

APPENDIX “A”

SCHEDULE "A"

1281515 Ontario Inc.

2338067 Ontario Inc.

2198392 Ontario Ltd.

King City Holdings Ltd.

Guelph Financial Corporation

Briarbrook Apartments Inc.

2009031 Ontario Inc.

1267818 Ontario Ltd.

1711060 Ontario Ltd.

1182689 Ontario Inc.

Ace Self Storage and Business Centre Inc.

APPENDIX “B”

Properties of Dondeb Inc. and Related Companies

Registered Owner of the Property	No.	Property Name	Municipal Description	Mortgages
Dondeb Inc. (NOI Under the BIA filed 11-Sep-12)	1	Ace Self Storage (437 Indoor storage units and office rental space, 105,000 sq ft)	256 Hughes Rd, Orillia, ON 270 Hughes Rd, Orillia, ON 4575 Huronia Rd, Orillia, ON	<u>COLLATERAL</u> 1 - Pace Savings & Credit Union Limited 2 - Pace Savings & Credit Union Limited 3 - Pace Savings & Credit Union Limited (Pace loans collateralized with Ace Self Storage and Business Centre Inc.) 4 - Vector Financial Services Limited 5 - First Source Mortgage Corporation/Mark Cosman
	2	Ontario St. (Vacant land zoned for industrial, 1.5 acres)	6 Ontario St., Orillia, ON	1- Fred Rankel
	3	Coldwater (Vacant land zoned for 120 unit condominiums, 3.96 acres)	233, 249 & 261 Coldwater Ave. Orillia, ON	1- Fred Rankel
	4	Devonshire Place (1 Unit Rental Condo, 550 sq ft)	15390 Yonge St Unit 208 Aurora, ON	1- Laurentian Bank of Canada
	5	ProSpan / Rockin Boats (Tenanted 1 unit industrial building, 26,000 sq ft)	61 Forest Plain Rd., Orillia, ON	1- The Canada Trust Company <u>COLLATERAL</u> 2- First Source Mortgage Corporation
	6	Remo's Restaurant (Vacant restaurant, 4,155 sq ft on 0.845 acres of land)	480 West St. South, Orillia ON	1 - Ontario Wealth Management Corporation
Dondeb Inc. (NOI Under the BIA filed 11-Sep-12)	7	Orillia Retirement Residence (31 unit retirement home, 27,438 sq ft)	24 Simcoe St., Orillia ON	1 - Vector Financial Services Limited 2- A.&L. Cabrio Investments Ltd. et al (New Haven)
	8	Sussex Place (47 unit apartment building, 6 storeys, located on 0.9 acres of land)	205 Vodden Street East Brampton, ON	1- The Empire Life Insurance Company 2- Ontario Wealth Management Corporation <u>COLLATERAL</u> 3- First Source Mortgage Corporation / Mark Cosman
	9	Barrie Business Center (1 tenant large industrial space under construction, 90% complete for phase 1 current building 34,500 sq addition is 26,000 sq ft)	92 Davidson St, Barrie, ON	1- First Source Mortgage Corporation / Mark Cosman 2- 1160145 Ontario inc.
	10	Tim Hortons & Wendy's (Leased restaurant, 3,700 sq ft on 1.86 acres of land)	525 - 545 Memorial Ave Orillia, ON	1- Clarica Life Insurance Company 2- Ontario Wealth Management Corporation 3 - Bank of Nova Scotia Trust Company <u>COLLATERAL</u> 4 - First Source Mortgage Corporation/Mark Cosman
	11	240 Yeoman (Vacant land zoned for 68 unit condominium site, 3.96 acres)	240 Yeoman St., Belleville, ON	1- Fred Rankel
	12	Brechin (100 acre farm, no residence on it)	Brechin (near Orillia, ON)	<u>COLLATERAL</u> 1- Fred Rankel

Properties of Dondeb Inc. and Related Companies

Registered Owner of the Property	No.	Property Name	Location / Description	Mortgages
1182689 Ontario Inc. (NOI Under the BIA filed 1-Oct-12)	13	Hatch House Montessori School (School, 8,315 sq ft on 21,389 sq ft of land)	301 Byron Street South, Whitby, ON	1- The Empire Life Insurance Company 2- Minister of Finance
	14	Orillia Prep School (School, 3,681 sq ft on 11,475 sq ft of land)	547 Lacle St, Orillia, ON	1- Ontario Wealth Management Corporation
King City Holdings Ltd. (NOI Under the BIA filed 1-Oct-12)	15	Belleville (Pepper) (Vacant land zoned for 17 townhomes, 4.77 acres)	Belleville, ON	1- Ontario Wealth Management Corporation
	16	Belleville (Palmer) (Vacant land zoned for 16 townhomes, 4.72 acres)	Belleville, ON	1- Ontario Wealth Management Corporation
1267818 Ontario Ltd.	17	Georgian Manor Banquet Hall (Vacant 2 storey banquet hall, 5,497 sq ft)	52 Morrow Rd, Barrie, ON	1- Duca Financial Services Credit Union Ltd. <u>COLLATERAL</u> 2- Fred Rankel
1281515 Ontario Inc.	18	Whispering Pines (9 Hole Golf Course)	451 Golf Course Rd, Huntsville, ON	1- Vector Financial Services Limited 2- Robert Weisz/The Bank of Nova Scotia Trust Company
1711060 Ontario Ltd. (NOI Under the BIA filed 12-Sep-12)	19	Lafontaine Terrace (38 unit retirement home on 1.52 acres of land)	169 Borden Ave, Kitchener, ON	1- RMG Mortgages, a division of MCAP Financial Corporation 2- David Sugar et al
2009031 Ontario Inc.	20	Tudhope Manor (40 unit retirement home, 12,340 sq ft on 19,638 sq ft of land)	127 Peter St. N, Orillia, ON	1- Lutheran Life Insurance Society of Canada (now Faith Life) 2- Minister of Finance
2198392 Ontario Ltd.	21	Orillia Independent Living (32 unit retirement home, 24,205 sq ft on 28,837 sq ft of land)	20 Simcoe St., Orillia, ON	1- Addenda Capital Inc. 2- Cameron Stephens Financial Corporation 3- Virgin Venture Capital Corporation
2338067 Ontario Inc. (NOI Under the BIA filed 12-Sep-12)	22	Dorset Place (51 unit apartment building on 0.76 acres, 6 storeys)	90 Gumett Street, Aurora, ON	1- The Empire Life Insurance Company 2- Virgin Venture Capital Corporation <u>COLLATERAL</u> 3- First Source Mortgage Corporation/Mark Cosman
Briarbrook Apartments Inc.	23	Leon's (41,612 sq ft retail store)	555 Memorial Ave, Orillia, ON	1- The Empire Life Insurance Company 2- The Bank of Nova Scotia Trust Company <u>COLLATERAL</u> 3- First Source Mortgage Corporation/Mark Cosman
Guelph Financial Corporation	24	Preston Springs Gardens (Former retirement home under construction 50% complete, on 2.386 acres)	102-110 Fountain St. North, Cambridge, ON	1- First Source Mortgage Corporation <u>COLLATERAL</u> 2- Ontario Wealth Management Corporation (note that this is to secure payment of arrears on all other Ontario Wealth loans to July 1, 2012)

APPENDIX “C”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE 17TH
JUSTICE C. CAMPBELL) DAY OF OCTOBER, 2012

THE TORONTO-DOMINION BANK AND THE CANADA TRUST COMPANY

Applicants

- and -

**DONDEB INC., FIRST SOURCE MORTGAGE CORPORATION AND ONTARIO
WEALTH MANAGEMENT CORPORATION**

Respondents

ORDER

THIS APPLICATION made by the Applicants including the Creditors defined in Schedule "B" hereto for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing A. Farber & Partners Inc. as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of the Debtors referred to at Schedule "A" attached hereto (the "Debtors") acquired for, or used in relation to the business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

WHEREAS those Debtors are defined in Schedule "A" to the Notice of Application in Court File Number CV-12-00009865-00CL which Schedule is attached hereto as Schedule "A".

ON READING the materials filed by the parties in Court File No. CV-12-00009865-00CL and upon hearing the submissions of the Counsel for the Debtors and Counsel for the Creditors listed in Schedule "B" hereto,

APPOINTMENT

1. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, A. Farber & Partners Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties including real property listed as Schedule "C" hereto ("Real Property") of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

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

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

- (d) after consulting with the relevant mortgagees, and upon obtaining their consent or FURTHER ORDER OF THIS COURT market any or all of the Real Property, including advertising and soliciting offers in respect of the Real Property or any part or parts thereof, signing listing agreements in respect of the Real Property or any part(s) thereof, and negotiating such terms and conditions of sale as the Receiver in consultation with the Mortgagees may deem appropriate, subject to prior approval of this Court being obtained before any sale is completed;
- (e) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (f) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (g) to receive and collect all monies subject to provisions in paragraph number 3 herein and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (h) to settle, extend or compromise any indebtedness owing to the Debtors;
- (i) 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 Debtors, for any purpose pursuant to this Order;
- (j) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;

- (k) 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 Debtors, 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;
 - (l) 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;
 - (m) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$100,000.00, provided that the aggregate consideration for all such transactions does not exceed \$500,000.00; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (n) 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;
 - (o) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the

Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (p) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (q) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
- (r) to file assignments into bankruptcy for any of the Debtors with leave of the Court on notice to the Debtors;
- (s) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (t) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;
- (u) to undertake improvements to the property municipally known as 92 Davidson Street, Barrie, Ontario upon the consent of the mortgagees thereof; and
- (v) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

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

Ring-Fencing and Use of Funds

3. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected, 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 of the Debtors in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into new property-specific accounts (the "Segregated Accounts") to be opened by the Receiver immediately. The number of Segregated Accounts so opened shall be equivalent to the number of properties owned by the Debtors in the aggregate. The Segregated Accounts shall be segregated such that all receipts in respect of a property shall be deposited into the Segregated Account opened in respect of such property and all permitted disbursements (the "Permitted Disbursements") in respect of such property shall be withdrawn therefrom, if sufficient funds are available. "Permitted Disbursements" shall mean, in relation to the property in respect of which a Segregated Account has been opened, realty taxes, utilities, payroll, insurance, maintenance expenses, other reasonable property-specific expenses and business expenses associated with such property. The Receiver shall have sole signing authority over the Segregated Accounts. The monies, if any, standing to the credit of each Segregated Account, net of any Permitted Disbursements provided for herein, shall be paid on a monthly basis to the mortgagees of such property according to the priority of the registration of such mortgagees' mortgages, or any further Order of this Court. For greater certainty, the term "property" in this paragraph shall include the Business operated by Ace Self Storage and Business Centre Inc. and Pace Savings Credit Union Limited shall be treated as a mortgagee thereof.

4.

- a. THIS COURT ORDERS THAT no payments shall be made to any secured creditor, pursuant to paragraph 3 or 4 otherwise, by the Receiver unless and until the Receiver receives an opinion that such secured creditor's security is valid and enforceable, subject to customary qualifications and assumptions or further Order of the Court.

- b. THIS COURT ORDERS that the lock box arrangements with respect to Briarbrook Apartments Inc. shall remain in effect.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

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

6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully

copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited in the appropriate Segregated Accounts as outlined in paragraph 3 herein to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

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

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or

relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order including without limitation, pursuant to Retirement Homes Act, 2010, S.O. 2010 ch.11, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

18.

- a) THIS COURT ORDERS that the Receiver and its counsel shall be entitled to and is hereby granted a Charge (the "Pre-Filing Receiver's Charge") on the Property as security for such fees and disbursements incurred before this Order was made, to be paid upon sale or refinancing of the relevant Property or Business to each of the Real Properties described in Schedule "C" hereto in the amount of \$11,000.00 per Real Property or Business.
- b) THIS COURT FURTHER ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are

hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements incurred after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

- c) The Receiver and its Counsel shall allocate their respective fees and disbursements with respect to work done on each of the Debtor's Property including Ace Self Storage & Business Centre Inc.

19. THIS COURT ORDERS that the Receiver is hereby authorized to deposit proceeds of sale of any personal property of the Debtors into the appropriate Segregated Account and in connection with Dondeb Inc., the Receiver shall be authorized to apply the said proceeds to the General Restructuring Administrative Expenses (GARE). The Receiver and its Counsel shall keep separate records for GARE defined in paragraph 19 herein.

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

21. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Receiver be at liberty and is empowered with the consent of the Mortgagees, not including Collateral Mortgagees, of the Real Property against which the borrowings are required 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 \$500,000.00 (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. For greater certainty the foregoing limit shall not include borrowings for completion of the Barrie Business Centre. The whole of each Real Property as defined in respect of which the borrowings have been incurred shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

23. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "D" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

25. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court 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.

GENERAL

26. 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.

27. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a Trustee in Bankruptcy of the Debtors.

28. 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.

29. 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.

30. THIS COURT ORDERS that in order to facilitate the administration of the within Receivership, the following proceedings, each being Notices of Intention to Make a Proposal. Specifically:

- (a) Dondob Inc. – 31-1664344
- (b) Ace Self Storage & Business Centre – 31-1664774
- (c) 1711060 Ontario Ltd. – 31-1664775
- (d) 2338067 Ontario Ltd. – 31-1664772
- (e) King City Holdings Ltd. – 31-1671712
- (f) 1182689 Ontario Inc. – 31-1671611
- (g) 2198392 Ontario Inc. – 31-1673260.

are hereby stayed and suspended pending further Order of the Court.

31. THIS COURT ORDERS that the title of proceedings in this matter be changed to read as follows:

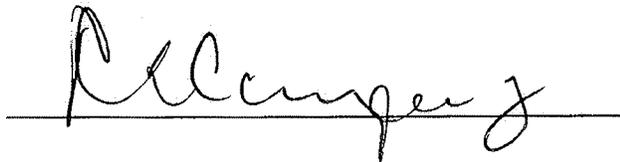
IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED AND
IN THE MATTER OF SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990 c. C.43, AS AMENDED WITH RESPECT TO DONDEB INC. AND ALL THE DEBTORS LISTED AT SCHEDULE "A" HERETO.

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

33. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

OCT 22 2012



Schedule "A"

The Debtors

Dondeb Inc.

1281515 Ontario Inc.

2338067 Ontario Inc.

2198392 Ontario Ltd.

King City Holdings Ltd.

Guelph Financial Corporation

Briarbrook Apartments Inc.

2009031 Ontario Inc.

1267818 Ontario Ltd.

1711060 Ontario Ltd.

1182689 Ontario Inc.

Ace Self Storage and Business Centre Inc.

Schedule "B"

The Creditors Present in Court on October 17, 2012

Pace Savings & Credit Union Limited

Vector Financial Services Limited

First Source Mortgage Corporation

Mark Cosman, Trustee

The Empire Life Insurance Company

RMG Mortgages, a division of MCAP Financial Corporation

FaithLife Financial

Addenda Capital Inc.

Virgin Venture Capital Corporation

The Bank of Nova Scotia Trust Company, in trust

RDB (Toronto) Holdings Inc.

Susan Michaels Holdings Limited

Comfort Capital Inc.

JLJR Investments Inc.

1522648 Ontario Inc.

Berend Koopmans

Michael Swartz

Audrey Michaels

The Toronto-Dominion Bank and The Canada Trust Company

Schedule "C" - Real Properties

Properties of Dondeb Inc. and Related Companies

Registered Owner of the Property	Number	Property Name	Municipal Description	Property Value	Major Assets	Current Liabilities	Interest Rate	Maturity Date	Collateral
Dondeb Inc. (NOI Under the BIA filed 11-Sep-12)	1	Ace Self Storage (437 indoor storage units and office rental space, 105,000 sq ft)	256 Hughes Rd, Orillia, ON; 270 Hughes Rd, Orillia, ON; 4575 Huronia Rd, Orillia, ON; Huronia Rd., Orillia, ON	\$135,962.59 (256 Hughes Rd.) \$49,141.14 (270 Hughes Rd.) \$10,458.12 (4575 Huronia Rd.) = \$195,561.85	COLLATERAL 1 - Pace Savings & Credit Union Limited 2 - Pace Savings & Credit Union Limited 3 - Pace Savings & Credit Union Limited (Pace loans collateralized with Ace Self Storage and Business Centre Inc.) 4 - Vector Financial Services Limited 5 - First Source Mortgage Corporation / Mark Cosman	\$3,450,000 \$1,550,000 \$1,550,000	Prime +1% Prime +1% Prime +1%	Matured Matured Matured	
	2	Ontario St. (Vacant land zoned for industrial, 1.5 acres)	6 Ontario St. Orillia, ON	\$2,647.54	1 - Fred Rankel	\$900,000	12.00%	1-Jan-14	● Fred Rankel loan - Mel Dancy, 1182689 Ontario Inc., and King City Holdings Ltd.
	3	Coldwater (Vacant land zoned for 120 unit condominiums, 3.96 acres)	233, 249 & 261 Coldwater Ave. Orillia, ON	1,226,77 (233) + 832,10 (249) + 1,212,94 (261) = \$3,251,81	1 - Fred Rankel	\$800,000	12.00%	1-Jan-14	● Fred Rankel loan - Mel Dancy, 1182689 Ontario Inc., and King City Holdings Ltd.
	4	Devonshire Place (1 Unit Rental Condo, 550 sq ft)	35390 Yonge St Unit 208 Aurora, ON	NIL	1 - Laurentian Bank of Canada	\$73,868	3.00%	1-Aug-14	● Laurentian loan - Mel Dancy
	5	ProSpan / Rockin Boats (Tenanted 1 unit industrial building, 26,000 sq ft)	61 Forest Plain Rd. Orillia, ON	\$108,861.18	1 - The Canada Trust Company COLLATERAL 2 - First Source Mortgage Corporation	\$572,974.25 (as of June 12, 2012)	5.74%	Matured	● Canada Trust Company loan - Mel Dancy
	6	Remo's Ristranti (Vacant restaurant, 4,155 sq ft on 0.845 acres of land)	480 West St. South, Orillia ON	NIL	1 - Ontario Wealth Management Corporation	\$300,000 = \$872,974	10.5%	1-Aug-12	● First Source loan - Mel Dancy
						\$1,000,000	12.75%	1-Jan-11 (Derek advises extended to 1-Jan-13)	● Ontario Wealth Management loan - Mel Dancy

Properties of Dondeb Inc. and Related Companies

Registered Owner of the Property	Number	Property Name	Municipal Description	Property Value	Property Tax Amount	Registered Assets	Current Loans	Interest Rate	Maturity Date	Signature
Dondeb Inc. (NOI Under the BIA filed 11-Sep-12)	7	Orillia Retirement Residence (31 unit retirement home, 27,438 sq ft)	24 Simcoe St. Orillia, ON	\$44,823.31		1- Vector Financial Services Limited 2- A.&L. Cabrio Investments Ltd. et al (New Heaven)	\$2,900,000 \$1,500,000 =\$4,400,000	8.75% 8.75%	10-Jun-12 26-Apr-12	•Vector loan - Mel Dancy
	8	Sussex Place (47 unit apartment building, 6 storeys, located on 0.9 acres of land)	205 Volden Street East Brampton, ON	\$40,850.29		1- The Empire Life Insurance Company 2- Ontario Wealth Management Corporation COLLATERAL 3- First Source Mortgage Corporation / Mark Cosman	\$2,682,892.11 (as of September 14, 2012) \$800,000 \$4,121,840.71 (as of September 20, 2012) =\$7,604,733	5.3% 12.5% 9.5%	1-Oct-15 1-Feb-08 1-Sep-13	• Empire Life loan - Mel Dancy • Ontario Wealth Management loan - Mel Dancy, 1194927 Ontario Inc.
	9	Barrie Business Center (1 tenant large industrial space under construction, 90% complete for phase 1 current building 34,500 sq addition is 26,000 sq ft)	92 Davidson St Barrie, ON	\$11,876.61		1- First Source Mortgage Corporation / Mark Cosman 2- 1160145 Ontario Inc.	\$4,121,840.71 (as of September 20, 2012) \$53,773 =\$4,175,614	9.5% 4.00%	1-Sep-13 11-Oct-12	•1160145 Ontario Inc. loan - Mel Dancy
	10	Tim Hortons & Wendy's (leased restaurant, 3,700 sq ft on 1.86 acres of land)	525 - 545 Memorial Ave Orillia, ON	\$12,069.00		1- Clarica Life Insurance Company 2- Ontario Wealth Management Corporation 3- Bank of Nova Scotia Trust Company COLLATERAL 4- First Source Mortgage Corporation/Mark Cosman	\$481,298.41 (as of 18-Sep-12) \$1,000,000 \$1,600,000 \$150,000 (as of September 20, 2012) =\$3,231,298	4.3% 12.75% 11.5% 9.5%	1-Jun-16 1-Jan-11 (Derek address extended to 1-Feb-13) 28-Aug-13 1-Sep-13	•Clarica life loan - Mel Dancy •Ontario Wealth Management loan Mel Dancy
	11	240 Yeoman (Vacant land zoned for 68 unit condominium site, 3.96 acres)	240 Yeoman St. Belleville, ON	\$12,114.29		1- Fred Rankel	\$860,000	17.00%	1-Jan-14	•Fred Rankel loan - Mel Dancy, 1182689 Ontario Inc., and King City Holdings Ltd.

Properties of Dondeb Inc. and Related Companies

Registered Owner of the Property	Number	Property Address	Municipal Description	Property Value	Property Tax Arrears	Mortgages	Current Balance	Interest Rate	Maturity Date	Supplier
	12	Brechin (100 acre farm, no residence on it)	Brechin (near Onills, ON)	\$507.99	\$507.99	COLLATERAL 1- Fred Rankel	\$800,000	12.00%	1-Jan-14	•Fred Rankel loan - Mel Dancy, 1182689 Ontario Inc., and King City Holdings Ltd.

Properties of Dondob Inc. and Related Companies

Registered Owner of the Property	Number	Property Name	Physical Description	Property Value	Mortgages	Current Balance	Interest Rate	Maturity Date	Collateral
1182689 Ontario Inc. (NOI Under the BIA filed 1-Oct-12)	13	Hatch House Montessori School (School, 8,315 sq ft on 21,389 sq ft of land)	301 Byron Street South, Whitby, ON	\$59,197.70	1- The Empire Life Insurance Company 2- Minister of Finance	\$493,270 (as of 14-Sep-12) \$518,235 = \$1,011,505	5.60%	1-Apr-2016	• Empire Life loan - Mel Dancy
	14	Orillia Prep School (School, 3,681 sq ft on 11,475 sq ft of land)	547 Lucie St, Orillia, ON	\$1,267.66	1- Ontario Wealth Management Corporation	\$1,000,000	12.75%	1-Jan-2011 (pre-advices extended 1-Jan-2013)	• Ontario Wealth Management loan - Mel Dancy
King City Holdings Ltd. (NOI Under the BIA filed 1-Oct-12)	15	Belleville (Pepper) (Vacant land zoned for 17 townhomes, 4.77 acres)	Belleville, ON	\$1,486.91	1- Ontario Wealth Management Corporation	\$300,000	10.00%	1-Apr-10	• Ontario Wealth Management loan - Mel Dancy
	16	Belleville (Palmer) (Vacant land zoned for 16 townhomes, 4.72 acres)	Belleville, ON		1- Ontario Wealth Management Corporation	\$300,000	10.00%	1-Apr-10	• Ontario Wealth Management loan - Mel Dancy
1267818 Ontario Ltd.	17	Georgian Manor Banquet Hall (Vacant 2 storey banquet hall, 5,497 sq ft)	52 Morrow Rd, Barrie, ON	\$14,583.99	1- Duca Financial Services Credit Union Ltd. COLLATERAL 2- Fred Rankel	\$405,610 (as at 4 Sep-12) \$800,000 = \$1,205,610	7.3% 12%	15-Aug-11 1-Jan-14	• Duca loan - Mel Dancy • Fred Rankel loan - Mel Dancy, 1182689 Ontario Inc., and King City Holdings Ltd.
	18	Whispering Pines (9 Hole Golf Course)	451 Golf Course Rd, Huntsville, ON	\$7,253.92	1- Vector Financial Services Limited 2- Robert Weisz/The Bank of Nova Scotia Trust Company	\$600,000 \$250,500 (as at 1-Sep-12) = \$850,000	9.5% 10%	10-Oct-10 (Derek advises extended 1-Aug-2012 in forbearance) 15-Jan-10	• Vector loan - Mel Dancy • Robert Weisz loan - Mel Dancy • Robert Weisz loan - Mel Dancy
1711060 Ontario Ltd. (NOI Under the BIA filed 12-Sep-12)	19	Latontaine Terrace (38 unit retirement home on 1.52 acres of land)	169 Borden Ave, Kitchener, ON	NIL	1- RMG Mortgages, a division of MFCAP Financial Corporation 2- David Sugar et al	\$759,820 \$467,829.38 (as of 1-Sep-12) = \$1,227,199	bank + 1.7% 12.00%	10-Mar-11 1-Nov-11	• RMG loan - Mel Dancy

Properties of Dondeb Inc. and Related Companies

Registered Owner of the Property	Number	Property Name	Municipal Description	Property Status	Property Tax Amount	Mortgages	Current Balance	Interest Rate	Maturity Date	Stipulator
2009031 Ontario Inc.	20	Tudhope Manor (40 unit retirement home, 12,340 sq ft on 19,658 sq ft of land)	127 Peter St. N Orillia, ON		\$109,657.11	1- Lutheran Life Insurance Society of Canada (now Faith Life) 2- Minister of Finance	\$2,096,859 (as at 4-Oct-12) \$275,525 = \$2,372,384	5.88%	1-Dec-12	Lutheran Life loan - Dondeb and Mel Dancy

Properties of Dondeb Inc. and Related Companies

Registered Owner of the Property	Property Name	Municipal Description	Property Value	Assessed for 2012	Market Value	Current Balance	Interest Rate	Maturity Date	Security
2198392 Ontario Ltd.	21 Orillia Independent Living (32 unit retirement home, 24,205 sq ft on 28,837 sq ft of land)	20 Simcoe St Orillia, ON	\$15,794.13	1- Addenda Capital Inc. 2- Cameron Stephens Financial Corporation 3- Virgin Venture Capital Corporation	\$3,951,362.33 (as of August 1, 2012) \$700,000 \$2,774,878.27 (as at 4-Oct-12) =\$6,726,241	4.8% 14% 11.5%	1-Apr-12 31-Mar-12 1-Sep-13	• Addenda loan - Mel Dancy • Cameron Stephens loan - Mel Dancy • Virgin loan - Mel Dancy, Derek Dancy, and 2338067 Ontario Inc. (note also cross collateralized)	
2338067 Ontario Inc. (NOI Under the BIA filed 12-Sep-12)	22 Dorset Place (51 unit apartment building on 0.76 acres, 6 storeys)	90 Gurnett Street Aurora, Ontario	\$10,882.05	1- The Empire Life Insurance Company 2- Virgin Venture Capital Corporation COLLATERAL 3- First Source Mortgage Corporation/Mark Cosman	\$3,114,577.93 (as of August 10, 2012) \$2,774,878.27 (as at 4-Oct-12) \$150,000 (as of September 20, 2012) =\$6,036,455	5.5% 11.5% 9.5%	10-Mar-16 1-Sep-13 1-Sep-13	• Empire Life loan - Mel Dancy • Virgin loan - Mel Dancy, Derek Dancy, and 2198392 Ontario Inc. (note also cross collateralized)	
Briarbrook Apartments Inc.	23 Leon's (41,612 sq ft retail store)	555 Memorial Ave Orillia, ON	\$32,470.00	1- The Empire Life Insurance Company 2- The Bank of Nova Scotia Trust Company COLLATERAL 3- First Source Mortgage Corporation/Mark Cosman	\$1,539,042 (as of September 14, 2012) \$1,600,000 \$4,121,840.71 (as of September 20, 2012) =\$7,260,882	5.6% 11.5% 9.5%	1-Apr-16 23-Aug-13 1-Sep-13	• Empire Life loan - Mel Dancy • Bank of Nova Scotia loan - Mel Dancy	
Guelph Financial Corporation	24 Preston Springs Gardens (Former retirement home under construction 50% complete, on 2.385 acres)	102-110 Fountain St. North, Cambridge, Ontario	25,417.64 (102 Fountain St. S) + 14157.74 (110 Fountain St. S) =\$39,575.38	1- First Source Mortgage Corporation COLLATERAL 2- Ontario Wealth Management Corporation (note that this is to secure payment of arrears on all other Ontario Wealth loans to July 1, 2012)	\$300,000 \$2,100,000 (note: no funds advanced; amount represents security for all outstanding Ontario Wealth loans) =\$2,400,000	10.5%	1-Aug-12	• First Source loan - Mel Dancy and Dondeb Inc. • Ontario Wealth Management loan - King City Holdings Ltd., Dondeb Inc. and 1182689 Ontario Inc.	
TOTAL			706,517.72		\$5,163,400				(Please note that cross collateralized loans were only included in this total)

SCHEDULE "D"

RECEIVER CERTIFICATE

"PROPERTY" [Municipal Address]

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that A. Farber & Partners Inc., the receiver (the "Receiver") of the assets, undertakings and properties of [DEBTOR'S NAME] acquired for, or used in relation to the Property described above, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 18^h of October, 2012 (the "Order") made in an action having Court file number CV-12-00009794-00CL, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender 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 in respect of the above-noted Property 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 MONTH, 20YR.

A. Farber & Partners Inc., solely in its capacity
as Receiver of the [Debtors], and not in its
personal capacity

Per: _____

Name:

Title:

The Toronto-Dominion Bank et al.

Applicant(s)

- and -

Dondeb Inc. et al

Respondent(s)

Court File No.: CV-12--9794-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding Commenced at Toronto

ORDER

**KESTENBERG SIEGAL LIPKUS
LLP**

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65 Granby Street
Toronto, Ontario
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Solicitors for the Applicants

0608-872

APPENDIX “D”



SUPERIOR COURT OF JUSTICE
 Judges' Administration
 Court House
 361 University Avenue, Room 170
 TORONTO, ONTARIO M5G 1T3
 Tel: (416) 327-5284 Fax: (416) 327-5417

FAX / MAIL COVER SHEET

Date: November 22, 2012

To	Fax No.
David P. Preger / Lisa S. Corne / Michael Weinczok	416-865-1398
Gary Sugar	416-366-8571
D.R. Rothwell	416-593-7740
Harry Fogul	416-863-1515
Robin Dodokin	416-869-0547
Beverly Jusko / M.R. Kestenberg	416-597-6567
Roger Jaipargas	416-761-7067
R.B. Bissell	416-597-3370
Jeffrey Larry	416-646-4301
Douglas Langley	905-940-8785
David Mende	416-863-1009
W. Rabinovitch / J. Dietrich	416-863-4592
M. Church	416-775-4675

From: Aggie Gomez
 Secretary to C. Campbell J.

Total No. of Pages (incl. cover page): 9

Message: DONDEB INC.

COURT FILE NO.: CV-12-00009865-00CL

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Original will NOT follow. If you do not receive all pages, please telephone us immediately at the above number.

[2] The application is vigorously opposed by numerous secured creditors which have mortgage or other security on property beneficially owned by one or more of the companies in the Dondeb "group".

[3] The applicants seek the protection of the *CCAA* to enable an orderly liquidation of the assets and property of the various companies to enable what is asserted to be the remaining equity after sale and expenses to accrue to the benefit of the Dondeb Group.

[4] It is urged that the flexible mechanism of the *CCAA* is appropriate as there are common expenses across some of the companies', common security across others and that any order in liquidation would prevent the incurrence of added cost should individual properties and companies placed in liquidation with the loss of remaining equity.

[5] The applications propose a Debtor in Possession (DIP) financing and administrative charge to secure the fees of professionals and expenses associated with *CCAA* administration. The application is opposed by approximately 75% in value of the secured creditors.

[6] The basis of the opposition can be summarized as follows:

- i) That in many instances the properties over which security is held is sufficiently discrete with specific remedies including sale being more appropriate than the "enterprise" approach posed by the applicants.
- ii) That the proposed DIP/financial and administration changes are an unwarranted burden to the equity of specific properties are evidence of the inappropriate application of the *CCAA*.
- iii) That in the circumstances individual receivership orders for many of the properties is a more appropriate remedy where the creditors and not the debtor would have control of the process.
- iv) That the creditors have lost confidence in the Dondeb family owners of the Dondeb group for a variety of reasons including for breach of promise and representation.
- v) That it is now evident that the applicants will be unable to propose a realistic plan that is capable of being accepted by creditors given a difference in position with respect to value of various properties.

[7] Those who support the applicants in the main wish to see those businesses that are operating on some of the properties such as in one instance, a school, and others like retirement homes continue in a way that may not be possible in a bankruptcy.

[8] During the course of the submissions on the first return date an alternative was proposed by a number of secured creditors, namely a joint or consolidated receivership of the various entities to maximizing creditor control of the process and ensure that costs of administration be allocated to each individual property and company.

[9] The application was adjourned to be returnable October 15, 2012 to allow both the applicants and the opposing creditors to consider their positions hopefully achieve some compromise. In the meantime 4 notices of intention under the BIA were stayed.

[10] The return of the application on October 15, 2012 did produce some modification of position on both sides but not sufficient to permit a CCAA order to be agreed to.

[11] The applicants revised the proposed form of Initial Order to allow for segregation of accounts on the individual properties an entitlement.

[12] The rationale of the applicants for the original Initial Order sought was that if liquidated or otherwise operated in an orderly way by the debtor and a "super" monitor, greater value could be achieved than the secured debt owing in respect to at least a number of the properties which could be available (a) to other creditors in respect of which guarantees or multiple property security could enhance recovery and or (b) the equity holders.

[13] The second major reason advanced by a significant number of creditors appearing through counsel was that they no longer had any confidence in Mr. Dandy, the principal of Dondeb Inc. Significant examples of alleged misleading supported the positions taken.

[14] I accept the general propositions of law advanced on behalf of the applicants that pursuant to s.11.02 of the CCAA the court has wide discretion "on any terms it may impose" to make an Initial Order provided the stay does not exceed 30 days [see *Nortel Networks Corporation (Re)* 2009, CanLII 39492 (ONSC) at para 35 and *Lehndorff General Partners Ltd. (Re)* (1993), 17 CBR (3d) 24 (Ont.Gen.Div. Commercial) CF 33.

[15] The more recent decision of the Supreme Court of Canada in *Century Services Inc. v. Canada (Attorney General)*, (2010), (S.C.C.) 60 at para 15 confirms the breadth and flexibility of the CCAA to not only preserve and allow for restructuring of the business as a going concern but also to permit a sale process or orderly liquidation to achieve maximum value and achieve the highest price for the benefit of all stakeholders. See also *Timminco Limited (Re)* (2012), ONSC 506 at para 49-50 (leave to appeal denied 2012 ONCA 552).

[16] I also accept the general proposition that given the flexibility inherent in the CCAA process and the discretion available that that an Initial Order may be made in the situation of "enterprise" insolvency where as a result of a liquidation crisis not all of the individual entities comprising the "enterprise" may be themselves insolvent but a number are and to propose of the restructuring is to restore financial health or maximize benefit to all stakeholders by permitting further financing. Such process can include liquidation. See *First Leaside Wealth Management (Re)* (2012) (ONSC) 1299 and also *Edgeworth Properties Inc. (Re)* CV-11-9409-CL [Commercial List].

[17] I also accept that while each situation must be looked at on its individual facts the court should not easily conclude that a plan is likely to fail. See *Azure Dynamics Corp. (Re)* (2012), (BCSC) 781 at paras 7-10.

[18] In *Cliffs Over Maple Bay Investments, Ltd. v. Fisgard Capital Corp.* 2008 Carswell BC 1758 (BCCA), the British Columbia Court of Appeal overturned the decision of the chambers' judge extending a stay of proceedings and authorizing DIP financing under the CCAA in the case of a debtor company in the business of land development because:

Although the CCAA can apply to companies whose sole business is a single land development as long as the requirements set out in the CCAA are met, it may be that, in view of the nature of its business and financing arrangements, such companies would have difficulty proposing an arrangement or compromise that was more advantageous than the remedies available to its creditors. The priorities of the security against the land development are often straightforward, and there may be little incentive for the creditors having senior priority to agree to an arrangement or compromise that involves money being paid to more junior creditors before the senior creditors are paid in full. If the developer is insolvent and not able to complete the development without further funding, the secured creditors may feel that they will be in a better position by exerting their remedies rather than by letting the developer remain in control of the failed development while attempting to rescue it by means of obtaining refinancing, capital injection by a new partner or DIP financing.

[19] Similarly, in *Octagon Properties Group Ltd.* 2009 Carswell Alta 1325 (Q.B.) paragraph 17, Kent, J. made the following comments:

This is not a case where it is appropriate to grant relief under the CCAA. First, I accept the position of the majority of first mortgagees who say that it is highly unlikely that any compromise or arrangement proposed by Octagon would be acceptable to them. That position makes sense given the fact that if they are permitted to proceed with foreclosure procedures and taking into account the current estimates of value, for most mortgagees on most of their properties they will emerge reasonably unscathed. There is no incentive for them to agree to a compromise. On the other hand if I granted CCAA relief, it would be these same mortgagees who would be paying the cost to permit Octagon to buy some time. Second, there is no other reason for CCAA relief such as the existence of a large number of employees or significant unsecured debt in relation to the secured debt. I balance those reasons against the fact that even if the first mortgagees commence or continue in their foreclosure proceedings that process is also supervised by the court and to the extent that Octagon has reasonable arguments to obtain relief under the foreclosure process, it will likely obtain that relief.

[20] A similar result occurred in *Shire International Real Estate Investments Ltd.* (2010) CarswellAlta 234 even after an initial order had been granted.

[21] In *Edgeworth*, dealing with the specifics of that case I noted:

Were it not for the numerous individual investors (UDIs, MICs) and others who claim to have any interest in various of the lands as opposed to being general creditors of the Edgeworth companies, I doubt I could have been persuaded to grant the Initial CCAA Order.

[22] At the conclusion of oral submissions which followed on a hearing of the application which commenced on Friday October 11, 2012 continued on October 15 with additional written material and concluded on Wednesday October 17, 2012 again with additional written material and oral submissions the following conclusions were reached.

- (i) The application for an Initial Order under the CCAA based on the material filed be dismissed.
- (ii) The issue of costs incurred by the proposed Monitor Farber and of counsel to the debtor be reserved for further consideration (if not resolved) basis on material to be provided to counsel for the creditors and their submissions.
- (iii) The request for a more limited CCAA Initial Order which like the Original Application is opposed by a significant body of creditors is also rejected.
- (iv) A Global Receivership Order which is supported by most of the creditors appearing to oppose the application and which has the support of Farber which will become Receiver of those companies and properties covered by the application will issue in a format to be approved by counsel and the court.

[23] For ease of administration the Global Receivership Order will issue in Court File No. CV-12-9794-CL and make reference to the various companies and properties to be covered by the Order.

[24] In order to further facilitate administration the following proceedings, each being Notices of Intention to make a proposal

Dondeb Inc.	31-1664344
Ace Sel/Storage & Business Centre	31-1664774
1711060 Ontario Ltd.	31-1664775
2338067 Ontario Ltd.	31-1664772
King City Holdings Ltd.	31-1671612
1182689 Ontario Inc.	31-1671611
2198392 Ontario Inc.	31-1673260

hereby stayed and suspended pending further order of the court.

[25] The request for an Initial Order under the CCAA was dismissed for the simple reason that I was not satisfied that a successful plan could be developed that would receive approval in any meaningful fashion from the creditors. To a large extent, Mr. Dandy is the author of his own misfortune not just for the liquidity crisis in the first place but also for a failure to engage with creditors as a whole at an early date.

[26] In his last affidavit filed Mr. Dandy explained why certain properties were transferred into individual corporations to allow additional financing that would permit the new creditors access to those properties in the event of default. To a certain extent this was perceived by creditors as "robbing Peter to pay Paul" and led to the distrust and lack of confidence the vast majority of creditors exhibit. Had there been full and timely communication both the creditors and the court may have concluded that a CCAA plan could be developed.

[27] Under the proposed Initial Order the fees of the proposed monitor and of counsel to the debtor were an issue as well as leaving the debtor in possession with the cost that would entail.

[28] Counsel for each of the various creditors represented urged that their client's individual property should not be burdened with administrative expenses and professional fees not associated with that property.

[29] Counsel for the debtor advised that to the extent possible his client and the monitor would keep individual accounts. This proposal did not appease the opposing creditors who did agree that their clients could accept what was described as a "global" receiver and that the Farber firm would be acceptable as long as the receiver's charge was allocated on an individual property basis. In other words, the opposing creditors are prepared to accept the work of the professionals of the receiver but not fund the debtor or its counsel.

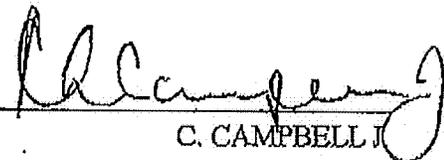
[30] The issue of the fees of Farber incurred to date in respect of preparation of the CCAA application was agreed between the opposing creditors, Farber and its counsel and are not an issue. Counsel for the debtor requested that the court consider a request for fees and costs on the part of the debtor. In order to give an opportunity for the parties to consider the details of such request and possible resolution the issue was deferred to a later date.

[31] Following further submissions on behalf of the debtor I advised the parties that in my view the conditions necessary for approval of an Initial CCAA Order were not met but that a comprehensive Receivership Order should achieve an orderly liquidation of most of the properties and protect the revenue from the operating properties with the hope of potential of some recovery of the debtor's equity.

[32] Counsel are to be commended for the effort and success in reaching agreement on the form of order acceptable to the court.

[33] The CCAA is a flexible instrument, which with judicial discretion, is capable of permitting restructuring, including in appropriate situations, liquidation.

[34] In my view the use of the CCAA for the purpose of liquidation must be used with caution when liquidation is the end goal, particularly when there are alternatives such as an overall less costly receivership that can accomplish the same overall goal.


C. CAMPBELL J

Schedule "A"

1. Dondob Inc.
2. Ace Self Storage and Business Centre Inc.
3. 1182689 Ontario Inc.
4. King City Holdings Inc.
5. 1267818 Ontario Ltd.
6. 1281515 Ontario Inc.
7. 1711060 Ontario Ltd.
8. 2009031 Ontario Inc.
9. 2198392 Ontario Ltd.
10. 2338067 Ontario Inc.
11. Briarbrook Apartments Inc.
12. Guelph Financial Corporation

CITATION: Dondab Inc. (Re), 2012 ONSC 6087
COURT FILE NO.: CV-12-00009865-00CL
DATE: 20121122

ONTARIO

SUPERIOR COURT OF JUSTICE
(COMMERCIAL)

BETWEEN:

IN THE MATTER OF THE COMPANIES CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED

- AND -

IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT
TO DONDEB INC. and the ADDITIONAL APPLICANTS
LISTED ON SCHEDULE "A" HERETO (collectively, the
"APPLICANTS")

Applicants

REASONS FOR DECISION

C. CAMPBELL J.

Released: November 22, 2012

APPENDIX “E”

principles, I determined that the Sealy
Order was appropriate in the
circumstances.

[Signature]

Jan 15, 2013

For well reasons delineated today,
the Tim Horrocks Tract, the
Preston Spring Cinders Tract and the
Dorset Place Tract are
approved. ~~and subject to~~ Approval
and Vesting Orders granted under
orders are subject to provisional
execution.

Approval Note relating to Revere's
Report deferred to a later date;
to be set by Council within

60 days.
Sealy Order granted with respect to
Expedited Approval
A-D. *[Signature]*

CV-12-00009794-00CL

SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
AND

IN THE MATTER OF SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O.
1990 c. C.43, AS AMENDE WITH RESPECT TO DONDEB INC. AND ALL THE
DEBTORS

ENDORSEMENT

BEFORE THE HONOURABLE JUSTICE G. B. MORAWETZ on January 15th,
2013, at TORONTO, Ontario

APPEARANCES:

A. Apps

Counsel for the Defendant

J. Dietrich

N. Rabinovitch

K. Stigler

Counsel for the Receiver A Farber and Partners Inc

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 January 15, 2013

-2- UPON COMMENCING...

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E N D O R S E M E N T

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6 G. B. Morawetz, J. (Orally)

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THE COURT: A Farber and Partners Inc., ("Farber" or "the Receiver"), in its capacity as court appointed receiver of Dondeb Inc. and related debtors, ("Dondeb" or the "Debtor"), brought this motion for approval of its Second Report and the activities of the receiver set out therein, and for an order approving four transactions: The Tim Horton's Transaction, the Preston Springs Transaction, the Devonshire Transaction, and the Dorset Place Transaction.

The motion was originally returned on January 14, 2013. On the return of the motion, counsel of record to Dondeb advised that Mr. Apps was now

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 acting on behalf of Dondeb. An adjournment was
2 requested.

3
4 The adjournment was objected to by the Receiver
5 and by the mortgagees in attendance. The reason
6 for the objection was primarily that the
7 transactions in question had certain time limits
8 that form part of the contractual agreements that
9 required court approval and the issuance of an
10 approval and vesting order on a timely basis.

11
12 The motion for approval of the Devonshire
13 Transaction did proceed on January 14, 2013. The
14 transaction was approved and the approval and
15 vesting order was issued.

16
17 Counsel for the Receiver advised there was a
18 condition in the Tim Horton's Transaction and the
19 Preston Springs Transaction that vesting orders be
20 granted no later than January 15, 2013 and the
21 Dorset Place Transaction had an approval deadline
22 of January 21, 2013.

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

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Under the circumstances I determined that it was appropriated to adjourn the motion for a period of twenty-four hours to today, namely, January 15th, so as to provide Mr. Apps with the opportunity to put forth argument on behalf of Dondeb. Mr. Apps filed an affidavit of Mr. Dancy sworn January 14, 2013.

A considerable portion of the affidavit does not, in my view, address the matters at issue on this motion. Rather the affidavit focuses to a large extent on historical aspects of the file, including the CCAA proceedings initiated by Dondeb which resulted in C. Campbell J., declining to issue an initial order under the CCAA and instead pronounce a global receivership order. Extensive reasons were provided by C. Campbell J. To the extent that Mr. Dancy is challenging past events, it is noted that no appeal was filed from the order of C. Campbell J. appointing Farber as

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 Receiver, nor has any request been made to extend
2 the time for appeal.

3
4 In my view these issues are not before the court.
5 To the extent that Mr. Dancy wishes to challenge
6 the adequacy of the legal representation that he
7 received during these proceedings, it appears to
8 me that his remedy, if any, does not lie in the
9 proceedings before the court today. In that
10 respect, it is noted that the former solicitor has
11 contacted the Law Society Practice Advisory
12 Department to advise them of the concerns raised
13 by Mr. Dancy and Mr. Apps has confirmed that the
14 former solicitor has fully cooperated with him in
15 the preparation for today's motion.

16
17 To the extent that Mr. Dancy in his affidavit
18 challenges the role of the receiver, including any
19 potential conflict issues, it seems to me that if
20 this challenge, is to go forward, Mr. Dancy will
21 first have to obtain leave pursuant to section 215
22 of the Bankruptcy and Insolvency Act ("BIA") and

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 pursuant to the provisions of the order appointing
2 the Receiver.

3
4 In the circumstances, however, I do feel that it
5 is prudent to defer the request of the Receiver to
6 receive approval of its Report until such time as
7 Mr. Apps has had an opportunity to fully consider
8 the issue.

9
10 The focus of the hearing today then shifted to the
11 Motion to approve the three transactions.

12
13 Section 247(b) of the BIA provides that a receiver
14 shall deal with the property of the insolvent
15 person in a commercially reasonable manner. The
16 receiver's duty is not to obtain the best price
17 but to do everything reasonably possible in the
18 circumstances to obtain the best price.

19 *Skyepharma PLC v. Hyal Pharmaceutical Corp.*, 12
20 C.B.R. (4th) 87. The duties of the court in
21 reviewing a proposed sale of assets by a receiver

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondéb Inc.

1 that is opposed by other interested parties are as
2 follows:

3

4 1) It should consider whether the receiver has
5 made a sufficient effort to obtain the best
6 price and has not acted improvidently,

7

8 2) It should consider the interests of all
9 parties,

10

11 3) It should consider the efficacy and
12 integrity of the process of which offers have
13 been obtained, and

14

15 4) It should consider whether there has been
16 unfairness in the working out of the process.

17

18 *Royal Bank v. Soundair Corp.*, 7 C.B.R. (3rd) 1,
19 (Ont C. A.) *National Bank of Canada v. Global*
20 *Fasteners and Clamps, Ltd.*, 24 C.B.R. (4th) 228.

21 The court must not, however, enter into the
22 marketplace. It must not sit as if it were

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 hearing an appeal from the decision of the
2 receiver, reviewing in detail every element of the
3 process by which the receiver has arrived at its
4 recommendation. *Crown Trust Co. v. Rosenberg* 67
5 C.B.R. (N.S.) 320. If the receiver has acted
6 fairly and reasonably and not arbitrarily, the
7 court will ordinarily approve the recommendation
8 of the receiver. *Integrated Building Corp. v.*
9 *Bank of Nova Scotia*, 75 C.B.R. (N.S.) 158.

10
11 It is only in exceptional circumstances that the
12 court will intervene and proceed contrary to the
13 recommendation of the receiver. *Crown Trust*
14 *supra*.

15
16 In this case the receiver has filed its Second
17 Report and two supplements to the Second Report.
18 I am not going to take the time in this
19 endorsement to set out all of the facts that the
20 receiver has relied on in arriving at its
21 recommendation to proceed with the court

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 application for the approval of the three
2 transactions in question today.
3

4 In addition, certain documentation is the subject
5 of a request for sealing order. It seems to me
6 that the confidential appendices do contain
7 confidential information, the disclosure of which
8 might be detrimental to stakeholders. In this
9 respect I am satisfied, based on the Sierra Club
10 principles, that the sealing order ought to be
11 granted.
12

13 I am given to understand that certain information
14 has been provided to Mr. Apps that relates to the
15 proposed purchase price of the transactions in
16 question. I have also taken into account all the
17 marketing efforts that receiver has referenced in
18 its second report.
19

20 The receiver is of the view that the market was
21 extensively canvassed and a competitive process
22 undertaken. The evidentiary background to the

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 sale of the property with respect to the Tim
2 Horton's Agreement, the Preston Springs
3 Agreements, and the Dorset Place Agreement
4 indicates that the Receiver has made substantial
5 efforts in obtaining an adequate purchase price
6 based on the multiple offers received and the
7 negotiations entered into after showing the
8 property to a variety of interested parties.
9

10 With the respect to the Tim Horton's Agreement
11 specifically, the Receiver is of the view that the
12 highest and best purchase price has been received
13 and the proposed purchaser has provided a
14 substantial deposit and the relevant mortgagees
15 have approved the Receiver entering into the
16 agreement.
17

18 With respect to the Preston Springs Agreement, the
19 Receiver is of the view that the Preston Springs
20 Agreement contains the highest and best purchase
21 price of the offers received and that a
22 substantial deposit has been provided and that the

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondob Inc.

1 prompt sale will curtail the ongoing need to fund
2 holding costs of this vacant property and the
3 mortgagee has approved the entering into of the
4 agreement.

5
6 With the respect to Dorset Place, the Receiver is
7 of the view that the Dorset Place Agreement
8 contains the highest and best purchase price of
9 the offers received and that a substantial deposit
10 has been provided and the relevant mortgagees have
11 provided their approval to the entering into the
12 transaction.

13
14 I have also taken into account certain financial
15 information that Mr. Dancy provided on the return
16 of the CCAA Application which detailed a value
17 that he himself had ascribed to certain
18 properties. I am satisfied that the purchase
19 price for the Tim Horton's Agreement and the
20 Dorset Place Agent are reasonably consistent with
21 the values put on the properties by Mr. Dancy.

22 With respect to Preston Springs agreement, it does

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 appear that the purchase price is somewhat less
2 that the value ascribed by Mr. Dancy. However, I
3 am satisfied based on the reasons provided by the
4 Receiver that it cannot be said to be an
5 unreasonable amount.
6

7 With respect to the Preston Springs Property the
8 position put forth by Mr. Dancy is that there are
9 alternatives available. Mr. Dancy's Affidavit
10 references a commitment from Pacific Financial
11 Group and a commitment of up to \$650, 000. Mr.
12 Apps indicated that other arrangements could be
13 put in place to satisfy obligations owing to the
14 second mortgagee and there were some suggestion
15 that there had been some discussion with the
16 second mortgagee, but the fact remains that
17 counsel to the second mortgagee supports the sale.
18

19 Further, there are also some practical
20 difficulties with the proposal put forth by Mr.
21 Apps with respect to Preston Springs as it would
22 require that property to be extracted from the

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondé Inc.

1 receivership proceedings. The receivership
2 proceedings involve a number of properties and
3 although there may very well be a transaction that
4 could produce a higher monetary result than the
5 one put forth by the receiver, I must take into
6 account that there would be considerable risks in
7 not approving the transaction.

8
9 For example, there is the "drop dead" purchase
10 date and also an indication that it does not
11 appear that the conditions in the PNC financing
12 commitments with respect to free and clear title
13 or insurance, among other things, could be
14 fulfilled. This has to be contrasted with the
15 high degree of certainty that the transaction as
16 recommended by the Receiver will proceed and
17 produce the expected results to the secured
18 creditors on this property.

19
20 On balance, I am satisfied that the Receiver has
21 conducted a proper sales prospect with respect to
22 all the properties involved and has considered the

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 interests of all parties. I am also satisfied
2 that the process has been fairly worked out. I
3 have not been persuaded that Mr. Dancy has
4 demonstrated that the transactions should not be
5 approved. It cannot be overlooked that the
6 negotiations involved with respect to these
7 properties have been ongoing for a considerable
8 period of time and Mr. Dancy and Dondeb elected to
9 wait until "one minute before midnight" before
10 objecting to the transactions involved.

11
12 Accordingly, the three transactions are approved.

13
14 The Receiver has also requested that the court
15 grant an order and declaration that the relief
16 granted is subject to provisional execution. The
17 Receiver expresses concern that if a notice of
18 appeal is filed, it will have the effect of
19 rendering this order moot, as the requirement of
20 two of the agreement is that the vesting order be
21 obtained today and not be subject to appeal.
22

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 In support of the argument that the declaration
2 should be made, the Receiver references
3 *Computershare Trust Company of Canada and*
4 *Beachfront Developments, Inc.*, 70 C.B.R. (5th) 284,
5 a decision of Newbould J. Newbould J. adopted
6 what appears to be a variation of the test for
7 injunctive relief that is set out in *RJR*
8 *MacDonald, Inc. v. Canada (Attorney General)*
9 (1994) 1 S.C.R. 311.

10
11 The three part test being that,

- 12
13 1) A serious issue has been identified,
14 2) Irreparable harm,
15 3) Balance of convenience.
16

17 This test has been adopted in cases not unlike the
18 one before me. In *BDC Venture Capital, Inc. v.*
19 *Natural Convergence Inc.* 2009 ONCA 637. Lang J.A.
20 referenced *After Eight Interiors Inc. v. Glenwood*
21 *Homes, Inc.* (2006) 391 AR 202. Lang J.A. stated
22 that the criteria included whether there was a

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 serious issue to be appealed, whether the moving
2 party would suffer irreparable harm if the stay
3 was not lifted, and whether the moving party would
4 suffer greater harm than the responding party if
5 the stay was not lifted.

6
7 In the *After Eight* decision, Fruman J.A. stated
8 that courts generally in applications under
9 section 195 of the BIA focus on the relative
10 prejudice to the parties and the interests of
11 justice generally. In my view it is appropriate
12 to consider this test, in these circumstances, to
13 be a variation of the RJR test.

14
15 As Newbould J. indicated in the *Computershare*
16 decision, (and I agree) I would not presume to
17 consider whether an appeal in this case on my
18 decision is or is not without serious merit. If
19 that is a factor to be considered, I will assume
20 there is some merit to the appeal. Focusing on
21 the issue of irreparable harm in this case, the
22 Receiver has put forth the argument that the

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 transactions may not be consummated if there is a
2 delay caused by an appeal. This would obviously
3 cause harm to the mortgagees in question. Whether
4 it is irreparable is another question.
5 Irreparable in the context of an injunction
6 usually that means that it cannot be calculated in
7 damages.

8
9 It is at this point that it is necessary to
10 consider the relative prejudice to the parties.
11 The Dondeb proceedings were commenced by way of an
12 application for CCAA relief. This requires that
13 the applicant Dondeb be insolvent. In these
14 circumstances, it is questionable as to whether or
15 not a damage award could be paid or honoured by
16 Dondeb and one has to consider the position of the
17 mortgagees in question for whose benefit the
18 receivership order was granted.

19
20 In these circumstances it appears to me that that
21 there would be serious and irreparable harm to the
22 mortgagees in question if the transactions could

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

1 not be consummated and as a result, there is
2 substantial risk that the Receiver would then have
3 to remarket the properties.
4

5 The balance of convenience aspect also favours, in
6 my view, the secured creditors. Again, I have to
7 emphasize the lateness with which these objections
8 were raised by Dondeb. It is clear from the
9 record that the negotiations resulting in the
10 agreements being put forth for approval today were
11 entered into some time ago. There is also some
12 evidence that Mr. Dancy's son has been actively
13 involved and following along in the marketing
14 process and has some knowledge of matters.
15

16 In these circumstances I find that the balance of
17 convenience favours the position of the secured
18 creditors and I do give effect to the submission
19 of Mr. Rabinovitch that the entire declaration
20 could be moot if it is not subject to provisional
21 execution, which is therefore granted. Subject to
22 any questions counsel, that concludes my reasons.

Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of
the Courts of Justice Act with respect to Dondeb Inc.

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Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.

FORM 2

CERTIFICATE OF TRANSCRIPT (SUBSECTION 5 (2))

Evidence Act

I, Santiago Orbe, certify that this document is a true and accurate transcript of the recording of *Application Pursuant to Section 243(1) of the Bankruptcy and Insolvency Act and Section 101 of the Courts of Justice Act with respect to Dondeb Inc.* in the Superior Court of Justice of Ontario held at 330 University Avenue, Toronto, Ontario, taken from recording No. 4899_8-1_20130115_161934-10, which has been certified in Form 1.

(Date)

(Signature of Authorized Person)

Photo static copies of this transcript are not certified and have not been paid for unless they bear the signature of SANTIAGO ORBE in blue ink, and accordingly are in direct violation of Ontario Regulation 587/91, Courts of Justice Act, January 1, 1990.

APPENDIX “F”

PROPERTY DESCRIPTION: PT LT 12 CON 3 SOUTH ORILLIA; PT E1/2 LT 11 CON 3 SOUTH ORILLIA PT 1 & 2, 51R17266; S/T INTEREST IN R0957119; S/T R01456988; ORILLIA

PROPERTY REMARKS:

ESTATE/QUALIFIER:

FEE SIMPLE
LT CONVERSION QUALIFIED

RECENTLY:

FIRST CONVERSION FROM BOOK

PIN CREATION DATE:

2002/01/21

OWNERS' NAMES

BRIARBROOK APARTMENTS INC.

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE: 2002/01/18 **						
**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:						
** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES *						
** AND ESCHEATS OR FORFEITURE TO THE CROWN.						
** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF						
** IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY						
** CONVENTION.						
** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.						
**DATE OF CONVERSION TO LAND TITLES: 2002/01/21 **						
51R7848	1978/06/23	PLAN REFERENCE				C
51R15464	1987/04/13	PLAN REFERENCE				C
R0957119Z	1987/06/30	REST COV APL ANNEX				C
51R17266	1988/06/02	PLAN REFERENCE				C
R01385928	1998/07/20	CHARGE		*** COMPLETELY DELETED ***	HEPCOE CREDIT UNION LIMITED	
REMARKS: DELETED BY R01391126 DELETED BY P. HAMMOND ADLR 2002 05 15						
R01385929	1998/07/20	CHARGE		*** COMPLETELY DELETED ***	HEPCOE CREDIT UNION LIMITED	
R01391124	1998/09/10	CHARGE		*** COMPLETELY DELETED ***	HEPCOE CREDIT UNION LTD.	

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.

NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
RO1391125	1998/09/10	POSTPONEMENT		*** COMPLETELY DELETED ***		
		REMARKS: RO1385929, RO1391124				
RO1391126	1998/09/10	DISCHARGE INTEREST		*** COMPLETELY DELETED ***		
		REMARKS: RO1385928				
RO1456988	2001/06/06	TRANSFER		*** COMPLETELY DELETED ***	DONDEB INC.	
SC201329	2004/03/09	NOTICE OF LEASE	\$2	DONDEB INC.	J. & B. BROWN FURNITURE & APPLIANCES LTD.	C
SC202577	2004/03/15	CHARGE		*** COMPLETELY DELETED *** DONDEB INC.	LAURENTIAN BANK OF CANADA	
SC202584	2004/03/15	NO ASSGN RENT GEN		*** COMPLETELY DELETED *** DONDEB INC.	LAURENTIAN BANK OF CANADA	
		REMARKS: SC202577-RENTS				
SC202759	2004/03/15	DISCH OF CHARGE		*** COMPLETELY DELETED *** HEPCOE CREDIT UNION LTD.		
		REMARKS: RE: RO1391124				
SC202760	2004/03/15	DISCH OF CHARGE		*** COMPLETELY DELETED *** HEPCOE CREDIT UNION LIMITED		
		REMARKS: RE: RO1385929				
SC249379	2004/08/06	NOTICE		*** COMPLETELY DELETED *** DONDEB INC.	LAURENTIAN BANK OF CANADA	
		REMARKS: AMENDING SC202577				
SC255444	2004/08/25	CHARGE		*** COMPLETELY DELETED *** DONDEB INC.	THOMPSON, PETER FINE, BONNIE HIRSHBERG, HAIM HIRSHBERG, MARDI REISS, LAURENCE REISS, HELEN MAPLE SECURITIES INC. ALLAGAR INVESTMENT LIMITED STAYNER HOMES INC. TAFINCO MORTGAGE CORP.	

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

LAND
REGISTRY
OFFICE #51

58569-0016 (LT)

PREPARED FOR Loliveira
ON 2015/04/10 AT 13:59:51

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
SC298182	2005/01/13	TRANSFER OF CHARGE		*** COMPLETELY DELETED *** HIRSHBERG, HAIM HIRSHBERG, MARDI	ISON, STACEY FINE, GERRY MAPLE TRUST COMPANY MAPLE TRUST COMPANY	
		REMARKS: - SC255444				
SC326059	2005/05/04	TRANSFER OF CHARGE		*** COMPLETELY DELETED *** STAYNER HOMES INC.	HIRSHBERG, HAIM HIRSHBERG, MARDI	
		REMARKS: SC255444, SC298182				
SC328915	2005/05/16	DISCH OF CHARGE		*** COMPLETELY DELETED *** THOMPSON, PETER FINE, BONNIE HIRSHBERG, HAIM HIRSHBERG, MARDI REISS, LAURENCE REISS, HELEN MAPLE SECURITIES INC. ALLAGAR INVESTMENT LIMITED STAYNER HOMES INC. TAFINCO MORTGAGE CORP. ISON, STACEY FINE, GERRY MAPLE TRUST COMPANY		
		REMARKS: RE: SC255444				
SC419716	2006/03/16	CHARGE	\$1,950,000	DONDEB INC.	THE EMPIRE LIFE INSURANCE COMPANY	C
SC419717	2006/03/16	NO ASSGN RENT GEN		DONDEB INC.	THE EMPIRE LIFE INSURANCE COMPANY	C
		REMARKS: SC419716				
SC475456	2006/09/06	DISCH OF CHARGE		*** COMPLETELY DELETED *** LAURENTIAN BANK OF CANADA		
		REMARKS: RE: SC202577				
SC486773	2006/10/11	CHARGE		*** COMPLETELY DELETED *** DONDEB INC.	VIRGIN VENTURE CAPITAL CORPORATION VRG INVESTMENTS INC.	

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58569-0016 (LT)

PREPARED FOR Loliveira
ON 2015/04/10 AT 13:59:51

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
SC486777	2006/10/11	NO ASSGN RENT GEN		*** COMPLETELY DELETED *** DONDEB INC.	VIRGIN VENTURE CAPITAL CORPORATION VRG INVESTMENTS INC.	
		REMARKS: SC486773				
SC590506	2007/10/10	NOTICE		*** COMPLETELY DELETED *** DONDEB INC.	VIRGIN VENTURE CAPITAL CORPORATION VRG INVESTMENTS INC.	
		REMARKS: SC486773				
SC653008	2008/06/06	CHARGE		*** COMPLETELY DELETED *** DONDEB INC.	VECTOR FINANCIAL SERVICES LIMITED	
SC653009	2008/06/06	NO ASSGN RENT GEN		*** COMPLETELY DELETED *** DONDEB INC.	VECTOR FINANCIAL SERVICES LIMITED	
		REMARKS: SC653008				
SC690241	2008/10/14	NOTICE		*** COMPLETELY DELETED *** DONDEB INC.	VIRGIN VENTURE CAPITAL CORPORATION VRG INVESTMENTS INC.	
		REMARKS: SC486773				
SC690242	2008/10/14	TRANSFER OF CHARGE		*** COMPLETELY DELETED *** VIRGIN VENTURE CAPITAL CORPORATION VRG INVESTMENTS INC.	VIRGIN VENTURE CAPITAL CORPORATION OPPEDISANO, GIUSEPPE PAR 5 INC.	
		REMARKS: SC486773				
SC774941	2009/10/16	NOTICE		*** COMPLETELY DELETED *** DONDEB INC.	VIRGIN VENTURE CAPITAL CORPORATION OPPEDISANO, GIUSEPPE PAR 5 INC.	
		REMARKS: SC486773				
SC776296	2009/10/23	NOTICE		*** COMPLETELY DELETED *** DONDEB INC.	VIRGIN VENTURE CAPITAL CORPORATION OPPEDISANO, GIUSEPPE PAR 5 INC.	
		REMARKS: SC486773				
SC860666	2010/10/22	NOTICE		*** COMPLETELY DELETED *** DONDEB INC.	VIRGIN VENTURE CAPITAL CORPORATION OPPEDISANO, GIUSEPPE	

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

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REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
		REMARKS: SC486773			PAR 5 INC.	
SC872293	2010/12/13	CHARGE		*** COMPLETELY DELETED *** DONDEB INC.	VECTOR FINANCIAL SERVICES LIMITED	
SC872297	2010/12/13	DISCH OF CHARGE		*** COMPLETELY DELETED *** VECTOR FINANCIAL SERVICES LIMITED		
		REMARKS: SC653008.				
SC883434	2011/02/15	CHARGE		*** COMPLETELY DELETED *** DONDEB INC.	THE CANADA TRUST COMPANY RATHCLIFFE HOLDINGS LIMITED	
SC883647	2011/02/15	DISCH OF CHARGE		*** COMPLETELY DELETED *** VIRGIN VENTURE CAPITAL CORPORATION OPPEDISANO, GIUSEPPE PAR 5 INC.		
		REMARKS: SC486773.				
SC883661	2011/02/15	DISCH OF CHARGE		*** COMPLETELY DELETED *** VECTOR FINANCIAL SERVICES LIMITED		
		REMARKS: SC872293.				
SC886176	2011/03/01	NO ASSGN RENT GEN		*** COMPLETELY DELETED *** DONDEB INC.	THE CANADA TRUST COMPANY RATHCLIFFE HOLDINGS LIMITED	
		REMARKS: SC883434.				
SC928258	2011/09/01	CHARGE	\$7,100,000	DONDEB INC.	FIRST SOURCE MORTGAGE CORPORATION COSMAN, MARK	C
SC928301	2011/09/01	NO ASSGN RENT GEN		DONDEB INC.	FIRST SOURCE MORTGAGE CORPORATION COSMAN, MARK	C
		REMARKS: SC928258				
SC1004380	2012/08/16	TRANSFER	\$2	DONDEB INC.	BRIARBROOK APARTMENTS INC.	C
SC1005087	2012/08/17	APL (GENERAL)		*** COMPLETELY DELETED *** VIRGIN VENTURE CAPITAL CORPORATION VRG INVESTMENTS INC.		
		REMARKS: DELETING SC486777				

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
SC1006296	2012/08/23	CHARGE	\$1,600,000	BRIARBROOK APARTMENTS INC.	THE BANK OF NOVA SCOTIA TRUST COMPANY RDB (TORONTO) HOLDINGS INC. SUSAN MICHAELS HOLDINGS LIMITED COMFORT CAPITAL INC. JLJR INVESTMENTS LIMITED 1522648 ONTARIO INC. KOOPMANS, BEREND SWARTZ, MICHAEL MICHAELS, AUDREY	C
SC1006297	2012/08/23	NO ASSGN RENT GEN		BRIARBROOK APARTMENTS INC.	THE BANK OF NOVA SCOTIA TRUST COMPANY RDB (TORONTO) HOLDINGS INC. SUSAN MICHAELS HOLDINGS LIMITED COMFORT CAPITAL INC. JLJR INVESTMENTS LIMITED 1522648 ONTARIO INC. KOOPMANS, BEREND SWARTZ, MICHAEL MICHAELS, AUDREY	C
		<i>REMARKS: SC1006296.</i>				
SC1006336	2012/08/23	POSTPONEMENT		FIRST SOURCE MORTGAGE CORPORATION COSMAN, MARK	THE BANK OF NOVA SCOTIA TRUST COMPANY RDB (TORONTO) HOLDINGS INC. SUSAN MICHAELS HOLDINGS LIMITED COMFORT CAPITAL INC. JLJR INVESTMENTS LIMITED 1522648 ONTARIO INC. KOOPMANS, BEREND SWARTZ, MICHAEL MICHAELS, AUDREY	C
		<i>REMARKS: SC928258 TO SC1006296, SC1006297</i>				
SC1006465	2012/08/24	DISCH OF CHARGE		*** COMPLETELY DELETED *** THE CANADA TRUST COMPANY RATHCLIFFE HOLDINGS LIMITED		
		<i>REMARKS: SC883434.</i>				
SC1016354	2012/10/04	CHARGE	\$1,000,000	BRIARBROOK APARTMENTS INC.	LEAN, MARC RABINOVITCH, NEIL JOHNSTON, CRAIG A. FARBER & PARTNERS INC.	C

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REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
SC1020873	2012/10/29	APL COURT ORDER		ONTARIO SUPERIOR COURT OF JUSTICE	A. FARBER & PARTNERS INC.	C

APPENDIX “G”



Fraser Milner Casgrain LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON, Canada M5K 0A1

MAIN 416 863 4511
FAX 416 863 4592

January 22, 2013

Delivered

A. Farber & Partners Inc.
150 York Street, Suite 1600
Toronto, ON M5H 3S5

Attention: Hylton Levy

Dear Mr. Levy:

Re: Briarbrook Apartments Inc. ("Briarbrook") and Dondeb Inc. ("Dondeb") (Briarbrook and Dondeb are sometimes hereinafter referred to collectively as the "Debtors") re: 555 Memorial Avenue, Orillia, Ontario

You have asked us in your capacity as court-appointed receiver of Briarbrook's assets to review certain loan, security and related and supporting documentation as it pertains to the Real Property (as defined below), provided to us in connection with the indebtedness of Briarbrook to:

- (a) The Empire Life Insurance Company ("**Empire**");
- (b) The Bank of Nova Scotia Trust Company, Trustee, as to a \$900,000.00 share in trust for SDRRSP494-02797-16/CErlich, RDB (Toronto) Holdings Inc., as to \$150,000.00, Susan Michaels Holdings Limited, as to \$150,000.00, Comfort Capital Inc., as to \$100,000.00, JLR Investments Limited, as to \$100,000.00, 1522648 Ontario Inc., as to \$50,000.00, Berend Koopmans, as to \$50,000.00, Michael Swartz, as to \$50,000.00, and Audrey Michaels, as to \$50,000.00 (collectively, "**BNS**"); and
- (c) First Source Mortgage Corporation and Mark Cosman as Trustee for Gucciardi Holdings Inc., as to an undivided 14% interest, Eleanor Cosman, as to an undivided 1.5% interest and Michael Buffa, as to an undivided 1.5% interest (collectively, "**First Source**").

Further to our report dated November 2, 2013, we are pleased to provide you with an updated report, which now considers the security given by Dondeb in favour of First Source.

SCOPE OF REVIEW

The scope of our review is limited to a) those security and related documents listed in Schedule "A" hereto that were provided to us, and b) the Search Results (defined below) (collectively, the "**Documents**"). The only searches and inquiries conducted by us are those referred to in this letter, the results of which are summarized in Schedule "D" attached hereto (the "**Search Results**").

We reviewed the Documents generally to identify any aspect of the Documents or any registrations which did not appear complete and regular on their face, or which appeared to raise material issues. We have also listed in Schedule "A" attached hereto documents that were not provided to us for our review even though they are referenced in the Documents.

This report is limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein. We express no opinion with respect to the validity of Documents to the extent such validity is governed by the laws of any other jurisdiction.

ASSUMPTIONS AND QUALIFICATIONS

Our opinion as to the validity of the Documents is subject to the assumptions and qualifications set out in Schedules "B" and "C", respectively, attached hereto.

SEARCH RESULTS

Corporate History

Our corporate search reveals that Briarbrook was incorporated on November 25, 1998 pursuant to the laws of the Province of Ontario. Briarbrook's head office is located in King City, Ontario, and Briarbrook has no current styles or business names.

Personal Property Searches

We conducted searches against Briarbrook as noted in Schedule "D" under the following statutes:

1. *Bankruptcy and Insolvency Act* (Canada);
2. *Section 427 of the Bank Act* (Canada);
3. *Executions Act* (Ontario); and
4. *Personal Property Security Act* (Ontario) (the "PPSA").

The results of our searches are summarized in Schedule "D" attached hereto. The Province of Ontario does not have a system for registering title to personal property and, accordingly, we cannot confirm whether Briarbrook holds title to any of the personal property referred to herein. We have not conducted any searches against Melvyn Dancy, who guaranteed indebtedness owing to Empire and to BNS.

Real Property Searches

On October 23, 2012, at approximately 11:07 a.m., we conducted a subsearch of title (the "**Subsearch**") to the real property located in Orillia and described in Schedule "E" attached hereto (the "**Real Property**"). The results of the Subsearch are summarized below. The following is a summary of the results of the Subsearch and is not a full investigation of title to the Real Property. Given the limited nature of a Subsearch we do not express any opinion as to title to the Real Property or the priority of any encumbrances affecting the Real Property.

The parcel register for the Real Property which we obtained as part of our Subsearch shows the following registrations:

PIN 58569-0016 (LT):

- (a) Notice of Lease granted by Dondeb Inc. ("**Dondeb**"), a previous registered owner of the Real Property, in favour of J. & B. Brown Furniture & Appliances Ltd., registered March 9, 2004 as Instrument No. SC201329;
- (b) Charge/Mortgage granted by Dondeb in favour of Empire, in the original principal sum of \$1,950,000.00, registered on March 16, 2006 as Instrument No. SC419716 (the "**Empire Mortgage**"). The Empire Mortgage appears to be a first mortgage;
- (c) Notice of Assignment of Rents granted by Dondeb in favour of Empire, registered on March 16, 2006 as Instrument No. SC419717 in connection with the Empire Mortgage (the "**Empire Assignment of Rents**");
- (d) Charge/Mortgage granted by Dondeb in favour of First Source, in the original principal sum of \$7,100,000.00, registered on September 1, 2011 as Instrument No. SC928258 (the "**First Source Mortgage**"). The First Source Mortgage would appear to be a third mortgage;
- (e) Notice of Assignment of Rents granted by Dondeb in favour of First Source, registered September 1, 2011 as Instrument No. SC928301 in connection with the First Source Mortgage (the "**First Source Assignment of Rents**");
- (f) Transfer of Land from Dondeb to Briarbrook registered on August 16, 2012 as Instrument No. SC1004380;
- (g) Charge/Mortgage granted by Briarbrook in favour of BNS, in the original principal sum of \$1,600,000.00, registered on August 23, 2012 as Instrument No. SC1006296 (the "**BNS Mortgage**"). The BNS Mortgage appears to be a second mortgage;
- (h) Notice of Assignment of Rents granted by Briarbrook in favour of BNS, registered on August 23, 2012 as Instrument No. SC1006297 in connection with the BNS Mortgage (the "**BNS Assignment of Rents**");
- (i) Postponement granted by First Source in favour of BNS, on August 23, 2012 as Instrument No. SC1006336 in connection with the BNS Mortgage and the BNS Assignment and the First Source Mortgage (the "**First Source Postponement**"); and
- (j) Charge/Mortgage granted by Briarbrook in favour of Marc Lean, Neil Rabinovitch, Craig Johnston and A. Farber & Partners Inc., in the original principal sum of \$1,000,000.00, registered on October 4, 2012 as Instrument No. SC1016354.

Execution searches were conducted against Briarbrook in the Regional Municipalities of Durham, Simcoe and York on October 26, 2012, the results of which reveal that there were no writs of execution.

Certificate of Status

We obtained certificates of status dated November 1, 2012 in respect of Briarbrook and December 14, 2012 in respect of Dondeb issued by the Ministry of Government Services confirming their corporate existence as at that date.

SECURITY REVIEW

Subject to the assumptions and qualifications set out in this letter, we have the following comments on and opinions with respect to the Documents.

A. Empire Loan

A loan in the principal amount of \$1,950,000.00 was extended to Dondeb by Empire pursuant to the Empire Mortgage.

All of the indebtedness, liabilities and obligations of Dondeb to Empire pursuant to the Empire Mortgage were guaranteed by a guarantee and postponement of claim dated March 3, 2006 by Melvyn Dancy (the "**Guarantor**") in favour of Empire (the "**Empire Guarantee**").

Dondeb

1. *Mortgage.* The Empire Mortgage grants, by its terms, a valid fixed charge in favour of Empire of the Real Property.

The Empire Mortgage contains a prepayment provision which provides that in the event of non-payment of principal moneys, at the time or times provided, Empire is not required to accept payment of the principal moneys without first giving three months' previous notice in writing, or paying a bonus equal to three months interest in advance on the principal moneys.

2. *Assignment of Rents.* The Empire Assignment of Rents grants to Empire an assignment of all rents pursuant to leases of the Real Property entered into from time to time by Dondeb with various tenants. It states it enures to the benefit of and is binding on each of the parties and their successors and assigns. It was registered against title to the Real Property prior to notices of other assignments of rents and other charges and accordingly would likely have priority over such subsequently registered assignments and charges. Subsequent assignees could potentially allege that the definition of "Leases" in the Empire Assignment of Rents is limited to leases granted by Dondeb (rather than by Briarbrook). However because the transfer of the Real Property by Dondeb to Briarbrook occurred on August 16, 2012, we anticipate that most current leases would have been granted by Dondeb.

3. *Security Agreement.* The Empire Security Agreement (as defined in Schedule "A" attached hereto) grants, by its terms, a valid security interest in favour of Empire in the personal property of Dondeb charged thereunder to which the PPSA applies. Although titled a "General Security Agreement", the Empire Security Agreement is in fact limited to the rents receivable from tenants of the building located on the Real Property, as well as all chattels used on, in or about the Real Property. In addition, we have not been provided with any documentation evidencing a transfer of title to the personal property of Dondeb to Briarbrook; nor have we been provided with a general security agreement granting a valid security interest by Briarbrook in favour of Empire in Briarbrook's personal property located on the Real Property.

4. *PPSA Registrations.* A financing statement in respect of the security interest granted by Dondeb in favour of Empire was registered under the PPSA on March 2, 2006 (the "**Dondeb Registration**"). The details of the Dondeb Registration are set out in Schedule "D" attached hereto. The Dondeb Registration was registered under the PPSA, in respect of "Inventory, Equipment, Accounts and Other" with the following general collateral description: "general security agreement and general assignment of rents in connection with 555 Memorial Avenue, Orillia, Ontario". There is one subsequent registration granted by Dondeb in favour of MCAP Leasing Inc. and MCAP Leasing Limited Partnership relating to the Real Property.

As the Real Property was transferred from Dondeb to Briarbrook on August 16, 2012, assuming that: (1) title to the personal property was also transferred by Dondeb to Briarbrook on August 16, 2012, and (2) Empire did not consent to the transfer and was not aware of the transfer at this time, Empire would have thirty days from the date that it became aware of the date of transfer (in any event, no later than October 17, 2012, the date of the Receivership Order, as defined below) to effect a financing change statement evidencing the transfer to avoid losing the perfection of its security interest in any transferred collateral.

As of November 1, 2012, Empire provided confirmation of the registration of a financing change statement evidencing transfer by debtor from Dondeb to Briarbrook. Assuming that Empire did not consent to and had no knowledge of the transfer until the date of the Receivership Order, Empire is within the time limit required by the PPSA and has thus re-perfected its security interest.

5. *Real Property Registrations.* The fixed charge constituted by the Empire Mortgage was registered against title to the Real Property, as noted above. Therefore the subsequent transfer by Dondeb to Briarbrook of the Real Property was subject to the Empire Mortgage.

The Guarantor

1. *Guarantee and Postponement of Claim.* The Empire Guarantee, by its terms, guarantees the obligations of Dondeb under the Empire Mortgage.

2. *Security Agreement.* We have not been provided with a general security agreement granting a valid security interest by the Guarantor in favour of Empire in the Guarantor's personal property.

3. *PPSA Registration.* A financing statement in respect of the security interest granted by the Guarantor in favour of Empire was registered under the PPSA on March 2, 2006. The details of such registration are in the search summary in Schedule "D" attached hereto.

B. First Source Loan

Credit Facilities were extended by First Source, as lender, to Dondeb and to Barrie Business Centre, collectively, as borrower (the "**Borrower**"), pursuant to the First Source Commitment Letter (as such term is defined in Schedule "A" attached hereto). To secure the \$7,100,000.00 mortgage loan, the terms of the First Source Commitment Letter required the Borrower to (i) grant the Lender a mortgage in the principal amount of \$7,100,000.00 over the property municipally known as "92 Davidson Street, Barrie, Ontario, also known as Ottaway Avenue, Block C, Registered Plan 1329, City of Barrie, Lot 21 Concession 4 and Part of Park Lots 17, 18, 19 and 20" (the "**Davidson Property**") (the "**92 Davidson Street Charge**"); (ii) grant the Lender a \$25,000.00 collateral mortgage on the property municipally known as 61 Forest

Plain Road, Oro-Medonte (the "**Forest Plain Property**") (the "**61 Forest Plain Road Charge**") to secure First Source's fees with respect to the 92 Davidson Street Charge.

Pursuant to the terms of the First Amendment (as such term is defined in Schedule "A" attached hereto) to the First Source Commitment Letter, Dondeb granted additional security in favour of First Source, which included, among other forms of security, (i) a collateral mortgage against the property municipally known as 256 Hughes Road, 270 Hughes Road and 4575 Huronia Road, Orillia, Ontario; and (ii) a collateral mortgage against the Real Property. The First Source Mortgage was to be discharged once a twenty per cent (20%) occupancy rate was achieved under bona fide leases in Building A (as defined in the First Source Commitment Letter).

Pursuant to the terms of the Second Amendment (as such term is defined in Schedule "A" attached hereto) to the First Source Commitment Letter, the parties agreed that the First Source Mortgage would be discharged once an eighty per cent (80%) occupancy rate was achieved under bona fide leases in Building A, rather than the twenty percent (20%) occupancy that was previously agreed to by the parties.

Pursuant to the terms of the Fourth Amendment (as defined in Schedule "A" attached hereto), Dondeb, in consideration for First Source agreeing to Dondeb's request to postpone the First Source Mortgage to Regional Financial Services Limited in respect of a new loan (the "**Regional Loan**"), was to: (i) upon closing of the proposed Regional Loan, pay First Source a sum of \$200,000.00, \$50,000.00 of which was to constitute approximate interest accrued under the First Source Commitment Letter up to and including July 1, 2012 and \$150,000.00 of which was to be held in the trust account of First Source's solicitor, to be distributed on a cost to complete basis to Dondeb's trades in respect of the completion of Building "B" on the Davidson Property, (ii) on or prior to the closing of the Regional Loan, grant additional security in the form of a collateral mortgage on the property municipally known as 205 Vodden Street East, Brampton Ontario (the "**Vodden Property**") and (iii) on or prior to the closing of the Regional Loan, enter into a forbearance agreement with First Source which, among other things, would confirm the continuing default of Dondeb under the First Source Loan and confirm that First Source could immediately issue a power of sale on the Vodden Property.

The Postponement Agreement (as defined in Schedule "A" attached hereto) provides, among other things, that in consideration for Dondeb complying with the terms of the Postponement Agreement, First Source agreed to (i) postpone the First Source Mortgage over the Real Property; and (ii) forebear from exercising any remedies available pursuant to the First Source Mortgage and the First Source Commitment Letter.

Dondeb

1. *Mortgage.* The First Source Mortgage grants, by its terms, a valid fixed charge in favour of First Source in the Real Property. Although the First Source Mortgage is the second charge/mortgage registered against title to the Real Property, First Source postponed the First Source Mortgage to the BNS Mortgage pursuant to the First Source Postponement. The First Source Mortgage was closed until March 1, 2012 and is now open on any payment date with fifteen days prior notice, plus one month's interest.

Pursuant to the terms of the First Source Mortgage, and in addition to being given as collateral security for the amounts advanced pursuant to the First Source Commitment Letter, the First Source Mortgage is

also given as collateral security to the Promissory Note (as defined in Schedule "A" attached hereto), which was given by Dondeb to First Source, having a due date of September 1, 2013.

A default under the terms of the First Source Mortgage constitutes a default under the Promissory Note and a default under the Promissory Note constitutes a default under the First Source Mortgage.

The First Source Mortgage contains a covenant that Dondeb will not create, assume or permit to exist any subsequent mortgage, charge, hypothec, pledge, lien or encumbrance with respect to the Real Property without the prior written consent of First Source. First Source granted such consent in respect of the BNS Mortgage pursuant to the Postponement Agreement and the Fourth Amendment.

The First Source Mortgage provides that if any default or breach of covenant occurs under any encumbrances registered against the Real Property and which encumbrance has priority over the First Source Mortgage, it shall constitute a default under the First Source Mortgage.

First Source may elect which document shall govern with respect to any inconsistency between the terms of the First Source Mortgage and the First Source Commitment Letter.

2. *Assignment of Rents.* The First Source Assignment of Rents grants to First Source an assignment in all rents, charges and other monies pursuant to leases and every guarantee given to secure the obligations under the leases in respect of the Real Property with each and every present and future tenant. It states it enures to the benefit of and is binding on each of the parties and their successors and assigns. The First Source Assignment of Rents provides that it is taken as collateral security for payment of the amounts owing pursuant to the First Source Mortgage. We reviewed a copy of the First Source Postponement registered on title to the Real Property and the First Source Assignment of Rents was not postponed to the BNS Assignment of Rents. For this reason, the BNS Assignment of Rents is still subsequent to the First Source Assignment of Rents.

3. *Security Agreement.* The First Source Security Agreement (as defined in Schedule "A" attached hereto) grants, by its terms, a valid security interest in favour of First Source in the personal property of Dondeb charged thereunder to which the PPSA applies.

4. *PPSA Registrations.* A financing statement in respect of the security interest granted by Dondeb in favour of First Source was registered under the PPSA on August 18, 2011, as amended on October 6, 2011 (collectively, the "**First Source Dondeb Registration**"). The details of the First Source Dondeb Registration are set out in Schedule "D" attached hereto. The First Source Dondeb Registration was registered under the PPSA in respect of "Inventory, Equipment, Accounts and Other" with the following general collateral description: "general security agreement in respect of the obligations of Dondeb Inc. relating to 92 Davidson Street, Barrie, Ontario and 256 Hughes Road and 555 Memorial Avenue, Orillia, Ontario". There are no other registrations in respect of the Real Property.

As the Real Property was transferred from Dondeb to Briarbrook on August 16, 2012, assuming that (1) title to the personal property was also transferred by Dondeb to Briarbrook on August 16, 2012, and (2) First Source did not consent to the transfer and was not aware of the transfer at this time, First Source would have thirty days from the date that it became aware of the date of transfer (in any event, no later than October 17, 2012, the date of the Receivership Order, as defined below) to effect a financing change statement evidencing the partial transfer to avoid losing the perfection of its security interest in any transferred collateral.

As at January 20, 2013, the currency date of the PPSA searches, the First Source Dondeb Registration was not amended to record the addition of Briarbrook as a debtor under the PPSA; nor was a financing change statement filed to indicate a partial transfer by debtor of the collateral or to add Briarbrook as a debtor to the First Source Dondeb Registration.

5. *Real Property Registrations.* The fixed charge constituted by the charge/mortgage was registered against title to the Real Property as noted above. Therefore the subsequent transfer by Dondeb to Briarbrook of the Real Property was subject to the First Source Mortgage.

C. **BNS Loan**

Credit facilities were extended to Briarbrook pursuant to a commitment letter dated May 31, 2012 as amended and replaced by an agreement dated July 11, 2012 among Briarbrook, Dondeb, and Regional Financial Services Limited, as mortgage broker (collectively, the "**BNS Loan Agreement**"). Please note that, although the lender is not actually identified or defined in the BNS Loan Agreement, we have assumed that the lender is BNS.

All of the indebtedness, liabilities and obligations of Briarbrook to BNS, pursuant to the BNS Loan Agreement were guaranteed by a guarantee by Melvyn Dancy, as referenced in the BNS Loan Agreement. We have not received or reviewed a copy of the BNS Guarantee.

1. *Mortgage.* The BNS Mortgage grants, by its terms, a valid fixed charge in favour of BNS of the Real Property. Although the BNS Mortgage is the third charge/mortgage registered against title to the Real Property, First Source postponed the First Source Mortgage to the BNS Mortgage pursuant to the First Source Postponement.

The BNS Mortgage provides that as long as Briarbrook is not in default, Briarbrook has the option of prepaying the whole or any part of the principal monies secured by the BNS Mortgage, at any time or times, (i) during the first six months of the term, upon the payment by Briarbrook of a prepayment fee in amount equal to 2% of the principal amount prepaid; and (ii) after February 23, 2013, upon payment by Briarbrook to BNS of a prepayment fee in an amount of 1.5% of the principal amount prepaid.

It is an event of default under the BNS Mortgage if Briarbrook (i) defaults under any warranty, representation, covenant or agreement given by Briarbrook to BNS and such breach continues unremedied after ten (10) days written notice is given by BNS to Briarbrook; or (ii) if Briarbrook defaults under any prior encumbrance or other mortgage registered on title to the Real Property.

Pursuant to the terms of the BNS Mortgage, the occurrence of an event of default under: (i) the provisions of the BNS Mortgage; (ii) the BNS Loan Agreement; and (iii) any other charge or security document between Briarbrook and BNS, including any document pursuant to which Briarbrook is a guarantor, shall be deemed to be an event of default under all such security documents.

The mortgage registered on title to the property municipally known as 525 Memorial Avenue, Orillia, Ontario (the "**525 Property**") is additional security to the BNS Mortgage. Pursuant to the terms of BNS Mortgage, Dondeb shall have the right to obtain a discharge against the 525 Property upon delivery of: (i) payment on account of the principal in the amount of \$100,000.00; (ii) payment on account of accrued interest thereon, if applicable, to the date of discharge; (iii) a prepayment fee (as discussed above); and (iv) payment of discharge fees and disbursements.

2. *Assignment of Rents.* The BNS Assignment of Rents grants to BNS an assignment of all rents pursuant to leases of the Real Property. It was registered against title to the Real Property after the notice of the Empire Assignment of Rents.

3. *Security Agreement.* We have not yet received and thus not reviewed the BNS Security Agreement (as defined in Schedule "A" attached hereto).

4. *PPSA Registrations.* A financing statement in respect of the security interest granted by Briarbrook in favour of BNS was registered under the PPSA on August 24, 2012 (the "**BNS Registration**"). The details of the BNS Registration are set out in Schedule "D" attached hereto. The BNS Registration was registered first in time under the PPSA against "Inventory, Equipment, Accounts, and Other" and, subject to the assumptions and qualifications herein, BNS would appear to have a first registered security interest in the inventory, equipment and certain other personal property of Briarbrook.

5. *Real Property Registrations.* The fixed charge constituted by the charge/mortgage that was granted to BNS against the Real Property was registered against title to the Real Property as noted above.

The First Source Postponement was registered on August 23, 2012, postponing the First Source Mortgage and the First Source Assignment to the BNS Mortgage and the BNS Assignment, respectively.

The Guarantor

1. *Guarantee.* We have not yet received and thus not reviewed the BNS Guarantee (as defined in Schedule "A" attached hereto).

2. *Security Agreement.* We have not been provided with a general security agreement granting a valid security interest by the Guarantor in favour of BNS in the Guarantor's personal property.

OPINIONS WITH RESPECT TO VALIDITY AND PRIORITY OF SECURITY

In our opinion, based on the assumptions and subject to the qualifications set out herein:

1. each of the Empire Mortgage, the First Source Mortgage and the BNS Mortgage is a valid charge of the Real Property and the Empire Mortgage has priority over the First Source Mortgage and the BNS Mortgage. The BNS Mortgage has priority over the First Source Mortgage;
2. each of the Empire Assignment of Rents, the First Source Assignment of Rents and the BNS Assignment of Rents is a valid assignment of the rents referred to therein and the Empire Assignment of Rents has priority over the First Source Assignment of Rents and the BNS Assignment of Rents. The First Source Assignment of Rents has priority over the BNS Assignment of Rents; and
3. the Empire Security Agreement grants, by its terms, a valid security interest in favour of Empire in the personal property of Dondeb referred to therein to which the PPSA applies. The First Source Security Agreement grants, by its terms, a valid security interest in favour of First Source in the personal property of Dondeb referred to therein to which the PPSA applies. Empire registered a financing change statement on November 1, 2012 indicating a transfer by debtor of the collateral by Dondeb to Briarbrook, and thus its security interest remains perfected with

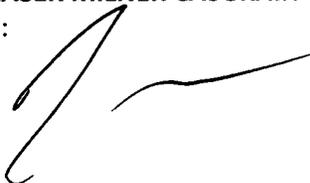
respect to the transferred collateral. As discussed above, First Source did not affect a similar financing change statement.

This review is provided to you in your capacity as court-appointed receiver of Briarbrook's assets pursuant to the order of the Honourable Mr. Justice Campbell dated October 17, 2012 (the "Receivership Order"). This letter may not be relied on by any other person without our prior written consent. Please do not hesitate to contact us if you wish to discuss any of the foregoing.

Yours very truly,

FRASER MILNER CASGRAIN LLP

By:

A handwritten signature in black ink, consisting of a large, stylized initial 'F' followed by a horizontal line extending to the right.

SCHEDULE "A"

DOCUMENTS REVIEWED

Documents not defined below shall have the meaning ascribed to them in the body of the security review letter.

Empire Loan and Security Documents:

1. Charge/Mortgage granted by Dondeb in favour of Empire, in the original principal sum of \$1,950,000.00, registered on March 16, 2006 as Instrument No. SC419716.
2. Acknowledgement and Direction from Dondeb to Garfinkle, Biderman LLP dated March 3, 2006 authorizing the registration of the above-noted mortgage.
3. Acknowledgement of Receipt of Standard Charge Terms No. 200033 from Dondeb to Empire dated March 3, 2006.
4. Copy of Standard Charge Terms No. 200033, filed pursuant to the *Land Registration Reform Act* by Dye & Durham Co. Inc. on November 3, 2000.
5. Notice of Assignment of Rents granted by Dondeb in favour of Empire, registered on March 16, 2006 as Instrument No. SC419717 in connection with the Mortgage registered as Instrument No. SC419716.
6. Tenant Acknowledgement and Lease Recognition Agreement, undated, between Empire as Mortgagee, and J. & B. Brown Furniture & Appliances Ltd. as Tenant, with respect to the original Lease dated August 26, 1992, as amended by Amending Agreement and further Amended by Amending Agreement dated February 20, 2002 in favour of the Tenant, which notice was registered as Instrument No. SC201329. (the "**Empire Tenant Acknowledgement and Lease Recognition Agreement**").
7. Indenture given by Dondeb in favour of Empire dated March 3, 2006 with respect to the assignment of rents (the "**Indenture**").
8. General Security Agreement given by Dondeb in favour of Empire dated March 3, 2006 (the "**Empire Security Agreement**").
9. Guarantee and Postponement of Claim granted by Melvyn Dancy in favour of Empire in respect of the indebtedness of Dondeb to Empire dated March 3, 2006 (the "**Empire Guarantee**").
10. Financing Statement filed pursuant to the PPSA against Dondeb in favour of Empire relating to a General Security Agreement and General Assignment of Rents in connection with 555 Memorial Avenue, Orillia, Ontario as registration no. 20060302 1449 1793 2276 (reference file number 623082042) on March 2, 2006.
11. Acknowledgement of Receipt of PPSA financing statement from Dondeb to Empire dated March 3, 2006.

12. Financing Statement filed pursuant to the PPSA against Melvyn Dancy in favour of Empire relating to an Assignment and Postponement of Claim in connection with the Guarantee of Dondeb with respect to the Real Property as registration no. 20060302 1450 1793 2280 (reference file number 623082087) on March 2, 2006.
13. Acknowledgement of Receipt of PPSA financing statement from Melvyn Dancy to Empire dated March 3, 2006.
14. Statutory Declaration of Melvyn Dancy with respect to the title of the Real Property.
15. Acknowledgement given by Dondeb to Empire dated March 3, 2006, acknowledging receipt of a mortgage advance of \$1,950,000.00.

First Source Loan and Security Documents:

1. Mortgage Commitment Letter dated June 23, 2011, issued by First Source to Dondeb with respect to the mortgage loan to Dondeb, secured by a mortgage on the property municipally known as 92 Davidson Street, Barrie, Ontario (and a mortgage on 12 Ottaway Avenue, Barrie, Ontario) and a collateral mortgage on the property municipally known as 61 Forest Plain Road, Oro-Medonte, Ontario (collectively with the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment (each as defined below), the "**First Source Commitment Letter**").
2. Amending Agreement dated August 18, 2011 to the First Source Commitment Letter between First Source, Mark Cosman and Dondeb and Melvyn A. Dancy, as Guarantor, with respect to the property municipally known as 92 Davidson Street, Barrie and the property municipally known as 12 Ottaway Avenue, Barrie (the "**First Amendment**").
3. Letter Amending Agreement dated August 22, 2011 to the First Source Commitment Letter from First Source to Dondeb (the "**Second Amendment**").
4. Letter Amending Agreement dated August 31, 2011 to the First Source Commitment letter from First Source to Dondeb (the "**Third Amendment**").
5. Amending Agreement dated June 1, 2012 to the First Source Commitment Letter from First Source to Dondeb (the "**Fourth Amendment**").
6. Postponement Agreement dated August 22, 2012 among First Source, Mark Cosman, Dondeb, Melvyn A. Dancy, 2339506 Ontario Inc. and 2338067 Ontario Inc.
7. Trust Declaration dated September 1, 2011 between Mark Cosman, Trustee, Gucciardi Holdings Inc., as to an undivided 14% interest, Eleanor Cosman, as to an undivided 1.5% interest and Michael Buffa, as to an undivided 1.5% interest in connection with a first mortgage loan to Dondeb Inc., with respect to the property municipally known as 92 Davidson Street, Barrie; a second mortgage loan to Melvyn Dancy, with respect to the property municipally known as 12 Ottaway Avenue, Barrie; a collateral fifth mortgage in favour of First Source and Mark Cosman, as Trustee, with respect to the property municipally known as 256 Hughes Road, Orillia and a collateral third mortgage in favour of First Source and Mark Cosman, as Trustee, with respect to the Real Property (the "**First Source Trust Declaration**").

8. Collateral charge/mortgage granted by Dondeb in favour of First Source and Mark Cosman, Trustee, in the original principal sum of \$7,100,000.00, registered on September 1, 2011 as Instrument No. SC928258 against title to the Real Property and the property municipally known as 256 Hughes Road, Orillia.
9. Notice of Assignment of Rents-General granted by Dondeb in favour of First Source and Mark Cosman, Trustee, registered on September 1, 2011 as Instrument No. SC928301 against title to the Real Property and the property municipally known as 256 Hughes Road, Orillia.
10. General Assignment of Rents dated August 27, 2011, between Dondeb and First Source and Mark Cosman, Trustee with respect to the Real Property and the property municipally known 256 Hughes Road, Orillia.
11. Acknowledgment of Standard Charge Terms No. 200033 by Dondeb and the Guarantor, with respect to the Real Property and the properties municipally known as 92 Davidson Street, Barrie, and 256 Hughes Road, Orilla.
12. Copy of Promissory Note dated August 27, 2011 in the principal sum of \$7,100,000 given by Dondeb and the Guarantor in favour of First Source (the "**Promissory Note**").
13. General Security Agreement dated August 27, 2011 between First Source and Mark Cosman, Trustee and Dondeb (the "**First Source Security Agreement**").
14. Financing Statement filed pursuant to the PPSA against Dondeb and Barrie Business Centre in favour of First Source and Mark Cosman, Trustee, relating to a General Security Agreement in connection with 92 Davidson Street, Barrie, Ontario, 256 Hughes Road, Orillia and the Real Property as registration no. 20110818 1639 1862 6535 (reference file no. 672302241) on August 18, 2011, and as amended on October 6, 2011 by registration no. 20111006 1600 1862 1282 (reference file number 672302241) and Acknowledgement of receipt of same by Dondeb.
15. Financing Statement filed pursuant to the PPSA against Melvyn Dancy in favour of First Source and Mark Cosman, Trustee with the collateral description of "Accounts" and "Other" as registration no. 20110818 1640 1862 6536 reference file no. 672302268) on August 18, 2011.
16. Financing Change Statement filed pursuant to the PPSA, registration no. 20111006 1622 1862 1288 (reference file no. 650324385) being a subordination by Melvyn Dancy postponing registration no. 20081203 1311 1862 4877, file no. 650324385 filed against Dondeb Inc., to PPSA Registration No. 20110818 1639 1862 6535, file no. 672302241, filed by First Source and Mark Cosman, Trustee against Dondeb Inc. and Barrie Business Centre, and Acknowledgment of receipt of same by Melvyn A. Dancy.
17. Postponement of Interest from First Source in favour of The Bank of Nova Scotia Trust Company, as Trustee, et al., registered on August 23, 2012 as Instrument No. SC1006336 with respect to the Real Property.

Documents Provided But Not Reviewed:

1. Authorization dated August 27, 2011 given by Dondeb to First Source, Mark Cosman, Trustee, and to Cosman & Associates, their solicitors regarding the completion of particulars in any of the security documents in connection with the mortgages on the properties municipally known as 92 Davidson Street and 12 Ottaway Avenue, Barrie, Ontario, respectively and in connection with the collateral mortgages on the Real Property and the property municipally known as 256 Hughes Road, Orillia.
2. Direction Re: Funds and Re-Direction re funds dated August 27, 2011 given by Dondeb to First Source, Mark Cosman, Trustee, and to Cosman & Associates, their solicitors with respect to the mortgages on the properties municipally known as 92 Davidson Street and 12 Ottaway Avenue, Barrie, Ontario, respectively and in connection with the collateral mortgages on the Real Property and the property municipally known as 256 Hughes Road, Orillia.
3. Title Insurance Policy No. 110826002821 dated August 31, 2011 issued by First American Title Insurance Company in connection with the insurance coverage for the Real Property and the properties municipally known as: 92 Davidson Street and 12 Ottaway Avenue, Barrie, Ontario, and 256 Hughes Road, Orilla.
4. Acknowledgement and Directions re title insurance each dated September 1, 2011 and executed by each of First Source, Gucciardi Holdings Inc., Michael Buffa and Eleanor Cosman in connection with the insurance coverage for the Real Property and the properties municipally known as: 92 Davidson Street and 12 Ottaway Avenue, Barrie, Ontario, and 256 Hughes Road, Orillia, Ontario.
5. Environmental Indemnity dated August 27, 2011 given by Dondeb to First Source with respect to the mortgages on the properties municipally known as 92 Davidson Street and 12 Ottaway Avenue, Barrie, Ontario, respectively and in connection with the collateral mortgages on the Real Property and the property municipally known as 256 Hughes Road, Orillia.
6. Undertaking & Acknowledgement dated August 30, 2011 given by Melvyn Dancy to First Source and Mark Cosman, Trustee, to provide them with a Tenant's Acknowledgement executed by Newman's Valve Limited; evidence of payment of all realty taxes on the Real Property and the properties municipally known as 256 Hughes Road, Orillia and 92 Davidson Street, Barrie.
7. Corporate documents each dated August 27, 2011 as follows:
 - (a) Certified Resolution of the Sole Director of Dondeb authorizing Dondeb to enter into a Commitment Letter, give a Promissory Note, a First Charge, a Collateral Charge, an Assignment of Rents, a General Security Agreement and Guarantee to First Source in the amount of \$7,100,000.00 against the properties municipally known as 92 Davidson Street and 12 Ottaway Avenue, Barrie, Ontario, respectively, and to give collateral mortgages on the Real Property and the property municipally known as 256 Hughes Road, Orillia;
 - (b) Certificate of Non-Restriction of Dondeb certifying that there are no restrictions in the articles of incorporation or by-laws of Dondeb which would restrict Dondeb from executing any of the documents referred to in (a) above;
 - (c) Certificate of Incumbency of the sole director of Dondeb; and

- (d) Officer's Certificate of Dondeb as to the corporate status of the corporation.
8. Lease Acknowledgement to First Source and Mark Cosman, Trustee, by J. & B. Brown Furniture & Appliances Limited together with copy of Lease, dated August 26, 2011 with respect to the leased premises located at the Real Property.
 9. Form 9D - Investment Authority, each dated September 1, 2011 and addressed to Cosman & Associates with respect to the investment of funds on behalf of and executed by each of First Source, Gucciardi Holdings Inc., Michael Buffa and Eleanor Cosman in connection with the mortgage on 92 Davidson Street, Barrie, Ontario; the mortgage on 12 Ottaway Avenue, Barrie, Ontario; the collateral mortgage on 256 Hughes Road, Orillia, Ontario and the collateral mortgage on the Real Property.
 10. Form 9E — Report on the Investment, each dated September 1, 2011 provided by Cosman & Associates and addressed to each of First Source, Gucciardi Holdings Inc., Michael Buffa and Eleanor Cosman with respect to the funds invested on behalf of each of First Source, Gucciardi Holdings Inc., Michael Buffa and Eleanor Cosman, in connection with the mortgage on 92 Davidson Street, Barrie, Ontario; the mortgage on 12 Ottaway Avenue, Barrie, Ontario; the collateral mortgage on 256 Hughes Road, Orillia, Ontario and the collateral mortgage on the Real Property.
 11. Clear execution search certificate dated September 1, 2011 issued by the Sheriff of the County of Simcoe (Barrie) against Dondeb and Melvyn Dancy.

BNS Loan and Security Documents:

1. Commitment Letter issued by Regional Financial Services Limited to Dondeb and Briarbrook dated May 31, 2012 and as amended July 11, 2012.
2. Charge/Mortgage granted by Briarbrook in favour of BNS, in the original principal sum of \$1,950,000.00, registered on August 23, 2012 as Instrument No. SC1006296 (the "**BNS Mortgage**").
3. Notice of Assignment of Rents granted by Briarbrook in favour of BNS, registered on August 23, 2012 as Instrument No. SC1006297 in connection with the Mortgage registered as Instrument No. SC1006296.
4. Deposit Account Control Agreement between Briarbrook and Michael Swartz, dated August 23, 2012 with respect to Bank Account No. 1127-895, established at Bank of Montreal, 6 King Street West, Toronto, Ontario, for the sole purpose of collecting rents receipts with regard to the Real Property.

Miscellaneous Documents

1. Transfer of Land from Dondeb to Briarbrook registered on August 16, 2012 as Instrument No. SC1004380.

2. Charge/Mortgage granted by Briarbrook in favour of Marc Lean, Neil Rabinovitch, Craig Johnston and A. Farber & Partners Inc., in the original principal sum of \$1,000,000.00, registered on October 4, 2012 as Instrument No. SC1016354.

DOCUMENTS NOT PROVIDED FOR REVIEW

The following documents have not been provided for our review:

1. a term sheet/commitment letter/loan agreement between Empire/Dondeb/Briarbrook.
2. General Security Agreement given by Briarbrook in favour of BNS (the "**BNS Security Agreement**").
3. Guarantee granted by Melvyn Dancy, as guarantor in favour of BNS in respect of the obligations owing by Briarbrook to BNS (the "**BNS Guarantee**").
4. Copies of either the Original Lease or the amending agreements as referred to in the Empire Tenant Acknowledgement and Lease Recognition Agreement.
5. Notice of Lease granted by granted by Dondeb in favour of J. & B. Brown Furniture & Appliances Ltd., registered March 9, 2004 as Instrument No. SC201329.

SCHEDULE "B"

ASSUMPTIONS

For the purposes of conducting this review, we have assumed the following:

1. that the signatures on the Documents are genuine and that the Documents submitted to us as photocopies or facsimile copies conform to authentic original Documents, and that all Documents were fully completed prior to execution and delivery;
2. that each of Dondeb, Briarbrook and the Guarantor had at all relevant times the necessary corporate status, power and capacity to grant to the applicable creditor the Documents to which it is party and to perform its obligations under each of those Documents;
3. that the Documents were duly authorized, executed and delivered to and in favour of the applicable creditor;
4. that the Documents were provided, as the case may be, to the applicable creditor by Briarbrook and the Guarantor on the basis of informed consent and advice and for value;
5. that each of Empire, BNS and First Source holds proper evidence of the amount of indebtedness owed to it, by Briarbrook and the dates on which such indebtedness was incurred;
6. that none of the Documents has been assigned, amended, superseded, released, discharged or otherwise impaired, either in whole or in part;
7. that each of Briarbrook and the Guarantor holds legal and beneficial title to the property charged by such party in any of the Documents and that all such property was, at the time of the granting of the relevant security interest, and is presently, in Ontario;
8. the accuracy and completeness of the descriptions of all property of Briarbrook and the Guarantor referred to in any Document;
9. that there are no agreements to which Briarbrook or the Guarantor is a party or was a party at the time of the execution of the Documents which might impair its ability to execute and deliver or grant any of the Documents to which it is a party or to perform any of its obligations thereunder;
10. that none of the Documents, originals or copies of which we examined, has been amended (except as set out in this letter), and there are no other agreements or understandings between the parties that would amend, supplement or qualify any provisions of the Documents;
11. to the extent that a security interest in investment property (as defined in the PPSA) has been granted by Briarbrook or the Guarantor to a creditor, such creditor has control of such investment property;
12. that value has been given sufficient for purposes of attachment under the PPSA, that no secured party has agreed to postpone the time for attachment of any security interest created by any of the Documents, and that there are no priority or other agreements (other than those referred

to herein) which purport to alter the order of registration of the security interests as described. While we can express no opinion as to the priority of any security interest, we do express a view as to the apparent priority based solely on the order of registration as disclosed by our searches;

13. that no execution creditor or other person has seized or caused seizure of any asset of Briarbrook or the Guarantor; and
14. that the public records examined by us in connection with this report were complete and accurate when examined.

SCHEDULE "C"

QUALIFICATIONS

1. We express no opinion with respect to title to any of the personal property or Real Property charged by the Documents.
2. We express no opinion with respect to any personal property to which the PPSA does not apply.
3. We express no opinion as to the priority of any security interest created by the Documents as against any statutory liens, charges, deemed trusts or other priorities.
4. We express no opinion as to any security interest created by the Documents with respect to any property of Briarbrook or Dondeb that is transformed in such a way that it is not identifiable or traceable or any proceeds of property of Briarbrook or Dondeb that are not identifiable or traceable.
5. We express no opinion as to the creation or validity of any charge of, assignment or transfer of or security interest in any of the following property or any interest of Briarbrook or Dondeb or the Guarantor therein: (i) any policy of insurance or contract of annuity; (ii) any permits, quotas, licenses and other property which is not personal property; and (iii) any property consisting of a receivable, license, approval, privilege, franchise, permit, lease or agreement (collectively, the "**Special Property**") to the extent that the terms of the Special Property or any applicable law prohibits its assignment or requires as a condition of its assignability, a consent, approval, notice or other authorization or registration which has not been made or given.
6. No opinion is expressed under the terms of this opinion with respect to the laws of any jurisdiction (other than Ontario) to the extent that such laws may govern the validity, perfection, effect of perfection or non-perfection of the security interests created by the Documents as a result of the application of Ontario conflict of law rules.
7. We did not investigate whether, any steps were taken in connection with the registration of the Documents or of any of the interests created thereunder: (i) under the *Patent Act* (Canada), the *Trade-marks Act* (Canada), the *Industrial Designs Act* (Canada), the *Integrated Circuit Topography Act* (Canada), the *Copyright Act* (Canada) or the *Plant Breeders' Rights Act* (Canada); (ii) in respect of any vessel which is registered or recorded under the *Canada Shipping Act* (Canada); (iii) in respect of any rolling stock to which the provisions of the *Canada Transportation Act* (Canada) or the *Shortline Railways Act* (Ontario) may apply; or (iv) under the *Financial Administration Act* (Canada).
8. Provisions of the Document which purport to exculpate any secured party from liability for its acts or which purport to confirm the continuance of obligations notwithstanding any act or omission or other matter are subject to the discretion of an Ontario Court.
9. An Ontario Court may decline to enforce the rights of indemnity and contribution potentially available under the Documents to the extent that they are found to be contrary to equitable principles or public policy.

10. An Ontario Court may decline to enforce those provisions of the Documents which purport to allow a determination, calculation or certificate of a party thereto as to any manner provided for therein to be final, conclusive and binding upon any other party thereto if such determination is found to be inaccurate on its face or to have reached or made on an arbitrary or fraudulent basis.
11. A perfected security interest may become unperfected prior to its stated expiry date in certain circumstances.
12. Wherever any matter or thing is to be determined or done in the discretion of any secured party, such discretion may be required to be exercised in a commercially reasonable manner and in good faith.
13. With respect to the charge of, or transfer or pledge or assignment of, or the granting of a security interest in, any account or like personal property pursuant to the Documents, notice may have to be given to the obligor thereunder and the secured creditors may be subject to the equities between the obligor and the grantor of the security interest in the event that it wishes to enforce any such account or like personal property as against the obligor under such account or like personal property.
14. Powers of attorney contained in any of the Documents, although expressed to be irrevocable, may in some circumstances be revoked, including without limitation, pursuant to the *Substitute Decisions Act* (Ontario).
15. Pursuant to section 8 of the *Interest Act* (Canada), no fine, penalty or rate of interest may be exacted on any arrears of principal or interest secured by a mortgage on real property that has the effect of increasing the charge on the arrears beyond the rate of interest payable on principal money not in arrears.

SCHEDULE "D"

SUMMARY OF SECURITY SEARCHES AGAINST

BRIARBROOK APARTMENTS INC.

CORPORATE HISTORY

Briarbrook was incorporated on November 25, 1998 pursuant to the laws of the Province of Ontario. Briarbrook's head office is located in King City, Ontario, and Briarbrook has no current styles or business names.

Personal Property Security Act (Ontario)

(File Currency: January 20, 2013)

1. **Secured Party:** **The Empire Life Insurance Company**
Debtor: Briarbrook Apartments Inc.
Collateral Classification: Inventory, Equipment, Accounts, Other
General Collateral Description: General security agreement and general assignment of rents in connection with 555 Memorial Avenue, Orillia, Ontario

Registration No.: 20060302 1449 1793 2276
File No.: 623082042
Registration Date: March 2, 2006
Registration Period: 11 Years
Expiry Date: March 2, 2017
Amended by: 20121101 1703 1462 9356 being a transfer by debtor from Dondob Inc. to Briarbrook Apartments Inc.

2. **Secured Party:** **The Bank of Nova Scotia Trust Company in Trust for SDRRSP 494-02797-16/**
Secured Party: **C Erlich as to \$900,000.00**
Secured Party: **RDB (Toronto) Holdings Inc., as to \$150,000.00**
Secured Party: **Susan Michaels Holdings Limited, as to \$150,000.00**
Secured Party: **Comfort Capital Inc., as to \$100,000.00**
Secured Party: **JLJR Investments Limited, as to \$100,000.00**
Secured Party: **1522648 Ontario Inc., as to \$50,000.00**
Secured Party: **Berend Koopmans, as to \$50,000.00**
Secured Party: **Michael Swartz, as to \$50,000.00**
Secured Party: **Audrey Michaels, as to \$50,000.00**
Debtor: Briarbrook Apartments Inc.
Collateral Classification: Inventory, Equipment, Accounts, Other, \$1,600,000.00, Maturity: August 23, 2013
General Collateral Description: General assignment of rents and general security agreement relating to the property municipally known as 555 Memorial Avenue, Orillia, Ontario

Registration No.: 20120824 1259 1862 6598

File No.:	680943312
Registration Date:	August 24, 2012
Registration Period:	2 Years
Expiry Date:	August 24, 2014

Bank Act (Ontario)

Date of Search: October 26, 2012

File Currency: October 26, 2012

CLEAR

Official Receiver (Bankruptcy)

Date of Search: October 26, 2012

File Currency: October 24, 2012

CLEAR

Bankruptcy (Petitions)

Date of Search: October 26, 2012

File currency: October 25, 2012

CLEAR

Executions (Durham, Simcoe and York)

Date of Search: October 26, 2012

File Currency: October 26, 2012

CLEAR

SUMMARY OF SECURITY SEARCHES AGAINST

DONDEB INC.

CORPORATE HISTORY

Dondeb Construction Co. Limited was incorporated on December 4, 1970 ("DCCL"). Eugene Construction Limited was incorporated on January 20, 1958 ("ECL"). 470261 Ontario Limited was incorporated on February 13, 1981 ("470").

DCCL, ECL and 470 amalgamated on January 1, 1994 and continued as Dondeb Inc. Dondeb's head office is located in King City, Ontario. Dondeb has the following current business style names:

Orillia Independent Living	--	April 18, 2006
Barrie Business Centre	--	August 26, 2011

Personal Property Security Act (Ontario)

(File Currency: November 8, 2012)

- | | |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Secured Party: | ING Bank of Canada |
| Debtor: | CFN Richmond Hill Inc. |
| Debtor: | Dondeb Inc. |
| Debtor: | 2008691 Ontario Inc. |
| Debtor: | King City Holdings Ltd. |
| Debtor: | Melvyn Dancy, D.O.B. February 2, 1936 |
| Collateral Classification: | Inventory, Equipment, Accounts, Other |
| General Collateral Description: | General security agreement and general assignment of rents relating to 160 Essex Ave., Richmond Hill. Guarantee and postponement of claim in respect of loan to CFN Richmond Hill Inc. over 160 Essex Avenue, Richmond Hill, Ontario |
| Registration No.: | 20030822 1006 1462 6694 |
| File No. | 897513786 |
| Registration Date: | August 22, 2003 |
| Registration Period: | 11 Years |
| Expiry Date: | August 22, 2014 |
| Amended by: | 20050404 1714 1462 2649 being an assignment by secured party, ING Mortgage Broker Services Inc. to ING Bank of Canada |
| Amended by: | 20100812 1702 1462 8703 being a transfer by debtor, Dondeb Inc. to CFN Richmond Hill Inc. |
| Amended by: | 20100812 1702 1462 8704 to add additional debtors and to add to the collateral description |
| Amended by: | 20101110 1406 1462 8301 to delete a debtor and to add a debtor |

2. **Secured Party:** **Computershare Trust Company of Canada**
 Debtor: Dondeb Inc.
 Collateral Classification: Inventory, Equipment, Accounts, Other
 General Collateral Description: All rights, title and interest of the debtor in all personal property located at, relating to or used in connection with the real property known as Lot 2 and Part Lots 1 & 10, Plan STR-1, 200 Queen Street South, Mississauga, Ontario, and all proceeds thereof
- Registration No.: 20050527 1510 1862 9742
 File No. 615505968
 Registration Date: May 27, 2005
 Registration Period: 12 Years
 Expiry Date: May 27, 2017
3. **Secured Party:** **The Toronto-Dominion Bank – Mississauga 12752 CAS 3472**
 Debtor: Dondeb Inc.
 Collateral Classification: Accounts, Other
 General Collateral Description: None
 Registration No.: 20050627 1948 1531 9119
 File No. 616440843
 Registration Date: June 27, 2005
 Registration Period: 5 Years
 Expiry Date: June 27, 2015
Renewed by: 20100422 1942 1531 5465 for an additional 5 years
4. **Secured Party:** **The Empire Life Insurance Company**
 Debtor: Dondeb Inc.
 Collateral Classification: Inventory, Equipment, Accounts, Other
 General Collateral Description: General assignment of rents, general security agreement and chattels of the debtor including all elevators, stoves and fridges in connection with 205 Vodden Street East, Brampton
- Registration No.: 20050824 1428 1793 7832
 File No. 618233553
 Registration Date: August 24, 2005
 Registration Period: 11 Years
 Expiry Date: August 24, 2016

- Expiry Date: March 2, 2017
Amended by: 201211011703 1462 9358 – transfer from Dondeb Inc. to 1182689 Ontario Inc.
8. **Secured Party:** **The Empire Life Insurance Company**
 Debtor: Dondeb Inc.
 Collateral Classification: Inventory, Equipment, Accounts, Other
 General Collateral Description: General security agreement and general assignment of rents in connection with 555 Memorial Avenue, Orillia, Ontario
 Registration No.: 20060302 1449 1793 2276
 File No. 623082042
 Registration Date: March 2, 2006
 Registration Period: 11 Years
 Expiry Date: March 2, 2017
Amended by: 20121101 1703 1462 9356 being a transfer by debtor from Dondeb Inc. to Briarbrook Apartments Inc.
9. **Secured Party:** **Pace Savings & Credit Union Limited**
 Debtor: Dondeb Inc.
 Collateral Classification: Inventory, Equipment, Accounts, Other
 General Collateral Description: None
 Registration No.: 20061116 1440 1530 2919
 File No.: 630650268
 Registration Date: November 16, 2006
 Registration Period: 1 Year
 Expiry Date: November 16, 2013
Renewed by: 20071015 1951 1531 1745 for an additional 5 years
Renewed by: 20120921 1456 1530 4082 for an additional 1 year
10. **Secured Party:** **Ontario Wealth Management Corporation**
 Debtor: Dondeb Inc.
 Collateral Classification: Equipment, Other
 General Collateral Description: Roll former by Industrial Equipment Designs Inc. model no. S10-2-1/2-33 serial no. 90-052 year 1990, light gauge steel components (LGS) panelization line more particularly described in the penalization line process specification prepared by Spanright Steel Systems Inc. including without limitation the following carousel de-coiler, flattener, loop control, roll former, and all other items of personal property located on or used in connection with the operation of the steel panelization on the premises municipally known as 61 Forest Plain Road, Orillia, Ontario
 Registration No.: 20070115 1727 1515 1116
 File No. 632145672
 Registration Date: January 15, 2007
 Registration Period: 3 Years
 Expiry Date: January 15, 2013

- Renewed by:** 20091210 1500 1862 1694 for an additional 3 years
Renewed by: 20130110170418626243 for an additional 5 years
11. **Secured Party:** **Addenda Capital Inc.**
Debtor: Dondeb Inc.
Collateral Classification: Inventory, Equipment, Accounts, Other
General Collateral Description: Property used in connection with, situate at, or arising from the ownership, development, use or disposition of, the property known as 20 Simcoe Street, Orillia, Ontario (SIP/MK 4067682)
Registration No.: 20081022 1500 1862 1795
File No. 649417365
Registration Date: October 22, 2008
Registration Period: 25 Years
Expiry Date: October 22, 2033
12. **Secured Party:** **Melvyn A. Dancy**
Debtor: Dondeb Inc.
Collateral Classification: Inventory, Equipment, Accounts, Other
General Collateral Description: None
Registration No.: 20081203 1311 1862 4877
File No. 650324385
Registration Date: December 3, 2008
Registration Period: 10 Years
Expiry Date: December 3, 2018
Subordinated by: 20081224 1055 1515 1756 "Pursuant to postponement of claims dated December 22, 2008, the Secured Party postpones its interest herein to the interest held by Ontario Wealth Management Corporation as registered by File# 650645442.
Subordinated by: 20111006 1622 1862 1288 "Postponement of PPSA registration no. 20081203 1311 1862 4877, file no. 650324385 filed by Melvyn A. Dancy to PPSA registration no. 20110818 1639 1862 6535, file no. 672302241 filed by First Source Mortgage Corporation and Mark Cosman, Trustee as amended by PPSA registration no. 20111006 1600 1862 1282, file no. 672302241.
13. **Secured Party:** **Ontario Wealth Management Corporation**
Debtor: 1182689 Ontario Inc.
Debtor: Dondeb Inc.
Collateral Classification: Inventory, Equipment, Accounts, Other
General Collateral Description: None
Registration No.: 20081219 1215 1515 1752
File No. 650645442
Registration Date: December 19, 2008
Registration Period: 4 Years
Expiry Date: December 19, 2012

- Amended by:** 20081222 1047 1515 1753 to add a debtor
Renewed by: 20121109 1333 1862 1876 to add another 5 years
14. **Secured Party:** **Cameron Stephens Financial Corporation**
Debtor: Dondeb Inc.
Collateral Classification: Inventory, Equipment, Accounts, Other
General Collateral Description: Property used in connection with, situate at or arising from the ownership, development, use or disposition of the property municipally known as 20 Simcoe Street, Orillia, Ontario
Registration No.: 20090304 0918 1590 2841
File No. 651833181
Registration Date: March 4, 2009
Registration Period: 5 Years
Expiry Date: March 4, 2014
15. **Secured Party:** **MCAP Leasing Inc.**
Secured Party: **MCAP Leasing Limited Partnership**
Debtor: Dondeb Inc.
Collateral Classification: Equipment, Accounts, Other
General Collateral Description: Telecommunications equipment as described on leases, from time to time leased by the secured party to the debtor and any proceeds thereof, together with all replacement parts, accessories and attachments
Registration No.: 20101130 1042 8077 8638
File No. 666234657
Registration Date: November 30, 2010
Registration Period: 3 Years
Expiry Date: November 30, 2013
16. **Secured Party:** **Vector Financial Services Limited**
Debtor: Dondeb Inc.
Collateral Classification: Inventory, Equipment, Accounts, Other
General Collateral Description: All rights, title and interest of the debtor in all personal property, and all proceeds of such personal property, located at, relating to or used in connection with the real property comprising (I) Part Lots 42 & 43, Plan 432, PIN 58678-0088 LT, 24 Simcoe Street, Orillia, Ontario (II) Part Lots 11 & 12, Concession 3 South Orillia, PIN 58569-0016 LT, 555 Memorial Avenue, Orillia, Ontario
Registration No.: 20101210 1136 1862 7920
File No. 666495765
Registration Date: December 10, 2010
Registration Period: 3 Years
Expiry Date: December 10, 2013

17. **Secured Party:** **Vector Financial Services Limited**
 Debtor: Dondeb Inc.
 Collateral Classification: Inventory, Equipment, Accounts, Other
 General Collateral Description: Assignment of term deposits, GICs, credit balances, commercial paper, treasury bills, bankers acceptances, accounts, instruments, monies, securities and other similar personal property, and all proceeds of such personal property, owned by the debtor and on deposit with or otherwise held by the secured party
- Registration No.: 20101210 1135 1862 7919
 File No. 666495747
 Registration Date: December 10, 2010
 Registration Period: 3 Years
 Expiry Date: December 10, 2013
18. **Secured Party:** **First Source Mortgage Corporation**
 Debtor: Dondeb Inc.
 Collateral Classification: Inventory, Equipment, Accounts, Other
 General Collateral Description: Security relating to 61 Forest Plain Road, City of Orillia
 Registration No.: 20110708 0844 1862 3423
 File No. 671296392
 Registration Date: July 8, 2011
 Registration Period: 3 Years
 Expiry Date: July 8, 2014
19. **Secured Party:** **First Source Mortgage Corporation**
Secured Party: **Mark Cosman, Trustee**
 Debtor: Dondeb Inc.
 Debtor: Barrie Business Centre
 Collateral Classification: Inventory, Equipment, Accounts, Other
 General Collateral Description: General security agreement in respect of the obligations of Dondeb Inc. relating to 92 Davidson Street, Barrie, Ontario and 256 Hughes Road and 555 Memorial Avenue, Orillia, Ontario
- Registration No.: 20110818 1639 1862 6535
 File No.: 672302241
 Registration Date: August 18, 2011
 Registration Period: 4 Years
 Expiry Date: August 18, 2015
Amended by: 20111006 1600 1862 1282 to add a general collateral description

Bank Act (Ontario)Date of Search: **October 30, 2012**File Currency: **October 30, 2012****CLEAR**

Official Receiver (Bankruptcy)Date of Search: **October 30, 2012**File Currency: **October 26, 2012**

BIA Estate No: 31-1664344
BIA Estate Name: Dondob Inc.
Province: Ontario
Estate Type: Notice of Intention
Date of Proceeding September 11, 2012
Total Liabilities: \$36,597,017

Bankruptcy (Petitions)Date of Search: **October 31, 2012**File currency: **October 30, 2012**

1. **Case No.** CV04CL0055790000
Case Type: CVCBCA – Civil-CL-Canadian Business Corp Act
Case Opened: October 15, 2004
Status: Active
Action: Toronto-Dominion Bank et al v. Preston Springs Gardens Inc. et al
Parties Involved: BDO Dunwoody LLP
Benchmark Equity Corporation
Benchmark Equity Corporation
Dondob Inc.
Melvyn A. Dancy
Peter B. Moffat
Peter B. Moffat
Preston Springs Gardens Inc.
Guelph Financial Corp.
Toronto-Dominion Bank
bcIMC Construction Fund Corp.

2. **Case No.** CV04CL005579A000
Case Type: CLCBC CL—Canada Business Corporations Act NN
Case Opened: June 24, 2005
Status: Active
Action: The Toronto Dominion Bank vs Preston Springs Gardens Inc. et al

- Parties Involved:** Benchmark Equity Corporation
Benchmark Equity Corporation
Dondeb Inc.
King City Holdings Ltd.
Melvyn A. Dancy
Peter B. Moffat
Peter B. Moffat
Preston Springs Gardens
The Toronto Dominion Bank
3. **Case No.** CV120000979200CL
Case Type: CLBKA CL—Bankruptcy and Insolvency Act NN
Case Opened: July 20, 2012
Status: Active
Action: Ontario Wealth Management Corporation v. Dondeb Inc. et al
Parties Involved: 1182689 Ontario Inc.
Dondeb Inc.
King City Holdings Ltd
Ontario Wealth Management Corporation
4. **Case No.** CV120000979400CL
Case Type: BR Bankruptcy or Insolvency Law
Case Opened: July 26, 2012
Status: Inactive
Action: The Toronto-Dominion Bank et al v. Dondeb Inc. et al
Parties Involved: Dondeb Inc.
Farber & Partners Inc.
First Source Mortgage Corporation
Ontario Wealth Management Corporation
The Canada Trust Company
The Toronto-Dominion Bank
5. **Case No.** CV120000986500CL
Case Type: CLCCA CL—Companies' Creditors Arrangement Act NN
Case Opened: October 10, 2012
Status: Active
Action: Dondeb Inc. v. Virgin Venture Capital Corp et al

Parties Involved:
 1538456 Ontario Ltd.
 Cameron Stephens Financial Corporation
 Dondeb Inc.
 Faithlife Financial
 First Source Mortgage Corporation
 Mortgagees of Briarbrook Apartments Inc.
 Mark Cosman
 Ontario Wealth Management Corporation
 Pace Savings & Credit Union Ltd
 Quincy Investments Ltd
 RMG Mortgages division of MCAP Financial Corporation
 Service Employees International Union Local 1 Canada
 The Empire Life Insurance Company
 Virgin Venture Capital Corp

6. **Case No.** BK12016643440031
Case Type: OA – Ordinary Administration
Case Opened: October 11, 2012
Status: Active
Action: Dondeb Inc. et al
Parties Involved: Dondeb Inc.
 The Empire Life Insurance Company
7. **Case No.** BK12016647750031
Case Type: OA—Ordinary Administration
Case Opened: October 11, 2012
Status: Active
Action: 1711060 Ontario Ltd. et al
Parties Involved: 1711060 Ontario Ltd.
 Lisa S. Corne
 David Preger

Executions (Toronto and York)
 Date of Search: **October 30, 2012**
 File Currency: **October 30, 2012**

CLEAR

Executions (Hastings, Simcoe and Dufferin)
 Date of Search: **November 13, 2012**
 File Currency: **November 13, 2012**

CLEAR

SCHEDULE "E"

LEGAL DESCRIPTION OF REAL PROPERTY

Municipal Address: 555 Memorial Avenue, Orillia

PIN No. 58569-0016(LT): Part of Lot 12, Concession 3, South Orillia, Part of East half of Lot 11, Concession 3, South Orillia, designated as Parts 1 and 2, Reference Plan 51R-17266, S/T an interest in Instrument No. RO957119; S/T RO1456988, Orillia.

APPENDIX “H”

Agreement of Purchase and Sale

This Agreement is made as of February 24, 2015, between:

A. FARBER & PARTNERS INC. in its capacity as court-appointed receiver of Briarbrook Apartments Inc. and Dondeb Inc.,

(collectively, the "Vendor")

and

555 MEMORIAL (ORILLIA) INC.,

(the "Purchaser")

RECITALS

A. Pursuant to the Order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (the "Court") dated October 17, 2012 (the "Receivership Order"), A. Farber & Partners Inc. was appointed as receiver (the "Receiver") of the assets, properties and undertakings of Briarbrook Apartments Inc. (the "Company") and Dondeb Inc.;

B. Subject to the approval of the Court, the Vendor wishes to sell and the Purchaser wishes to purchase on an "as is, where is basis" the Real Property (as defined below) pursuant to the terms and conditions of this Agreement; and

C. The Vendor's execution of this Agreement shall constitute a conditional acceptance of the Purchaser's offer to acquire the Real Property subject to the approval of the Court.

FOR VALUE RECEIVED, the parties agree as follows:

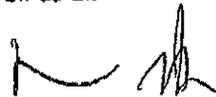
SECTION 1 - INTERPRETATION

1.1 Definitions

In this Agreement:

- (1) **Agreement** means this agreement including any recitals and schedules to this agreement, as amended, supplemented or restated from time to time; provided that this agreement shall constitute an offer, as set out in Section 2.1, until accepted by the Vendor;
- (2) **Approval and Vesting Order** has the meaning given to it in Section 5.3(1)(a);

- (3) **Business Day** means any day of the year, other than a Saturday, Sunday or any day on which Canadian chartered banks are closed in Toronto, Ontario, Canada;
- (4) **Court** has the meaning given to it in Recital A;
- (5) **Closing** means the completion of the Transaction;
- (6) **Closing Date** means five (5) Business Days following the granting of the Approval and Vesting Order by the Court or such later date as agreed to in writing by the parties;
- (7) **Company** has the meaning given to it in Recital A;
- (8) **Deposit** has the meaning given to it in Section 3.4(1)(a);
- (9) **Encumbrances** means all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging or creating a security interest in the Real Property or any part thereof or interest therein, and any agreements, leases, licenses, options, easements, encroachments, rights-of-way, restrictions, executions or other encumbrances, including notices or other registrations in respect of any of the foregoing or any adverse claim, affecting title to the Real Property or any part thereof or interest therein;
- (10) **ETA** means the *Excise Tax Act* (Canada);
- (11) **Excluded Property** means all assets of the Company other than the Real Property;
- (12) **Governmental Authority** means any Canadian federal, provincial, state, municipal or local, or other government, governmental, quasi-governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body;
- (13) **HST** has the meaning given to it in Section 3.3(1) hereof;
- (14) **Lease** means the lease as between Dondob Inc. (formerly Dondob Construction Co. Limited) as landlord and J. & B. Brown Furniture & Appliances Ltd. as tenant dated August 26, 1992 and executed on November 3, 1992 for the lease of the premises located on the Real Property, as extended and amended from time to time;
- (15) **Permitted Encumbrances** means those encumbrances set out on Schedule "B" hereto;
- (16) **Purchase Price** has the meaning given to it in Section 3.2 hereof;
- (17) **Real Property** means the real property municipally known as 555 Memorial Avenue, Orillia, Ontario and as more particularly described in Schedule "A" hereto as well as all buildings, fixtures and improvements located thereon.



- (18) **Receiver** has the meaning given to it in Recital A;
- (19) **Receivership Order** has the meaning given to it in Recital A;
- (20) **Taxes** means, other than Transfer Taxes, all taxes, assessments, charges, duties, fees, levies, imposts or other governmental charges, including, without limitation, all federal, state, local foreign and other income, environmental, add-on, minimum, franchise, profits, capital gains, capital stock, capital structure, transfer, gross receipt, use, *ad valorem*, service, service use, lease, recording, customs, occupation, property, excise, gift, windfall profits, premium, stamp, license, payroll, social security, employment, unemployment, disability, value-added, withholding, and other taxes, assessments, charges, duties, fees, levies, imposts or other governmental charges of any kind whatsoever (whether payable directly or by withholding and whether or not requiring the filing of a return) and all estimated taxes, deficiency assessments, additions to tax, additional amounts imposed by a governmental authority (domestic or foreign), penalties, fines and interest, and shall include any liability for such amounts as a result either of being a member of a combined, consolidated, unitary or affiliated group or of a contractual obligation to indemnify any person, regardless of whether disputed;
- (21) **Time of Closing or Closing Time** means 2:00 p.m. Toronto time on the Closing Date or as otherwise determined by mutual agreement of the parties in writing;
- (22) **Transaction** means the transaction of purchase and sale contemplated by this Agreement; and
- (23) **Transfer Taxes** means all present and future goods and services taxes and value-added taxes, and any other taxes imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Real Property.

1.2 Headings and References

The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement," "hereof," "hereunder" and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to "Sections" are to sections, subsections and further subdivisions of sections of this Agreement.

1.3 Extended Meanings

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including without limitation."

1.4 Statutory References

Each reference to an enactment is deemed to be a reference to that enactment, and to the regulations made under that enactment, as amended or re-enacted from time to time.

SECTION 2- OFFER

2.1 Offer

This Agreement shall constitute a valid and binding offer to purchase by the ~~Purchaser~~, which may not be revoked or terminated by the ~~Purchaser~~ prior to March 1, 2015 at 12:00 pm, Toronto time. The Vendor and Purchaser acknowledge that this Agreement is conditional upon the granting of the Approval and Vesting Order approving the sale of the Real Property to the Purchaser on the terms and conditions set forth in this Agreement.

[Handwritten signatures and initials]
Vendor
Purchaser
5pm

SECTION 3 - SALE AND PURCHASE

3.1 Sale and Purchase of Real Property.

Upon and subject to the terms and conditions of this Agreement including the payment of the Purchase Price, the Vendor shall sell to the Purchaser and the Purchaser shall purchase all of the Vendor's right, title and interest in, if any, and to the Real Property on the Closing Date free of any Encumbrances other than Permitted Encumbrances. The Purchaser acknowledges that it is not purchasing any other property or assets of the Vendor other than the Real Property.

3.2 Purchase Price

- (1) The purchase price (the "Purchase Price") for the Real Property shall be THREE MILLION, TWO HUNDRED THOUSAND, THREE HUNDRED (\$3,200,300.00) DOLLARS plus applicable Transfer Taxes without adjustment of any kind other than as set out in Section 3.2(2) and subject to Section 6.4. The portion of the Purchase Price for the Real Property and the Lease, plus applicable Taxes and Transfer Taxes, shall be determined prior to the Closing Date.
- (2) Adjustments between the Vendor and the Purchaser shall be made on the Closing Date for realty taxes, local improvement rates, utility costs, security deposits and rents, if applicable. Such adjustments shall be made on the basis that the Closing Date shall be for the Vendor's account. Any adjustments that cannot be determined on the Closing Date shall be determined by the parties as soon after the Closing Date as is reasonably possible. Any amounts payable by one party to the other, as determined by the parties, acting reasonably, shall be paid within ten (10) days of the request for such payment.

[Handwritten signature]

Upon completion, the Vendor and the Purchaser shall exchange undertakings to re-adjust the foregoing items, if necessary.

3.3 Harmonized Sales Tax

- (1) The Purchase Price of the Real Property does not include the Harmonized Sales Tax ("HST") payable by the Purchaser in respect of the purchase of the Real Property pursuant to the ETA. Subject to Section 3.3(2) below, the Purchaser agrees to pay to the Vendor, on the Date of Closing, as a condition of completion of the Transaction by certified cheque or bank draft, all HST payable as a result of this transaction in accordance with the Act.
- (2) Notwithstanding Section 3.3(1) above, the Vendor shall not collect HST from the Purchaser in this transaction if the Purchaser is registered under the ETA and in that event, the Purchaser shall file returns and remit such HST to the Receiver General for Canada when and to the extent required by the ETA. The Purchaser shall provide to the Vendor, on the Closing Date, an officer's certificate confirming that the Purchaser is registered under the ETA for the purposes of collecting and remitting HST, and confirming its HST registration number under the ETA, together with an Indemnity in favour of the Vendor for any costs or expenses payable by the Vendor as a result of the Vendor's failure to collect HST from the Purchaser on the Closing Date, such officer's certificate and indemnity to be in a form satisfactory to the Vendor's solicitor, acting reasonably.
- (3) The Purchaser's obligations under this Section 3.3 shall survive closing.

3.4 Payment of Purchase Price.

- (1) The Purchaser shall pay the Purchase Price as follows:

~~(a) By paying the sum of FIFTY THOUSAND (\$50,000.00) DOLLARS by wire, certified cheque or bank draft payable to the Vendor upon execution by the Purchaser of this Agreement, as a deposit (together with the interest earned thereon from time to time, the "Deposit"), which amount will be held by the Vendor and credited toward the Purchase Price on Closing unless otherwise returned to the Purchaser in accordance with Section 5.5.~~

- (b) by assuming the existing first mortgage in favour of The Empire Life Insurance Company, having a principal balance outstanding of approximately \$1,395,131.01 as at March 1, 2015, bearing interest at the rate of 5.6% per annum, repayable \$13,453.00 per month on account of principal and interest and maturing April 1, 2016 (the "First Mortgage")
- (c) by assuming the existing second mortgage in favour of The Bank of Nova Scotia Trust Company, Trustee, RDB (Toronto) Holdings Inc., Susan Michaels Holdings

Limited, Comfort Capital Inc., JLR Investments Limited, 1522648 Ontario Inc., Berend Koopmans, Michael Swartz and Audrey Michaels having a principal balance outstanding of approximately \$1,686,154.10 as at February 23, 2015, bearing interest at the rate of 11.5% per annum, repayable \$15,333.34 per month on account of interest only (the "Second Mortgage");

- (d) by paying an amount equal to the balance of the Purchase Price, subject to adjustment as set forth in Section 3.2, plus applicable Transfer Taxes, if any and subject to Section 6.4, by certified cheque, bank draft, or wire transfer of immediately available funds payable to the Vendor at Closing.

3.5 Land Transfer Tax and Other Costs

The Purchaser shall pay its own legal costs, registration costs and fees and all land transfer tax payable in connection with the Transaction.

3.6 "As is, Where is".

The Purchaser acknowledges that the Vendor is selling the Real Property on an "as is, where is" basis as the Real Property shall exist on the Closing Date and no adjustments shall be made for any changes in the condition of the Real Property. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Purchaser has conducted such inspections of the condition of and title to the Real Property, as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for any particular use or purpose, merchantability, condition, assignability, value or quality or in respect of any other matter or thing whatsoever concerning the Real Property or the right of the Vendor to sell same. Without limiting the generality of the foregoing: (1) any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation in any other jurisdiction do not apply hereto and have been waived by the Purchaser and (2) no representation or warranty is made with respect to the accuracy or completeness of any information provided by the Vendor and its respective officers, directors, employees, and agents, to the Purchaser in connection with this transaction. The description of the Real Property contained herein is for the purpose of identification only. No representation, warranty or condition has or will be given by the Vendor concerning completeness or the accuracy of such descriptions.

SECTION 4-- REPRESENTATIONS AND WARRANTIES

4.1 Vendor's Representations.

The Vendor represents and warrants to the Purchaser that:

- (a) to the best of the Vendor's knowledge, no actions or proceedings are pending or have been threatened to restrain or prohibit the completion of the Transaction;

- (b) the Vendor is not, and at the time of Closing will not be, a non-resident of Canada within the meaning of that term as used in the *Income Tax Act* (Canada); and
- (c) the Vendor is registered under Part IX of the ETA.

4.2 Purchaser's Representations.

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser will be a corporation existing under the laws of the Province of Ontario and has full corporate power and authority to enter into and carry out this Agreement and the Transaction at the time of Closing;
- (b) the entering into of this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party and the consummation of the Transaction have been duly authorized by all requisite corporate action;
- (c) other than the Approval and Vesting Order, no approval or consent of and no filing with or application to any Governmental Authority is required for the Purchaser to enter into this Agreement or to complete the Transaction, other than such approvals, consents, filings and applications that have been obtained or made as at the date hereof, copies of which have been provided to the Vendor;
- (d) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Closing Time, duly and validly executed and delivered by the Purchaser and constitute or will, as at the Closing Time, constitute legal, valid and binding obligations of the Purchaser, as the case may be, enforceable in accordance with the terms hereof or thereof;
- (e) the Purchaser has entered into this Agreement and will be completing the Transaction on its own account, not as an agent; and
- (f) the Purchaser is registered under Part IX of the *Excise Tax Act* (Canada).

4.3 Survival.

The representations and warranties of the parties shall not survive Closing.

A handwritten signature consisting of a large, stylized 'M' inside a circle, followed by a smaller signature or set of initials to its right.

SECTION 5 – CONDITIONS TO CLOSING

5.1 Conditions Purchaser.

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Vendor contained in this Agreement shall be true as of the Time of Closing with the same effect as though made on and as of that date;
- (b) the Vendor shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date;
- (c) the Vendor shall use all reasonable commercial efforts to obtain from the tenant under the Lease an estoppel certificate in such form as may be acceptable to the Purchaser,
- (d) the Vendor shall have delivered or caused to be delivered to the Purchaser each of the items listed in Section 5.2;
- (e) the Purchaser being approved by The Empire Life Insurance Company to assume the First Mortgage; and

The foregoing conditions are for the exclusive benefit of the Purchaser.

5.2 Conditions - Vendor.

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Time of Closing with the same effect as though made on and as of that date;
- (b) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and
- (c) the Purchaser shall have delivered or caused to be delivered to the Vendor each of the items listed in Section 6.3.

The foregoing conditions are for the exclusive benefit of the Vendor.

5.3 Conditions – Vendor and Purchaser.

- (1) Neither party shall be obligated to complete the transactions contemplated by this Agreement unless at the Time of Closing:

Handwritten signature and initials in the bottom right corner of the page.

- (a) an order shall have been made by the Court approving this Agreement and the Transaction and vesting all the right, title and interest of the Company, if any, in the Real Property in the Purchaser free and clear of all Encumbrances other than Permitted Encumbrances, (the "Approval and Vesting Order"); and
- (b) no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other governmental order (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions or which would otherwise materially adversely affect or interfere with the prosecution of the Real Property following Closing.

The foregoing conditions are for the mutual benefit of both parties.

- (2) The Vendor covenants that it will use commercially reasonable efforts to fulfil or cause to be fulfilled the conditions contained in Section 5.1 and Section 5.3 hereof and the Purchaser covenants to use commercially reasonable efforts to fulfil or cause to be fulfilled the conditions contained in Sections 5.2 and 5.3 hereof prior to Closing.

5.4 Non-Satisfaction of Conditions.

- (1) If any condition set out in Section 5.1 or Section 5.2 is not satisfied or performed prior to the time specified therefor, the party for whose benefit the condition is inserted may in writing:
 - (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part; or
 - (b) elect on written notice to the other party to terminate this Agreement before Closing.

- (2) The Parties agree that the conditions set out in Section 5.3(1) are not capable of waiver.

5.5 Termination Obligations.

If the Purchaser validly terminates this Agreement in accordance with Section 5.4 other than as a result of the failure by the Purchaser to complete the Transaction in accordance with the terms of this Agreement, then:

- (1) all the obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end;

- (2) the Purchaser shall be entitled to have the Deposit returned if termination under Section 5.4 is the result of the Vendor's actions or if any condition set out in Section 5.3 is not satisfied or performed prior to the time specified; and
- (3) neither party shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from the other.

5.6 Breach by Purchaser.

If the Purchaser fails to complete the Transaction in accordance with the terms of this Agreement, then the Vendor may by notice to the Purchaser elect to treat the Agreement as having been repudiated by the Purchaser. In that event, the Deposit and any other payments made by the Purchaser shall be forfeited to the Vendor on account of its liquidated damages, not as a penalty and the Real Property may be resold by the Vendor without prejudice to any claims which the Vendor may have against the Purchaser by reason of such default.

SECTION 6- CLOSING

6.1 Closing.

The completion of the Transaction shall take place at the offices Dentons Canada LLP, solicitors for the Vendor, in Toronto, Ontario at Time of Closing.

6.2 Vendor's Deliveries on Closing.

At or before the Closing Time, upon fulfilment by the Purchaser of all the conditions herein in favour of the Vendor which have not been waived in writing by the Vendor, the Vendor shall deliver the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a copy of the Approval and Vesting Order;
- (b) an assignment of the Lease from the Vendor in favour of the Purchaser;
- (c) such further and other documentation as is referred to in this Agreement, or as the Purchaser may reasonably require to give effect to this Agreement.

6.3 Purchaser's Deliveries on Closing.

At or before the Closing Time, upon fulfilment by the Vendor of all the conditions herein in favour of the Purchaser which have not been waived by the Purchaser, the Purchaser shall execute and deliver the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) payment of the Purchase Price pursuant to Section 3.4;

- (b) subject to Section 6.4, payment or evidence of the payment of the Transfer Taxes, if any; and
- (c) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

6.4 Taxes.

The parties agree that the Purchaser shall be liable and shall pay any and all Transfer Taxes and shall indemnify or reimburse the Vendor for any amounts for which the Vendor may become liable as a result of any failure by the Purchaser to pay any Transfer Taxes. At Closing, the Purchaser will, as applicable, either pay the foregoing to the Vendor or deliver to the Vendor evidence confirming the Purchaser's payment of all of the foregoing, in form and substance satisfactory to the Vendor, acting reasonably. The Purchaser shall be entitled to provide the Vendor with evidence that the Purchaser is an exempt Purchaser, in whole or in part, for purposes of relevant legislation and, upon provision of such evidence satisfactory to the Vendor, acting reasonably, the Purchaser shall not be required to pay on Closing such taxes.

6.5 Risk

Until completion of this Agreement on the Closing Date, the Real Property shall be and remain at the risk of the Vendor, except as otherwise provided in Section 6.5. In the event of any damage to the Real Property on or before the Closing Date, the Vendor may elect to:

- (i) repair the Real Property to the same state and condition as it was in at the time this Agreement was entered into in which event the Purchaser will complete the transaction without an abatement in the Purchase Price; or
- (ii) reduce the Purchase Price by an amount equal to the cost required to complete the repair as estimated by an independent qualified architect or engineer retained by the Vendor in which event the Purchaser may opt to either (a) complete the transaction and accept the price reduction equal to such cost or (b) terminate this agreement in which case the Deposit shall be immediately returned to the Purchaser without deduction, and neither party shall have any further rights or obligations under this Agreement; or
- (iii) terminate this Agreement in which case the Deposit shall be immediately returned to the Purchaser, with interest and without deduction, and neither party shall have any further rights or obligations under this Agreement.



6.6 Electronic Registration

(1) Where the Real Property is in an area where electronic registration is mandatory and the transaction will be completed by electronic registration pursuant to Part III of the Land Registration Reform Act, R.S.O. 1990, c. L-4, and the Electronic Registration Act, S.O. 1991, c.44, and any amendments thereto, the Vendor and the Purchaser acknowledge and agree that the exchange of closing funds, documents and other closing deliverables provided for under this Agreement and the release thereof to the Vendor and the Purchaser:

- (a) may not occur at the same time as the registration of the Transfer of the Real Property (and any other documents intended to be registered in connection with the completion of this Transaction); and
- (b) shall be subject to conditions whereby the lawyer(s) receiving any of the closing deliverables will be required to hold such closing deliverables in escrow and not release same except in accordance with the terms of a document registration agreement between the said lawyers, which shall be in the form as recommended from time to time by the Law Society of Upper Canada.

6.7 Purchaser's Acknowledgement.

The Purchaser acknowledges that the Vendor is selling the Real Property solely pursuant to the Vendor's rights and capacity conferred by the Receivership Order and the Approval and Vesting Order. The Purchaser agrees to accept a conveyance of the Real Property by way of the Approval and Vesting Order.

6.8 Possession of Real Property.

On Closing the Purchaser shall acquire ownership of the Real Property where situate at the Time of Closing provided that in no event shall title to the Real Property pass to the Purchaser until the Approval and Vesting Order is effective.

6.9 Tender.

Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser or their respective solicitors on the Closing Date.

SECTION 7- GENERAL

7.1 Notices.

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery (in which case it



shall be left with a responsible officer of the recipient) or by electronic communication addressed to the recipient(s) as follows:

In the case of the Vendor:

A. Farber & Partners Inc.
150 York Street
Suite 1600
Toronto, ON M5H3S5

Attention: Hylton Levy
Facsimile: (416) 496-3070
Email: hlevy@farberfinancial.com

with a copy to:

Dentons Canada LLP
Toronto-Dominion Centre
77 King Street West, Suite 400
Toronto, ON M5K 0A1

Attention: Neil Rabinovitch
Facsimile: 416-863-4656
Email: neil.rabinovitch@dentons.com

In the case of the Purchaser:

Michael Swartz, In Trust for a company to be incorporated,
c/o 1450 Hopkins Street, Suite 201,
WHITBY, Ontario, L1N 2C3.

Facsimile: 905.430.9100
Email: lmichaels@regionalfinancial.ca

with a copy to:

Aird & Berlis LLP
Brookfield Place
181 Bay Street, Suite 1800,
TORONTO, ON M5J 2T9

Attention: Harry M. Fogul
Facsimile: 416.863.1515
Email: hfogul@airdberlis.com

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication shall be conclusively deemed to have been given, if given by personal delivery, on the day of actual delivery thereof if delivered during normal business hours of the recipient on a Business Day and, if given by electronic communication, on the day following the transmittal thereof if transmitted during normal business hours of the recipient on a Business Day and on the second Business Day following the delivery or transmittal thereof if not so delivered or transmitted.

7.2 Time of Essence.

Time shall be of the essence for every provision hereof.

7.3 Expenses.

Except as otherwise expressly provided herein, all costs and expenses (including the fees and disbursements of legal counsel, investment advisers and auditors) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

7.4 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their successors and permitted assigns, and no person, other than the parties hereto and their successors and their permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

7.5 Commission.

The Vendor shall be responsible for the payment of all real estate commissions payable to the listing and selling real estate agents on the completion of the sale of the Real Property.

7.6 Further Assurances.

During the thirty (30) day period after the Closing Date, each party shall from time to time execute and deliver, or cause to be executed and delivered, all such documents and instruments and do, or cause to be done, all such acts and things as the other party may, either before or after the Closing, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.7 Entire Agreement.

This Agreement constitutes the only agreement between the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, provisions, covenants,

agreements, understandings and representations on that subject, all of which have become merged and finally integrated into this Agreement.

7.8 Amendments.

This Agreement may only be amended, modified or supplemented by a written agreement signed by the parties.

7.9 Waiver.

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the party to be bound thereby.

7.10 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

7.11 Benefit of Agreement.

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

7.12 Severability.

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision's validity or enforceability in any other jurisdiction.

7.13 Counterparts.

This Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

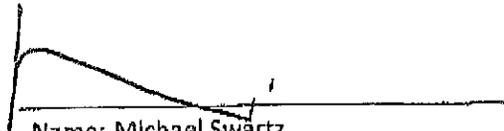
[SIGNATURES ON FOLLOWING PAGE]

Handwritten signatures in black ink, appearing to be initials or names, located at the bottom right of the page.

Dated at Toronto, Ontario as of the 24th day of February, 2015.

555 MEMORIAL (ORILLIA) INC.

Per:



Name: Michael Swartz

Title: Authorized signing officer

The Vendor accepts the foregoing offer to acquire the Real Property in accordance with its terms.

Dated at Toronto, Ontario as of the 13 day of March ~~February~~, 2015.

A. Farber & Partners Inc. solely in its capacity as court-appointed receiver of Briarbrook Apartments Inc. and Dondob Inc. and not in its corporate or personal capacity.

Per:



Name: HYLTON LEUNG

Title: PARTNER

Schedule "A"
Real Property Description

PIN: 58569-0016 (LT) - Land Registry Office #51: PT LT 12 CON 3 SOUTH ORILLIA; PT E1/2 LT 11
CON 3 SOUTH ORILLIA PT 1 & 2, S1R17266; S/T INTEREST IN R0957119; S/T R01456988;
ORILLIA

Municipally known as 555 Memorial Avenue, Orillia, Ontario.



Schedule "B"
Permitted Encumbrances

1. Instrument 51R7848 registered on June 23, 1978, being a PLAN REFERENCE;
2. Instrument 51R15464 registered on April 13, 1987, being a PLAN REFERENCE;
3. Instrument RQ957119Z registered on June 30, 1987, being a REST COV APL ANNEX;
4. Instrument 51R17266 registered on June 2, 1988, being a PLAN REFERENCE;
5. Instrument SC201329 registered on March 9, 2004, being a NOTICE OF LEASE between Dondob Inc. and J. & B. Brown Furniture & Appliances Inc.;
6. Instrument SC419716 registered March 16, ~~2008~~²⁰⁰⁶, being a charge in favour of The Empire Life Insurance Company;
7. Instrument No. SC419717 registered March 16, ~~2008~~²⁰⁰⁶, being a Notice of Assignment of Rents - General in favour of The Empire Life Insurance Company;
8. Instrument No. SC1006296 registered August 23, 2012 being a charge in favour of The Bank of Nova Scotia Trust Company as to \$900,000.00, RDB (Toronto) Holdings Inc. as to \$150,000.00, Susan Michaels Holdings Limited as to \$150,000.00, Comfort Capital Inc. as to \$100,000.00, JLR Investments Limited as to \$100,000.00, 1522648 Ontario Inc. as to \$50,000.00, Berend Koopmans as to \$50,000.00 Michael Swartz as to \$50,000.00 and Audrey Michaels as to \$50,000.00;
9. Instrument No. SC1006297 registered August 23, 2012 being a Notice of Assignment of Rents - General in favour of The Bank of Nova Scotia Trust Company as to \$900,000.00, RDB (Toronto) Holdings Inc. as to \$150,000.00, Susan Michaels Holdings Limited as to \$150,000.00, Comfort Capital Inc. as to \$100,000.00, JLR Investments Limited as to \$100,000.00, 1522648 Ontario Inc. as to \$50,000.00, Berend Koopmans as to \$50,000.00 Michael Swartz as to \$50,000.00 and Audrey Michaels as to \$50,000.00;

M *[Signature]*