exchange-traded securities already held by the Funds, provided the monies remain in the respective Fund's account.

9. Terms and conditions on Crystal Wealth's registration in the Temporary Order prevent Crystal Wealth from accepting new clients, opening new client accounts or accepting new client monies.

10. Pursuant to s. 126(1) of the Act, Staff also obtained freeze directions in respect of the bank and/or brokerage accounts of the Crystal Wealth Funds, Crystal Wealth, Smith, Smith's company, CLJ Everest, and a yoga studio connected to Smith, Chrysalis

Yoga Inc. ("Chrysalis Yoga") (collectively, the "Freeze Directions"), as well as property directions in respect of a residential property owned by Smith's company, CLJ Everest.² Staff intend to seek to continue the Freeze Directions and the property direction in the Superior Court of Justice.

11. In the balance of this Affidavit, I describe Crystal Wealth, Smith, entities related to him and the Crystal Wealth Funds. In particular, I describe certain concerns with respect to the net asset value ("NAV") of the Media Fund. I conclude by noting that the Funds and Crystal Wealth have not delivered or filed audited financial statements as required under Ontario securities law.

B. CRYSTAL WEALTH, SMITH, CLJ EVEREST, 115 LIMITED AND THE CRYSTAL WEALTH FUNDS

i. Crystal Wealth

12. Crystal Wealth is a Burlington-based Ontario corporation, registered with the Commission in the categories of Exempt Market Dealer ("EMD"), Investment Fund Manager ("IFM"), Portfolio Manager ("PM") and Commodity Trading Manager. Crystal Wealth is also registered in British Columbia, Manitoba, Newfoundland and Labrador, Quebec and Saskatchewan.³

13. Crystal Wealth has created its own proprietary funds (the Crystal Wealth Funds) and also manages those Funds. Crystal Wealth is the IFM and the PM for 15 Crystal Wealth Funds that are structured as open-ended mutual fund trusts, and distributed on

² Attached as Exhibit "2" are copies of the Freeze Directions obtained by Staff dated April 6, 2017, April 7, 2017 and the property direction dated April 13, 2017.

³ Attached as Exhibit "3" is a copy of the National Registration Database ("NRD") printout showing the categories of registration for Crystal Wealth and the provinces in which it is registered.

an exempt basis, pursuant to offering memoranda (“OMs”). As the IFM of the Funds, Crystal Wealth manages the day-to day business of the Funds and oversees the PM function. As PM of the Funds, Crystal Wealth is required to make suitable investment decisions for the Funds’ portfolios consistent with the respective Fund’s investment objectives. As at January 30, 2017, the total Assets under Management (“AUM”) for all of the Crystal Wealth Funds was approximately \$177,237,747.⁴

14. Crystal Wealth has approximately 1,265 portfolio management clients⁵ with AUM as at March 31, 2016 in discretionary accounts totalling \$139,524,613.77.⁶ Approximately 309 of these clients are located in Ontario.⁷ Crystal Wealth’s clients are invested through discretionary accounts, and of those, approximately 94% are invested in the Crystal Wealth Funds.⁸

15. Crystal Wealth reported gross revenue of \$2,489,310 for the year ended December 31, 2015, comprised predominantly of \$2,307,588 in management fees.⁹

⁴ Attached as Exhibit “4” is a table showing the AUM by Fund as at January 30, 2017.

⁵ Attached as Exhibit “5” – is a Risk Assessment Questionnaire submitted by Crystal Wealth on June 28, 2016, Page 24 – Questions for Portfolio Managers and Restricted Portfolio Managers, Question 6 – Residency of Clients

⁶ Exhibit 5 - Risk Assessment Questionnaire, Page 22 – Questions for Portfolio Managers and Restricted Portfolio Managers, Question 1 – Assets Under Management

⁷ Exhibit 5 - Risk Assessment Questionnaire, Page 24 – Questions for Portfolio Managers and Restricted Portfolio Managers, Question 6 – Residency of Clients

⁸ Exhibit 5 - Risk Assessment Questionnaire for Crystal Wealth dated June 28, 2016, Page 9 – IFM Section: Questions for Investment Fund Managers, Question 1 – Assets under management (AUM), \$131,660,119.84 AUM as at March 31, 2016 held by 13 non-prospectus qualified funds, representing approximately 94.4% of the AUM in discretionary accounts.

⁹ Attached as Exhibit “6” are the audited financial statements for Crystal Wealth for the years ended December 31, 2015 and 2014.

ii. Smith

16. Smith holds a controlling interest in the shares of Crystal Wealth¹⁰ and is the sole officer and director of Crystal Wealth.¹¹

17. Smith is an Ontario resident. An OM for the Media Fund dated November 21, 2016 describes Smith as the principal of Crystal Wealth,¹² who “founded the Manager in 1998 and has been President and Chief Executive Officer since its creation.”¹³

18. Smith is registered in Ontario with the Commission as a dealing representative, an advising representative in the category of PM, an advising representative in the category of Commodity Trading Manager, and as the firm’s Chief Compliance Officer (“CCO”) and Ultimate Designated Person (“UDP”). As CCO and UDP, Smith bears responsibility for the firm’s compliance with Ontario securities laws. Smith is also registered in Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Quebec and Saskatchewan.¹⁴

¹⁰ Attached as Exhibit “7” are copies of Ownership of Securities and Derivatives for Crystal Wealth with effective dates of November 8, 2016 and August 13, 2012, printed from NRD; Smith is the currently the beneficial owner of 91.76 % of Crystal Wealth’s shares, prior to November 8, 2016, Smith was the beneficial owner of 65.5% of Crystal Wealth’s shares

¹¹ Exhibit 7 - copies of Ownership of Securities and Derivatives for Crystal Wealth with effective dates of November 8, 2016 and August 13, 2012.

Attached as Exhibit “8” is a copy of the November 21, 2016 Offering Memorandum for the Media Fund which was printed from the Crystal Wealth Website, <http://crystalwealth.com>, on April 10, 2017.

¹² Exhibit 8 - November 21, 2016 Offering Memorandum for the Media Fund, Page 6

¹³ Exhibit 8 - November 21, 2016 Offering Memorandum for the Media Fund, Page 6

¹⁴ Attached as Exhibit “9” is a copy of the NRD printout showing the categories of registration for Smith and the provinces in which he is registered.

iii. CLJ Everest

19. Smith's holding company, CLJ Everest, has its registered office in Burlington, Ontario. Smith is the sole shareholder, officer and director of CLJ Everest, which holds 28.26% of Crystal Wealth's outstanding shares and 100% of the shares of 115 Limited.¹⁵

iv. 115 Limited

20. 115 Limited is 100% owned by CLJ Everest. Smith is the sole officer and director of 115 Limited, which holds 63.5% of Crystal Wealth's outstanding shares.¹⁶

v. The Crystal Wealth Funds

21. As indicated, approximately 94% of client monies in discretionary accounts funds are invested in Crystal Wealth's Funds. Crystal Wealth is the Trustee, Manager, Portfolio Adviser and Promoter of the Crystal Wealth Funds, and for some Funds is the Commodity Trading Manager. All of the OMs state that as Manager of the Crystal Wealth Funds, Crystal Wealth is to "exercise its duties and responsibilities diligently and in good faith and with the degree of care, diligence and skill that a reasonably

¹⁵ Attached as Exhibit "10" are (i) a Corporation Profile Report for CLJ Everest dated January 3, 2017, (ii) a draft letter from BDO Canada LLP ("BDO") to Crystal Wealth dated September 24, 2014 "Re: Qualified small business corporation shares", (iii) an email from Smith to BDO dated February 2, 2015 "Re: Valuation Services" with a Balance Sheet and Profit and Loss of Crystal Wealth and (iv) Form 33-109F5-Change of Registration Information for Crystal Wealth dated November 8, 2016.

¹⁶ Attached as Exhibit "11" is a Corporation Profile Report for 115 Limited dated February 2, 2017. Exhibit 10 – Exhibit "A" to Form 33-109F5 disclosing percentage of voting securities of Crystal Wealth held by 115 Limited as 63.5%

prudent professional investment funds manager would exercise in comparable circumstances.”¹⁷ This obligation is also codified in s. 116 of the Act.

22. Crystal Wealth also has obligations in its role as PM to the Crystal Wealth Funds. In that capacity, it is “responsible for execution of the Fund’s investment strategy, including the identification and selection of investment opportunities, related due diligence, negotiation, documentation, approval and ongoing management and administration of assets in the portfolio.”¹⁸ Crystal Wealth’s advising representatives perform all portfolio management functions for the Crystal Wealth Funds “in-house” and, according to Crystal Wealth, as at June 28, 2016, there were four individuals registered with the firm as advising representatives and one individual registered as an associate advising representative.¹⁹

23. The majority of units in the Funds were sold pursuant to the accredited investor exemption in s. 73.3(2) of the Act and, where the purchasers resided outside of Ontario, pursuant to s. 2.3 of in National Instrument 45-106—*Prospectus Exemptions* (“NI 45-106”). Crystal Wealth has also relied on the minimum amount exemption in s. 2.10 of NI 45-106 (prior to May 5, 2015)²⁰ and the additional investment in investment funds exemption in s. 2.19 of NI 45-106.²¹

¹⁷ Attached as Exhibit “12” are excerpts from the OMIs for each of the Crystal Wealth Funds.

¹⁸ Exhibit 12 - Excerpts from the OMIs for each of the Crystal Wealth Funds

¹⁹ Exhibit 5 – Risk Assessment Questionnaire, Page 15 – IFM Section: Questions for Investment Fund Managers, Question 9 – Funds’ investment portfolios and Risk Assessment Questionnaire, Page 25 – Questions for Portfolio Managers and Restricted Portfolio Managers, Question 10 – Portfolio Managers

²⁰ The s. 2.10 exemption is no longer available to individual clients as of May 5, 2015

²¹ Generally speaking, an accredited investor is one who owns a prescribed minimum of net pre-tax financial assets of \$1,000,000, of net pre-tax assets of \$5,000,000 or has net pre-tax income of \$200,000;

24. Crystal Wealth continues to manufacture new funds. In 2016, five new funds were created, the latest of which being is the Conscious Capital Fund.²²

25. Many of the Funds invest in illiquid securities in alternative asset classes, such as film loans, mortgages, medical receivables and factoring receivables.²³

vi. **The Media Fund**

26. The largest of the Crystal Wealth Funds is the Media Fund, which had an AUM of \$53,221,497 as at January 31, 2017.²⁴ Staff are aware of four OMs for the Media Fund.²⁵ Each of these OMs state that the Media Fund's investment objective "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."²⁶

27. In 2016, the total sales of units in the Media Fund was \$31,725,749.08.²⁷

the minimum amount exemptions relates to a minimum investment of \$150,000; and the additional investment exemption relates to additional investments by an investor who has already invested a minimum of \$150,000 in an investment fund.

Attached as Exhibit "13" are (i) a listing of the reports of distribution, Form 45-106F1, submitted by Crystal Wealth indicating the exemptions relied on for sales of units of each of the Funds for the years 2014 to 2016 (ii) Forms 45-106F1 for the Crystal Wealth Funds for 2016.

²² Exhibit 13 – Forms 45-106F1 for the Sustainable Dividend Fund, Sustainable Property Fund, Hedge Fund, Infrastructure Fund and Conscious Capital Fund.

²³ Exhibit 12 – Excerpts of the Cover Pages for the OMs of the Media Fund, Medical Fund, Factoring Fund and Mortgage Fund.

²⁴ Exhibit 4 – Schedule of AUM's by Fund as at January 30, 2017.

²⁵ Attached as Exhibits "14, 15 and 16" are the August 31, 2012 OM (the "August 2012 OM") and the September 27, 2015 and May 6, 2016 OMs for the Media Fund, respectively.

²⁶ Exhibit 14 – August 2012 OM; Exhibit 15 – September 27, 2015 OM for the Media Fund; Exhibit 16 – May 6, 2016 OM for the Media Fund; and Exhibit 8 – November 21, 2016 OM for the Media Fund

²⁷ Exhibit 13 – Form 45-106F1 for the Media Fund for 2016.

Nature of an Investment in Media Fund Units

28. The following is an overview of an investment in the Media Fund for a client with a discretionary account with Crystal Wealth:

- (i) Investors with discretionary managed accounts provide funds to Crystal Wealth to manage on their behalf in accordance with their investment objectives and agreements governing their accounts.
- (ii) As PM for the discretionary managed accounts, Crystal Wealth uses its discretionary authority to place investor funds into the proprietary funds it manufactures, such as the Media Fund.
- (iii) The Media Fund's investment objective is to earn interest income from loans made for film productions ("Film Loans").
- (iv) As PM for the Media Fund, Crystal Wealth decides in which Film Loans the Media Fund will invest.
- (v) Media House Capital (Canada) Corp. ("MHC") enters into agreements with film production companies to lend them money so that they can produce a film. The end borrower is the production company.
- (vi) MHC then sells those Film Loans to the Media Fund, and receives an up-front 10% fee, which is built into the principal of the Film Loan.
- (vii) By virtue of owning units of the Media Fund, investors indirectly own the value of the Film Loan, which is reflected in the NAV of the Media Fund.

MHC's Role for the Media Fund

29. MHC is described as "a management firm that specializes in film finance and production."²⁸ According to the Media Fund's August 2012 OM, MHC was to source potential investments for the Media Fund, and monitor those investments on an ongoing

²⁸ Exhibit 14 – August 2012 OM, Page 2

basis. Specifically, according to the August 2012 OM, the "Fund currently intends to purchase the majority of its loans from MHC."²⁹ MHC is not registered with the Commission and is based in Burnaby, British Columbia.³⁰

30. The Media Fund and MHC entered into a Production Loan Administration Agreement effective August 12, 2011 (the "PLAA").³¹ Pursuant to the PLAA, MHC was required to:

- (i) evaluate and propose to the Media Fund production loan investments that it or its affiliates will have entered into;³²
- (ii) evaluate each loan investment according to prescribed due diligence guidelines;
- (iii) manage and service each loan purchased by the Media Fund, including managing, collection of payments of principal and interest,³³ and
- (iv) provide the Media Fund with monthly reports on the loans.³⁴

31. In return for its services, MHC charges a "loan facilitation fee" of up to 10% of the loan amount to the production company (the underlying borrower).³⁵ In other words, MHC receives the fee up front when the Media Fund purchases a film loan and the amounts are disbursed.

²⁹ Exhibit 14 – August 2012 OM, Page 2

³⁰ Exhibit 14 – August 2012 OM, Page 2

³¹ Attached as Exhibit "17" is the PLAA between the Media Fund and MHC effective as of August 12, 2011.

³² Exhibit 17 – PLAA , Page 3, Section 2.1

³³ Exhibit 17 – PLAA , Page 5, Section 4.1

³⁴ Exhibit 17 – PLAA , Pages 5-6, Section 4.2

³⁵ Exhibit 17 – PLAA , Page 7, Section 4.6

32. The Media Fund has purchased 24 Film Loans from MHC, the most recent purchase being the Film Loan for "Childhood of a Leader" in January 2015. The Mortgage Fund has also purchased one Film Loan from MHC.³⁶

MHC, the Bron Companies, Gilbert and Thibault

33. Smith principally dealt with Aaron Gilbert ("Gilbert") and Stephen Thibault ("Thibault") of MHC regarding the purchase, monitoring and administration of the Film Loans.

34. For the period July 13, 2015 to April 7, 2016, MHC was named Bron Capital Partners Corp. and for the period January 11, 2011 to July 7, 2013 it was named Media House Capital (Canada) Corporation. Gilbert is the sole director of MHC.³⁷

35. Gilbert is the President and one of three directors of Bron Studios Inc. ("Bron Studios"), a British-Columbia based production company.³⁸

36. Bron Animation Inc. ("Bron Animation") is a company affiliated with Bron Studios.³⁹

37. Not only is Gilbert the sole director of MHC and a director of Bron Studios and Bron Animation, Gilbert plays a role in most of the films which are invested in by the

³⁶ Attached as Exhibits "18" and "19" are listings of Film Loans purchased by the Media Fund and the Mortgage Fund to date, which were produced by both Crystal Wealth and MHC, respectively, in response to Staff's summonses.

³⁷ Attached as Exhibit "20" are MHC's Federal Corporation Information, Extraprovincial Company Summary, and Corporation Profile Report.

³⁸ Attached as Exhibit "21" is Bron Studios' BC Company Summary

³⁹ Attached as Exhibit "22" are Bron Animation's BC Company Summary and Ontario Corporation Profile Report.

Media Fund. Gilbert is listed as a producer or executive producer on 19 of the 25 film productions for which Film Loans have been purchased by the Media Fund and the Mortgage Fund. For five of the productions, he is a director or officer of the production company (the underlying borrowers).⁴⁰

38. Thibault is employed by MHC and is an Executive Vice President for Bron Media Corp., and formerly VP Finance at MHC.⁴¹

C. NET ASSET VALUE OF THE MEDIA FUND

39. At June 30, 2016, the Media Fund reported investments in Film Loans at fair value of \$50,557,162, representing 91.2% of total assets of the Media Fund.⁴²

Concerns that the NAV of the Media Fund is Overstated

40. I have reviewed certain documents relating to the audit of the 2015 Media Fund Financial Statements (the “2015 Media Fund Audit”) conducted by BDO Canada LLP (“BDO”). BDO concluded through the 2015 Media Fund Audit that there was a material difference between the estimated fair value of the Film Loans and their cost and that the assumption that cost approximates fair value is not reasonable.⁴³

⁴⁰ Attached as Exhibit “23” are a print out from the IMDb website of films for which Gilbert is the producer, also attached as Exhibit “24” are the corporation profile reports for five underlying borrowers indicating Gilbert’s positions with each of the production companies.

⁴¹ Attached as Exhibit “25” are Thibault’s biography from Bron Studios’ website <http://bronstudios.com/staff/steven-thibault/>, and the BC Company Summary for Bron Media Corp.

⁴² Attached as Exhibit “26” are the June 30, 2016 Unaudited Financial Statements of the Media Fund and the Financial Statements for the Media Fund for the year ended December 31, 2015 (the “2015 Media Fund Financial Statements”); At December 31, 2015 the investment in Film Loans at fair value was \$50,283,984, representing 86.3% of total assets.

⁴³ Attached as Exhibit “27” is the Highlights Report prepared by BDO with respect to the 2015 Media Fund Audit.

41. As a result of my review of certain documents relating to the 2015 Media Fund Audit, I have concerns about the existence and valuation of the Film Loans. It appears that the NAV of the Media Fund may have been materially overstated.

42. For the existence of the Film Loans, BDO relied only on a confirmation from Thibault by e-mail dated April 2, 2016 regarding the outstanding principal and interest of the loans, rather than confirmations from the film production companies (the underlying borrowers).⁴⁴

43. In determining the fair value of the Film Loans, Crystal Wealth relied on expected future sales of the underlying films received from MHC.⁴⁵ BDO tested the accuracy of forecasted 2015 Film Loan receipts of \$31.8 million at December 31, 2014 by comparing them to the actual 2015 Film Loan receipts of \$6.6 million,⁴⁶ and found that actual receipts were \$25.2 million less than originally forecasted.⁴⁷

44. Based on my review of the 2015 audit file for the Media Fund, approximately \$4.5 million in NAV appears to have be unsupported by BDO's audit:

a. The estimated fair value of the Film Loans recorded in the 2015 Media Fund Financial Statements included a value of \$1.5 million assigned to a guarantee from MHC (the "MHC Guarantee"). However, the MHC Guarantee was

⁴⁴ Attached as Exhibit "28" is an email from Smith dated March 7, 2016, entitled "Media Strategy Recovery Expectations" attaching a spreadsheet entitled "Media Loans – Summary at 31 Dec 2015". Attached as Exhibit "29" is a schedule of Media Loans Owned by Crystal Wealth Media Strategy as at December 31, 2015.

⁴⁵ Exhibit 34 – Audit of Estimates ~ FV of Media Loans, Page 1

⁴⁶ Exhibit 34 – Audit of Estimates ~ FV of Media Loans, Page 2

⁴⁷ Attached as Exhibit "30" is a copy of BDO's retrospective review for the Media Fund as at December 31, 2015.

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executed on March 31, 2016 and thus did not exist at the Media Fund's 2015 year end.⁴⁸

b. The book value of the Film Production Loans exceeded the estimated fair value range by \$2,943,337.⁴⁹ However, the excess was not adjusted in the 2015 Media Fund Financial Statements. Rather, it was reflected in the notes to the 2015 Media Fund Financial Statements "Potential change in valuation" of \$3.0 million.⁵⁰

45. BDO relied on MHC as an objective expert in their knowledge of the film industry and for independent confirmation with respect to the existence and collectability of the Film Loans.⁵¹ This is concerning, as further explained below.

46. Notwithstanding BDO's conclusion that based on its retrospective review, the forecasted 2015 Film Loan receipts "differed from actual by a material amount" further leading to a high degree of estimation uncertainty, BDO continued to rely on forecasted Film Loan receipts in the 2015 Media Loan Audit.⁵²

⁴⁸ Attached as Exhibit "31" are an email dated April 1, 2016, entitled "FW: MEDIA HOUSE GUARANTEE", attaching a guarantee letter to Smith from Gilbert dated March 31, 2016, obtained from BDO and a copy of the MHC Guarantee annotated by BDO obtained from the working papers prepared in connection with the 2015 Media Fund Audit (the "2015 Audit Working Papers").

⁴⁹ Exhibit 32 – spreadsheet "Fair Value of Media Loans" Excess of Book value over Low-end fair value range of 5,180,725 minus the provision of 2,237,389 equals 2,943,337 identified as "Range"

⁵⁰ Exhibit 26 – 2015 Media Fund Financial Statements, Page 16; Attached as Exhibit "29" is a spreadsheet obtained from the 2015 Audit Working Papers entitled "Fair Value of Media Loans".

⁵¹ Attached as Exhibit "33" is Document 2_07—"Use of Experts—Management" from the 2015 BDO Audit Working Papers.

Attached as Exhibit "34" is "Audit of Estimates—FV of Media Loans" from the 2015 BDO Audit Working Papers; Exhibit 34 – Audit of Estimates – FV of Media Loans, Page 1.

⁵² Exhibit 34 – Audit of Estimates – FV of Media Loans, Page 2

Concerns that MHC may not be independent and collaborated with Smith to respond to BDO

47. As noted above, BDO relied on MHC as an objective expert in their knowledge of the film industry and for independent confirmation with respect to the existence and collectability of the Film Loans.

48. However, emails between Smith and MHC appear to show that they coordinated responses to BDO inquiries for the 2013, 2014 and 2015 Media Fund Audits.

49. In relation to the 2013 Media Fund Audit:

- (i) Smith noted to Thibault that one of the Media Fund's "pre-requisites is to have a 2:1 min coverage against low sales estimates." Smith continued, "yet the following do not have this coverage", and listed Foreverland, Lullaby and Electric Slide. Smith questioned if the figures were incorrect or if the loans were actually off-side. After Thibault responded to Smith's questions, **Smith replied to Thibault "I will play with the spreadsheet and send it back to you to send directly to the auditors so we are using the same one and so they get it directly from you."**⁵³
- (ii) Smith told MHC that "We have to get the paperwork in order ASAP for the Henchmen [film project] advances as the auditors will ask for it and the start Monday."⁵⁴

50. In relation to the 2014 Media Fund Audit:

- (i) Smith asked that MHC send to BDO a report of all media project loans administered by MHC on behalf of the Media Fund. BDO subsequently asked MHC for a copy of the MHC – CWSYMF Q4 Summary worksheet. Smith then asked Thibault "**If at all possible, could you please email the report to me to do a quick review**

⁵³ Attached as Exhibit "35" is the email chain between Smith and MHC dated February 13, 2014 "RE: CWSYMF RESULTS TRACKING – Q4 2013". Emphasis added.

⁵⁴ Attached as Exhibit "36" is the email chain between Smith and MHC dated February 23, 2014 "RE: Henchmen – Tax Credit Agreements".

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prior to sending to Selena just so I can catch anything that might jump out at her?"⁵⁵

51. In relation to the 2015 Media Fund Audit:

- (i) Smith wrote to Gilbert, "This is what I'm dealing with on this end. I'm not going to write the fund down by another \$2 million in addition to the \$2.2 million I already have accrued as a loan loss provision, but as you can see, we are going to have to provide some significant support documents for the auditors when they come third week in January to value Foreverland and Electric Slide at closer to what is owed us."⁵⁶

Smith's communications regarding the value of the Film Loans

52. Smith, Gilbert and Thibault appeared to acknowledge significant valuation issues with respect to certain Film Loans in the summer and fall of 2016. For instance, in an email dated August 3, 2016, Smith asked Gilbert if his interpretation of the expected receipts for the Film Loan for "Electric Slide" were correct, and if correct, whether it would mean a loss in value of \$3,686,000.⁵⁷

53. On August 9, 2016, six days later, Smith emailed Gilbert and Thibault, regarding "Sales Agent Conversations" related to the Film Loans. Smith wrote: "I have to admit I wish the reports and expectations from the sales agents were more

⁵⁵ Attached as Exhibit "37" is the email chain between Smith, BDO and MHC dated February 12, 2015 "Re: Year end summary for auditors". Selena Mastroianni was a member of the BDO audit team. Emphasis added.

⁵⁶ Attached as Exhibit "38" is the email chain between Smith and MHC dated December 30, 2015 "Re: Crystal Wealth Media Fund". Emphasis added.

⁵⁷ Attached as Exhibit "39" is an email from Smith to Gilbert, copying others, including Thibault, dated August 3, 2016, and attaching expected receipts for remaining territories.

positive and optimistic and it looks like we'll have to write down a significant amount of our earlier loans.”⁵⁸

54. On November 17, 2016, Smith forwarded an email to Gilbert received from Paco Alvarez (“Alvarez”) on November 14, 2016, attaching notes of Alvarez’s meetings with sales agents and collection agents.⁵⁹ Alvarez was hired by Smith to assess the collectability of the Film Loans and assist with collections. Alvarez’s meeting notes raise concerns about the collectability of the outstanding principal and accrued interest of several of the Film Loans. Below is a table setting out the outstanding principal and interest on certain Film Loans owned by the Media Fund, and certain comments from Alvarez’s meeting notes regarding that film:

| Outstanding Dec 16, 2016 ⁶⁰ | | | |
|---|-------------|-------------|--|
| Film Loan | Principal | Interest | Comments |
| Electric Slide | \$2,619,496 | \$2,115,289 | “Deal was for a \$500,000 MG, but only paid \$250,000. Movie didn’t perform, according to Kirk, nobody wants it.” ⁶¹ |
| The Phenom | \$1,033,189 | \$341,260 | “Pascal claims Media House Capital will be paid back, mainly through US Deal ... Note: I don’t understand the math on how the loan will be retired” and “Pascal claims there are no more deals to be had.” ⁶² |

⁵⁸ Attached as Exhibit “40” is an email from Smith to Gilbert and Thibault, copying others, dated August 9, 2016 “Sales Agent Conversations”. Emphasis added.

⁵⁹ Attached as Exhibit “41” are (i) an the email from Smith to Gilbert dated November 17, 2016 “Fwd: AFM Meeting Notes” attaching “AFM 2016 / Crystal Wealth Media Strategy Meeting – Meeting Notes” and (ii) a Schedule of Film Loan Outstanding Principal and Interest at December 16, 2016 with Fair Value Analysis

⁶⁰ Exhibit 41 - Schedule of Film Loan Outstanding Principal and Interest at December 16, 2016 with Fair Value Analysis

⁶¹ Exhibit 41 - AFM 2016 / Crystal Wealth Media Strategy Meeting – Meeting Notes, Page 1

⁶² Exhibit 41 - AFM 2016 / Crystal Wealth Media Strategy Meeting – Meeting Notes, Page 1

| | | | |
|-----------------------|-------------|-------------|--|
| Kill Me 3 Times | \$1,811,784 | \$780,711 | "not many unsold territories left: Greece, Spain, Italy." ⁶³ |
| Welcome to Me | \$1,296,451 | \$329,130 | "not many unsold territories left: France, Greece, Spain, Italy." ⁶⁴ |
| Miss Julie Lullaby | \$1,283,336 | \$753,352 | "Not much potential on any of the movies, there[sic] were previously with other sales companies." ⁶⁵ |
| Elsa & Fred | \$2,488,134 | \$2,025,608 | |
| Childhood of A Leader | \$1,752,602 | \$850,722 | |
| | | | "Rest of the territories haven't responded to the movie, specially France" and "Trying to get digital deals, \$5 – 10K range." ⁶⁶ |

55. Regarding Electric Slide, Lullaby, and Elsa and Fred, Crystal Wealth has indicated that the estimated potential losses of \$825,038, \$141,124 and \$267,445, respectively are fully covered by a loan loss provision of \$2,253,113, as at December 16, 2016.⁶⁷

56. The NAV per unit of the Media Fund has remained relatively stable for each of series A and F units since their respective launches in 2011 and 2016, notwithstanding these communications about the collectability of the loans. For the period of September 3, 2011 to March 11, 2017, the NAV per series A unit of the Media Fund has been in the range of \$10 - \$10.26 per unit. Similarly, the NAV per series F unit of the Media

⁶³ Exhibit 41 - AFM 2016 / Crystal Wealth Media Strategy Meeting – Meeting Notes, Page 3

⁶⁴ Exhibit 41 - AFM 2016 / Crystal Wealth Media Strategy Meeting – Meeting Notes, Page 3

⁶⁵ Exhibit 41 - AFM 2016 / Crystal Wealth Media Strategy Meeting – Meeting Notes, Page 3

⁶⁶ Exhibit 41 - AFM 2016 / Crystal Wealth Media Strategy Meeting – Meeting Notes, Page 4

⁶⁷ Exhibit 41 - Schedule of Film Loan Outstanding Principal and Interest at December 16, 2016 with Fair Value Analysis

Fund has been in the range of \$10 - \$10.15 for the period of September 10, 2016 to March 11, 2017.⁶⁸

57. If the Media Fund's NAV is incorrect by being overvalued, investors' purchases and redemptions of the Media Fund's units would have been executed at incorrect, inflated prices. In other words, those investors who redeemed their Media Fund units may have received excess proceeds to the detriment of remaining and new investors. Further, those new investors may have paid too much for their units. In addition, if the Media Fund's NAV is overstated, it would similarly impact Funds that were invested in the Media Fund, and potentially the NAVs of each of those Funds.

D. FAILURE TO DELIVER OR FILE FINANCIAL STATEMENTS

58. As a registered IFM, Crystal Wealth was required to file audited annual financial statements for the year ended December 31, 2016 by March 31, 2017.⁶⁹ The Crystal Wealth Funds were required to deliver their audited annual financial statements for the year ended December 31, 2016 by March 31, 2017.⁷⁰

59. I have been advised by Carmen Macoretta ("Macoretta"), a BDO senior manager, that the 2016 financial statements for Crystal Wealth and the Crystal Wealth

⁶⁸ Attached as Exhibit "42" is a chart prepared by Staff of the weekly NAV per unit of the Media Fund from September, 10, 2011 to March 11, 2017 based on data from Morningstar Canada, an independent investment research provider.

⁶⁹ Subsection 21.10(3) of the Act and sections 12.10 and 12.14 of National Instrument 31-103—*Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103").

⁷⁰ Sections 2.1 and 2.2 of National Instrument 81-106—*Investment Fund Continuous Disclosure* ("NI 81-106"). As the Funds are not prospectus-qualified, they need not deliver their financial statements with the Commission provided they satisfy the exemption in s. 2.11 of NI 81-106, which would allow the Funds to deliver their financial statements within 90 days of year end directly to securityholders.

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Funds were not delivered or filed prior to March 31, 2017.⁷¹ I was also advised by BDO that the reason why those financial statements were not delivered or filed is that BDO was unable to complete their audits of the 2016 financial statements for the Funds by March 31, 2017, other than for three Funds – the Sustainable Dividend Fund, the Conscious Capital Fund, and the Enlightened Resource Fund. Collectively, these three Funds represented 4.8% of the AUM of the Crystal Wealth Funds at January 31, 2017.⁷²

60. I was advised by Macoretta that 2016 audits of the remaining Crystal Wealth Funds could not be completed because Crystal Wealth had not provided various items which BDO had requested. Macoretta provided a copy of BDO's Outstanding Items List as at April 7, 2017.⁷³

61. I was advised by Macoretta that towards the March 31, 2017 deadline, Smith's reactions to BDO's requests for information became "a lot more concerning, upsetting, aggressive". Smith sent an email to Macopretta dated March 31, 2017, copying Macorreta's superiors, stating:

With all due respect, it seems like you're deliberately trying to piss me off and block us from completing the financial statements. You have the original fully executed loan agreements between the two parties that outlines the security on each of the loans as well as the interest rates. I understand having to confirm with the other party the outstanding amounts at year end but that should be sufficient, and in prior years, it was ok to get

⁷¹ Attached at Exhibit "43" are excerpts of a compelled interview of Carmen Macoretta on April 12, 2017

⁷² Exhibit 4 - AUM by Fund as at January 30, 2017 – AUM of the Sustainable Dividend Fund, the Conscious Capital Fund, and the Enlightened Resource Fund were \$5,948,550, \$401,305 and \$2,121,573, respectively. The total AUM of the three Funds of \$8,471,428 represents 4.8% of the total AUM of all the Crystal Wealth Funds of \$171,237,747

⁷³ Attached at Exhibit "44" is the Outstanding Items List dated April 7, 2017.

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these confirms after statements were issued if we were having trouble getting them on time from third parties.

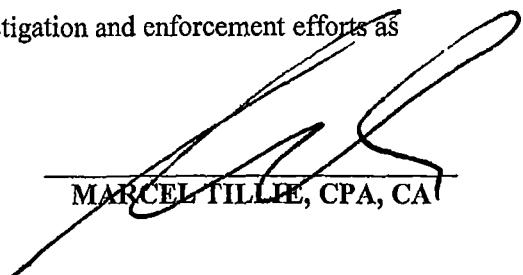
I've cc'd Scott and Rick, one of who I presume to be your superior, because I can't believe that they are ok with the nazi approach you are taking to our audit with no quarter given in any respect and I can't believe they are ok with your actions driving away my business for years to come.⁷⁴

62. Macoretta also advised of a potential transaction involving the principal assets of the Media Fund arranged by Smith and Dale Wells ("Wells"), a former advisor with Crystal Wealth, who started a registered firm called Wells Asset Management in Alberta.⁷⁵ The transaction would involve the sale of six Film Loans owned by the Media Fund to Wells for approximately \$0.80 on the dollar. Wells had clients who were invested in the Media Fund. The objective of the transaction was for Wells to redeem his clients out of the Media Fund.⁷⁶ I am unaware of whether this transaction was consummated.

I make this affidavit in furtherance of the investigation and enforcement efforts as authorized by the Commission.

SWORN BEFORE ME in the
City of Toronto, in the Province of
Ontario, this 17th day of April, 2017

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)
)


MARCEL TILLIE, CPA, CA

Q.C.M.H.
A Commissioner for taking affidavits

Lily Julia Ho, a Commissioner, etc.,
Province of Ontario, for the Government of Ontario
Ontario Securities Commission.
Expires May 31, 2017.

⁷⁴ Attached at Exhibit "45" is a copy of the email from Smith to Macoretta dated March 31, 2017, copying Rick Chittley-Young and Scott Jarrett. Emphasis added.

⁷⁵ Attached as Exhibit "46" is a printout from NRD printed April 17, 2017, regarding Wells Asset Management

⁷⁶ Attached at Exhibit "47" is an email received by BDO from Smith dated March 30, 2017, forwarding an email dated February 9, 2017 from Dale Wells, copying Gilbert and Thibault, re: "Fwd: CW/Wells Movie Proposal" with an attached schedule "Final WAM Purchase of CW Movies.xlsx"; Attached at Exhibit "48" is an excerpt from the compelled examination of Macoretta held on April 12, 2017

IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED

- AND -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED,
CLAYTON SMITH, CLJ EVEREST LTD and 1150752 ONTARIO LIMITED

AFFIDAVIT OF MICHAEL HO
(Sworn April 17, 2017)

I, MICHAEL HO, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY:

A. BACKGROUND

1. I am a Senior Forensic Accountant with staff of the Enforcement Branch ("Staff") of the Ontario Securities Commission (the "Commission") and have been employed as an accountant in the Enforcement Branch since June 2005. I am a Chartered Professional Accountant and received my designation in 1998. I am a member of the Chartered Professional Accountants, Ontario.

2. I am a Senior Forensic Accountant assigned to the Crystal Wealth Management System Limited ("Crystal Wealth") file. As such, I have personal information of the matters referred to in this affidavit, save for those matters of which I have been advised and do believe.

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3. I have been involved in an investigation into the activities of Crystal Wealth and its principal, Clayton Smith ("Smith"), as well as the activities of companies connected to Smith, CLJ Everest Ltd ("CLJ Everest") and 1150752 Ontario Limited ("115 Limited"), in regard to certain investment funds managed by Crystal Wealth. Staff's investigation into these matters is ongoing.

4. Crystal Wealth is the Trustee, Manager, Portfolio Advisor and Promoter of Crystal Wealth Media Strategy (the "Media Fund"). The stated objective of the Media Fund is to generate a high level of interest income by investing in asset-backed debt obligations of movie and television productions. According to the offering memorandum for the Media Fund dated August 31, 2012 (the "August 2012 OM"), Crystal Wealth: (i) relies on the expertise of Media House Capital (Canada) Corp. ("MHC") to source potential film and television production loans for investment by the Fund and to monitor those investments on an ongoing basis; and (ii) purchases the majority of loans for the Media Fund from MHC.¹

5. The August 2012 OM states that the Media Fund would not be in the business of making loans directly, but rather would purchase existing loans "that have been made to

¹ Attached as Exhibit "I" is the confidential offering memorandum for the Crystal Wealth Strategic Yield Media Fund dated August 31, 2012. Subsequent to this OM, the Media Fund was renamed Crystal Wealth Media Strategy.

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independent producers used to fund a portion of the production costs to complete motion pictures and series television productions.”²

6. Smith is the controlling shareholder and the sole officer and director of Crystal Wealth. I have reviewed email correspondence between Smith, Aaron Gilbert (“Gilbert”), and Stephen Thibault (“Thibault”). Gilbert is the sole director of MHC, and is also the President and a director of Bron Studios Inc., a British Columbia based production company, and Bron Animation Inc. (“Bron Animation”), a company affiliated with Bron Studios. Thibault is Executive Vice President for Bron Media Corp., (formerly VP Finance at MHC).³

7. Based on the August 2012 OM for the Media Fund, I expected that the business model for investments by the Media Fund would be as follows:

- (i) MHC enters into agreements with film production companies to lend them money so that they can produce a film. The end borrower is the production house.
- (ii) MHC then sells those film loans to the Media Fund, and receives an up front 10% fee which is built into the principal of the film loan.⁴

² Exhibit 1 - confidential offering memorandum for the Crystal Wealth Strategic Yield Media Fund dated August 31, 2012 at p 2.

³ Attached as Exhibit “2” are copies of: Crystal Wealth’s Corporation Profile Report; Ownership of Securities and Derivatives for Crystal Wealth with effective dates of November 8, 2016 and August 13, 2012; MHC’s Federal Corporation Information, Extraprovincial Company Summary, and Corporation Profile Report; Bron Studios’ BC Company Summary; Bron Animation’s BC Company Summary and Ontario Corporation Profile Report; BC Company Summary for Bron Media Corp. and Thibault’s biography from Bron Studios’ website.

⁴ Exhibit 1 - confidential offering memorandum for the Crystal Wealth Strategic Yield Media Fund dated August 31, 2012.

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8. I discovered a spreadsheet which sets out the names of five film productions for which the Media Fund owns film loans. The spreadsheet appears to indicate that Smith and others associated with him are the underlying borrowers rather than the production companies as I would have expected.

9. I then reviewed bank documents which appears to corroborate that some of the advances reflected on the spreadsheet were paid through an intermediary to Smith and CLJ Everest. I also discovered that CLJ Everest used some of the money to purchase a residential property.

B. THE SPREADSHEET

10. I have reviewed an email chain which ended on September 18, 2015, between Smith and Thibault. The email chain attaches a spreadsheet titled "LOAN PORTFOLIO.xlsx", which in turn refers to film productions for which the Media Fund purported to purchase film loans from MHC (the "Spreadsheet").

11. The file information for the Spreadsheet indicates, among other things: "Author Clayton Smith".⁵

12. The Spreadsheet refers to five film projects – Henchmen, Kingdom, Mercy, Mighty Mighty Monsters and Hunters of the Stars (the "Five Film Projects") – that were purportedly financed with film loans purchased by the Media Fund. The names of the Five Film Projects correspond to five projects listed in schedules of film loans, which

⁵ A copy of the screenshot with the file information for the Spreadsheet is attached as Exhibit "3".

were provided to Staff by Crystal Wealth and MHC.⁶ These schedules indicate that the Media Fund purchased loans in respect of the Five Film Projects between September 17, 2013 and November 4, 2014.⁷

13. These schedules of film loans, provided by Crystal Wealth and MHC, indicate that the underlying borrowers for the Five Film Projects are: Henchmen Production(s) Inc., Kingdom Productions Inc., Mercy Productions Inc., Mighty Productions 3 Inc. and Star Hunters 1 Productions Inc.

14. However, the Spreadsheet contains a summary page which does not refer to the film production companies as the underlying borrowers for those films, as one would expect to see based on the August 2012 OM and the Crystal Wealth and MHC Film Loan Schedules. Instead, the borrowers appear to be:

- (i) Smith;
- (ii) Smith's company, CLJ Everest;⁸
- (iii) a yoga studio co-founded by Smith, Chrysalis Yoga Inc. ("Chrysalis Yoga");⁹

⁶ A copy of the Crystal Wealth Film Loan Schedule produced by Crystal Wealth to Staff is attached as Exhibit "4". [BLG0000003] A copy of the MHC Film Loan Schedule produced by MHC to Staff is attached as Exhibit "5". [FAS0000002]

⁷ The MHC Film Loan Schedule shows the date of the last Film Project, Kingdom as being October 23, 2014. The Crystal Wealth Film Loan Schedule shows the date of the last Film Project as being November 4, 2014.

⁸ A copy of TD Bank's customer information enquiry in relation to CLJ Everest is attached as Exhibit "6".

⁹ A copy of a printout from the Chrysalis Yoga website is attached as Exhibit "7".

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(iv) Crystal Wealth Mortgage Strategy (the "Mortgage Fund"), another fund managed by Crystal Wealth; and

(v) Gilbert or MHC itself.¹⁰

15. In addition to their roles with MHC, the lender, Gilbert and Thibault appear to have a role with each of the purported film production companies for each of the Five Film Projects. Gilbert is a director of all of the underlying borrower production companies, and an officer for one underlying borrower production company (Mighty Productions 3 Inc.). Thibault is an officer for one production company (Star Hunters 1 Productions Inc.).¹¹

16. Both Gilbert and Thibault, appear to have signed loan documents not only on behalf of the underlying borrower production companies for the Five Film Projects, but also on behalf of MHC, the purported lender to the Five Film Projects. Gilbert and Thibault's names are listed under signatures on the Promissory Note for "Hunters of the

¹⁰ Copies of the e-mail chain dated September 18, 2015 and the attached spreadsheet titled "LOAN PORTFOLIO.xlsx" (the "Spreadsheet") produced by MHC to Staff are attached as Exhibit "8". [E-mail DIS01_000867; Spreadsheet DIS01_000868]

¹¹ A copy of the BC Company Summary for Henchmen Productions Inc. dated March 28, 2017 is attached as Exhibit "9". [OSC0000663]

Gilbert is listed as the sole director of. A copy of the BC Company Summary for Kingdom Productions Inc. dated October 21, 2016 is attached as Exhibit "10". [OSC0000531]

A copy of the BC Company Summary for Mercy Productions Inc., now Para Productions BC Inc. dated October 21, 2016 is attached as Exhibit "11". [OSC0000509]

A copy of the BC Company Summary for Mighty Productions 3 Inc. dated March 28, 2017 is attached as Exhibit "12". [OSC0000661]

A copy of the BC Company Summary for Star Hunters 1 Productions Inc. dated October 21, 2016 is attached as Exhibit "13"; [OSC0000578]

"Stars" dated August 21, 2014. Similar signatures appear on both the borrower and MHC signature lines of certain loan documents for each of the other Five Film Projects.¹²

17. The Spreadsheet does not appear to reflect the business model presented in the OM which indicates the Media Fund purchased loans that MHC made to independent producers of motion pictures and television series. Instead, in respect of the Five Film Projects, the Spreadsheet appears to show that the Media Fund lent money to Smith, Smith's company, CLJ Everest, the Mortgage Fund, Gilbert or MHC itself and Chrysalis Yoga. In other words, the Spreadsheet suggests that Media Fund monies were provided to Smith and the other parties listed thereon.

C. ANALYSIS OF PAYMENTS

18. In order to determine whether the flow of funds occurred as suggested by the Spreadsheet, I reviewed banking documents, email correspondence and other documents.

¹² Henchmen CAD - Tax Credit Loan and Security Agreement dated October 7, 2013, a copy of which is attached as Exhibit "14". [FAS0000136]

Henchmen USD - Tax Credit Loan and Security Agreement dated September 17, 2013, a copy of which is attached as Exhibit "15". [FAS0000135]

Kingdom - Loan and Security Agreement dated October 23, 2014, a copy of which is attached as Exhibit "16". [FAS0000151]

Mercy - Loan and Security Agreement dated October 23, 2014, a copy of which is attached as Exhibit "17". [FAS0000162]

Mighty Monsters - Tax Credit Loan and Security Agreement dated October 16, 2014, a copy of which is attached as Exhibit "18". [FAS0000167]

Hunters of the Stars - Promissory Note dated August 21, 2014, a copy of which is attached as Exhibit "19". [FAS0000138]

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19. As further expanded below, my analysis of the advances reflected on the Spreadsheet shows that monies from the Media Fund, purportedly for the purchase of film loans, have flowed through either MHC or Bron Animation, and ultimately into the accounts of Smith, CLJ Everest, Chrysalis Yoga and a joint account at TD Bank in the name of Smith and Lee Ann Smith (the "Smith Joint TD Account").¹³

20. I identified \$9,634,200 disbursed from the Media Fund's account at National Bank Correspondent's Network ("NBCN"), corresponding to advances listed on the Spreadsheet. Those advances were sent to the accounts of either MHC or Bron Animation. From there, I have traced \$329,930 which was transferred into the account of Smith, and \$2,307,347.50 into the account of Smith's company, CLJ Everest. I have traced further transfers from the accounts of Smith and CLJ Everest totalling \$187,000 to Chrysalis Yoga and at least \$13,000 to the Smith Joint TD Account.

21. I prepared a schedule addressing cash flows for the Henchmen film project (the "Henchmen Film Project Schedule")¹⁴ and a schedule addressing cash flows for the

¹³ TD Bank account 523771 0122. Lee-Ann Smith was described as Smith's "Common-Law" spouse in his Uniform Application of Registration/Approval dated February 10, 1998 and filed with the Commission, a copy of which is attached at as Exhibit "20".

¹⁴ A copy of the Henchmen Film Project Schedule is attached as Exhibit "21". I prepared this schedule in reliance on the following:

- Account statements for the Media Fund NBCN Account (defined below) for the months of October and November 2013 and January to June 2014, copies of are attached as Exhibit "22". [NBC456, 455, 13, 10, 22, 2 , 25 and 19]
- Account statement for the Bron Animation Account (defined below) for the period of January 1, 2013 to March 27, 2017, a copy of is attached as Exhibit "23". [EML0002465] A copy of the RBC client profile for Bron Animation which is attached as Exhibit "24". [RBC0000871, pp15-17]

Mercy and Kingdom film projects (the "Mercy and Kingdom Film Projects Schedule").¹⁵ In preparing these schedules, I relied on account statements from various financial institutions as well as supporting documents. Where possible, I have identified the source document I relied on by Document Identification number (or "DocID"). I have also reviewed and relied on certain email correspondence as identified below.

22. My review of advances reflected on the Spreadsheet is not yet complete. I am still investigating advances reflected on the Spreadsheet, including advances purportedly related to the Mighty Mighty Monsters and Hunters of the Stars Film Projects.

-
- Account statement for Smith's TD Account (defined below) for the period of January 1, 2014 to November 9, 2016, a copy of is attached as Exhibit "25". [EML0000971]

¹⁵ A copy of the Mercy and Kingdom Film Projects Schedule is attached as Exhibit "26". I prepared this schedule in reliance on the following The documents I relied on to prepare this schedule are:

- Account statements for Media Fund NBCN Account (defined below) for the months of October, November and December 2014 and January 2015, copies of which are attached at Exhibit "27". [NBC000030, 28, 8 and 14]
- Account statements for the MHC RBC Account (defined below) for the period of January 1, 2013 to March 27, 2017, a copy of which is attached at Exhibit "28". [RBC0000866] A copy of the RBC client profile for MHC which is attached as Exhibit 29. [RBC0000871, pp 4-6]
- Account statements for the CLJ Everest TD Account (defined below) for for the period of January 1, 2014 to November 9, 2016, a copy of which is attached at Exhibit "30". [TDB000376]

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(i) **The Henchmen Film Project (CAD)¹⁶**

23. Although the August 2012 OM states that film loans would be made to independent producers, the Spreadsheet shows nine advances from the Media Fund totalling \$2,390,000, allocated among MHC, Mortgage Fund and Smith.

24. The Henchmen Film Project Schedule I prepared establishes the following which is derived from bank documentation:¹⁷

- (i) \$2,390,000 was transferred from the Media Fund's NBCN account 27Q003E (the "Media Fund NBCN Account") to Bron Animation's Royal Bank of Canada account 1407881 (the "Bron Animation RBC Account"); and
- (ii) of the \$2,390,000 transferred to Bron Animation Account, \$329,930 was transferred to Smith's TD Canada Trust account 6045439 ("Smith's TD Account"), which was funded, at least in part, with monies Bron Animation received from the Media Fund.

25. I performed an analysis of the Smith TD Account to determine how funds transferred to it from the Bron Animation RBC Account were used (the "Smith TD Account Analysis").¹⁸ My analysis of Smith's TD Account shows that the following

¹⁶ This section addresses the Henchmen CAD Tab of the Spreadsheet.

¹⁷ Exhibit 21 - Henchmen Film Project Schedule.

¹⁸ A copy of the Smith TD Account Analysis is attached as Exhibit "31". I relied on the following supporting documents to prepare this analysis:

- Exhibit 25 - Account statements for Smith's TD Account for the period of January 1, 2014 to November 9, 2016. [EML0000971]
- Supporting documents for certain transactions in Smith's TD Account, copies of which are attached at Exhibit "32" to this affidavit. [TDB0000379 - 385, 391-396]

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disbursements were made from this TD Account using, at least in part, the \$329,930 received from Bron Animation¹⁹:

- (i) credit card payments totalling \$118,300;²⁰
- (ii) transfers in the amount of \$13,000 to the Smith Joint TD Account;
- (iii) transfers to Chrysalis Yoga totalling \$87,000;
- (iv) an RSP contribution to an account held at NBCN, in the amount of \$80,000;²¹
- (v) a transfer to 115 Limited, a company wholly owned by CLJ Everest, for which Smith is the sole officer and director, in the amount of \$17,500;²² and
- (vi) transfers to Crystal Wealth totalling \$30,000.

26. My review of email correspondence and other documents indicates that of the \$2,390,000 transferred to Bron Animation, \$500,000 appears to have been used to buy a Mortgage named "Tasci" owned by the Mortgage Fund. This \$500,000 advance is discussed in greater detail below.

-
- Account statements for the Smith Joint TD Account for the period of January 1, 2014 to November 7, 2016, a copy of which is attached at Exhibit "33" to this affidavit. [EML0002467]
 - Account statements for Crystal Wealth's TD Bank account 5004279 for the period of January 1, 2013 to November 9, 2016, a copy of which is attached at Exhibit "34" to this affidavit. [EML0000579]
 - Account statements for the Chrysalis Yoga Scotiabank Account (defined below) for the month of February 2014, a copy of which is attached at Exhibit "35" to this affidavit. [SCB0000239]

¹⁹ Exhibit 31 - Smith TD Account Analysis.

²⁰ I am not aware of whose credit card was paid.

²¹ I am not aware of whose RSP account received this contribution.

²² A copy of the Corporation Profile Report for 1150752 Ontario Limited is attached as Exhibit "36".

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Payments to Smith's TD Account totalling \$329,930

27. Transfer 1: Bank documents show that: on February 11, 2014, the Media Fund transferred \$50,000 out of the Media Fund NBCN Account;²³ on February 12, 2014, a receipt of \$50,000 was reflected in the Bron Animation RBC Account,²⁴ and on February 13, 2014 \$50,000 was transferred from the Bron Animation Account to Smith's TD Account.²⁵

28. Email correspondence between Smith and Thibault dated February 12, 2014 supports the bank documents which show that \$50,000 was transmitted from the Media Fund to Bron Animation, and ultimately to Smith. On February 12, 2014, Smith wrote to Thibault, and provided account information for Smith's TD Bank Account. Thibault asked, "When did you wire the funds to us and which account?" Smith replied that it went to an RBC account. Later the same day, Smith also wrote to Thibault: "...I just need the money in my account by tomorrow so it probably has to be initiated by you today." Thibault responded the same day: "Hi Clayton, We have initiated the wire – you should receive this tomorrow AM. Thanks!"²⁶

²³ Exhibit 21 - Henchmen Film Project Schedule.

²⁴ Exhibit 21 - Henchmen Film Project Schedule.

²⁵ Exhibit 31 - Smith TD Account Analysis. The amount of 49,982.50 appears on Smith's bank statements, which reflects a deduction of \$17.50 for commissions.

²⁶ A copy of the e-mail chain dated February 12, 2014 from Smith to Thibault produced by MHC to Staff is attached as Exhibit "37". [DIS01_1685]

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29. On February 13, 2014 Thibault wrote to Smith, confirming a wire transfer had been sent from Bron Animation to Smith's TD Account. Thibault attached a Wire Activity Detail Report which indicated that the payment was approved by Gilbert and Thibault.²⁷

30. On February 14, 2014, the day after \$50,000 was wired into Smith's TD Account from Bron Animation, a bank draft in the amount of \$32,000 was issued from Smith's TD Account payable to Chrysalis Yoga, which appears to have been deposited in Chrysalis Yoga's Scotiabank account 87296 00518 10 (the "Chrysalis Yoga Scotiabank Account").²⁸

31. **Transfer 2:** Banking documents show the following. On February 25, 2014, \$350,000 was transferred from the Media Fund NBCN Account.²⁹ On February 26, 2014, the Bron Animation RBC Account received a \$350,000 incoming wire payment with the message "TT CRYSTAL WEAL".³⁰ On February 27, 2014, \$50,000 was wired from the Bron Animation RBC Account to Smith's TD Account.³¹ On February 28, 2014, \$6,000 was transferred from Smith's TD Account to the Smith Joint TD

²⁷ Copies of the e-mail chain dated February 13, 2014 and attached Wire Activity - Detail Report dated February 13, 2014 produced by MHC to Staff are attached as Exhibit "38". [DIS01_1962; 1963]

²⁸ Exhibit 31 - Smith TD Account Analysis.

²⁹ Exhibit 21 - Henchmen Film Project Schedule.

³⁰ Exhibit 21 - Henchmen Film Project Schedule.

³¹ Exhibit 31 - Smith TD Account Analysis.

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Account.³² The \$6,000 was funded, at least in part, by the wire transfer Smith received from Bron Animation on February 27, 2014.

32. Email correspondence between Smith and Thibault dated February 27, 2014 supports the bank documents which show that Smith transferred \$350,000 from the Media Fund to Bron Animation. In an e-mail dated February 27, 2014 subject line "CONFIRM WIRE TRANSFER DETAILS", Smith wrote to Thibault "Hi Steven, Please confirm the attached is correct so when I send you the next tranche it gets to the right account quicker." Smith attached an NBCN "Funds Out" document dated February 25, 2014 created by Smith which referred to a payment of \$350,000 to the Bron Animation RBC Account, and listed under payment details "CWSYMF - HENCHMENT TAX CREDIT".³³

33. The same day, Thibault responded to Smith, attaching incoming wire instructions for the Bron Animation RBC Account and a Bron Animation USD account at RBC.³⁴

34. Transfer 3: Bank documents show that: on April 25, 2014, \$80,000 was transferred from the Media Fund NBCN Account;³⁵ the same day the Bron Animation

³² Exhibit 31 - Smith TD Account Analysis.

³³ Copies of the e-mail dated February 27, 2014 from Smith to Thibault and the attached NBCN "Funds Out" document dated February 25, 2014 produced by MHC to Staff are attached as Exhibit "39". [DIS01_1664; 1665].

³⁴ Copies of the e-mail chain dated February 27, 2017 from Thibault to Smith and RBC Wire information document produced by MHC to Staff are attached as Exhibit "40". [DIS01_1945; 1946]

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RBC Account received an \$80,000 incoming wire payment with the message "TT CRYSTAL WEAL";³⁶ and on April 28, 2014, \$80,000 was wired from the Bron Animation RBC Account to Smith's TD Account.³⁷

35. **Transfer 4:** Bank documents show the following. On May 13, 2014, \$150,000 was transferred from the Media Fund NBCN Account.³⁸ On the same day, the Bron Animation RBC Account received a \$150,000 incoming wire payment with the message "TT CRYSTAL WEAL".³⁹ On May 14, 2014, \$150,000 was wired from the Bron Animation RBC Account to Smith's TD Account and on the same day \$7,000 was transferred from Smith's TD Account to the Smith Joint TD Account.⁴⁰ The \$7,000 was funded, at least in part, by the \$149,982.50 wire transfer received on the same day.

The Tasci Mortgage Advance

36. As set out in greater detail below, it appears that Media Fund monies may have been used to buy out a mortgage apparently owned by another Crystal Wealth fund, the Mortgage Fund.

³⁵ Exhibit 21 - Henchmen Film Project Schedule.

³⁶ Exhibit 21 - Henchmen Film Project Schedule.

³⁷ Exhibit 31 - Smith TD Account Analysis.

³⁸ Exhibit 21 - Henchmen Film Project Schedule.

³⁹ Exhibit 21 - Henchmen Film Project Schedule.

⁴⁰ Exhibit 31 - Smith TD Account Analysis.

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37. The Henchmen CAD tab of the Spreadsheet indicates that on November 28, 2013, \$500,000 was advanced and the "Mortgage Fund Principal" column increased from \$0 to \$500,000. There is an embedded comment on the cell with the \$500,000 under the Mortgage Fund Principal column that states, "Clayton Smith: buy out tasci mortgage \$496,619.98".

38. My review of the banking documents indicates that on November 28, 2013, \$500,000 was transferred from the Media Fund NBCN account.⁴¹ On the same day the Bron Animation RBC Account received a \$500,000 wire.⁴² On December 5, 2013, \$500,000 was transferred out of the Bron Animation RBC Account.⁴³

39. We are investigating where the \$500,000 transfer from the Bron Animation RBC Account went. However, other documentation I have reviewed appears to suggest that the \$500,000 transferred out of the Bron Animation RBC Account on December 5, 2013 was used to buy out a mortgage owned by the Mortgage Fund.

40. On December 6, 2013, Margot Hand ("Hand"), a representative of MHC, sent an e-mail to Smith, copying Thibault, and Gilbert with the subject line "Henchmen-Tax Credit Agreements" which stated "See attached the draft Henchmen tax agreement and promissory note for your review." In the same email chain, on January 15, 2014, Hand sent an email to Smith stating, "I never received this back signed," attaching a

⁴¹ Exhibit 21 - Henchmen Film Project Schedule.

⁴² Exhibit 21 - Henchmen Film Project Schedule.

⁴³ Exhibit 21 - Henchmen Film Project Schedule.

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promissory note and a financing agreement.⁴⁴ The attached unsigned promissory note and financing agreement outlined terms for the Media Fund to lend \$900,000 to Henchmen Productions Inc.⁴⁵ Two comments in the financing agreement state “Needs to match mortgage purchase” and “Needs to match mortgage purchase agreement”.⁴⁶

41. On February 23, 2014, Smith responded to Hand’s January 15, 2014 e-mail, stating “We have to get the paperwork in order ASAP for the Henchmen advances as the auditors will ask for it and they start Monday. I apologize for dropping the ball on this.” Smith wrote that the Media Fund could not lend directly to a borrower, but had to purchase already existing loans from MHC. Smith asked Hand, “Could you get Adam to prepare paperwork similar to the other loans but in such a form that allows for multiple advances as we have moved money on several occasions for Henchmen.”⁴⁷

42. The emails between Hand and Smith suggest that the Henchmen film loan agreements were being prepared in February 2014. This is in contrast with loan

⁴⁴ Copies of the email chain dated January 15, 2014 and unsigned Promissory Note and Loan Agreement produced by MHC to Staff are attached as Exhibit “41”. [DIS01_001719, 1720 and 1721]

⁴⁵ Before January 15, 2014, the Media Fund had advanced \$900,000 to the Bron Animation RBC Account (\$400,000 on October 17, 2013 and the \$500,000 on November 28, 2013). See Exhibit 21 - Henchmen Film Project Schedule

⁴⁶ Exhibit “41” - Email chain dated January 15, 2014 and unsigned Promissory Note and Loan Agreement produced by MHC to Staff. [DIS01_001719, 1720 and 1721]

⁴⁷ Copies of the email chain dated February 23, 2014 produced by MHC to Staff are attached as Exhibit “42”. [DIS01_001672]

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documentation Crystal Wealth produced to Staff regarding the Henchmen film loan which suggests the agreements were entered into on October 7, 2013. Crystal Wealth produced:

- (i) a Purchase Notice dated October 7, 2013 that appears to have been signed by Smith, which suggests that the Media Fund acquired from MHC a loan of \$2,390,000 to Henchmen Productions Inc.⁴⁸
- (ii) a Supplement to Master Assignment Agreement dated October 7, 2013 between the Media Fund and MHC which states that MHC sold the Media Fund a film loan in the amount of \$2,390,000, and appears to have been signed by Smith, Gilbert and Thibault.⁴⁹
- (iii) and a Tax Credit Loan and Security Agreement between MHC and the underlying borrower, Henchmen Productions Inc., in the amount of \$2,390,000 dated October 7, 2013 that appears to have been signed by Gilbert and Thibault on behalf of MHC and Henchmen Productions Inc.⁵⁰

43. Another document I reviewed appears to indicate that the Mortgage Fund owned a mortgage called "tasci." On February 9, 2016, Smith sent an e-mail to Selena Mastroianni ("Mastroianni") subject "Crystal Wealth Mortgage Strategy Detailed Residential Mortgage Listing", and attached a spreadsheet entitled "CWMortgage Strategy Detailed Residential Mortgages.xls" (the "Mortgage Fund Spreadsheet").⁵¹

⁴⁸ Purchase Notice dated October 7, 2013 indicating "Purchase Price to be paid on Closing Date: CDN \$2,390,000", a copy of which is attached as Exhibit "43". [BLG0000379]

⁴⁹ Supplement to Master Assignment Agreement dated October 7, 2013, a copy of which is attached as Exhibit "44". [BLG0000062]

⁵⁰ Tax Credit Loan and Security Agreement dated as of October 7, 2013, a copy of which is attached as Exhibit "45". [BLG0000136]

⁵¹ Copies of the e-mail dated February 9, 2016 and an excerpt of the spreadsheet produced by BDO Canada LLP to Staff is attached as Exhibit "46". [BDO0012036, BDO0012037].

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Mastroianni is a representative of BDO who was involved in the audit of the financial statements of the Mortgage Fund for the year ended December 31, 2015. The Mortgage Fund Spreadsheet refers to "Tasci, Kris, Paid Out Date December 7 2013" under the "PAID OUT" column.⁵² The amount of principal and interest received on the Mortgage Fund Spreadsheet for Tasci is listed as \$496,619.98. The same amount appears in the comment on the Spreadsheet, which stated "**Clayton Smith: buy out tasci mortgage \$496,619.98**".

44. An email from Smith to Thibault dated May 4, 2016, also appears to indicate that monies related to the Henchmen CAD film loan were used to buy a mortgage from the Mortgage Fund. Smith forwarded to Thibault an email exchange between Smith and a representative of Liberty Mortgage Services Limited ("Liberty") regarding a wire transfer from Liberty to "BSI". Smith wrote: "Hi Steven, If you did receive this amount, ideally you could use it plus the amount I just sent you \$5,582 to send back to Media Strategy account at NBCN as a payment against Henchmen CAD since we used \$500,000 of that to buy mortgages from the mortgage fund....".⁵³

(ii) The Mercy and Kingdom Film Projects

45. The Mercy and Kingdom tabs of the Spreadsheet show advances allocated among borrowers other than the film production companies I would have expected to see based on the August 2012 OM. The Mercy tab of the Spreadsheet shows two

⁵² Exhibit 46 - e-mail dated February 9, 2016 and an excerpt of the spreadsheet produced by BDO Canada LLP to Staff.

⁵³ A copy of the e-mail dated May 4, 2015 is attached as Exhibit "47". [DIS01_000818]

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advances totalling \$4,347,200, allocated among Smith, Smith's company, CLJ Everest, Gilbert, the Mortgage Fund and Chrysalis Yoga. The Kingdom tab of the Spreadsheet shows two advances totalling \$2,897,000, allocated among Gilbert, the Mortgage Fund, and Smith's company, CLJ Everest.

46. Banking documents I have reviewed indicate the following as set out on the Mercy and Kingdom Film Projects Schedule I prepared:

- (i) \$7,244,200 was transferred from the Media Fund to MHC;
- (ii) \$2,307,347.50 was transferred from MHC to CLJ Everest;
- (iii) \$3,609,731.83 was transferred from MHC to Spectrum Canada Mortgage Services Inc. ("Spectrum")⁵⁴, a service provider for the Mortgage Fund.

47. I performed an analysis of the TD Bank account 5002640 of Smith's company, CLJ Everest, (the "CLJ TD Account") which analyzed how funds transferred to it from MHC's RBC account 1407402 (the "MHC RBC Account"), were used (the "CLJ TD Account Analysis").⁵⁵ My analysis shows that the \$2,307,347.50 received from MHC was spent in the following manner:⁵⁶

⁵⁴ Exhibit 26 - Mercy and Kingdom Film Projects Schedule.

⁵⁵ A copy of the CLJ TD Account Analysis is attached as Exhibit "48". I relied on the following supporting documents to prepare this analysis:

- Exhibit 30 - CLJ Everest TD Account Statements for the period of January 1, 2013 to March 31, 2017. [TDB000376]
- Supporting documents for certain transactions in the CLJ Everest TD Account, copies of which are attached at Exhibit "49". [TDB000398 – TDB000415]

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- (i) \$1,255,585.13 went to Brechin and Huffman, in trust, which I later determined was related to the purchase of residential property for Smith at 5043 Mount Nemo Cres. in Burlington, ON (the "Mount Nemo Property", discussed in greater detail below);
- (ii) \$200,000 was paid to Sutton Group – Summit Realty Inc. in trust for the Mount Nemo Property;
- (iii) \$150,000 was transferred to Crystal Wealth;
- (iv) \$195,000 was transferred to Smith's TD Account;
- (v) \$100,000 was transferred to the Chrysalis Yoga Scotiabank Account; and
- (vi) \$353,000 was transferred to Spectrum.

48. Spectrum and an affiliate agreed to provide mortgage administration and servicing services to Crystal Wealth and the Mortgage Fund.⁵⁷

-
- Exhibit 34 - Account statement for the Crystal Wealth's TD Bank account 5004279 for the period of January 1, 2013 to November 9, 2016. [EML000579]
 - Exhibit 25 - Account Statements for Smith's TD Account for the period of January 1, 2013 to November 9, 2016. [EML0000971]
 - Account statements for Chrysalis Yoga's Scotiabank Account for the month of Dec 2014, copies of which are attached at Exhibit "50". [SCB0000522]
 - Statements for the account of Crystal Wealth Marketing Inc. for TD Bank Account 5008285 for the period of July 24, 2014 to December 30, 2016, copies of which are attached at Exhibit "51". [EML0000580, TDB0000368]

⁵⁶ Apart from \$9,333.33 which was deposited into the CLJ TD Account during the period I analysed, there were no other sources of funds in the CLJ TD Account apart from those received from MHC.

⁵⁷ A copy of the Mortgage Procurement and Administration Agreement among Crystal Wealth, the Mortgage Fund, Spectrum-Canada Capital (2002) Corporation and Spectrum dated March 10, 2010 is attached Exhibit "52". [EML0000479]

49. Email correspondence also supports the bank documents which show Media Fund monies flowing to Spectrum. In an e-mail dated October 30, 2014 Smith directed Thibault to wire \$2,430,207.83 to Spectrum and \$106,268.17 to Carol Matthews, who appears to be the owner of Spectrum.⁵⁸ In the email, Smith also appeared to set out an accounting for the funds to be wired and wrote:

Tracking:
\$2,632,000 Mercy Loan
\$2,536,476 Total of wires
\$95,524 Balance to be applied to next set of transactions.⁵⁹

50. Consistent with Smith's email to Thibault, \$106,268.17 was transferred from the MHC RBC Account to Carol Matthews on October 30, 2014, the date of the email. MHC also sent a wire to Spectrum on October 30, 2014, however the amount transferred, \$2,057,731.83, differs from that set out in Smith's email.⁶⁰

(iii) Status of Loans and Production for the Five Film Projects

51. As of December 16, 2016, there had been no payments of principal or interest on any of the film loans owned by the Media Fund for the Five Film Projects.⁶¹

⁵⁸ A copy of Carol Matthews' Linked In profile is attached as Exhibit "53".

⁵⁹ A copy of the e-mail dated October 30, 2014 produced by MHC is attached as Exhibit "54". [DIS01_1356]

⁶⁰ Exhibit 26 - Mercy and Kingdom Film Projects Schedule.

⁶¹ In response to a summons, Crystal Wealth provided a schedule of payments received on each of the Film Loans owned by the Media Fund as at December 16, 2016, a copy of which is attached as Exhibit

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52. Each of the film loans for the Five Film Projects is past the loan maturity dates set out in the Crystal Wealth Film Loan Schedule and the MHC Film Loan Schedule. According to these schedules:

- (i) the Henchmen CAD film loan matured in April 2015;
- (ii) the Kingdom, Mercy and Mighty Mighty Monsters film loans matured in April or May of 2016; and
- (iii) the Hunters of the Stars film loan matured at the latest in February 19, 2016.⁶²

53. The Crystal Wealth Film Loan Schedule and the MHC Film Loan Schedule produced to Staff contain inconsistent information regarding the status of production on four of the Five Film Projects:

- (i) According to Crystal Wealth, the Kingdom Film Project is in post production, but according to MHC, the Kingdom Film Project is in pre-production.
- (ii) According to Crystal Wealth, the Mercy Film Project is in post production, but according to MHC, the Mercy Film Project is in production.
- (iii) According to Crystal Wealth, the Mighty Mighty Monsters Film Project was released in December 2013,⁶³ but according to MHC, the Mighty Mighty Monsters Film Project is in production.

⁶⁵⁵ [BLG000025]; MHC produced a similar schedule, a copy of which is attached as Exhibit "56" [FAS0000057].

⁶² Exhibit "4" - Crystal Wealth Film Loan Schedule produced by Crystal Wealth to Staff. [BLG0000003]; Exhibit "5" - MHC Film Loan Schedule produced by MHC to Staff. [FAS0000002]

⁶³ Attached as Exhibit "57" - is an attachment referred to in the Crystal Wealth Film Loan Schedule in regard to the production status of Mighty Mighty Monsters. The attachment shows a release date for Mighty Mighty Monsters in Canada on December 31, 2013. [BLG0000013]

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- (iv) According to Crystal Wealth, the Hunters of the Stars Film Project is in development, but according to MHC, the Hunters of the Stars Film Project is "N/A."⁶⁴

D. PURCHASE OF THE MOUNT NEMO PROPERTY

54. Using monies advanced from the Media Fund, on January 16, 2015, Smith's company, CLJ Everest, purchased the Mount Nemo Property for \$2.7 million.⁶⁵ The address for the Mount Nemo Property is listed as Smith's current mailing address as reported on the National Registration Database.⁶⁶

55. The Mount Nemo Property appears to be currently up for sale for \$3,450,000,⁶⁷ with an open house scheduled for Saturday, April 22, 2017. The property is described as:

- (i) being "an award winning historical property" on 4.99 acres;
- (ii) having four bedrooms, four bathrooms and a detached four car garage;
- (iii) coming with "a 10,000 sq ft historical post and beam barn, including 5000 sqft of finished additional living space"; and

⁶⁴ Exhibit 4 - Crystal Wealth Film Loan Schedule produced by Crystal Wealth to Staff. [BLG0000003]; Exhibit 5 - MHC Film Loan Schedule produced by MHC to Staff. [FAS0000002]

⁶⁵ Copies of the Purview Sales History Report dated April 11, 2017, and the Land Registry Office # 20 Parcel Register for the Mount Nemo Property are attached as Exhibit "58". [OSC0000690]

⁶⁶ A copy of a printout of Smith's profile from the National Registration Database printed on April 14, 2017 is attached as Exhibit "59".

⁶⁷ A copy of a print-out from Realtor.ca printed on April 11, 2017 is attached as Exhibit "60". [REA0000001]

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- (iv) a saltwater in ground pool with waterfall, and a seven person saltwater hot tub.⁶⁸

56. My analysis of CLJ Everest's TD Account shows that CLJ Everest made two payments related to the acquisition of the Mount Nemo Property:

- (i) On November 17, 2014, CLJ Everest issued a \$200,000 bank draft to Sutton Group – Summit Realty in trust.⁶⁹
- (ii) On January 14, 2015, a CLJ Everest issued a bank draft in the amount of \$1,255,585.13, payable to Brechin and Huffman, in trust.⁷⁰ Gregory Alan Brechin of Brechin & Huffman is listed as having acted for CLJ Everest regarding the purchase of the Mount Nemo Property on the Land Registry Office's transfer and mortgage documents.⁷¹

57. The remainder of the purchase appears to have been funded by a mortgage CLJ Everest entered into with the Home Trust Company in the amount of \$1,331,250, for which Smith is the guarantor.⁷²

58. As described below, my analysis shows that the payments totalling \$1,455,585.13 that CLJ Everest made in respect of the Mount Nemo Property were funded largely with monies transferred from the Media Fund:

⁶⁸ Exhibit 60 - A copy of a print-out from Realtor.ca printed on April 11, 2017. [REA0000001]

⁶⁹ Exhibit 48 - Analysis of CLJ Everest TD Account.

⁷⁰ Exhibit 49 - Supporting documents for certain transactions in the CLJ Everest TD Account. [TDB000398 – TDB000415]

⁷¹ A copy of the Land Registry Office Transfer documenting the sale of the Mount Nemo Property dated January 16, 2016 is attached as Exhibit "61" [OSC0000692]; A copy of the Land Registry Office Charge/Mortgage dated January 16, 2016 is attached as Exhibit "62" [OSC0000695]; Exhibit "63" – Land Registry Office Parcel Register dated January 16, 2015; Exhibit 48 – CLJ TD Account Analysis.

⁷² Exhibit 62 - A copy of the Land Registry Office Charge/Mortgage dated January 16, 2015. [OSC0000695]

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- (i) On November, 4, 2014, the Media Fund advanced \$2,347,000 to MHC, purportedly in relation to the Kingdom Film Project.⁷³
- (ii) On November 14, 2014, \$450,000 was transferred from MHC to CLJ Everest. This transfer was funded by the transfer from the Media Fund on November 4, 2014.⁷⁴
- (iii) On November 17, 2104, a bank draft in the amount of \$200,000 was issued to Sutton Group – Summit Reality Inc. in trust. This transfer was funded by the November 14, 2014 transfer CLJ Everest received from MHC.
- (iv) Advances from the Media Fund of \$1,452,000 on December 23, 2014, purportedly in relation to the Mercy Film Project, and of \$550,000 on January 12, 2015, purportedly in relation to the Kingdom Film Project, were paid by the Media Fund to MHC.⁷⁵
- (v) Shortly thereafter, MHC paid CLJ Everest \$1,857,400 in two transfers. Monies from these two transfers funded a substantial portion of the bank draft issued to Brechin and Huffman, In Trust for the property purchase. I concluded that at least \$1,167,994.91 of the \$1,255,585.13 bank draft used to purchase the Mount Nemo Property (or 93%), was funded with monies that came from the Media Fund.⁷⁶

59. Smith's email correspondence with Thibault, Gilbert and others, suggests that he was involved in a real estate purchase in January 2015 using funds transferred to CLJ Everest. On January 14, 2015, Smith sent an e-mail to Thibault, copying Gilbert with the subject "wire transfers to CLJ Everest". Smith wrote:

⁷³ Exhibit 26 - Mercy and Kingdom Film Projects Schedule. The detail of payment for this transfer from the Media Fund indicated "Kingdom Productions Inc.".

⁷⁴ Exhibit 26 - Mercy and Kingdom Film Projects Schedule, Note 1, Exhibit "26" – Mercy and Kingdom Film Projects Schedule.

⁷⁵ Exhibit 26 - Mercy and Kingdom Film Projects Schedule.

⁷⁶ Exhibit 48 - Analysis of CLJ Everest TD Account, Note 1.

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Any chance you could send copies of the wire transfer instructions from your end for the two large deposits to CLJ Everest end of last year \$450,000 and \$1.3 millionish? I provided the mortgagee with the attached invoices to prove the deposits are not loans that will be repayable but they want to see some sort of wire proof or something.

Any ideas?

Alternatively, perhaps I could get two letters - one on Bron letterhead, one on Media House letterhead simply stating the amount and verifying that it was payment for the invoices and is commissions on financial brokering and is not a loan?⁷⁷

60. On January 14, 2015, Thibault sent an email to Smith, stating "Hey there, here are all the wires I have sent to CLJ as per your request," attaching a pdf of wire summary reports. The attachments indicate that:

- (i) MHC wired \$450,000 to CLJ Everest on November 14, 2014;⁷⁸
- (ii) MHC wired \$1,357,400 to CLJ Everest on December 23, 2014;
- (iii) MHC wired \$500,000 to CLJ Everest on January 13, 2015;
- (iv) Gilbert and Thibault approved all of the wire transfers; and
- (v) Gilbert or Thibault released the funds.⁷⁹

61. On January 15, 2015, Smith responded to Thibault, stating: "Should anyone call from Home Trust (don't think they will but you never know), please confirm

⁷⁷ A copy of the e-mail dated January 14, 2015 produced by MHC to Staff is attached as Exhibit "64". [DIS01_001150]

⁷⁸ The first Wire – Summary Report is dated November 13, 2014. This transfer did not occur because it was cancelled by RBC. See Exhibit "26" - Mercy and Kingdom Film Projects Schedule.

⁷⁹ A copy of the e-mail dated January 14, 2015 produced by MHC to Staff is attached as Exhibit "65". [DIS01_001831, 0001832]

that these amounts are commission payments for finance arranged and not repayable by CLJ Everest.”⁸⁰

62. On January 18, 2015 (Sunday), Smith sent an e-mail to Michael Cockayne (“Cockayne”), a Senior Manager, Valuations at BDO. In the email, Smith stated “I bought a property that closed on Thursday and there were a few last minute SNAFUs that I had to sort out to have it finally close Friday afternoon.”⁸¹

63. Pursuant to s. 126(1) of the Act, Staff obtained a Certificate of Direction for the Mount Nemo Property on Thursday, April 13, 2017 and an order under s. 126(4) that the certificate of direction shall have the same effect as a certificate of pending litigation.⁸² Staff intend to seek to continue the property direction in the Superior Court of Justice.

E. INTER-FUND INVESTMENTS AND LOANS

64. Among the funds managed by Crystal Wealth (the “Crystal Wealth Funds”), there appears to be significant investments among the funds, and in particular, investments by other Crystal Wealth Funds in the Media Fund (“Inter-Fund

⁸⁰ A copy of the e-mail dated January 15, 2015 produced by MHC to Staff is attached as Exhibit “66”. [DIS01_001149]

⁸¹ A copy of the e-mail dated January 18, 2015 produced by BDO to Staff is attached as Exhibit “67”. [BDO0002901]

⁸² A copy of the Certificate of Direction for the Mount Nemo Property dated April 13, 2017 is attached as Exhibit “68”.

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Investments"). There also appears to be a significant amount of lending activity among the funds ("Inter-Fund Loans").

65. To carry out Inter-Fund Investments, I understand that Crystal Wealth relies on exemptive relief that it obtained in 2005 (the "Relief"), which allows any of the funds to invest up to 100% of its respective assets in units of the other funds, subject to certain conditions.⁸³

66. Staff's analysis of the Inter-Fund Loans and Inter-Fund Investments among the Funds is not yet complete. Based on our analysis to date, we are able to describe the extent of Inter-Fund Investments as at April 7, 2017 and the extent of Inter-Fund Loans as at December 31, 2015 and November 30, 2016.

(i) **Inter-Fund Investments**

67. As at April 7, 2017, according to the records of International Financial Data Services ("IFDS"), the transfer agent for the Funds, there were Inter-Fund Investments totalling \$22,694,777.01.⁸⁴ Of that amount, seven of the Crystal Wealth Funds⁸⁵ held

⁸³ A copy of the order exempting Crystal Wealth from compliance with ss. 111(2)(b), 111(2)(c) and subsection 111(3) of the Act dated April 29, 2005 is attached as Exhibit "69".

The Relief was obtained subject to certain representations and conditions, including that Inter-Fund Investments would be consistent with the top fund's investment objectives and would represent the business judgement of "responsible persons" (as defined in the Act) uninfluenced by considerations other than the best interests of the funds. Without the Relief, the Funds would be prohibited from knowingly making or holding an investment in the other Funds, as these may be contrary to paragraphs 111(2)(b), 111(2)(c) and subsection 111(3) of the Act.

⁸⁴ A listing of Inter-Fund Investments as at April 7, 2017 is attached at Exhibit "70". I prepared the listing in reliance on an investor listing as at April 7, 2017 for the Crystal Wealth Funds provided by IFDS is attached as Exhibit "71".

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\$11,218,727.32 in units of the Media Fund, three of the Crystal Wealth Funds⁸⁶ held \$4,894,288.43 in units of the Crystal Wealth Enlightened Factoring Strategy (the "Factoring Fund") and three Funds held \$4,841,079.30 in units in the Crystal Wealth Enlightened Hedge Fund.⁸⁷ The extent and amount of Inter-Fund Investments is dynamic. As at December 31, 2015, seven Crystal Wealth Funds held \$27,340.975 in units of the Media Fund.⁸⁸

(ii) **Inter-Fund Loans**

68. Based on my review of the Funds' audited financial statements as at December 31, 2015, I prepared a schedule of Inter-Fund Loans.⁸⁹ My schedule illustrates that as at December 31, 2015:

⁸⁵ ACM Growth Fund, ACM Income Fund, Crystal Wealth High Yield Mortgage Strategy (the "High Yield Mortgage Fund"), the Factoring Fund, Crystal Wealth Medical Strategy (the "Medical Fund"), the Mortgage Fund and Crystal Wealth Retirement One Fund (the "Retirement Fund"). The Retirement Fund held \$0.13 in units of the Media Fund on April 7, 2017.

⁸⁶ ACM Growth Fund, ACM Income Fund, Crystal Wealth Enlightened Resource & Precious Metal Fund.

⁸⁷ ACM Growth Fund, ACM Income Fund, the Factoring Fund.

⁸⁸ A copy of the 2015 Financial Statements for Crystal Wealth Media Strategy is attached as Exhibit "72".

⁸⁹ A copy of the Inter-Fund Loans Schedule I prepared is attached as Exhibit "73". I prepared this schedule in reliance on the following:

- Exhibit "72" - Financial statements for the year ended December 31, 2015 for Crystal Wealth Media Strategy. [CWW0000084]
- Financial statements for the year ended December 31, 2015 for the Mortgage Fund, a copy of which is attached at Exhibit "74". [CWW0000001]
- Financial statements for the year ended December 31, 2015 for the Medical Fund, a copy of which is attached at Exhibit "75". [CWW0000023]

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- (i) the Media Fund had borrowed a total of \$4,477,019 from three Funds;⁹⁰
- (ii) the Mortgage Fund had lent a total of \$5,767,173 to two Funds and had borrowed \$196,868 from one Fund;⁹¹
- (iii) the Medical Fund had lent \$270,000 to one Fund and borrowed \$2,085,460 from two Funds;⁹²
- (iv) the High Yield Mortgage Fund had lent \$722,176 to three Funds and had borrowed \$563,000 from one Fund;⁹³ and
- (v) the Factoring Fund had lent \$563,000 to the High Yield Mortgage Fund.

-
- Financial statements for the year ended December 31, 2015 for the High Yield Mortgage Fund, a copy of which is attached at Exhibit "76". [CWW0000044]
 - Financial statements for the year ended December 31, 2015 for the Factoring Fund, a copy of which is attached at Exhibit "77". [CWW0000062]
 - An excerpt of the general ledger for the period of January 1 to November 30, 2016 for the Media Fund, a copy of which is attached at Exhibit "78". [BLG0000870]
 - An excerpt of the general ledger for the period of January 1 to November 30, 2016 for the Mortgage Fund, a copy of which is attached at Exhibit "79". [BLG0000898]
 - An excerpt of the general ledger for the period of January 1 to November 30, 2016 for the Medical Fund, a copy of which is attached at Exhibit "80". [BLG0000884]
 - An excerpt of the general ledger for the period of January 1 to November 30, 2016 for the High Yield Mortgage Fund, a copy of which is attached at Exhibit "81". [BLG0000860]
 - The general ledger for the period of January 1 to November 30, 2016 for the Factoring Fund, a copy of which is attached at Exhibit "82". [BLG0000848]

⁹⁰ \$3,756,896 owing to the Mortgage Fund; \$270,000 owing to the Medical Fund; and \$450,123 owing to the High Yield Mortgage Fund.

⁹¹ \$3,756,898 owing from the Media Fund; \$2,010,275 owing from the Medical Fund; and \$196,868.00 owing to the High Yield Mortgage Fund.

⁹² \$270,000 owing from the Media Fund; \$2,010,347 owing to the Mortgage Fund; and \$75,113 owing to the High Yield Mortgage Fund.

⁹³ \$450,123 owing from the Media Fund, \$196,940 owing from the Mortgage Fund; \$75,113 owing from the Medical Fund; and \$563,000 owing to the Factoring Fund.

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69. I reviewed the general ledgers for 2016 for the five Crystal Wealth Funds which had an Inter-Fund Loan balance as at December 31, 2015. My review indicates that Inter-Fund Loans for the Media Fund had fluctuated in 2016. On January 7, 2016, the Media Fund received a further \$4.2 million advance from the Mortgage Fund, which increased the amount owing to the Mortgage Fund to nearly \$8 million. This amount was gradually paid down during 2016 and as at November 30, 2016, the Media Fund had a loan payable balance of \$895,380.85 owing to the Mortgage Fund.⁹⁴ As at November 30, 2016, the Medical Fund no longer had any outstanding amounts owing to other Crystal Wealth Funds, the High Yield Mortgage Fund was owed \$97,425.10 and the Factoring Fund had no balance owing to it.⁹⁵

70. Email correspondence between Smith and a representative of BDO describes Inter-Fund Loans in general terms. In an email dated March 28, 2016, during the audit of the 2015 Mortgage Fund Financial Statements, Mastroianni asked via email Smith for details about items for the Mortgage Fund described as "Due from related parties" which referred to \$2,010,275 due from the Medical Fund and \$3,756,898 due from the Media Fund. Smith responded to Mastroianni's inquiry stating, "They were advanced in the 4th quarter. The loan amounts fluctuate as amounts are needed in the various funds."⁹⁶

⁹⁴ Staff is in possession of Crystal Wealth's general ledger only up until November 30, 2016.

⁹⁵ Exhibit 73 - Inter-Fund Loans Schedule.

⁹⁶ A copy of the email dated March 28, 2016 is attached as Exhibit "83". [BDO0011899]

F. ASSETS OF THE FUNDS

71. On April 4, 2017, the Crystal Wealth Funds collectively held \$5,156,051.80 in cash and \$44,765,054.29 in investments, including Inter-Fund Investments. On April 7, 2017, Inter-Fund Investments amounted to \$22,694,777.01, which was 50.7% of the \$44,765,054.29 in investments held by the funds on April 7, 2017.⁹⁷

72. The Risk Assessment Questionnaire completed for Crystal Wealth, on or about June 28, 2016, shows that for the non-prospectus qualified funds managed by Crystal Wealth as at March 31, 2016, the total AUM was \$181,783,967.23, with \$116,245,321 invested in private or illiquid securities.⁹⁸

⁹⁷ A copy of the Crystal Wealth Funds Cash and Investment Balances on April 7, 2017 Schedule I prepared is attached at Exhibit "84". I prepared this schedule in reliance on the following:

- A letter from the TD Bank with the account balance for a Mortgage Fund bank account, copy of which is attached at Exhibit "85". [EML0002489/4]
- Account statement for ACM Growth Fund's account at Interactive Brokers Canada Inc., dated April 4, 2017, a copy of which is attached at Exhibit "86". [EML0002496]
- Account statement for the Media Fund's account at Interactive Brokers Canada Inc., dated April 4, 2017, a copy of which is attached at Exhibit "87". [EML0002504]
- Account statement for the Medical Fund's account at Interactive Brokers Canada Inc., dated April 4, 2017, a copy of which is attached at Exhibit "88". [EML0002510]
- Account statement for the Enlightened Resource Fund's account at Interactive Brokers Canada Inc., dated April 4, 2017, a copy of which is attached at Exhibit "89". [EML0002502]
- A list showing the balances for the NBCN accounts held by the Crystal Wealth Funds, as at April 4, 2017, produced to Staff by NBCN, a copy of which is attached at Exhibit "90". [NBC000471]

⁹⁸ A copy of the Risk Assessment Questionnaire for Crystal Wealth submitted on June 28, 2016 is attached as Exhibit "91".

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73. It is my understanding that generally, the Crystal Wealth Funds are priced weekly, and that purchases and redemptions in units of the funds can be made on any weekly valuation date.⁹⁹ For Crystal Wealth Funds that invest in illiquid, non-traditional asset classes, such as the Media, Mortgage, Medical and Factoring Funds, the revenue generating events, which involve the receipt of payments of principal and interest on various loans, may not necessarily coincide with investors' ability to redeem on any weekly valuation date.

G. SERIES F

74. In September 2016, Crystal Wealth launched a series F for each of the Mortgage, Media, Crystal Wealth Medical Strategy and Crystal Wealth Infrastructure Strategy Funds. The OMs for each of these Funds indicate that series F units will be charged a 1% management fee¹⁰⁰, whereas investors in series A units will be charged a 2% fee.¹⁰¹

⁹⁹ See e.g., Exhibit "92"- Confidential Offering Memorandum for Crystal Wealth Mortgage Strategy dated November 21, 2016.

¹⁰⁰ A copy of the Offering Memorandum for the Crystal Wealth Media Strategy dated November 21, 2016 is attached as Exhibit "93".

Exhibit 92 - Confidential Offering Memorandum for Crystal Wealth Mortgage Strategy dated November 21, 2016.

A copy of the Offering Memorandum for the Crystal Wealth Medical Strategy dated November 21, 2016 is attached as Exhibit "94".

A copy of the Offering Memorandum for the Crystal Wealth Infrastructure Strategy dated November 21, 2016 is attached as Exhibit "95".

¹⁰¹ The management fee for the Mortgage Fund is 2.2%.

75. In email correspondence dated September 12, 2016 addressed to others at Crystal Wealth, Smith wrote that "We launched F Class versions of both mortgage, media, medical and infrastructure Funds on Friday and \$2.8 million was invested for 69 clients by a third party broker in the Media Fund." In the same email, Smith described the use of these new investor monies as follows:

I know we discussed this briefly at the Edmonton meeting and shortly thereafter, but I wanted to revisit the idea of using part of new \$ in the fund to invest in new loans and part to satisfy your desired redemptions. Here is my thinking:

I know you all want your redemptions as quickly as possible so it would seem to make sense to devote all available \$ in the fund to satisfying those redemptions. However, with more new brokers looking at the fund and starting to devote client money to it, there will be enhanced scrutiny and questions about new deals we are doing (I am already getting these questions from the third party marketing firm and the broker that allocated the money on Friday). If I tell them we aren't doing any new deals because all the money is going to redemptions, I fear the flow of new money will dry up pretty quickly and there's a risk that the money that has come in will flow back out. I think that if we use half of this new money to satisfy redemptions and put half toward new deals, we can show continued new activity in the fund and have stories for the marketing firm to talk about and I think this will increase the flow of new money to the fund which will result in us being able to fund your desired redemptions more quickly.¹⁰²

76. The email suggests that Smith was considering, at least in part, using the proceeds from the sales of Media Fund units to fund redemptions.

¹⁰² A copy of the email dated September 12, 2016 is attached at as Exhibit "96". [EML0001534]

77. From Staff's review of the records from the Media Fund's transfer agent and account statements for the Media Fund NBCN Account, it appears that proceeds from the September 9, 2016 purchases of Media Fund units were used to fund a portion of redemptions from the Media Fund by three other Crystal Wealth Funds, as detailed below:

- (i) On September 9, 2016, there were approximately \$3.1 million worth of Media Fund units purchased (among them were approximately \$2.8 million worth of units bought by 70 GMP Securities clients, with 69 of them purchased their units at a price of \$10 per unit);¹⁰³
- (ii) On September 9, 2016, there were redemptions in the Media Fund of approximately \$244,000, including redemptions totalling approximately \$179,000 from the ACM Growth Fund, the Factoring Fund and the Retirement Fund;¹⁰⁴
- (iii) On September 14, 2016, the Media Fund received a transfer of approximately \$2.83 million apparently for the settlement of the September 9, 2016 purchases and redemptions;
- (iv) On September 16, 2016, there were redemptions totalling approximately \$2.4 million from the Media Fund, including approximately \$2.37 in redemptions by the same three Funds that redeemed Media Fund units on September 9, 2017. There were also purchases of \$239,000 in Media Fund units on September 16, 2016, resulting in a net redemption from the Media Fund of approximately \$2.16 million.¹⁰⁵

¹⁰³ A spreadsheet which shows purchases in the Media Funds on September 9 and 16, 2016, a copy of which is attached as Exhibit "97". The spreadsheet is an excerpt from a spreadsheet provided by IFDS which shows purchases in all Crystal Wealth Funds for the period of January 1, 2014 to January 26, 2017.

¹⁰⁴ A spreadsheet which shows redemptions from the Media Funds on September 9 and 16, 2016, a copy of which is attached as Exhibit "98". The spreadsheet is an excerpt from a spreadsheet provided by IFDS which shows redemptions from all Crystal Wealth Funds for the period of January 1, 2014 to January 26, 2017.

¹⁰⁵ Exhibit 97 - A spreadsheet which shows purchases in the Media Funds on September 9 and 16, 2016. Exhibit 98 - A spreadsheet which shows redemptions from the Media Funds on September 9 and 16, 2016.

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(v) On September 21, 2016, approximately \$2.17 million was transferred from the Media Fund's account apparently for the settlement of the September 16, 2016 purchases and redemptions.¹⁰⁶

78. I make this affidavit in furtherance of Staff's investigation and enforcement efforts as authorized by the Commission.

SWORN BEFORE ME in the
City of Toronto, in the Province of
Ontario, this 17th day of April, 2017

) 
MICHAEL HO

Lily Julia Ho
A Commissioner for taking affidavits

Lily Julia Ho, a Commissioner, etc.,
Province of Ontario, for the Government of Ontario,
Ontario Securities Commission.
Expires May 31, 2017.

¹⁰⁶ Account statement for the Media Fund NBCN Account for the month of September 2016, a copy of which is attached at Exhibit "99". [NBC0000035]

3603

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

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

**SUPPLEMENTARY AFFIDAVIT OF MICHAEL HO
(Sworn April 24, 2017)**

I, **MICHAEL HO**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

A. BACKGROUND

1. I am a Senior Forensic Accountant with staff of the Enforcement Branch ("Staff") of the Ontario Securities Commission (the "Commission"), assigned to the Crystal Wealth Management System Limited ("Crystal Wealth") file. As such, I have

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personal information of the matters referred to in this affidavit, save for those matters of which I have been advised and do believe.

2. I swore an affidavit on April 17, 2017 in respect of this matter (the "April 17 Affidavit"). I make this affidavit to provide additional information about Staff's investigation in this matter.

3. I have been involved in an investigation into the activities of Crystal Wealth and its principal, Clayton Smith ("Smith"), as well as the activities of companies connected to Smith, CLJ Everest Ltd ("CLJ Everest") and 1150752 Ontario Limited ("115 Limited"), in regard to certain investment funds managed by Crystal Wealth. Staff's investigation into these matters is ongoing.

B. SALE OF RESIDENTIAL PROPERTY SUBJECT TO COMMISSION FREEZE DIRECTIONS

Freeze Directions Served April 7, 2017

4. On April 7, 2017, Staff served temporary orders and freeze directions on Smith, Crystal Wealth, CLJ Everest and Chrysalis Yoga Inc.¹ The freeze directions were served via email to Smith's counsel, pursuant to Rule 1.5.1 of the Commission's Rules of Procedure which permit service by delivery to the representative of the party.²

¹ Copies of an email chain dated April 7, 2017 attaching Temporary Orders dated April 6 and 7, 2017 and freeze directions addressed to Smith, Crystal Wealth, CLJ Everest and Chrysalis Yoga are attached at Exhibit "1".

² A copy of Rule 1.5.1 *Service of Documents on Parties* from the Commission's Rules of Procedure is attached as Exhibit "2".

Smith's counsel at the time, Laura Paglia ("Ms. Paglia") at Borden Ladner Gervais LLP, accepted service on behalf of Smith, Crystal Wealth and CLJ Everest.³

5. The freeze directions directed Smith, Crystal Wealth and CLJ Everest, among other things:

- (i) "to refrain from withdrawing any funds, securities or property" from named financial institutions;
- (ii) "to maintain funds, securities or property"; and
- (iii) "to refrain from disposing of, transferring, dissipating or otherwise dealing with or diminishing the value of those funds, securities or property".⁴

6. In other words, among other things, the freeze directions directed Smith, Crystal Wealth and CLJ Everest not to sell or dispose of any financial assets or property.

Certificate of Direction Served April 13, 2017

7. On April 13, 2017, the Commission issued a certificate of direction and an order that the certificate of direction shall have the same effect as a certificate of pending litigation, in respect of a residential property at 5043 Mount Nemo Cres., Burlington, Ontario (the "Mount Nemo Property"). As detailed at paras 54 to 57 in my April 17 Affidavit, Smith's company, CLJ Everest, paid for and is the registered owner of the

³ Exhibit "I" - Email chain dated April 7, 2017 attaching Temporary Orders dated April 6 and 7, 2017 and freeze directions addressed to Smith, Crystal Wealth, CLJ Everest and Chrysalis Yoga; Chrysalis Yoga was served personally via process server on April 7, 2017.

⁴ Exhibit "I" - Email chain dated April 7, 2017 attaching Temporary Orders dated April 6 and 7, 2017 and freeze directions addressed to Smith, Crystal Wealth, CLJ Everest and Chrysalis Yoga.

Mount Nemo Property, which is Smith's mailing address on the National Registration Database ("NRD").

8. Staff served the certificate of direction and order on Ms. Paglia at 4:49 p.m. on Thursday, April 13, 2017, who confirmed receipt of Staff's email at 5:12 p.m. that day.⁵

Sale of the Mount Nemo Property

9. Four days later, on April 17, 2017, Ms. Paglia sent an email to Staff advising that the Mount Nemo Property had been sold on April 13, 2017 and the transaction would close on April 28, 2017, the same day scheduled for the hearing to consider Staff's request for an extension of the Commission's temporary orders. Ms. Paglia advised that:

- (i) "The sale price was \$3,250,000;"
- (ii) "There is one mortgage (Home Trust) with approximately \$1,290,000 outstanding;"
- (iii) "Real estate commission is \$189,275;" and
- (iv) "Anticipated legals and related miscellaneous expenses are approx. \$10,000."

10. Ms. Paglia also wrote, "We trust that in the circumstances the OSC will not take issue with the sale and is looking for terms/freeze directions in respect of the sale proceeds."⁶

⁵ Copies of Staff's email attaching the certificate of direction and order dated April 13, 2017, and Laura Paglia's response dated April 13, 2017, accepting service are attached as Exhibit "3".

⁶ A copy of Paglia's April 17, 2017 email to Staff and attached certificate of direction is attached as Exhibit "4".

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11. Staff responded to Ms. Paglia the same day (April 17), stating “Staff of the Commission do take issue with a sale of the Mount Nemo Property”. Staff wrote that the sale of the property was in contravention of the freeze directions that had been served on April 7, 2017. Staff asked Ms. Paglia to provide documents, as well as specifics of the transaction, including: the name of the purchaser and whether the purchaser or any beneficial owner are related to CLJ Everest or Clayton Smith (the sole owner of CLJ Everest); and the circumstances of the commission of \$189,000 to the realtor for the property, whom Staff understood was Smith’s sister, Jo-Anne Smith. Staff indicated that, “Given the Freeze Directions in place, we trust that no further steps will be taken regarding the sale or any disbursement of funds relating to the sale.”⁷

12. On April 17, 2017, Ms. Paglia responded to Staff’s email regarding the sale of the Mount Nemo Property, and indicated that the buyer was Martin McCready (“McCready”) and the seller was CLJ Everest. Ms. Paglia wrote that “the property was listed before notice of the OSC’s order.” Ms. Paglia also wrote, “we wish to work with you to maximize return for investors” and “We don’t see investor harm in a circumstance where the proceeds of sale remain subject to any OSC order and for the benefit of investors.”⁸

13. On April 19, 2017, Ms. Paglia’s associate, Suzanne Kittell (“Ms. Kittell”) sent a letter and attachments to Staff responding to certain of Staff’s inquiries regarding the

⁷ A copy of Staff’s email to Paglia dated April 17, 2017 is attached as Exhibit “5”.

⁸ A copy of Paglia’s response to Staff’s April 17, 2017 email is attached as Exhibit “6”.

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sale of the Mount Nemo Property set out in Staff's April 17, 2017 correspondence.⁹ Ms. Kittel's answer to Staff's inquiry as to whether the purchaser or any beneficial owner was related to CLJ Everest or Clayton Smith was non-responsive. Ms. Kittell wrote: "The seller is CLJ".

14. In her letter, Ms. Kittell's provided the following details regarding the sale transaction:

- (i) McCready contacted Jo-Anne Smith by phone on March 12, 2017, advising he was out front of the Mount Nemo Property and asking to view it.
- (ii) Jo-Anne Smith and McCready agreed to meet on Wednesday March 15, 2017 for a viewing.
- (iii) On Friday March 17, 2017, McCready advised Jo-Anne Smith that he was considering an offer, would arrange for funds and would advise within one week.
- (iv) After one week, Jo-Anne Smith called McCready to see if he was still interested. McCready advised he was interested but did not want to make a conditional offer.
- (v) After one week, Jo-Anne Smith contacted McCready again, who advised he was still not prepared to sign an offer.
- (vi) On April 10, 2017, Jo-Anne Smith contacted Mr. McCready again as another agent had expressed interest. McCready advised he was interested and ready to sign an offer.
- (vii) Jo-Anne Smith prepared the offer and sent it to Mr. McCready on April 12, 2017.
- (viii) Mr. McCready signed the offer that evening.
- (ix) Smith made some revisions and signed the offer at 5:52 p.m. on April 13, 2017.

⁹ Copies of Kittell's April 19, 2017 email and letter, and the attached listing documents, agent file checklist and Agreement of Purchase and Sale are attached as Exhibit "7".

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(x) McCready accepted the revised offer at 7:00 p.m. on April 13, 2017.¹⁰

15. The Agreement of Purchase and Sale provided by Ms. Kittell shows the typed offer signed by McCready dated April 12, 2017, in which he offered \$3,400,000 for the Mount Nemo Property. There are handwritten revisions to the Agreement of Purchase and Sale, which appear to be revisions made by Smith as described by Ms. Kittell. Smith appears to have reduced the sale price to \$3,350,000 on behalf of CLJ Everest and crossed out certain included chattels: a riding lawn mower and trailer, snowblower, reclining lounge chairs & lawn furniture in the barn, hanging lounge chair in cabana, exercise equipment in barn and 5 mango wood kitchen chairs. Despite Ms. Paglia and Ms. Kittell's statements in writing that the Mount Nemo Property has been sold, the Agreement of Purchase and Sale attached to Ms. Kittell's letter does not appear to have been signed nor initialed by Smith.¹¹

16. In response to Staff's question regarding the realtor commission, Ms. Kittell wrote: "The agreed-upon commission is 4% plus HST, with 1.5% going to the Listing Broker's office and 2.5% going to the Selling Broker's office. This is detailed in clause 2 of the Listing Agreement."

17. Staff responded to Ms. Kittell's April 19, 2017 correspondence at 5:53 p.m. the same day. Staff explained again that the sale of the Mount Nemo Property was in

¹⁰ Exhibit 7 - Copies of Kittell's April 19, 2017 email and letter, and the attached listing documents, agent file checklist and Agreement of Purchase and Sale

¹¹ Exhibit 7 - Copies of Kittell's April 19, 2017 email and letter, and the attached listing documents, agent file checklist and Agreement of Purchase and Sale

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contravention of the freeze directions applicable to both Smith and CLJ Everest. Staff also noted the following:

- (i) That Ms. Kittell had not responded to Staff's inquiry regarding whether McCready or any beneficial purchaser connected to him was in any way related to Smith or CLJ Everest;
- (ii) There were discrepancies between the sale price for the property and realty commission amounts in Ms. Paglia's email to Staff on April 17, 2017, and in Ms. Kittell's letter to Staff on April 19, 2017;
- (iii) Smith's sister, Jo-Anne Smith, was double-ending the deal by acting for both buyer and seller, and therefore, would receive the vast majority of the 4% commission from the sale;
- (iv) Kim Alvarez, the broker at Your Choice Realty Corp's Burlington Office, with which Jo-Anne Smith is associated, has a last name similar to an associate of Smith's (Paco Alvarez).¹²

18. Staff also asked Ms. Paglia and Ms. Kittell to provide:

- (i) more information on Mr. McCready, including "whether Smith, CLJ Everest Ltd, Crystal Wealth Management System Limited, 1150752 Ontario Limited, any of the Funds and/or any entities connected with Smith or his wife whatsoever, has any relationship, whether as an acquaintance, friend, family member or business associate, or as an employee, owner (beneficial or otherwise) director, officer, shareholder and the like";
- (ii) what was the source of McCready's funds;
- (iii) why Jo-Anne Smith was charging 4% on a deal which did not involve more than three phone calls and one offer sign-back;
- (iv) which were the correct sale price and commission amounts;
- (v) where the deposit of \$100,000 was being held and in what form; and
- (vi) whether there was any relationship between Kim and Paco Alvarez.¹³

¹² A copy of Staff's email dated April 19, 2017 at 5:53 p.m. is attached as Exhibit "8".

¹³ Exhibit 8 - Staff's email dated April 19, 2017 at 5:53 p.m.

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19. In response to Staff's April 19, 2017 correspondence, Staff received an email from Ms. Paglia indicating that Martin Doane ("Mr. Doane") was "assuming carriage of this matter" and that he would respond to Staff's inquiries. Mr. Doane replied, stating "I have just taken on carriage of this file and will get back to you as soon as I can."¹⁴

20. On April 21, 2017, Mr. Doane responded to Staff's April 19, 2017 letter. He stated that there was no violation of the Commission Freeze Directions, referring to the Temporary Order dated April 6, 2017 and noting that it did not place restrictions on Smith's home. In his letter, Mr. Doane did not refer to the Freeze Directions dated April 6, 2017 applicable to both Smith and CLJ Everest which direct them not to dispose of or transfer of any financial assets or property. Despite having served Smith's counsel with the Certificate of Direction at 4:49 on April 13, 2017, Mr. Doane states that Smith "did not become aware of it until sometime after". He also stated that "The Offer to Purchase, which came in on April 12th, was signed back on April 13th, well before the delivery of the Certificate of Direction on BLG, let alone Mr. Smith." This conflicts with Ms. Kittell's chronology of the sale in her letter dated April 19, 2017 in which she wrote that Smith "made some revisions and signed the offer at 5:52 P.M. on April 13, 2017 on behalf of CLJ Everest Ltd" which is *after* the certificate of direction was served at 4:49 P.M.

21. Regardless of the timing of the service of the Certificate of Direction, the fact remains that the Smith was served with the Freeze Directions dated April 6, 2017, on April 7, 2017, prior to the time he accepted McCready's offer to purchase the property.

¹⁴ A copy of the April 19, 2017 email chain from Paglia and Doane is attached as Exhibit "9".

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22. Mr. Doane's responded as follows to the inquiries in Staff's April 19, 2017 letter as follows:

- (i) He stated that Smith has never met McCready and that McCready has no relationship with Smith, CLJ Everest, Crystal Wealth, 115 Limited, the Funds, or any entities connected with Smith or his wife;
- (ii) Smith does not know the source of McCready's funds. McCready told Jo-Anne Smith her that he has a construction company and he deals with residential and commercial properties, and the funds were coming from his corporate account.
- (iii) Jo-Anne Smith gave Smith a discount of 1% on the sale of the property. He wrote that when Jo-Anne Smith "listed the property, she expected to earn 1.5% herself and pay 2.5% to the agent for the Purchaser". However, since McCready contacted her directly and was not represented by an agent, she is permitted to keep the entire fee when and if the transaction closes. He stated that Jo-Anne Smith has "fixed costs that she is responsible for at her office both on a monthly and transactional basis, including for the processing of transactional paperwork."
- (iv) In respect of the different sale price and commission amounts, he wrote that Ms. Paglia "simply got the numbers wrong in her email" and that the correct numbers are in the Agent File Checklist Ms. Kittell provided on April 19, 2017.
- (v) No deposit has been made on the property to date. McCready was supposed to provide the deposit by April 18, 2017 but has stalled after learning about the OSC's lien on the property. Mr. Doane indicated that McCready "says he still wishes to close."

23. Mr. Doane's email indicates that Smith wishes to move ahead with the sale of the Mount Nemo Property to McCready.

C. INTERVIEWS OF THIBAULT AND GILBERT

24. On April 21, 2017, Staff conducted compelled examinations of Aaron Gilbert ("Gilbert") and Steven Thibault ("Thibault"). As stated in the April 17 Affidavit,

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Gilbert is the sole director of Media House Capital (“MHC”),¹⁵ the entity through which Crystal Wealth Media Strategy (the “Media Fund”) acquired film loans. Gilbert is also the President and a director of Bron Studios Inc. (“Bron Studios”) and Bron Animation Inc. (“Bron Animation”), one of the entities through which Media Fund monies flowed before being paid to Smith.¹⁶ Thibault is Executive Vice President for Bron Media Corp and a former VP Finance at MHC. Thibault was a party to email correspondence regarding transfers of Media Fund monies from Bron Animation to Smith, and from MHC to Smith’s company, CLJ Everest and the use of Media Fund monies to buy mortgages from Crystal Wealth Mortgage Strategy (the “Mortgage Fund”).¹⁷

25. Below I have set out the new information Staff learned from Gilbert and Thibault to supplement the information set out in Parts B through D of the April 17 Affidavit, relating to: (i) the flow of funds for the purchase of film loans by the Media Fund; (ii) Thibault’s and Gilbert’s involvement in the sales estimates and valuation; (iii) “corporate personal loans” made to Smith; (iv) a spreadsheet which sets out five film projects for which the Media Fund purportedly purchased film loans from MHC (the “Spreadsheet”) and lists underlying borrowers, including Smith and CLJ Everest that were not production companies; (v) payments using Media Fund monies to purchase mortgages from the Mortgage Fund; and (iv) the current status of MHC.

i. *The Flow of Funds for the Purchase of Film Loans by the Media Fund*

¹⁵ April 17 Affidavit at paragraph 6.

¹⁶ April 17 Affidavit at paragraph 24.

¹⁷ April 17 Affidavit at paragraphs 28-29, 32, 44, 59-61.

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26. According to Thibault, once the Media Fund has decided to purchase a film loan, Crystal Wealth would send the money to the escrow account of MHC's lawyer, Adam Davids ("Davids"), and from the escrow account, the money was sent to the producer production account. MHC would receive its fees from the escrow account, and use those monies to pay consultant and legal fees. According to Thibault, money should not have come directly to MHC from the Media Fund.¹⁸ Gilbert's testimony was consistent on this was consistent with Thibault's.¹⁹

27. However, for the projects that Bron produces (e.g., Henchmen, Kingdom, Mercy, Mighty Mighty Monsters and Hunters of the Stars, the "Five Film Projects"), Thibault told Staff the money flows would be different. Monies for tax credit loans would flow directly to Bron or MHC but monies for gap loans would have gone through Davids' escrow account.²⁰ Gilbert's testimony differed slightly from Thibault's in that for the Bron projects, whether tax credit loans or gap loans, money would flow directly from the Media Fund to the production companies.²¹

28. Using Henchmen Productions Inc. as an example, Thibault told Staff that the monies advanced by the Media Fund would have gone to the underlying borrower film

¹⁸ A copy of pages 63-66 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "10".

¹⁹ A copy of pages 83-85 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit "11".

²⁰ Exhibit "10" - a copy of pages 63-66 of the transcript of the April 21, 2017 compelled examination of Steven Thibault.

²¹ Exhibit "11" - A copy of pages 83-85 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017; A copy of pages 93-95 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit "12".

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production company, such as Henchmen Productions Inc., which is Gilbert's company.²²

29. Thibault told Staff that MHC doesn't loan the money to the production companies making the films. MHC creates the paperwork but it is a simultaneous transfer to the Media Fund, who holds the loans. The loans do not get recorded on MHC's books.²³ Gilbert also referred to the extension of a loan to a production company and the sale of a loan to Crystal Wealth as a "simultaneous transaction."²⁴ According to Gilbert the transactions were set up this way because Smith told him that "he couldn't make a direct loan to a production. He could only buy an asset. So the reason that was structured that way was so that we would essentially, as Media House, enter into the loan that he would then buy."²⁵

30. According to Gilbert, MHC's fee for loans sold to Crystal Wealth "is usually 7 percent; 3 would be held back by Crystal." He later stated that Clayton would send MHC's lawyer 107% of what a film production needed and "He would hold back 3

²² Exhibit "13" – page 72 of the transcript of the April 21, 2017 compelled examination of Steven Thibault.

²³ Exhibit "10" - pages 63-66 of the transcript of the April 21, 2017 compelled examination of Steven Thibault.

²⁴ A copy of page 77 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit "14".

²⁵ A copy of page 81 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit "15".

percent, which he deemed as whatever fees he required for marketing or whatever he was doing it for.”²⁶

31. Thibault stated that MHC used to earn 10% fees on the early projects sold to the Media Fund. For later projects, the amounts changed so that MHC received 7% in fees and 3% was returned to Crystal Wealth or kept separately. He is unaware of why this change occurred.²⁷

32. The offering memoranda (“OMs”) for the Media Fund refer to a 10 % fee payable to MHC and do not reference Crystal Wealth receiving a portion of this fee.²⁸

ii. Thibault's and Gilbert's Involvement in the Sales Estimates and Valuation

33. Gilbert was aware that Smith had to do some valuation on the film loans and said that MHC provided Smith with updates but how he dealt with the information provided was up to him. Gilbert said that he and Smith did not discuss writing down any of the film loans.²⁹

34. Thibault testified that the sales agents are the only ones capable of letting MHC know what their current sales are and what they may or may not be in the future.

²⁶ A copy of pages 72-73 and 85 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit “16”.

²⁷ A copy of pages 75-76 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit “17”.

²⁸ August 31, 2012, Exhibit “14” to Tillie Affidavit, page 8; September 27, 2015, Exhibit “15” to Tillie Affidavit, page 6; May 6, 2016, Exhibit “16” to Tillie Affidavit, page 6; November 21, 2016, Exhibit “8” to Tillie Affidavit, page 6.

²⁹ A copy of page 76 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit “18”.

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Thibault simply takes the information down by phone, puts it into an excel spreadsheet and sends it over to Smith. Thibault is not a chartered accountant and does not consider himself qualified to do valuation type work. He stated that he was not aware of Gilbert being involved in doing valuation based on what the sales agents were telling MHC.³⁰

35. With respect to the December 31, 2015 schedule of film loans that was part of the 2015 audit file, Thibault stated that "This would be the year-end requested documentation to BDO to let them know the notes about sales agents' activities up until that point." Thibault stated that the interest and principal columns on the document would have come from Smith's records, and Thibault would have filled out the information from the sales agents and the notes based on our conversation with the sales agent, "so Aaron and I would have provided the notes side."³¹

36. Thibault said that BDO never confirmed the principal and interest balances on the loans as part of its audit work. Thibault stated "what I provided them was just the sales documentation based on this sales agents' conversation."

iii. "Corporate Personal Loans" to Smith

37. Gilbert and Thibault were both asked if there were any other business between MHC and Crystal Wealth, aside from the Media Fund's purchase of film loans. Gilbert said that he loaned Clayton a few million dollars when Clayton had a 30-45 day

³⁰ A copy of pages 67-68 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "19".

³¹ A copy of pages 139-141 of the transcript of the April 21, 2017 compelled examination of Steven Thibault and Exhibit 15 of the Examination is attached as Exhibit "20".

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shortfall to cover. Gilbert thought that one of Bron's holding companies lent the money to Smith. The money was sent to Smith in two transfers and went to one of Clayton's holding companies. Gilbert did not remember when the loans were made and did not know what the money was used for. Gilbert is not charging Smith interest and has not been repaid. Gilbert did not know if money ever went directly to Smith. Gilbert said that the money used for the loans was Bron corporate money. When asked if the Media Fund monies were used to make the loans to Smith, Gilbert said "it wasn't me financing with his money, no."³²

38. Thibault responded, "We did do corporate personal loans to Crystal ... It went to Clayton." Thibault described a loan of approximately \$3 million to Smith made by MHC and recorded on its books. He said he thought the loan was made in two payments to Smith's company CLJ Everest, and the money came from the MHC treasury and had not been repaid. Thibault was unaware of the terms of the loan or the reason it was made.³³

39. I cannot comment on whether a corporate personal loan was extended by Gilbert to Smith. However, the analysis in the April 17 Affidavit shows that transfers to Smith's personal account and to the account of CLJ Everest coincided in time, and in many cases were largely funded with, monies advanced to Bron Animation or MHC by the Media Fund.

³² A copy of pages 96-106 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit "21".

³³ A copy of pages 91-95 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "22".

iv. The Spreadsheet

40. Gilbert was a producer on the Bron projects that the Media Fund financed. He describes the producer role as being involved with financing and being involved with the IP and creation on set.³⁴

41. With respect to all of the Five Film Projects, Thibault told Staff that he was involved with all of these projects. Thibault stated that he has a role with the production company borrower in the sense that he manages the accountants that perform the bookkeeping and makes sure production costs are onside.³⁵

42. When shown the Spreadsheet Gilbert at first thought he recognized it, stating "I have never seen it in this form, but I know the document." When asked about the borrowers on the summary page of the Spreadsheet, including MHC, Mortgage Fund, CLJ Everest, Chrysalis Yoga and Clayton, Gilbert said "Truly have no idea what that is." When asked to turn to the Henchmen tab of the Spreadsheet, Gilbert said, "I don't know this document, to be honest with you." Gilbert did not know what the reference to "Clayton Principal" on the Henchmen tab of the spreadsheet meant. He could not explain why Clayton would have any part of the principal of the Henchmen film loan

³⁴ A copy of pages 33-34 and 36-39 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached as Exhibit "23".

³⁵ A copy of pages 82 and 102 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "24".

and did not believe that Clayton Smith had borrowed money from Henchmen. Later, Gilbert said "I have never seen this spreadsheet before. Forgive me. I haven't."³⁶

43. Like Gilbert, Thibault did not know what the references to MHC, the Mortgage Fund, Clayton, CLJ Everest or Chrysalis Yoga on the Spreadsheet represented. He did not know what the reference to "Clayton Principal" was on the Henchmen tab of the Spreadsheet.³⁷

44. With respect to the first advance to Smith on the Spreadsheet (of \$50,000 on February 12, 2014), Thibault said "I can't explain what is happening there ... We are responsible for the \$2.39 [million]. That is the loan that we asked for from him, so I don't know why he has this."³⁸ After reviewing the February 12, 2014 email chain between himself and Smith which is Exhibit 37 to the April 17 Affidavit, Thibault explained the \$50,000 payment by saying "that is probably the personal loan that we provided to him."³⁹

45. When asked about further advances to Smith reflected on the Henchmen tab of the Spreadsheet, Thibault stated that he was "not aware of any ongoing request to have loans". Thibault said he would be asked to transfer money and would transfer the

³⁶ A copy of pages 154-162 of the transcript of the April 21, 2017 compelled examination of Aaron Gilbert is attached as Exhibit "25".

³⁷ A copy of pages 103-104 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "26".

³⁸ A copy of pages 109-110 of the transcript of the April 21, 2017 compelled examination of Aaron Gilbert is attached as Exhibit "27".

³⁹ A copy of pages 115-120 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "28".

money accordingly. Thibault agreed that it did not appear that the advances on the Henchmen tab of the Spreadsheet were being paid to Henchmen Productions Inc.⁴⁰

46. When taken to the Mercy Tab of the spreadsheet and asked about the column labelled "CLJ Principal", Gilbert stated "I don't know what that is." He stated, "I don't know what CLJ is. It must be one of Clayton's companies."⁴¹

47. When taken to the Mercy Tab of the Spreadsheet, Staff asked Thibault about the December 2014 advance of \$1,452,000 to CLJ Everest. His explanation was "I think that is the corporate loan that we provided him". When asked why that would increase the principal balance for the Mercy Film Project, Thibault answered "That would have been an increase in the tax credit requirements, but I am not 100 percent sure why it is linked back honestly."⁴² Thibault gave an undertaking to look into whether this advance was funded from the Media Fund to MHC. The Kingdom and Mercy Film Project Schedule at Exhibit 26 to the April 17 Affidavit, summarized in para 58 (iv) and (v), shows that \$1,357,400 was in fact transferred from MHC to CLJ Everest on December 23, 2014 and this transfer was indeed funded with monies MHC received from the Media Fund.

⁴⁰ A copy of page 122-124 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "29".

⁴¹ A copy of page 161 of the transcript of the April 21, 2017 compelled examination of Aaron Gilbert is attached as Exhibit "30".

⁴² A copy of page 142 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "31".

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48. When taken to the Kingdom Tab of the Spreadsheet, Staff asked Thibault about the advance of \$550,000 to CLJ Everest on January 12, 2015. Thibault responded, "Same as what we just talked about on the other one. I need to look and see. This appears to be another loan to CLJ but I need to go back and look at that to determine how that transacted on our books." In reference to the payments reflected on the Mercy and Kingdom Tabs, Thibault stated, "I want to know if it went through those bank accounts, and if it did, I want to understand whether the funds used were corporate funds or if they were fund funds, if you will."⁴³ Again, the Mercy and Kingdom Film Project Schedule at Exhibit 26 to the April 17 Affidavit shows that on January 13, 2015, \$500,000 was in fact advanced to CLJ Everest, which was funded largely from monies advanced to MHC by the Media Fund.

v. *Payments using Media Fund Monies to Purchase Mortgages for the Mortgage Fund*

49. Gilbert told Staff that through one of his companies, he bought one of the mortgages from the Mortgage Fund. He does not recall the name of the mortgage.⁴⁴

50. When asked if he was aware that MHC or Bron-related companies bought out mortgages from the Crystal Wealth Funds, Thibault responded, "We did purchase some mortgages from the mortgage fund. My understanding was that that was a transaction

⁴³ A copy of pages 144-146 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "32".

⁴⁴ A copy of page 96 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit "21".

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that was sanctioned and Aaron and Crystal or Clayton." He was not sure why.⁴⁵ Although Thibault was reluctant to acknowledge that the comment on the Spreadsheet "buy out tasci mortgage" was related to an advance of \$500,000 in connection with the Henchmen Film Project, when shown Exhibit 47 of the April 17 2017 Affidavit, an email dated May 4, 2016 from Smith to him, Thibault agreed that the \$500,000 advance on November 28, 2014 on the Henchmen tab of the Spreadsheet appeared to have been used to buy out a mortgage from the mortgage fund.⁴⁶

51. Thibault also explained that Exhibit 54 of my Affidavit, an October 30, 2014 email from Smith to him, "would be a purchase of ... a mortgage loan," and that "it appears to be linked to the Mercy transaction."⁴⁷ He stated that he believed Spectrum Canada was "a mortgage fund of Clayton's" and that Carol Matthews may be the person who runs Spectrum.

vi. Current Status of MHC

52. Both Gilbert and Thibault told Staff that MHC no longer engages in film financing and essentially only exists to administer existing Film Loans. Gilbert said that MHC has stopped financing movies and Gilbert describes it as "not as active a company". Gilbert says this started around 2014 and by mid-2015 that was it. Gilbert

⁴⁵ A copy of page 129 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "33".

⁴⁶ A copy of pages 134-137 of the transcript of the April 21, 2017 compelled examination of Steven Thibault and Exhibit 13 from the Examination is attached as Exhibit "34".

⁴⁷ A copy of pages 149-150 of the transcript of the April 21, 2017 compelled examination of Steven Thibault, and Exhibit 16 to the Examination is attached as Exhibit "35".

has focused on building Bron and Media House's role was solely collections and administration of existing loans. According to Gilbert, the reason that Media House wasn't overly active is that Crystal Wealth wasn't.⁴⁸

53. Thibault stated he does not have a title for MHC anymore and that work with MHC has stopped. In his words, "There are no projects going through that company." According to Thibault, MHC stopped doing film financing in 2014, apart from a tax credit loan in 2016. He said "We didn't make a conscious choice to stop." Crystal Wealth "wasn't able to accept new projects."⁴⁹

54. Despite Smith's knowledge that MHC had curtailed its financing activities, the Media Fund OMs dated September 27, 2015⁵⁰, May 6, 2016⁵¹ and November 21, 2016⁵² continue to refer to the Production Loan Administration Agreement with MHC dated August 12, 2011 and that the Media Fund "currently intends to purchase the majority of its loans from [MHC]."

D. CONSENT OF PROPOSED RECEIVER

⁴⁸ A copy of pages 27, 86-87 of the transcript of Aaron Gilbert's compelled examination on April 21, 2017 is attached at Exhibit "36".

⁴⁹ A copy of pages 36, 44-45 of the transcript of the April 21, 2017 compelled examination of Steven Thibault is attached as Exhibit "37".

⁵⁰ Exhibit "15" to Tillie Affidavit, page 6.

⁵¹ Exhibit "16" to Tillie Affidavit, page 6.

⁵² Exhibit "8" to Tillie Affidavit, page 6.

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55. Grant Thornton Limited consents to its appointment as a receiver and manager, without security, of all the assets, undertakings and properties of Smith, Crystal Wealth, CLJ Everest, 115 Limited, the Crystal Wealth Funds and an account of Chrysalis Yoga at the Bank of Nova Scotia.⁵³

56. I make this affidavit in furtherance of Staff's investigation and enforcement efforts as authorized by the Commission.

SWORN BEFORE ME in the
City of Toronto, in the Province of
Ontario, this 24th day of April, 2017

) 

MICHAEL HO


A Commissioner for taking affidavits

Michelle Spain, a Commissioner, etc.,
Province of Ontario, for the
Government of Ontario, Ontario Securities Commission.
Expires March 22, 2018.

⁵³ A copy of Grant Thornton Limited's signed consent dated April 24, 2017 is attached as Exhibit "38".

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED**

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**

**AFFIDAVIT OF DAVID ADLER
(Sworn April 24, 2017)**

I, David Adler, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am an Assistant Investigator in the Enforcement Branch of the Ontario Securities Commission (the "Commission") assigned to the Crystal Wealth Management System

Limited (“Crystal Wealth”) file. As such, I have personal information about the matters referred to in this affidavit, save for those matters of which I have been advised and do believe.

2. On Friday April 21, 2017, I conducted a compelled examination of Ms. Shanine Lee Dennill (“Dennill”) via telephone conference. Dennill testified under oath, and attended with her counsel, Bruce O’Toole. A court reporter was with me in a boardroom at the Commission’s offices, and he prepared a transcript of the interview.
3. Dennill is currently the owner of Chrysalis Studio Inc. (“Chrysalis”) located at 4040 Palladium Way in Burlington, Ontario. Attached as Exhibit 1 is page 6 of the transcript of the examination of Shanine Dennill (the “Dennill Transcript”). Attached as Exhibit 2 is the Corporation Profile Report for Chrysalis dated March 28, 2017, which indicates that Dennill is the Chief Executive Officer and a director of Chrysalis.

Employment at Crystal Wealth and Relationship with Clayton Smith

4. From approximately 2008 to 2010, Dennill worked as an office receptionist at the Burlington, Ontario offices of Crystal Wealth. During this time period, aside from Dennill, there were three other people working at the Crystal Wealth office: Clayton Smith (“Smith”), Scott Whale, and an accountant whose name she could not recall. Attached as Exhibit 3 are pages 7-9 of the transcript of the Dennill Transcript.
5. Dennill knew Smith for a short while before she began working at Crystal Wealth. While Dennill was working at Crystal Wealth, she and Smith became involved in an intimate

relationship, and began cohabiting in 2009. Attached as Exhibit 4 are pages 10-13 of the Dennill Transcript.

Chrysalis Yoga Business

6. Dennill left her employment with Crystal Wealth because Smith needed to reduce his business expenses and because she was going to open Chrysalis. When Chrysalis was incorporated in June 2009, Dennill and Smith each owned 50 percent of the business, and were both directors and officers of Chrysalis. Dennill does not know specifically what positions she and Smith held. Attached as Exhibit 5 are pages 6, 12-13 and 15 of the Dennill Transcript.
7. The Chrysalis business opened on January 29, 2011. The time gap between incorporation and the business opening was due to time taken to find the location, delays waiting for the developer of the plaza that was the chosen location for Chrysalis to break ground, and building out the space for the studio. Attached as Exhibit 6 are pages 13-14 and 18 of the Dennill Transcript.
8. Dennill does not know the set up costs of the yoga studio, "because Clayton would handle all of that stuff" and he generally handled the financial management of the business. Dennill knew the following about the initial financing of the business:
 - a. She used \$20,000 in funds from her line of credit.
 - b. Dennill had obtained a \$40,000 loan from the Business Development Bank of Canada. She was the guarantor for the loan.

- c. Dennill and Smith had sought, unsuccessfully, to obtain a loan from CIBC.
 - d. Dennill and Smith then arranged for a loan from the Bank of Nova Scotia, but the bank pulled out on opening day, or possibly the day before. Dennill believes that the loan was for \$200,000 or \$300,000, but cannot specifically recall. Attached as Exhibit 7 are pages 15-20 of the Dennill Transcript.
9. When the Bank of Nova Scotia pulled out, Smith said that he would need to get a loan, and that he had gotten a loan and put money into the business. Dennill does not know the amount of the loan or the source of the funds. Attached as Exhibit 8 are pages 16-17 of the Dennill Transcript.
10. At the time of Chrysalis' opening, in January 2011, the ownership of Chrysalis changed, and Dennill became the sole shareholder, buying out Smith "for like a dollar or something." Dennill oversaw the day-to-day running of the business, and Smith dealt with the financial side of the business, including the banking and bookkeeping. Dennill said that Smith "was the CFO" and "was doing all of our finances and stuff." Smith also taught two classes at the studio. Dennill does not know what the operating costs of the business were at the time. Dennill knew that Smith was using some of his credit cards to pay for the buildout "and stuff like that." Again, she has no idea of the amounts involved. Attached as Exhibit 9 are pages 18-20 and 26-27 of the Dennill Transcript.
11. While Dennill and Smith both had signing authority on the Chrysalis' bank account (the "Chrysalis Bank Account"), Dennill did not sign cheques, only Smith did. Attached as Exhibit 10 are pages 15-16 of the Dennill Transcript.

12. I have independent verification that Smith had signing authority on the Chrysalis Bank Account. On December 5, 2016, in the course of Staff's investigation, I received material from Dian Milouchev of the Bank of Nova Scotia responsive to a section 13 Summons I had served on the Bank. This material included account statements the Chrysalis Bank Account 87296 00518 10. The Summons required the Bank of Nova Scotia to produce banking records associated with Smith, companies associated with him, and other named individuals and companies, but did not include either Dennill or Chrysalis. When I spoke to Milouchev soon after receiving this material, I was told that Smith was listed as the treasurer for Chrysalis and had signing authority on the Chrysalis account. For that reason, the Bank of Nova Scotia produced records pertaining to the Chrysalis Bank Account. Then, on April 6, 2017, the Commission issued a Freeze Direction under section 126(1) of the Ontario *Securities Act*, RSO 1990, c.S-8, in respect of the Chrysalis Bank Account, among others. Attached as Exhibit 11 is the Freeze Direction dated April 6, 2017.
13. Smith dealt with the Chrysalis books and had signing authority on the Chrysalis Bank Account from the inception of the business. Smith continued dealing with the Chrysalis books until, Dennill believes, 2013, when an accountant was hired to do it, although she thinks Smith and the accountant "would talk to each other and work with each other." Smith continued to have signing authority on the Chrysalis Bank Account until late 2016 or early 2017. Currently, Dennill has signing authority on the Chrysalis Bank Account, and her accountant has access to pay bills and payroll. However, if there are cheques to be signed, Dennill signs them. Attached as Exhibit 12 are pages 21-22 and 24 of the Dennill Transcript.

14. Smith invested money in Chrysalis after it opened. Dennill has no knowledge of the amounts or dates of these investments, nor does she know the source of the funds. There are no loan agreements, promissory notes or other documentation for the Smith investments. Dennill was not aware of three specific transactions between February and December 2014, which were bank drafts drawn on Smith's Toronto Dominion bank account and deposited into the Chrysalis Bank Account in the amounts of \$32,000, \$52,000, and \$100,000. These three transactions are referred to in the Commission's Notice or Application to continue the Freeze Direction. Smith no longer invests in Chrysalis and Dennill does not know at what point in time Smith stopped investing funds in the business. Attached as Exhibit 13 are pages 27-30, and 40 of the Dennill Transcript.
15. Dennill and Smith also shared another business enterprise within the Chrysalis space, a restaurant named The Naked Sprout. It opened in 2011, soon after Chrysalis itself, and closed in May of 2014 because it was not doing well. The space occupied by the restaurant was converted to a third yoga studio for Chrysalis. Attached as Exhibit 14 is page 38 of the Dennill Transcript.

Relationship with Clayton Smith Ends; The Draft Separation Agreement

16. In late 2014 or early 2015, Smith "started drifting away from it [Chrysalis] a little bit", and then gave up his classes, saying he was too busy. In June or July, 2015 Dennill and Smith's intimate relationship began to deteriorate, and they "officially called it quits" at the end of August or early September 2015. Dennill moved out of the shared home, which is described below, in October 2015. Attached as Exhibit 15 are pages 30-31 of the Dennill Transcript.

17. In November 2016, Dennill and Smith, who are each represented by counsel, reached a draft separation agreement, within which there are provisions for a loan agreement to be provided by Smith to deal with Smith's investments in Chrysalis. It was also soon after this date that Dennill removed Smith's signing authority on the Chrysalis bank accounts.

Attached as Exhibit 16 are pages 21 and 41 of the Dennill Transcript.

18. The total amount of the loans from Smith to Chrysalis on the Chrysalis books in November 2015 was \$2.4 million. Dennill asked Smith to reduce this amount as part of their separation negotiations. In January 2016, Smith reduced it to \$1.2 million. Chrysalis is not yet at the break-even point, but it is close. As outlined in the draft separation agreement, the loan agreement that is to be provided sets out repayment terms as follows: once Chrysalis is profitable, it will pay 50 percent of the profits to Smith until such time that he has received \$1.2 million. At that time, the loan will be considered to have been paid in full; there is no interest on the \$1.2 million. Dennill will make the loan payments to Smith himself. In her words, "Mr. Smith owns the loan." Attached as Exhibit 17 is pages 40-45 of the Dennill Transcript.

The Mount Nemo Property

19. At the time she moved out, Dennill and Smith were living at 5043 Mount Nemo Crescent in Burlington, Ontario (the "Mount Nemo Property"). Dennill cannot recall exactly when the Mount Nemo Property was purchased, possibly in February or March 2015, but it could have been earlier. Smith renovated the bathroom and some other things before they moved in, but they certainly were in the house by April 2015. Attached as Exhibit 18 are pages 31-32 of the Dennill Transcript.

20. Dennill believes that the Mount Nemo Property was on the market for four years before it was purchased by Smith, and she believes the purchase price was \$2.7 million. Denill did not make any financial contributions to the purchase because she "couldn't afford that at all", nor did she have any ownership stake in the Mount Nemo Property. The Mount Nemo Property purchase was financed solely by Smith. Dennill has no knowledge of the amount of the down payment, the initial amount of the mortgage, the mortgage provider (although it may have been Spectrum Canada), or the current balance owing on the mortgage. She does not know the source of funds for the down payment. She thought that the Mount Nemo Property was registered in Smith's name, but she later learned it was in the name of CLJ Everest Ltd. Attached as Exhibit 19 are pages 33-35 of the Dennill Transcript.
21. Dennill became aware the Mount Nemo Property was listed for sale when her mother came across the listing on the MLS web site. Dennill was not involved in the listing or sale of the Mount Nemo Property, and she has no knowledge of the current ownership status of the Mount Nemo Property. Dennill confirmed that the listing agent is Smith's sister, Joanne Smith. Attached as Exhibit 20 are pages 35-37 of the Dennill Transcript.

SWORN before me at the)
City of Toronto in the)
Province of Ontario this)
24th day of April, 2017)



David Adler



A Commissioner, etc.

Michelle Spain, a Commissioner, etc.,
Province of Ontario, for the
Government of Ontario, Ontario Securities Commission.
Expiry March 22, 2018.

TAB 6

District of Ontario
 Division – 09 - Toronto
 Court File No.: CV-17-11779-00CL

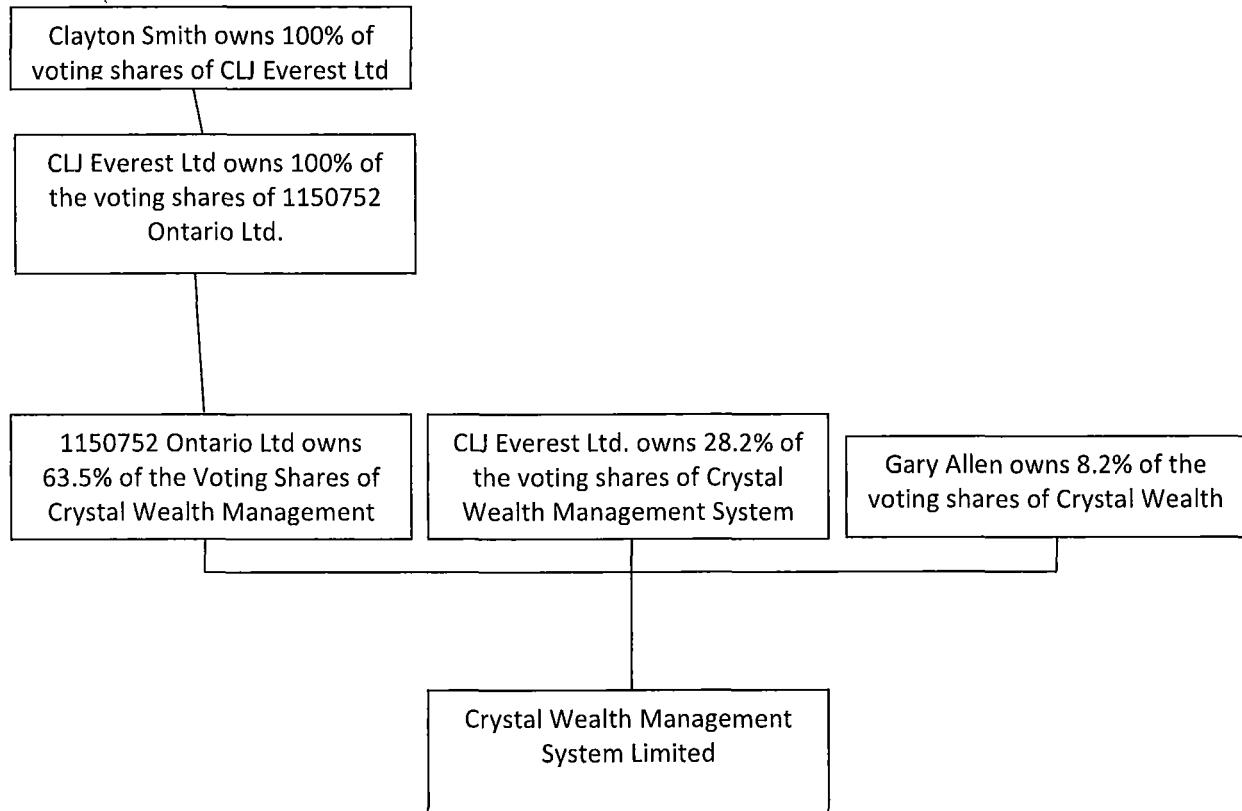
**IN THE MATTER OF THE RECEIVERSHIP OF
 CRYSTAL WEALTH MANAGEMENT SYSTEMS LIMITED AND THE CRYSTAL WEALTH FUNDS**

**RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD ENDING MAY 31, 2017¹**

| | Receiver Trust Accounts | NBCN Accounts | Interactive Brokers Accounts | Combined |
|---------------------------------|------------------------------------|--------------------------|---|------------------------|
| OPENING BALANCE | \$ 193,259.96 | \$ 5,367,337.66 | \$ 627,423.40 | \$ 6,188,021.02 |
| CASH RECEIPTS | | | | |
| Media Fund Proceeds | - | 87,715.72 | - | 87,715.72 |
| Mortgage Proceeds | - | 1,589,084.06 | - | 1,589,084.06 |
| Dividend Proceeds | - | 6,350.59 | - | 6,350.59 |
| Interest Allocation | - | - | - | - |
| Sale of Securities | - | 727,652.26 | - | 727,652.26 |
| Loan Interest Payments | - | 23,935.14 | - | 23,935.14 |
| TOTAL CASH RECEIPTS | - | 2,434,737.78 | - | 2,434,737.78 |
| CASH DISBURSEMENTS | | | | |
| Ascend License Fee | 170.00 | - | - | 170.00 |
| HST Paid Ontario | - | - | - | - |
| HST on Ascend Licensing Fee | 22.10 | - | - | 22.10 |
| Other Advertising | - | - | - | - |
| Computer Services | 10,055.00 | - | - | 10,055.00 |
| Source Deductions | 2,413.64 | - | - | 2,413.64 |
| Insurance | - | - | - | - |
| Security | - | - | - | - |
| Utilities | - | - | - | - |
| Repairs and Maintenance | - | - | - | - |
| Rent Expense | - | - | - | - |
| Wages and Payroll | - | - | - | - |
| Employee Benefits | 130.14 | - | - | 130.14 |
| Outside Consulting | - | - | - | - |
| Bank Charges | - | 2,975.62 | - | 2,975.62 |
| Wire Transfer Fees | - | 100.00 | - | 100.00 |
| Interest Charges | - | 3,143.66 | - | 3,143.66 |
| TOTAL CASH DISBURSEMENTS | 12,790.88 | 6,219.28 | - | 19,010.16 |
| ENDING BALANCE | \$ 180,469.08 | \$ 7,795,856.15 | \$ 627,423.40 | \$ 8,603,748.63 |

1 - USD to CAD Exchange Rate: 1.34988

TAB 7

Crystal Wealth Management System Limited's Voting Ownership Chart – as of 7 Nov 16

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**

MOTION RECORD

Volume 1 of 2

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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

3640

ANTHONY WHITEHOUSE
Plaintiff

-and-

BDO CANADA LLP
Defendant

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

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD
VOLUME 11 OF 20

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