Court File No.: CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 129 OF THE SECURITIES ACT R.S.O. 1990, c. S.5, AS AMENDED

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

MOTION RECORD
(Returnable December 1, 2022)

CHAITONS LLP
Barristers & Solicitors
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

Maya Poliak (54100A)
Tel : (416) 218-1161
Email: maya@chaitons.com

Lawyers for Grant Thornton Limited in its capacity as Court-appointed Receiver of Money Gate Mortgage Investment Corporation

TO: SERVICE LIST

SERVICE LIST – AS AT NOVEMBER 22, 2022

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ONTARIO
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Respondent

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TAB 1

Court File No. CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

APPLICATION UNDER
Sections 126 and 129 of the *Securities Act,* R.S.O. 1990, C.S.5, as amended

NOTICE OF MOTION

GRANT THORNTON LIMITED ("**GTL**"), in its capacity as Court-appointed receiver ("**Receiver**") of Money Gate Mortgage Investment Corporation ("**MGMIC**"), will make a motion to a Judge of the Commercial List on Thursday, December 1, 2022, at 11:00 a.m., or as soon after that time as the motion can be heard by judicial teleconference via Zoom. Zoom details will be provided closer to the hearing date. Please advise if you intend to join the motion by emailing Maya Poliak at maya@chaitons.com by no later than 5:00 p.m. on November 25, 2022 with the following details: (i) the name of the legal counsel attending and his/her email address; (ii) the client's name; and (iii) a summary of the position that the party in attendance intends to take on the motion.

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

THE MOTION IS FOR:

1. an order:

   (a) approving the Minutes of Settlement dated September 22, 2022 between Troy Edward Thomas Wilson ("**Wilson**") and the Receiver, as amended by the Amendment dated November 18, 2022 (collectively, the "**Minutes of Settlement**") attached as "**Confidential Appendix 1"** to the Receiver's Sixth Report to the Court dated November 22, 2022 (the "**Sixth Report**");

   (b) sealing Confidential Appendix 1 to the Sixth Report until a further order of the Court; and

2. such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background and status of this proceeding

3. MGMIC carried on business as a mortgage investment corporation. Between August 2014 and April 2017, MGMIC raised approximately $11 million from approximately 155 investors through the sale of preferred shares of MGMIC. Those investments were pooled and loaned to borrowers on secured basis or were used to acquire an interest in existing mortgages.

4. Morteza (Ben) Katebian and Payam Katebian (collectively, the "**Katebians**") are the sole directors and officers of MGMIC.

5. On November 6, 2018, on an application by the Ontario Securities Commission pursuant

to sections 126 and 129 of the *Securities Act*, GTL was appointed as Receiver of the property, assets and undertakings of MGMIC pursuant to the terms of order of Mr. Justice Hainey, as amended (the "**Receivership Order**"). At the time of the Receiver's appointment, MGMIC's portfolio consisted of nine mortgages registered against seven properties located across the Province of Ontario (the "**MGMIC Mortgages**" and each an "**MGMIC Mortgage**")).

6. In its past reports with the Court, the Receiver set out a detailed update on the status of the Receiver's enforcement and recovery efforts with respect to each MGMIC Mortgage. As at the date of the Sixth Report, the Receiver completed its recovery efforts with respect to six out of the nine MGMIC Mortgages.

Remaining MGMIC Mortgages

7. The following MGMIC Mortgages remain outstanding as at the date of the Sixth Report:

Property	Municipal Address	First Mortgage	Second Mortgage
"Timiskaming Property"	1107 Lakeshore Rd S. Timiskaming Shores	$ 435,000	$ 3,475,000
"Timmins Property"	5355 Highway 101 W. Timmins	2,372,500	-

8. As described in greater detail in the Sixth Report, the Timiskaming Property and the Timmins Property each have substantial environmental issues. The Receiver obtained appraisals of each of these properties, which have been filed with this Court on confidential basis. Based on the valuations of these properties and their environmental issues, the

Receiver has decided not to take any enforcement steps with respect to these mortgages.

Action Against Wilson and Minutes of Settlement

9. Canadian Land Corporation ("**CLC**") is the registered owner of the Timmins Property. At all relevant times, Wilson was the director of CLC. The Receiver understands that CLC is owned director or indirectly by Arash Misaghi and/or his wife, who is Wilson's associate.

10. Following its appointment, the Receiver obtained copies of the loan and security documents in connection with the mortgage against the Timmins Property, all of which appear to be signed by Wilson in his capacity as director of CLC.

11. On October 23, 2020, the Receiver commenced an action against Wilson for the enforcement of his guarantee. Wilson defended the Receiver's actions and alleged that the loan and security documents relied on by the Receiver are products of forgery by the Katebians. Wilson also commenced a third-party claim against the Katebians for contribution and indemnity.

12. Counsel for the Receiver and Wilson engaged in lengthy settlement negotiations which culminated in the Minutes of Settlement.

13. The Minutes of Settlement require that the agreement and the accompanying documents be kept confidential. Accordingly, the Receiver seeks an order sealing the Minutes of Settlement pending a further order of the Court.

14. Notwithstanding, the confidentiality requirement, the following summary of the Minutes of Settlement is provided to allow MGMIC's stakeholders the opportunity to evaluate the

commercial reasonableness of the proposed settlement:

(a) Wilson shall pay to the Receiver a one-time lump sum payment by January 31, 2023 (the "**Settlement Amount**");

(b) Following the receipt of the payment, the Receiver will assign to Wilson, or as otherwise directed, the Timmins Mortgage and the mortgages in favour of MGMIC registered against the Timiskaming Property;

(c) Wilson provided to the Receiver an executed Consent to Judgment for the full amount claimed by the Receiver in the Action, which can be utilized by the Receiver if payment of the settlement amount is not received by January 31, 2023;

(d) If payment is received, Wilson by January 31, 2023, the Receiver will obtain an order dismissing the Action against Wilson on a without cost basis. Once the Receiver obtained an order dismissing the Action, Wilson shall immediately obtain an order dismissing the Third-Party Claim on a without cost basis.

(e) The Minutes of Settlement are conditional upon the approval of this Court in MGMIC's receivership proceeding.

15. The Action and the Mortgages against the Timmins Property and the Timiskaming Property represent the last remaining assets of MGMIC. If the Settlement Amount is paid in a manner required by the Minutes of Settlement and the Action is dismissed on a without cost basis, the Receiver will complete final distributions to MGMIC's stakeholders and bring a motion for an order discharging and releasing the Receiver.

16. The Receiver believes that the Minutes of Settlement represent a reasonable and commercial settlement in the circumstances and recommends that the Court approve them for, among others, the following reasons:

(a) the allegations of fraud against the Katebians and Mehta and the Third-Party Claim raise difficulties in prosecuting the Action in a summary cost effective manner;

(b) the environmental issues with the Timmins Property and the Timiskaming Property have rendered MGMIC's mortgages registered against those properties unrecoverable;

(c) The Settlement Amount is reasonable when taking into account the risks and costs associated with litigating the Action to completion and the prospect of recovery of judgment even if the Receiver is successful in the Action; and

(d) the Minutes of Settlement provide a cost-effective resolution of the Action and certainty of recovery for MGMIC stakeholders;

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

1. The Sixth Report and the Appendices attached thereto; and

2. Such further and other evidence as counsel may advise and this Honourable Court may permit.

November 22, 2022

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Lawyers for the Court-appointed Receiver of Money Gate Mortgage Investment Corporation

ONTARIO SECURITIES COMMISSION - and - **MONEY GATE MORTGAGE INVESTMENT CORPORATION**

Applicant Respondent

Court File No. CV-18-00608086-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at TORONTO

NOTICE OF MOTION

(December 1, 2022)

CHAITONS LLP
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TAB 2

Court File No.: CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 129 OF THE SECURITIES ACT R.S.O. 1990, c. S.5, AS AMENDED

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

SIXTH REPORT TO THE COURT OF GRANT THORNTON LIMITED IN ITS CAPACITY AS RECEIVER OF THE RESPONDENTS

November 22, 2022

Grant Thornton

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

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Appendix D	Statement of Defence dated December 16, 2020
Confidential Appendix 1	Minutes of Settlement

Court File No.: CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

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

SIXTH REPORT TO THE COURT OF GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER OF THE RESPONDENT

November 22, 2022

INTRODUCTION

1. This Report (the "**Sixth Report**") is filed by Grant Thornton Limited ("**GTL**") in its capacity as the receiver (the "**Receiver**") over the property, assets and undertakings of Money Gate Mortgage Investment Corporation ("**MGMIC**"). GTL was appointed Receiver on November 6, 2018 on an application of the Ontario Securities Commission (the "**OSC**") pursuant to an order of the Honourable Mr. Justice Hainey, as amended (collectively, the "**Appointment Order**").

PURPOSE OF THIS SIXTH REPORT

2. The purpose of this Sixth Report is to:

(a) provide an update on the status of MGMIC's receivership since the Receiver's last update contained in its Fifth Report dated October 20, 2020, (the "**Fifth Report**"), a copy of which (without appendices) is attached as **Appendix "A"**;

(b) provide the Court with information in support of the Receiver's request for an order approving the Minutes of Settlement dated September 22, 2022, between Troy Edward Thomas Wilson ("**Wilson**") and the Receiver, as amended by the Amendment dated November 18, 2022 (collectively, the "**Minutes of Settlement**"). The Minutes of Settlement are attached to this Report as Confidential Appendix 1.

RESTRICTIONS AND TERMS OF REFERENCE

3. In preparing this Sixth Report, the Receiver has relied upon unaudited financial information, MGMIC's books and records and certain financial information. Except as described in this Sixth Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

4. This Sixth Report has been prepared for the use of this Court to provide general information and an update relating to this proceeding for the purpose of assisting the Court in making a determination as to whether to approve the relief sought. This Sixth Report should not be relied on for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Sixth Report contrary to the provisions of this paragraph.

5. All references to dollars are in Canadian currency unless otherwise noted.

6. Copies of materials filed in these Receivership Proceedings are available on the Receiver's Case Website at: www.GrantThornton.ca/MoneyGate.

BACKGROUND

7. MGMIC carried on business as a mortgage investment corporation. Between August 2014 and April 2017, MGMIC raised approximately $11 million from approximately 155 investors through the sale of preferred shares of MGMIC. Those investments were subsequently pooled and used to make loans to borrowers secured by mortgages registered against the borrowers' properties or were used to acquire an interest in existing mortgages.

8. Morteza Katebian, also known as Ben Katebian ("**Ben**") Ben and Ben's son Payam Katebian ("**Payam**", and together with Ben, the "**Katebians**") were the sole directors and officers of MGMIC.

9. At the time of the Receiver's appointment, MGMIC's mortgage portfolio consisted of eight mortgages (the "**Mortgages**") registered against seven properties located across the province of Ontario summarized below[1]:

Property	Municipal Address	First Mortgage	Second Mortgage	Third Mortgage
"Timiskaming Property"	1107 Lakeshore Rd S. Timiskaming Shores	$ 435,000	$ 3,475,000	$ -
"Timmins Property"	5355 Highway 101 W. Timmins	2,372,500	-	-
"Birchmount Property"	4 Birchmount Rd Toronto	-	-	1,600,000
"Palace Pier Property"	2045 Lakeshore Blvd W. Toronto	765,326	665,000	-
"Dovercourt Property"	558 Dovercourt Rd Toronto	-	611,000	-
"Steeles Property"	4342 Steeles Ave West Vaughan	-	320,000	-
"Euclid Property"	293 Euclid Ave Toronto	-	282,500	-

[1] MGMIC's mortgages registered against the Steeles Property and the Dovercourt Property were discharged either through a power of sale proceeding by the first mortgagee in respect of Steeles or by registration of a vesting order by a receiver appointed to sell the Dovercourt Property. As described in greater detail in the Receiver's Fourth Report dated April 30, 2020 (the "**Fourth Report**"), GTL in its capacity as the Receiver of MGMIC asserted a security interest in the proceeds from the sale of the Dovercourt Property and the Steeles Property. The amounts set out in the chart above represent the principal amount of the loan made by MGMIC or the amount paid by MGMIC to acquire the mortgage (excluding interest earned by MGMIC on these loans). A copy of the Fourth Report without appendices is attached hereto as **Appendix "B"**.

THE STATUS OF MGMIC'S MORTGAGES

General Update

10. In its past reports to the Court, the Receiver provided a detailed update on the status of each of the Mortgages. As described by the Receiver in the Fifth Report, as at October 20, 2020, the Receiver completed realizations on the Mortgages registered against the Birchmount Property, the Euclid Property, Steeles Property and the Palace Pier Property.

11. As described in greater detail in the Fifth Report, on February 5, 2020, the Receiver obtained an order of this Court directing that the net proceeds from the sale of the Dovercourt Property be paid to the Receiver. The order was appealed by the respondent on the motion. The appeal was dismissed on November 26, 2020.

12. The only Mortgages that the Receiver has not been able to recover on were the Mortgages registered against the Timiskaming Property and the Timmins Property. The particulars of these properties and the Mortgages registered against those properties were described in greater detail in the Fourth Report and are set out below.

The Timiskaming Property

13. The Timiskaming Property consists of a 38-hectare commercial site including a vacant wood panel manufacturing plant and a historic wood waste landfill.

14. Since its appointment, the Receiver has engaged in discussions with the Ministry of Environment and Climate Change of Ontario, Uniboard Canada, and an independent environmental engineer to determine the extent of environmental remediation requirements.

15. MGMIC holds the first mortgage which was acquired by MGMIC for $435,000 and the second mortgage in the principal amount of $3,475,000 against the Timiskaming Property.

16. The Timiskaming Property was purchased by Mansteel New Liskeard Inc. ("**Mansteel**"), a company owned and/or controlled, directly or indirectly, by Arash Missaghi ("**Missaghi**"), from Uniboard Canada Inc. ("**Uniboard**") for $1. Pursuant to the sale agreement between Uniboard and Mansteel,

Mansteel agreed to, among other things, assume all environmental obligations relating to the Timiskaming Property and perform certain environmental work (the "**Environmental Work**"). Pursuant to the sale agreement, Uniboard agreed to pay to Mansteel the sum of $6 million plus applicable taxes (the "**Environmental Fee**") for performing the Environmental Work. The Environmental Fee was comprised of a lump sum of $3.5 million paid on closing and a sum of $2.5 million (the "**Escrow Funds**") deposited with an escrow agent. Uniboard takes the position that Mansteel is only entitled to access the Escrowed Funds if the Environmental Work was actually performed.

17. In July 2013, Ministry of Environment and Climate Change of Ontario ("**MOECC**") conducted an inspection of the landfill on the Timiskaming Property. On October 23, 2013, the MOECC issued a Provincial Officer's Order requiring Mansteel to perform certain environmental remediation actions and to submit certain written action plans to the MOECC. On June 23, 2016, the Ontario Court of Justice issued an order finding Mansteel guilty of the offence and ordered Mansteel to complete remediation work by November 15, 2016. The Receiver is advised by the MOECC that this work was not completed and that contamination of the Mansteel Property has not been remediated.

18. On December 8, 2017, on a motion made by Mansteel, this Court made an order requiring the escrow agent to pay the sum of $1,343,054 to the Accountant of the Superior Court of Justice of Ontario. The Receiver has confirmed with the escrow agent that the Escrow Funds were paid into Court on December 15, 2017.

19. MGMIC's mortgages registered against the Timiskaming Property have matured. Before commencing any enforcement steps in respect of the mortgages, in August 2019, the Receiver commissioned an independent appraisal of the Timiskaming Property in order to determine whether it will be commercial reasonable to undertake further environmental review.

20. A copy of the independent appraisal was provided to the Receiver on July 24, 2019 and was attached as Confidential Appendix "1" to the Fourth Report.

21. The Receiver, obtained a report from R.J. Burnside & Associates Limited dated March 22, 2022 that estimated environmental clean up on the Timiskaming Property would range from

approximately \$10-\$20 million which is significantly in excess of the realizable value of the Timiskaming Property,

22. Since the Receiver's last report, nothing that has come to the attention of the Receiver that is indicative the Timiskaming Property's valuation has changed materially.

23. Considering the valuation of the Timiskaming Property and the environmental liability associated with the Timiskaming Property, the Receiver did not take any enforcement steps with respect to the Timiskaming Property.

<u>The Timmins Property</u>

24. The Timmins Property consists of six (6) parcels of vacant land, totaling approximately 195 acres, located south-west of Timmins, Ontario.

25. Canadian Land Corporation ("**CLC**") is the registered owner of the Timmins Property. At all relevant times, Wilson was the director of CLC. The Receiver understands that CLC is owned directly or indirectly by Missaghi and/or his wife, who is Troy's associate.

26. MGMIC holds a first ranking mortgage against the Timmins Property in the principal amount of \$2,375,500.

27. The Timmins Mortgage matured on March 4, 2018. To determine what enforcement steps should be taken, the Receiver sought an independent appraisal of the Timmins Property in order to determine whether it will be commercially reasonable to undertake a further environmental review.

28. A copy of the independent appraisal was provided to the Receiver on July 24, 2019, and was attached as Confidential Appendix 2 to the Receiver's Fourth Report.

29. Since the Receiver's last report, nothing has come to the attention of the Receiver that is indicative the Timmins Property's valuation has changed materially.

30. Considering the environmental issues and the appraised value of the Timmins Property, the Receiver did not take any enforcement steps with respect to the Mortgage registered against the Timmins Property.

THE ACTION AGAINST WILSON AND SETTLEMENT

31. Pursuant to a Commitment Letter dated February 24, 2016 (the "**Commitment Letter**"), MGMIC advanced a mortgage loan of$2,372,500 (the "**Loan**") to CLC, the registered owner of the Timmins Property.

32. The term of the Loan was renewed for a further twelve months by Commitment Letter dated February 1, 2017 (the "**Renewal Letter**"). The Loan was secured by, among other things, a mortgage registered against title to the Timmins Property (the "**Timmins Mortgage**").

33. The Commitment Letter, the Renewal Letter and the Timmins Mortgage were each executed by Wilson in his capacity as director of CLC and personally in his capacity as guarantor.

34. On October 23, 2020, the Receiver commenced an action in the Ontario Superior Court of Justice under Court file number CV-20-00649997-0000 (the "**Action**") by issuing a Statement of Claim, a copy of which is attached hereto as **Appendix "C"**.

35. Wilson served his Statement of Defence on December 16, 2020, a copy of which is attached hereto as **Appendix "D"**. In his defence, Wilson denies that CLC ever obtained the Loan from MGMIC. Wilson also alleged that the loan and security documents are the products of forgery and part of the "ongoing and improper course of illegal and fraudulent conduct of the Katebians." Similar allegations were raised by Wilson and his associates against the Katebians in other proceedings which have been litigated or are continuing to be litigated before this Court and other jurisdictions. The Katebians have also accused Wilson, Missaghi and their associates of fraudulent conduct.

36. On March 23, 2022, Wilson commenced a third-party claim against the Katebians for indemnity (the "**Third Party Claim**").

37. The Receiver scheduled a motion for summary judgment in the Action. The parties exchanged affidavit evidence and the Receiver examined Rasik Mehta ("**Mehta**"), who stated that he acted as legal counsel for MGMIC in connection with the Loan. Wilson alleges that Mehta cooperated with the Katebians on the alleged fraud relating to the Loan and the Timmins Mortgage.

38. Wilson and the Receiver, through their respective legal counsel, engaged in lengthy settlement negotiations of the Action, which culminated in the Minutes of Settlement.

39. The Minutes of Settlement require that the agreement and the accompanying documents be kept confidential. Accordingly, the Receiver seeks an order sealing the Minutes of Settlement pending a further order of the Court.

40. Notwithstanding, the confidentiality requirement, the following summary of the Minutes of Settlement is provided to allow MGMIC's stakeholders the opportunity to evaluate the commercial reasonableness of the proposed settlement:

(a) Wilson shall pay to the Receiver a one-time lump sum payment by January 31, 2023 (the "**Settlement Amount**");

(b) Following the receipt of the payment, the Receiver will assign to Wilson, or as otherwise directed, the Timmins Mortgage and the mortgages in favour of MGMIC registered against the Timiskaming Property;

(c) Wilson provided to the Receiver an executed Consent to Judgment for the full amount claimed by the Receiver in the Action, which can be utilized by the Receiver if payment of the settlement amount is not received by January 31, 2023;

(d) If payment is received, Wilson by January 31, 2023, the Receiver will obtain an order dismissing the Action against Wilson on a without cost basis. Once the Receiver obtained an order dismissing the Action, Wilson shall immediately obtain an order dismissing the Third-Party Claim on a without cost basis.

41. The Minutes of Settlement are conditional upon the approval of this Court in MGMIC's receivership proceeding.

42. The Action, the Mortgages against the Timmins Property and the Timiskaming Property represent the last remaining assets of MGMIC. If the Settlement Amount is paid in a manner required by the Minutes of Settlement and the Action is dismissed on a without cost basis, the Receiver will

complete final distributions to MGMIC's stakeholders and bring a motion for an order discharging and releasing the Receiver.

43. The Receiver believes that the Minutes of Settlement represent a reasonable and commercial settlement in the circumstances and recommends that the Court approve them for the following reasons:

(a) the allegations of fraud against the Katebians and Mehta and the Third-Party Claim raise difficulties in prosecuting the Action in a summary cost effective manner;

(b) The Receiver does not have first-hand knowledge of the events giving rise to the Loan and relies exclusively on MGMIC's books and records;

(c) in a Decision dated April 1, 2021 issued in a proceeding commenced by the OSC against the Katebians and MGMIC, the OSC found that the Katebians perpetrated fraud on MGMIC's investors;

(d) the environmental issues with the Timmins Property and the Timiskaming Property have rendered MGMIC's mortgages registered against those properties unrecoverable;

(e) The Settlement Amount is reasonable when taking into account the risks and costs associated with litigating the Action to completion and prospect of recovery of judgment even if the Receiver is successful in the Action; and

(f) the Minutes of Settlement provide a cost-effective resolution of the Action and certainty of recovery for MGMIC stakeholders;

CONCLUSION AND RECOMMENDATION

44. The Receiver is of the view that the relief requested is reasonable and appropriate in the circumstances and respectfully recommends that this Court make the order granting the Receiver's requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 22nd day of November, 2022.

GRANT THORNTON LIMITED,
solely in its capacity as the Court-appointed receiver and manager of Money Gate Mortgage Investment Corporation and not in its personal or corporate capacity

Per: ______________________________
Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

APPENDIX A

Court File No.: CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 129 OF THE SECURITIES ACT R.S.O. 1990, c. S.5, AS AMENDED

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

FIFTH REPORT TO THE COURT OF GRANT THORNTON LIMITED IN ITS CAPACITY AS RECEIVER OF THE RESPONDENTS

October 29, 2020

Grant Thornton

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

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Appendix 3	Settlement Order of Justice Conway dated August 20, 2020
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Court File No.: CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

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

FIFTH REPORT TO THE COURT OF GRANT THORNTON LIMITED
IN ITS CAPACITY AS RECEIVER OF THE RESPONDENT

October 29, 2020

INTRODUCTION

1. This Report (the "**Fifth Report**") is filed by Grant Thornton Limited ("**GTL**") in its capacity as the receiver (the "**Receiver**") over the property, assets and undertakings of Money Gate Mortgage Investment Corporation ("**MGMIC**"). GTL was appointed Receiver on November 6, 2018 on an application of the Ontario Securities Commission (the "**OSC**") pursuant to an order of the Honourable Mr. Justice Hainey, as amended (collectively, the "**Appointment Order**"). A copy of the Appointment Order is attached to this Report as **Appendix "1".**

PURPOSE OF THIS FIFTH REPORT

2. The purpose of this Fifth Report is to:

(a) provide an update on the status of MGMIC's receivership since the Receiver's last update contained in its Fourth Report dated April 30, 2020, (the "**Fourth Report**"), a copy of which (without appendices) is attached as **Appendix "2"**;

(b) provide the Court with information in support of the Receiver's request for an order:

(i) approving this Fifth Report, and the conduct and activities of the Receiver as described herein;

(ii) authorizing the Receiver to make distributions to creditors of MGMIC, as described further in this Fifth Report;

(iii) authorizing the Receiver to make an interim distribution to the investors of MGMIC in the amounts described in this Fifth Report;

(iv) authorizing the Receiver to make further distributions to the investors of MGMIC without a further order of the Court;

(v) approving the Receiver's interim statement of receipts and disbursements dated October 28, 2020 (the "**Interim R&D**");

(vi) approving the fees and disbursements of the Receiver up to and including October 15, 2020 and Chaitons LLP ("**Chaitons**"), legal counsel to the Receiver up to and including September 30, 2020, as described herein; and

(vii) approving the final fees and disbursements of the Euclid Receiver (as defined below) for the time period commencing March 23, 2020 and ending September 30,2020; and its legal counsel, Chaitons, for the time period commencing May 14, 2020 and ending September 30,2020;

(viii) further approving the final fees and disbursements of Dentons LLP for their work completed on the Euclid property as described below during the time period commencing February 24, 2020 to March 25, 2020;

(ix) approving the Euclid Receiver's Revised Final Statement of Receipts and Disbursements ("**Revised Final R&D**").

RESTRICTIONS AND TERMS OF REFERENCE

3. In preparing this Fifth Report, the Receiver has relied upon unaudited financial information, MGMIC's books and records, certain financial information, discussions with Morteza Katebian (a.k.a. Ben Katebian "**Ben**") and his son Payam Katebian ("**Payam**", and together with Ben, the "**Principals**"), their counsel and discussions with other parties. Except as described in this Fifth Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

4. This Fifth Report has been prepared for the use of this Court to provide general information and an update relating to this proceeding for the purpose of assisting the Court in making a determination as to whether to approve the relief sought. This Fifth Report should not be relied on for any other purpose. The Receiver will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Fifth Report contrary to the provisions of this paragraph.

5. All references to dollars are in Canadian currency unless otherwise noted.

6. Copies of materials filed in these Receivership Proceedings are available on the Receiver's Case Website at: www.GrantThornton.ca/MoneyGate.

BACKGROUND

7. MGMIC carried on business as a mortgage investment corporation. Between August 2014 and April 2017, MGMIC raised approximately $11 million from approximately 155 investors through the sale of preferred shares of MGMIC. Those investments were subsequently pooled and used to make loans to borrowers secured by mortgages registered against the borrowers' properties or were used to acquire an interest in existing mortgages.

8. Ben and Payam were the sole directors and officers of MGMIC.

9. At the time of the Receiver's appointment, MGMIC's mortgage portfolio consisted of eight mortgages (the "**Mortgages**") registered against seven properties located across the province of Ontario summarized below[1]:

Property	Municipal Address	First Mortgage	Second Mortgage	Third Mortgage
"**Timiskaming Property**"	1107 Lakeshore Rd S. Timiskaming Shores	$ 435,000	$ 3,475,000	$ -
"**Timmins Property**"	5355 Highway 101 W. Timmins	2,372,500	-	-
"**Birchmount Property**"	4 Birchmount Rd Toronto	-	-	1,600,000
"**Palace Pier Property"**	2045 Lakeshore Blvd W. Toronto	765,326	665,000	-
"**Dovercourt Property**"	558 Dovercourt Rd Toronto	-	611,000	-
"Steeles Property"	4342 Steeles Ave West Vaughan	-	320,000	-
"**Euclid Property**"	293 Euclid Ave Toronto	-	282,500	-

THE STATUS OF MGMIC'S MORTGAGES

General Update

10. In the Fourth Report to the Court, the Receiver provided a detailed update on the status of each of the Mortgages. As described in the Fourth Report, as at April 2020, the Receiver completed realization on the mortgages registered against the Birchmount Property, the Euclid Property (through the appointment of GTL as receiver over the Euclid Property) and the first mortgage registered against the Palace Pier Property. The Receiver had also entered into a settlement agreement with respect to the second mortgage registered against the Palace Pier Property which has a closing date of October 31, 2020.

[1] MGMIC's mortgages registered against the Steeles Property and the Dovercourt Property were discharged either through a power of sale proceeding by the first mortgagee in respect of Steeles or by registration of a vesting order by a receiver appointed to sell the Dovercourt Property. As described in greater detail in the Receiver's Fourth Report, GTL in its capacity as the Receiver of MGMIC asserted a security interest in the proceeds from the sale of the Dovercourt Property and the Steeles Property. The amounts set out in the chart above represent the principal amount of the loan made by MGMIC or the amount paid by MGMIC to acquire the mortgage (excluding interest earned by MGMIC on these loans).

11. As described in greater detail in the Fourth Report, the Receiver obtained an order of this Court directing that the net proceeds from the sale of the Dovercourt Property be paid to the Receiver. The order was appealed by the respondent on the motion. The hearing of the appeal is scheduled for November 26, 2020.

12. For the reasons described in the Fourth Report, the Receiver did not undertake any enforcement steps with respect to the mortgage registered against the Timiskaming Property nor the Timmins Property.

13. The purpose of this Report is to provide an update regarding the Receiver's activities with respect to MGMIC's mortgages against the Steeles Property. The Receiver will provide further updates to the Court with respect to the remaining properties as they arise.

<u>The Steeles Property</u>

14. As described in the Fourth Report, the Steeles Property is a commercial property located in Vaughan, Ontario. MGMIC, 2381439 Ontario Inc. ("**238**") and 2399021 Ontario Inc. ("**239**")[2] each held a portion of the second mortgage registered against the Steeles Property (the "**Second Steeles Mortgage**") in the following proportions:

    (a) 25.8% was held by MGMIC;

    (b) 60.6% was held by 238; and

    (c) 13.4% was held by 239.

    Missaghi's relationship with Ben and Payam and involvement with the Mortgages is set out in greater detail in the Fourth Report.

15. Prior to the acquisition of their portions of the Second Steeles Mortgage by MGMIC and 238, the mortgage was held in full by 239. 239 also holds the first mortgage registered against the Steeles Property (the "**First Steeles Mortgage**") and the fifth mortgage. Another company owned and/or

[2] A company owned and/or controlled, directly or indirectly by Arash Missaghi, his wife and/or their business associate Troy Wilson ("**Troy**").

controlled by Missaghi, his wife or Troy also held the third mortgage registered against the Steeles Property.

16. In the spring of 2018, MGMIC learned that 239 was trying to sell the Steeles Property under power of sale. In April 2018, MGMIC commenced an enforcement proceeding under its portion of the Second Steeles Mortgage (the "**Steeles Enforcement Proceeding**"). Pursuant to orders of this Court made in that proceeding, $375,000, representing the full amount owing to MGMIC under its portion of the Second Steeles Mortgage was paid into Court by 239 (the "**Steeles Proceeds**"). Shortly thereafter 239 sold the Steeles Property under power of sale to a Skymark Properties IV Inc. ("**Skymark**"), a party related to 239.

17. On October 2, 2019, the Receiver attended at a Chambers Appointment before the Court in the Steeles Enforcement Proceeding, on notice to all parties claiming an interest in the Steeles Proceeds, for the purpose of scheduling a motion for an order releasing the Steeles Proceeds to the Receiver (the "**Steeles Motion**"). The Steeles Motion was originally scheduled to be heard on December 16, 2019 and was adjourned several times with the final hearing date scheduled for August 20, 2020.

18. The relief sought by the Receiver on the Steeles Motion was opposed by 239 which alleged, among other things, that: (i) the assignment of the Second Steeles Mortgage from 239 to MGMIC, among others, was fraudulent; (ii) that there weren't sufficient proceeds from the sale of the Steeles Property to satisfy the amounts owing under the First Steeles Mortgage; and (iii) that the amount claimed as owing to MGMIC under the Second Steeles Mortgage was overstated.

19. Immediately prior to the hearing of the Steeles Motion on August 20, 2020, at the recommendation of Madam Justice Conway, the hearing of the Steeles Motion was converted into a judicial mediation before the Honourable Madam Justice Conway.

20. At the judicial mediation, the Receiver and 239 agreed to settle the Steeles Motion by distributing the Steeles Proceeds as follows (the "**Steeles Settlement**"):

(d) $270,000 paid to the Receiver; and

(e) the balance, including any accrued interest paid to 239.

21. Attached as **Appendix "3"** is a copy of the Order of Justice Conway dated August 20, 2020 reflecting the Settlement (the "**Settlement Order**"). Pursuant to the terms of the Settlement Order, further approval of the Settlement by the Court in this proceeding is not required.

22. On September 21, 2020, $270,000 was received by the Receiver.

23. As at the date of the Settlement Order, approximately $468,172 was owing to MGMIC under its portion of the Second Steeles Mortgage. The settlement proceeds were not sufficient to satisfy the amounts owing to MGMIC under the Second Steeles Mortgage in full.

24. The Settlement Order provides that nothing in the Order shall be construed as, among other things, a finding of fact or a determination of any legal issues.

25. On or around October 9, 2018, 238 commenced a proceeding against, among others, 239 and Skymark for an order, among other things, setting aside the power of sale of the Steeles Property to Skymark as a fraudulent conveyance (the "**238 Proceeding**").

26. 238 brought an injunction motion in the 238 Proceeding for an order, among other things, restricting Skymark from selling, dissipating or further encumbering the Steeles Property. MGMIC was not a party to the 238 Proceeding, although it did deliver motion materials in the 238 Proceeding (prior to the appointment of the Receiver). As a consequence of the injunction motion, approximately $1 million was paid into Court to protect 238's interest in the Second Steeles Mortgage.

27. If 238 is successful in setting aside the power of sale transfer, the Second Steeles Mortgage will be reinstated. 238 and the responding parties are in the process of setting a time-table for the delivery of materials in the 238 Proceeding. The Receiver will continue to monitor that proceeding and report to the Court on any further developments.

CLAIMS PROCESS RESULTS

28. Pursuant to a Claims Procedure Order of the Honourable Justice Hainey dated June 16th, 2020, (the "**Claims Order**") the Receiver commenced a claims procedure as further described in the Fourth Report. Capitalized terms not otherwise defined in this section of the Report, shall have the

meaning ascribed to such terms in the Claims Order.

29. In accordance with the Claims Order, the Receiver:

(f) on June 22, 2020, posted a copy of the Claims Order (together with all Schedules) on the Receiver's Website;

(g) by June 23, 2020, sent to each of the Known Creditors, (in each case, for which it has an address) a copy of the Creditor Claims Package;

(h) by June 23, 2020, sent to each of the Known Investors, (in each case, for which it has an address) a copy of the Investors Claims Package;

(i) on June 25, 2020, caused to be published the Notice to Claimants in the National Post, a copy of which is attached hereto, as **Appendix "4"**.

30. The Claims Order established a Claims Bar Date of 5:00 p.m. on August 15, 2020.

31. Pursuant to the Claims Order, the Receiver conducted a reversed claims process for identifying preferred shareholder claims pursuant to which the Receiver prepared and delivered an Acknowledgement of Claim to all the investors. Any investor that wished to dispute the information set out in the Acknowledgment of Claim was required to deliver a Request for Amendment to the Receiver by the Claims Bar Date.

32. The Receiver received only one Request for Amendment. The investor incorrectly made an excess claim of $451.08 beyond the Acknowledgement of Claim sent by the Receiver. The Request for Amendment was denied and was not appealed by the investor.

33. Regarding creditor claims, the Receiver received a total of three (3) claims, amounting to $66,284.18. A copy of the creditors claim register is attached as **Appendix "5".** The Receiver is of the view that these claims are proper and legitimate and should be paid ahead of the claims of MGMIC's preferred shareholders.

34. The Receiver respectfully requests the Court issue an order authorizing and directing the Receiver to make a distribution in respect of the creditor claims referenced above.

35. The Receiver proposes a distribution of approximately of $857,000 which represents a 7.50% distribution of the Known Investors' claims. In the calculation, the Receiver has accounted for a holdback for professional fees to continue with the MGMIC proceedings and a further holdback of the Dovercourt funds which are subject to litigation as described in the Fourth Report.

36. Further, the Receiver respectfully requests an order authorizing the Receiver to make future periodic distributions to investors holding Proven Claims, up to the amount of their claim, on a pro-rata basis without a further order of the Court.

OTHER ACTIVITIES OF THE RECEIVER SINCE THE APPOINTMENT ORDER

37. Since the date of its Fourth Report, the activities of the Receiver and its counsel have included:

(j) corresponding with legal counsel regarding various litigation matters;

(k) corresponding with counsel for MGMIC;

(l) corresponding with Payam to obtain an electronic backup of all company documents;

(m) engaging in various settlement negotiations with various counterparties with respect to the MGMIC Mortgages;

(n) corresponding with the OSC;

(o) advancing enforcement or recovery proceedings for mortgages registered against the Steeles Property;

(p) liaising with consultants regarding the properties subject to the MGMIC Mortgages;

(q) responding to numerous email and phone inquiries and requests for general updates or information from investors and other stakeholders of MGMIC;

(r) conducting settlement discussions with other mortgagees and stakeholders;

(s) maintaining a public website for these Receivership Proceedings in accordance with the Commercial List E-Service Procedures including, copies of motion materials, reports, orders, and notices; and,

(t) preparing this Fifth Report.

PROFESSIONAL FEES

38. Pursuant to paragraph 19 of the Appointment Order, the Receiver and its counsel are to be paid their reasonable fees and disbursements at their standard rates and charges, incurred both before and after the making of the Appointment Order. Pursuant to paragraph 20 of the Appointment Order, the Receiver and its counsel shall pass their accounts.

39. The Receiver seeks to have its fees and disbursements, including those of its legal counsel, approved by the Court for the period beginning April 25, 2020 and ending October 15, 2020. The Receiver and its counsel have maintained detailed records of their professional time and costs.

40. The total fees for the Receiver for the period April 25, 2020 and ending October 15, 2020, amount to $41,640.91, and HST of $5,413.32, for a total of $47,054.23. The time spent by the Receiver is more particularly described in the Affidavit of Jonathan Krieger sworn October 29, 2020 (the "**Krieger MGMIC Affidavit**"), which is attached hereto as **Appendix "6"** and contains copies of invoices that set out the services provided during this time period.

41. The total fees of Chaitons, as counsel to the Receiver, for the period of April 26, 2020 and ending September 30, 2020, amount to $36,018.00, plus disbursements of $287.38 and HST of $4,706.27 for a total of $41,011.65. The time spent by Chaitons is more particularly described in the Affidavit of Sam Rappos sworn October 20, 2020 (the "**Rappos MGMIC Affidavit**"), which is attached hereto as **Appendix "7"** and contains, among other things, copies of invoices that set out the services provided during this period of time.

42. It is the Receiver's opinion that the fees and disbursements of the Receiver and Chaitons accurately reflect the work done by the Receiver and on behalf of the Receiver by Chaitons in connection with

the receivership and the administration of the Property of MGMIC from April 26, 2020 and ending September 30, 2020.

PROFESSIONAL FEES – EUCLID PROPERTY

43. On an application by the Receiver, pursuant to the terms of an Order of this Court dated November 25, 2019, GTL was appointed receiver (the "**Euclid Receiver**") over the Euclid (the "**Euclid Receivership**").

44. Materials related to the Euclid Receivership, including all of the Receiver's reports filed in this proceeding, can be found on the case website maintained by the Receiver at www.GrantThornton.ca/Euclid. Materials in respect of the Euclid Receivership are filed under Court file number #CV-19-00628085-00CL.

45. MGMIC held a second mortgage registered against the Euclid Property in the principal amount of $282,500 (the "**Euclid Mortgage**"). The first mortgage was held by Home Trust Company.

46. The fees and disbursements of GTL in its capacity as the Euclid Receiver have been separately docketed and approved by the Court pursuant to the Discharge Order of the Honourable Justice Hainey dated April 6, 2020 in the Euclid Receivership. A copy of the Discharge Order is attached hereto, as **Appendix "8"**.

47. The mandate of the Euclid Receiver is now complete, and the Euclid Receiver was discharged on September 22, 2020.

48. As set out in the materials filed in the Euclid Receivership, the balance of the proceeds from the Euclid sale, after payment of the Euclid Receiver's fees and satisfaction of the first mortgage on the Euclid Property, are to be paid to MGMIC. In the Receiver's Fourth Report, the Receiver estimated that MGMIC would recover approximately $250,000 in respect of the Euclid Mortgage. Pursuant to the Euclid Receiver's First Report to Court dated April 1, 2020 (the "**Euclid Report**"), the Euclid Receiver requested a holdback of $40,000 to facilitate the finalization of the Receivership Proceedings. Due to unforeseen circumstances involving issues with title registrations that had to be corrected before the Euclid Property could be conveyed, prolonged negotiations with the Land

Registrar and Payam's opposition to the Receiver's relief which required the preparation a supplemental report, the Receiver's disbursements were higher than anticipated. The issues encountered by the Euclid Receiver are set out in the Euclid Report and Supplement to First Report dated April 1, 2020 (the "**Euclid Supplement**"). Copies of the Euclid Report and the Euclid Supplement, without appendices, are collectively attached as **Appendix "9"**.

49. In addition to the issues identified in the Euclid Report and the Supplement to the First Report, despite having an order of the Court directing the Land Registrar to correct title issues, the Land Registrar took the position that the corrections cannot be made. This position resulted in protracted communications and negotiations between the Receiver's counsel and the Land Registrar.

50. As a consequence of the issues encountered by the Euclid Receiver, the actual amount of the Euclid Receiver's fees and disbursements exceeded the holdback amount by $34,445.39. Such amount would be a reduction in the amount of proceeds available to be paid towards MGMIC's mortgage in respect of the Euclid sale. However, even taking into account the higher fees of the Euclid Receiver, the net recovery to MGMIC on the Euclid Mortgage is $246,644.46, which is close to the Receiver's estimated recovery of $250,000.

51. Given the amount in question, the Receiver believes it is uneconomical to bring a separate motion before the Court in the Euclid Receivership to seek an amendment to the Euclid Discharge Order since the Receiver and the MGMIC investors are the only parties impacted by the cost overrun. Accordingly, the Receiver is seeking to have the fees of the Euclid Receiver and its legal counsel approved in this proceeding.

52. The total fees for the Euclid Receiver for the period March 24, 2020 and ending September 30, 2020, amount to $28,976.34 and HST of $3,766.92, for a total of $32,743.26. The time spent by the Receiver is more particularly described in the Affidavit of Jonathan Krieger sworn October 29, 2020 (the "**Krieger Euclid Affidavit**"), which is attached hereto as **Appendix "10"** and contains copies of invoices that set out the services provided during this time period.

53. The total fees of Chaitons, as counsel to the Euclid Receiver, for the period of March 23, 2020 and ending May 14, 2020, amount to $28,040.00, plus disbursements of $496.74 and HST of $3,665.40

for a total of $32,202.14. The time spent by Chaitons is more particularly described in the Affidavit of Sam Rappos sworn October 28, 2020 (the "**Rappos Euclid Affidavit**"), which is attached hereto as **Appendix "11"** and contains, among other things, copies of invoices that set out the services provided during this period of time.

54. The total fees of Dentons LLP, independent counsel for the Euclid Receiver, for the period of February 24, 2020 and ending March 25, 2020, amount to $8,357.87, plus disbursements of $49.20 and HST of $1,092.92 for a total of $9,499.99. The time spent by Dentons is more particularly described in the Affidavit of Renée Brosseau, sworn October 27, 2020 (the "**Brosseau Affidavit**"), which is attached hereto as **Appendix "12"** and contains, among other things, copies of invoices that set out the services provided during this time period.

RECEIPTS AND DISBURSEMENTS IN THIS PROCEEDING

55. Attached hereto as **Appendix "13"** is the Interim R&D from November 6, 2018 to October 28, 2020. As at October 28, 2020, the balance in the receivership account was $1,954,811**.** The balance includes, amongst others, amounts held in trust from the proceeds of the Palace Pier Property, the Birchmount Property, Euclid Property and the Dovercourt Property, as described in the Fourth Report

56. The Receiver respectfully request that the Court approve the Interim R&D.

RECEIPTS AND DISBURSEMENTS OF THE EUCLID RECEIVERSHIP

57. Attached hereto as **Appendix "14"** is the Revised Final R&D relating to the Euclid Receivership which accounts for the additional expenditures described further in paragraph 15 to 21 As at September 22, 2020, the balance in the receivership account was $0**,** as noted in the Final R&D the excess balance was transferred to the MGMIC general trust account.

58. The Receiver respectfully request that the Court approve the Revised Final R&D.

CONCLUSION AND RECOMMENDATION

59. The Receiver is of the view that the relief requested is reasonable and appropriate in the circumstances and respectfully recommends that this Court make the order granting the Receiver's requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 29th day of October 2020.

GRANT THORNTON LIMITED,
solely in its capacity as the Court-appointed receiver and manager of Money Gate Mortgage Investment Corporation and not in its personal or corporate capacity

Per: ______________________________
Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

APPENDIX B

Court File No.: CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 129 OF THE SECURITIES ACT R.S.O. 1990, c. S.5, AS AMENDED

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

FOURTH REPORT TO THE COURT OF GRANT THORNTON LIMITED IN ITS CAPACITY AS RECEIVER OF THE RESPONDENT

April 30, 2020

Grant Thornton

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

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Court File No.: CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 129 OF THE SECURITIES ACT R.S.O. 1990, c. S.5, AS AMENDED

B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

\- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

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

FOURTH REPORT TO THE COURT OF GRANT THORNTON LIMITED IN ITS CAPACITY AS RECEIVER OF THE RESPONDENT

April 30, 2020

INTRODUCTION

1. This Report (the "**Fourth Report**") is filed by Grant Thornton Limited ("**GTL**") in its capacity as the receiver (the "**Receiver**") over the property, assets and undertakings of Money Gate Mortgage Investment Corporation ("**MGMIC**"). GTL was appointed Receiver on November 6, 2018 on an application of the Ontario Securities Commission (the "**OSC**") pursuant to an order of the Honourable Mr. Justice Hainey, as amended (collectively, the "**Appointment Order**"). A copy of the Appointment Order is attached to this Report as **Appendix "1"**.

PURPOSE OF THIS FOURTH REPORT

2. The purpose of this Fourth Report is to:

   (a) provide an update on the status of this Receivership Proceeding from the Receiver's last update contained in its Second Report dated May 9, 2019, (the "**Second Report**")[1];

   (b) provide the Court with information in support of the Receiver's request for an order:

      (i) approving the Third Report dated October 18, 2019 ("**Third Report**"), a copy of which without appendices is attached as **Appendix "3"**, the Supplement to the Third Report dated January 23, 2020, a copy of which without appendices is attached as **Appendix "4"** (the "**Supplement to the Third Report**"), this Fourth Report, and the conduct and activities of the Receiver as described therein and herein;

      (ii) authorizing the Receiver to conduct a procedure to identify and value creditors' and investors' claims against MGMIC;

      (iii) approving the Receiver's interim statement of receipts and disbursements dated April 24, 2020 (the "**Interim R&D**");

      (iv) approving the fees and disbursements of the Receiver and Chaitons LLP ("**Chaitons**"), legal counsel to the Receiver up to and including April 24, 2020, as described herein; and

      (v) sealing Confidential Appendices 1 to 3 until a further order of the Court.

[1] Relevant sections of the Second Report (without appendices) are attached hereto as **Appendix "2"**

RESTRICTIONS AND TERMS OF REFERENCE

3. In preparing this Fourth Report, the Receiver has relied upon unaudited financial information, MGMIC's books and records, certain financial information, discussions with Morteza Katebian (a.k.a. Ben Katebian "**Ben**") and his son Payam Katebian ("**Payam**", and together with Ben, the "**Principals**"), their counsel and discussions with other parties. The Receiver's work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

4. This Fourth Report has been prepared for the purpose set out in paragraph 2 of this Report. The reader is cautioned that this Report may not be appropriate for any other purpose.

5. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

6. MGMIC carried on business as a mortgage investment corporation that lent money to borrowers, which loans were secured by mortgages against the borrowers' properties, and/or acquired mortgages registered against commercial and residential properties. At the time of the Receiver's appointment, MGMIC's mortgage portfolio consisted of seven mortgages registered against properties located across the province of Ontario.[2]

[2] Certain of these mortgages have been discharged either through a power of sale proceeding or by registration of a vesting order by a receiver appointed to sell these properties. As described in greater detail in the Receiver's Second Report (defined herein), GTL in its capacity as the Receiver of MGMIC asserted a security interest in the proceeds from the sale of those properties.

7. Between August 2014 and April 2017, MGMIC raised approximately $11 million from approximately 155 investors through the sale of preferred shares of MGMIC. Those investments were subsequently pooled and used to make loans to borrowers on a secured basis or were used to acquire an interest in existing mortgages.

8. According to MGMIC's books and records, Payam, Ben and Bita Ghaffari each hold 100 common shares of MGMIC (the "**Common Shares**").

9. Materials related to this receivership proceeding, including all of the Receiver's reports filed in this proceeding, can be found on the case website maintained by the Receiver at www.GrantThornton.ca/MGMIC.

THE STATUS OF MGMIC'S MORTGAGES

10. On the date of the Appointment Order, MGMIC's mortgage portfolio consisted of the following mortgages (the "**MGMIC Mortgages**") registered against the following seven properties (the **"Properties**")[3]:

Property	Municipal Address	First Mortgage	Second Mortgage	Third Mortgage
"**Timiskaming Property**"	1107 Lakeshore Rd S. Timiskaming Shores	$ 435,000	$ 3,475,000	$ -
"**Timmins Property**"	5355 Highway 101 W. Timmins	2,372,500	-	-
"**Birchmount Property**"	4 Birchmount Rd Toronto	-	-	1,600,000
"**Palace Pier Property"**	2045 Lakeshore Blvd W. Toronto	765,326	665,000	-
"**Dovercourt Property**"	558 Dovercourt Rd Toronto	-	611,000	-
"Steeles Property"	4342 Steeles Ave West Vaughan	-	320,000	-
"**Euclid Property**"	293 Euclid Ave Toronto	-	282,500	-
Total		**$ 3,572,826**	**$ 5,353,500**	**$ 1,600,000**

[3] The amounts set out in the chart above represent the principal amount of the loan made by MGMIC or the amount paid by MGMIC to acquire the mortgage (excluding interest earned by MGMIC on these loans).

11. As of the date of this Fourth Report all MGMIC Mortgages on the Properties have matured and are in default.

12. At all relevant times, the MGMIC Mortgages were granted by or acquired from companies owned and/or controlled, directly or indirectly, by Arash Missaghi ("**Missaghi**"), Sai Mohammed (also known as Mo Jiwani) ("**Sai**"), Jonathane Ricci ("**Ricci**") or Payam.

13. The Receiver understands that during the time period when the majority of the MGMIC Mortgages were registered, Ricci, Sai, Missaghi and the Principals among others, carried on business from the same office location and were business partners on a number of transactions involving MGMIC and the Principals.

14. On December 17, 2019, the OSC issued Reasons and Decision in its proceeding against the Principals wherein it found, among other things, that Ben and Payam effected illegal distributions of MGMIC's securities and improperly put investors' funds at risk and ultimately caused investor losses. The OSC also found that Missaghi and Sai were undisclosed principals of MGMIC. A copy of the OSC's Reasons and Decision is attached as **Appendix "5"**.

15. In the Second Report to the Court, the Receiver provided a detailed update on the status of each of the Mortgages as at May 2019. The purpose of this Report is to provide a further update to the Court and MGMIC's stakeholders on the Receiver's enforcement and collection efforts for each of the Mortgages since May 2019. The information provided below is a general status update for each of the Properties and should be read in conjunction with the Second Report.

<u>The Timiskaming Property</u>

16. The Timiskaming Property consists of a 38-hectare commercial site including a vacant wood panel manufacturing plant and a historic wood waste landfill.

17. Since its appointment, the Receiver has engaged in discussions with the Ministry of Environment and Climate Change of Ontario, Uniboard Canada, and an independent environmental engineer to determine the extent of environmental remediation requirements.

18. MGMIC holds the first mortgage which was acquired by MGMIC for $435,000[4] and the second mortgage in the principal amount of $3,475,000 against the Timiskaming Property.

19. As described in greater detail in the Second Report, on June 19, 2012, the owner of the Timiskaming Property, Mansteel New LIskaeard Inc. ("**Mansteel**"), a company owned and/or controlled, directly or indirectly, by Missaghi, purchased the Timiskaming Property from Uniboard Canada Inc. ("**Uniboard**") for $1. Pursuant to the sale agreement between Uniboard and Mansteel, Mansteel agreed to, among other things, assume all environmental obligations relating to the Timiskaming Property and perform certain environmental work (the "**Environmental Work**"). Pursuant to the sale agreement, Uniboard agreed to pay to Mansteel the sum of $6 million plus applicable taxes (the "**Environmental Fee**") for performing the Environmental Work. The Environmental Fee was comprised of a lump sum of $3.5 million paid on closing and a sum of $2.5 million (the "**Escrow Funds**") deposited with an escrow agent. Uniboard takes the position that Mansteel is only entitled to access the Escrowed Funds if the Environmental Work was actually performed.

[4] The first mortgage is registered against title to the Timiskaming Property in the principal amount of $300,000.

20. In July 2013, Ministry of Environment and Climate Change of Ontario ("**MOECC**") conducted an inspection of the landfill on the Timiskaming Property. On October 23, 2013, the MOECC issued a Provincial Officer's Order requiring Mansteel to perform certain environmental remediation actions and to submit certain written action plans to the MOECC. On June 23, 2016, the Ontario Court of Justice issued an order finding Mansteel guilty of the offence and ordered Mansteel to complete remediation work by November 15, 2016. The Receiver is advised by the MOECC that this work was not completed and that contamination of the Mansteel Property was continuing.

21. On December 8, 2017, on a motion made by Mansteel, this Court made an order requiring the escrow agent to pay the sum of $1,343,054 to the Accountant of the Superior Court of Justice of Ontario. The Receiver has confirmed with the escrow agent that the Escrow Funds were paid into Court on December 15, 2017.

22. MGMIC's mortgages have matured.

23. Before commencing any enforcement steps in respect of the mortgages, in August 2019, the Receiver commissioned an independent appraisal of the Timiskaming Property in order to determine whether it will be commercial reasonable to undertake further environmental review.

24. A copy of the independent appraisal was provided to the Receiver on July 24, 2019 and is attached as **Confidential Appendix "1"**.

25. Considering the valuation of the Timiskaming Property and the environmental liability attained to the property, the Receiver does not intend to take any enforcement steps in with respect to property at this time.

The Timmins Property

26. The Timmins Property consists of six (6) parcels of vacant land, totaling approximately 195 acres, located south-west of Timmins, Ontario. The Timmins Property is owned, by a company that is owned and/or controlled, directly or indirectly, by Missaghi. MGMIC holds a first ranking mortgage against the Timmins Property in the principal amount of $2,375,500.

27. The Timmins Mortgage matured on March 4, 2018. To determine what enforcement steps should be taken, the Receiver sought an independent appraisal of the Timmins Property in order to determine whether it will be commercially reasonable to undertake a further environmental review.

28. A copy of the independent appraisal was provided to the Receiver on July 24, 2019 and is attached as **Confidential Appendix "2"**.

29. Considering the valuation of the Timmins Property, the Receiver at this time does not intend to take any enforcement steps with respect to this property.

The Birchmount Property

30. The Birchmount Property is a 1.93-acre residential property located in Scarborough overlooking Lake Ontario and has a partially completed 12,900 sq. ft. two-story residential home located on it. The Birchmount Property was under the control of a receiver, Rosen Goldberg Inc. (the "**Birchmount Receiver**") at the time of the Receiver's appointment.

31. As described in greater detail in the Second Report, MGMIC held a 30.1% interest in the third mortgage registered against title to the Birchmount Property. World Finance Corporation ("**WFC**"), a company owned and/or controlled directly or indirectly by Missaghi and his associates held the balance of the third mortgage.

32. As described in the Second Report, the Birchmount Receiver brought a Motion (the "**Distribution Motion**") for advice and directions regarding the distribution of the balance of approximately $1.4 million in net proceeds from the sale of the Birchmount Property (the "**Birchmount Proceeds"**). MGMIC, WFC and the fourth mortgagee (the "**Birchmount Claimants**") each made a claim to the Birchmount Proceeds.

33. The Distribution Motion was settled by the Birchmount Claimants pursuant to the terms of the Endorsement of Justice Hainey dated September 20, 2019 and the Distribution Order of Justice Hainey dated October 15, 2019, copies of which are collectively attached as **Appendix "6".** (the "**Distribution Order and Endorsement**")

34. Pursuant to the terms of the Distribution Order, the Birchmount Proceeds were distributed as follows:

   a) First to Dewart Gleason LLP in trust for Loraine and Gilbert Barlow in the amount of $365,000 on account of the fourth mortgage against the Birchmount Property; and

   b) The balance to be paid to Miller Thomson LLP in trust for WFC and Chaitons in trust for the Receiver on a 50/50 basis.

35. On October 17, 2019, the Receiver received MGMIC's portion of the Birchmount Proceeds in the amount of $467,500. The Receiver's realization on MGMIC's mortgage against the Birchmount Property is now complete.

<u>The Palace Pier Property</u>

36. The Palace Pier Property is a residential condominium located in Toronto, Ontario. The property is owned by Atlas Capital Corporation ("**Atlas**"), which is owned directly or indirectly by Sai. The Palace Pier Property is also occupied by Sai.

37. As described in the Second Report, MGMIC held two mortgages registered against the Dovercourt Property:

a) a first ranking mortgage in the principal amount of $725,000 (the "**Palace Pier First Mortgage**"); and

b) a second ranking mortgage in the principal amount of $665,000 (the "**Palace Pier Second Mortgage**") (collectively, the "**Palace Pier Mortgages**")

The Second Palace Pier Mortgage is subject to a litigation dispute between MGMIC and Atlas, which disputes the validity of the Second Palace Pier Mortgage (the "**Second Mortgage Proceeding**").

38. On October 17, 2019, MGMIC brought an application to appoint a receiver over the Palace Pier Property. On December 23, 2019, the Palace Pier First Mortgage was repaid in full (together with interest and cost of enforcement). Proceeds in the amount of $894,122.30 were received by the Receiver settling Atlas's obligations to MGMIC in respect of the Palace Pier First Mortgage.

39. On January 17, 2020, pursuant to an Order and Endorsement of Justice Hainey, the Second Mortgage Proceeding was transferred to this Court and a summary judgment motion was scheduled to be heard before this Court on March 17, 2020. Attached hereto collectively as **Appendix "7"** are copies of Justice Hainey's Order and Endorsement each dated January 17, 2020.

40. In January 2020, Atlas indicated to the Receiver that they would like to settle the Second Mortgage Proceeding. In anticipation of a potential settlement, the Receiver obtained an appraisal of the Palace Pier Property dated January 17, 2020, a copy of which is attached hereto as **Confidential Appendix "3"**.

41. On March 2, 2020, Atlas and the Receiver agreed to settle the Second Mortgage Proceeding on the following terms (the "**Atlas Settlement**"):

(a) Atlas agrees to pay to the Receiver in full satisfaction of the Palace Pier Second Mortgage the sum of $365,000 by May 1, 2020, or, if payment is not received by May 1, 2020, the sum of $370,000 by June 1, 2020;

(b) If payment is not made as required, Atlas and Ricci[5] consent to judgment (the "**Consent to Judgment**") in the full amount owing under the Palace Pier Second Mortgage and Atlas will consent and will allow the Receiver possession of the Palace Pier Property to enforce the Palace Pier Second Mortgage.

42. As a consequence of the Atlas Settlement, the Receiver and counsel for Atlas, Eli Karp, vacated the date scheduled for the summary judgment motion. Attached hereto as **Appendix "8"** is the email correspondence between the Court, counsel for the Receiver and counsel for Atlas.

43. On April 27, 2020, Mr. Karp on behalf of Atlas requested an extension to the date by which payment is to be made by Atlas and has agreed to pay interest on the settlement amount on a monthly basis at a rate of 8% per annum.

44. On April 28, 2020, the Receiver agreed to amend the Atlas Settlement on, among other things, the following terms:

(a) Atlas shall pay to the Receiver in full satisfaction of the Palace Pier Second Mortgage the sum of $370,000 on the earlier of: (i) the day that is 90 days following the date on which the State of Emergency for the City of Toronto is lifted; or (ii) October 31, 2020;

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[5] Ricci guaranteed Atlas's obligations to MGMIC under the Palace Pier Second Mortgage.

(b) Atlas shall pay to the Receiver interest on a monthly basis in the amount of $2,466.67;

(c) If Atlas defaults on its payment obligations under the Atlas Settlement, the Receiver can act on the Consent to Judgment within the timelines prescribed in the Atlas Settlement.

45. A copy of the revised draft Minutes of Settlement substantially in the form to be executed by the parties is attached as **Appendix "9"**.

46. The Receiver is of the opinion that the Atlas Settlement is reasonable in the circumstances and is in the best interests of all of MGMIC's stakeholders. The settlement amount is consistent with the appraised value of the Palace Property, particularly talking into account the uncertainty of litigation, the unreliability of the evidence of the Principals, which the Receiver has to rely on in support of its motion, the costs of the Second Mortgage Proceeding and the costs of enforcement, in the event that the Receiver is successful in the Second Mortgage Proceeding.

47. Accordingly, the Receiver recommends that the Court grant an order approving the Atlas Settlement.

The Dovercourt Property

48. The Dovercourt Property includes a multi-residential building located in Toronto, Ontario, which was under the control of a receiver, Ira Smith and Associates (the "**Dovercourt Receiver**") at the time of the Receivership Order. The Receiver received net proceeds from the sale of the Dovercourt Property from the Dovercourt Receiver in the amount of $556,078.73 (the "**Dovercourt Proceeds**").

49. Prior to the sale of the Dovercourt Property by the Dovercourt Receiver, the Dovercourt Property was owned by 2546456 Ontario Inc. a company that is owned 50% by Payam

and 50% by 2496050 Ontario Inc. ("**249**"), a company owned and/or controlled by Ricci for the benefit of certain investors.

50. As the Receiver advised in its Second Report and Third Report to the Court, a number of parties asserted claims to the Dovercourt Proceeds. On October 2, 2019, consistent with the Orders of this Court made in this proceeding, the Receiver scheduled a 9:30 Chambers Appointment on notice to all parties who have asserted claims to the Dovercourt Proceeds, including 249 for the purpose of scheduling the hearing of a motion for advice and directions for the distribution of the Dovercourt Proceeds (the "**Dovercourt Claims Hearing**").

51. The Dovercourt Claims Hearing was scheduled for January 30, 2020. Attached to this Report as **Appendix "10"** is a copy of Justice Penny's Endorsement dated October 2, 2019, scheduling the Dovercourt Claims Hearing and setting a timetable for the delivery of materials.

52. 249 and the MGMIC Receiver were ultimately the only parties that advanced a claim to the Dovercourt Proceeds. In support of the Dovercourt Claims Hearing the Receiver filed its Third Report and the Supplement to the Third Report.

53. The Dovercourt Claims Hearing was heard on January 30, 2020. On February 5, 2020, Madam Justice Gilmore, issued Reasons, a copy of which is attached as **Appendix "11"**. Her Honour held, among other things, that MGMIC had a valid and enforceable mortgage against the Dovercourt Property.

54. On February 12, 2020, 249 and Ricci (the "**Palace Pier Respondents**") served a Notice of Appeal in respect of Justice Gilmore's findings. A copy of the Notice of Appeal is attached as **Appendix "12"**.

55. The Dovercourt Funds will continue to be held in trust by the Receiver until such time as the Dovercourt Claims Proceeding is finally resolved.

The Steeles Property

56. As described in the Second Report, the Steeles Property is a commercial property located in Vaughan, Ontario. MGMIC, 2381439 Ontario Inc. ("**238**") and 2399021 Ontario Inc. ("**239**"), a company owned and/or controlled, directly or indirectly by Missaghi, his wife and/or their business associate Troy Wilson ("**Troy**") each held a portion of the second mortgage registered against the Steeles Property (the "**Second Steeles Mortgage**") in the following proportions:

(a) 25.8% was held by MGMIC;

(b) 60.6% was held by 238; and

(c) 13.4% was held by 239.

57. Prior to the acquisition of their portions of thr Second Steeles Mortgage by MGMIC and 238, the mortgage was held by 239. 239 also held the first mortgage registered against the Steeles Property (the "**First Steeles Mortgage**") and the fifth mortgage. Another company owned and/or controlled by Missaghi, his wife or Troy also held the third mortgage registered against the Steeles Property.

58. In the spring of 2018, MGMIC learned that 239 was trying to sell the Steeles Property under power of sale. In April 2018, MGMIC commenced an enforcement proceeding under its portion of the Second Steeles Mortgage (the "**Steeles Enforcement Proceeding**"). Pursuant to orders of this Court made in that proceeding, $375,000, representing the full amount owing to MGMIC under its portion of the Second Steeles Mortgage at that time was paid into Court by 239 (the "**Steeles Proceeds**"). Shortly thereafter 239 sold the Steeles Property under power of sale to a related party.

59. On October 2, 2019, the Receiver attended at a Chambers Appointment before the Court in the Steeles Enforcement Proceeding, on notice to all parties claiming an interest in the Steeles Proceeds, for the purpose of scheduling a motion for an order releasing the Steeles Proceeds to the Receiver (the "**Steeles Motion**"). Attached as **Appendix "13"** is a copy of Justice Penny's Endorsement scheduling the Steeles Motion to be heard on December 16, 2019 and setting a time-table for delivery of materials and cross-examinations. The Steeles Motion was adjourned on consent of parties to April 7, 2020.

60. As a consequence of the COVID-19 pandemic and in accordance with the Notice to the Profession dated March 15, 2020, all commercial matters from March 17, 2020 (including the Steeles Motion) onward are suspended until further notice and will be rescheduled after June 1, 2020.

61. The Receiver will reschedule the Steeles Motion to the next available date once the Court reopens.

<u>The Euclid Property</u>

62. On November 25, 2019, the GTL was appointed as receiver over the Euclid Property pursuant to an Order and Endorsement of Justice Penny (the "**Euclid Receiver**").

63. Information on the receivership of the Euclid Property can be found at www.GrantThornton.ca/Euclid.

64. On April 3, 2020, the Court granted an order approving, among other things, the sale of the Euclid Property and the distribution of proceeds from the Euclid Property. A copy of the sale approval order is attached as **Appendix "14"**.

65. The sale of the Euclid Property is scheduled to close on May 5, 2020, which will largely bring the administration of the Euclid Receiver to a close. The Receiver estimates that after payment of the first mortgage and the fees and disbursements of the Euclid Receiver,

that the Receiver will receive proceeds in the approximate amount of $250,000 from the sale of the Euclid Property.

CLAIMS PROCEDURE

66. The Receiver anticipates that after the completion of the administration of this estate, there will be sufficient funds to make a distribution to creditors and investors of MGMIC.

67. The Receiver proposes to conduct a claims procedure to identify and quantify creditor and investor claims against MGMIC (the "**Claims Procedure**") pursuant to the terms of the "**Claims Procedure Order**", a draft of which is attached at Tab 3 to the Receiver's Motion Record.

68. A summary of the proposed Claims Procedure is set out below. Terms not otherwise defined herein shall have the meaning ascribed to such terms in the Claims Procedure Order.

Creditor Claims

69. Under the Claims Procedure, within 5 business days from the date of the Claims Procedure Order, the Receiver will provide a claims package to known creditors of MGMIC and such creditors who request such a mailing prior to the "**Claims Bar Date**" (which shall be 60 days from the date of the Claims Procedure Order), which shall include an instruction letter and Proof of Claim.

70. Creditors wishing to submit a Proof of Claim shall provide all particulars of the Claim and supporting documentation that the Creditor wishes to rely upon.

71. As soon as reasonably practicable upon receiving a request from a potential creditor (provided such request is made prior to the Claims Bar Date), the Receiver will send such

creditor a claims package by ordinary mail, courier, facsimile or electronic mail.

72. In addition, the Receiver will cause notice of the Claims Procedure to be published for one day in the Globe and Mail and will make the claims package available on its website at www.GrantThornton.ca/MoneyGate.

Investor Claims

73. MGMIC's books and records disclose the number of preferred shares purchased by each investor in MGMIC. To simplify the Claims Procedure, the Receiver has prepared a reversed claims process for investor claim pursuant to which the Receiver will prepare and deliver an acknowledgement of claim to the investors (the "**Acknowledgement of Claim**"), which will include the following information:

(a) an acknowledgement number to allow the Receiver to identify each investor claim;

(b) the investor's legal name and contact information; and

(c) the dollar amount of the investor's outstanding principal investment as reflected in MGMIC's books and records. The Receiver will calculate the interest owing on each investor claim, once such claim is deemed accepted.

74. The investors who agree with the information provided in their Acknowledgements of Claim need not take any further action for such information to be accepted by the Receiver for the purposes of the Claims Procedure.

75. It is the position of the Receiver that an Acknowledgement of Claim is the most appropriate method of identifying the claims of MGMIC's investors for the following reasons:

(a) MGMIC generally kept accurate and up to date books and records of the amounts invested;

(b) the Receiver has access to such books and records; and

(c) the majority of the investors are individuals who are not familiar with a claims process.

76. If an investor has a claim against MGMIC in addition to and independent of the claim contained the Acknowledgement of Claim, such investor will be required to file a separate Proof of Claim by the Claims Bar Date.

77. The Receiver does not anticipate that there will be sufficient funds in the estate to pay out the claims of investors, as preferred shareholders, in full. Accordingly, at this time, the Receiver does not propose to open the Claims Procedure to the holders of the Common Shares.

Claims Bar Date

78. The Claims Procedure provides that the Claims Bar Date for all claims will be 5:00 p.m. (Toronto time) on the day that is 60 days from the date of the Claims Procedure Order as specified in the Claims Procedure Order.

79. A creditor will be required to file a Proof of Claim by the Claims Bar Date. Failure to submit a Proof of Claim by the Claims Bar Date will result in such creditor's claim being forever barred and extinguished, released and discharged.

80. If an investor, after receiving its Acknowledgment of Claim, disputes the information set out in the Acknowledgment of Claim, that investor will be required to deliver a Request for Amendment by the Claims Bar Date. Unless, an investor delivers a Request for Amendment to the Receiver by the Claims Bar Date, the investor's claim will be accepted at the value set out in the Acknowledgement of Claim (the "**Investor Accepted Claim**"). Investors who do not deliver a Request for Amendment by the Claims Bar Date, shall be forever barred from disputing or challenging the value of their Investor Accepted Claim and from making or enforcing any other claim against MGMIC.

81. For clarity, any investor that received an Acknowledgment of Claim but believes that he/she has an additional claim independent of or other than one based on the claim set out in the Acknowledgement of Claim will also be barred from asserting such a claim unless a Proof of Claim is filed with the Receiver on or before the Claims Bar Date.

Review of Proofs of Claim

82. Pursuant to the terms of the Claims Procedure Order, the Receiver will review all Requests for Amendment and Proofs of Claim that are received on or before the Claims Bar Date.

83. Pursuant to the terms of the Claims Procedure Order, the Receiver will accept or, by way of Notice of Revision or Disallowance (as defined in the proposed Claims Procedure Order), revise or disallow, in whole or in part any Request for Amendment or the classification and amount of a creditor's claim set out in the Proof of Claim.

84. At any time, the Receiver may request additional information with respect to any claim (including in respect of any Acknowledgment of Claim) and may request that a revised Request for Amendment or a revised Proof of Claim, as the case may be, is filed.

Appealing a Notice of Revision or Disallowance

85. Pursuant to the Claims Procedure, any person that intends to dispute a Notice of Revision or Disallowance shall, by no later than 5:00 p.m. on the day that is the 30th day from the date of the Notice of Revision or Disallowance:

(a) serve the Receiver with the Notice of Appeal in the form prescribed in the Claims Procedure Order setting out the grounds for the appeal; and

(b) schedule a 9:30 Chambers Appointment, for a date mutually agreed to as between the disputing claimant and the Receiver, for the purpose of scheduling the appeal, which appointment shall be heard by no later than 15 days from the date the Notice of Appeal, or on such date as mutually agreed between the Receiver and the disputing claimant.

86. Pursuant to the Claims Procedure, the appeal of a Notice of Revision or Disallowance shall constitute a true appeal and not a trial de novo. The disputing party shall not be permitted to file any evidence in addition to the documents contained in the Proof of Claim without the consent of the Receiver or leave of the Court.

87. If a claimant does not appeal the Notice of Revision or Disallowance in the manner described at paragraph 85 of this Report, then the classification and quantum of the claim as set out in the Notice of Revision or Disallowance will constitute such claimant's Proven Claim.

Distributions

88. The Claims Procedure addresses only the identification and quantification of claims. It does not address entitlement to a distribution, or the priority of such claims. After the

conclusion of the Claim Procedure, the Receiver will report to the Court in respect of a proposed interim distribution to creditors and investors with accepted claims and will seek Court approval of such distribution.

RECEIPTS AND DISBURSEMENTS OF THE RECEIVERSHIP

89. Attached hereto as **Appendix "15"** is the Interim R&D from November 6, 2018 to April 24, 2020. As at April 24, 2020, the balance in the receivership account was $1,515,316. The balance includes, amongst others, amounts held in trust from the proceeds of the Palace Pier Property, the Birchmount Property and the Dovercourt Property, as described in this Fourth Report.

90. The Receiver respectfully request that the Court approve the Interim R&D.

OTHER ACTIVITIES OF THE RECEIVER SINCE THE APPOINTMENT ORDER

91. Since the date of its Second Report, the activities of the Receiver and its counsel have included:

(a) corresponding with the Birchmount Receiver and Dovercourt Receiver regarding these properties;

(b) corresponding with legal counsel regarding various litigation matters;

(c) corresponding with counsel for MGMIC, Ben and Payam to obtain an electronic backup of all company documents, and review information related to MGMIC Mortgages;

(d) completing various analysis on the source and use of funds with respect to the Properties;

(e) engaging in various settlement negotiations with various counterparties with respect to the MGMIC Mortgages;

(f) corresponding with the OSC in respect of these Receivership Proceedings;

(g) corresponding with MGMIC's former counsel to obtain documents related to enforcement litigation;

(h) advancing enforcement or recovery proceedings for mortgages registered against the Steeles Property, the Dovercourt Property, the Birchmount Property, the Palace Pier Property and the Euclid Property;

(i) liaising with consultants regarding environmental remediation orders;

(j) responding to numerous email and phone inquiries and requests for general updates or information from investors and other stakeholders of MGMIC;

(k) conducting settlement discussions with other mortgagees and stakeholders;

(l) maintaining a public website for these Receivership Proceedings in accordance with the Commercial List E-Service Protocol including, copies of motion materials, reports, orders, and notices; and,

(m) preparing the Third Report, the Supplement to the Third Report and this Fourth Report.

PROFESSIONAL FEES

92. Pursuant to paragraph 19 of the Appointment Order, the Receiver and its counsel are to be paid their reasonable fees and disbursements at their standard rates and charges, incurred both before and after the making of the Appointment Order. Pursuant to paragraph 20 of the Appointment Order, the Receiver and its counsel shall pass their accounts.

93. The Receiver seeks to have its fees and disbursements, including those of its legal counsel, approved by the Court for the period beginning April 1, 2019 and ending April 24,

2020. The Receiver and its counsel have maintained detailed records of their professional time and costs.

94. The total fees for the Receiver for the period April 1, 2019 and ending April 24, 2020 amount to $118,295.12, plus disbursements of $42.36, and HST of $15,383.88, for a total of $133,721.36. The time spent by the Receiver is more particularly described in the Affidavit of Jonathan Krieger sworn April 29, 2020 (the "**Krieger Affidavit**"), which is attached hereto as **Appendix "16"** and contains copies of invoices that set out the services provided during this time period.

95. The total fees of Chaitons, as counsel to the Receiver, for the period of April 1, 2019 and ending April 24, 2020 amount to $220,964.50, plus disbursements of $8,119.35 and HST of $29,449.15 for a total of $258,533.00. The time spent by Chaitons is more particularly described in the Affidavit of Maya Poliak sworn April 29, 2020 (the "**Poliak Affidavit**"), which is attached hereto as **Appendix "17"** and contains, among other things, copies of invoices that set out the services provided during this period of time.

96. The fees and disbursements of GTL in its capacity as the Euclid Receiver have been separately docketed and approved by the Court pursuant to the aforementioned Order dated April 6, 2020 in the Euclid Receivership.

97. It is the Receiver's opinion that the fees and disbursements of the Receiver and Chaitons accurately reflect the work done by the Receiver and on behalf of the Receiver by Chaitons in connection with the receivership and the administration of the Property of MGMIC from April 1, 2019 and ending April 24, 2020.

CONCLUSION AND RECOMMENDATION

98. In light of their being proceeds available for distribution to creditors, and in particular, investors, the Receiver is seeking certain of the relief as set out in this Fourth Report as a key step to facilitate a distribution at a later date. The Receiver is of the view that the relief requested is reasonable and appropriate in the circumstances and respectfully recommends that this Court make the order granting the Receiver's requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 30th day of April 2020.

GRANT THORNTON LIMITED,
solely in its capacity as the Court-appointed receiver and manager of Money Gate Mortgage Investment Corporation and not in its personal or corporate capacity

Per: ______________________________
Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice-President

APPENDIX C

Court File No./N° du dossier du greffe: CV-20-00649997-0000

Electronically issued
Délivré par voie électronique : 23-Oct-2020
Toronto

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE

(Court Seal)

GRANT THORNTON LIMITED
in its capacity as Court-appointed Receiver of
MONEY GATE MORTGAGE INVESTMENT CORPORATION

Plaintiff

- and -

TROY EDWARD THOMAS WILSON

Defendant

STATEMENT OF CLAIM

TO THE DEFENDANT

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

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

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

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFF'S CLAIM, and $1,000.00 for costs, within the time for serving and filing your statement of defence you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiff's claim and $400 for costs and have the costs assessed by the court.

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

Date October , 2020 Issued by: ______________________

Local Registrar
330 University Avenue
Toronto, ON M5G 1R7

TO: **TROY EDWARD THOMAS WILSON**
70 Mayfair Drive
Barrie, Ontario
L4N6Y8

AND CC TO: **MILLER THOMSON LLP**
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON, M5H 3S1

Attention James Zibarras
Email: jzibarras@milerthomson.com

CLAIM

1. The Plaintiff claims against the Defendant for:

   (a) payment of the sum of $3,653,412.10 pursuant to the Guarantee (defined below);

   (b) payment of such further monies as may become due and owing pursuant to the Guarantee;

   (c) pre-judgment and post-judgment interest at the rate of 12.5% per annum on the sum of $3,653,412.10 from September 11, 2020, to the date of payment or judgment;

   (d) in the alternative to subparagraph 1(c) herein, pre-judgment and post-judgment interest pursuant to sections 128 and 129 of the *Courts of Justice Act*, R.S.O. 1990, c. C-43, as amended;

   (e) the costs of this action on a substantial indemnity basis; and

   (f) such further and other relief as this Honourable Court may deem just.

The Parties

2. Money Gate Mortgage Investment Corporation ("**MGMIC**") is an Ontario company whose registered office is located in Thornhill, Ontario.

3. The Defendant, Troy Edward Thomas Wilson also known as Troy Wilson ("**Wilson**"), is an Ontario resident who was a guarantor of the Loan (defined below) advanced by MGMIC to Canadian Land Corporation ("**CLC**"). Wilson was also a director of CLC at all material times.

4. Grant Thornton Limited ("**GTL**") brings this action against Wilson in its capacity as MGMIC's receiver. Under the Order of Justice Hainey dated November 6, 2018 (the "**Receivership Order**"), GTL was appointed as receiver of all of the assets, undertakings and properties of MGMIC acquired for or used in relation to a business carried on by MGMIC, pursuant to section 129 of the *Securities Act*, R.S.O. 1990, c. S. 5.

5. Pursuant to subparagraph 3(i) of the Receivership Order, GTL is empowered and authorized to, among other things, "initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to [MGMIC]…"

The Loan and Guarantee

6. Pursuant to a Commitment Letter dated February 24, 2016 (the "**Commitment Letter**"), MGMIC advanced a mortgage loan of $2,372,500.00 to CLC for a twelve-month term (the "**Term**"), with interest thereon at 12.5% per annum, compounded monthly (the "**Loan**"), in respect of the property municipally known as 5355 Highway 101 W., Timmins, Ontario (the "**Property**").

7. The Term of the Loan was renewed for a further twelve months by Commitment Letter dated February 1, 2017 (the "**Renewal Letter**" and, together with the Commitment Letter, the "**Agreement**").

8. The Loan was secured by a charge/mortgage bearing instrument number CB121118, registered on March 4, 2016, in the Land Registry Office of Cochrane (Ontario) against title to the Property (the "**Mortgage**").

9. Under the Agreement and the Mortgage, MGMIC is entitled to the following charges and servicing fees, among others:

(a) a $250.00 for each missed or late payment;

(b) $1,500.00 for instituting default proceedings;

(c) a $300.00 demand letter fee;

(d) a $350.00 discharge statement fee;

(e) three months' interest pursuant to section 17 of the *Mortgages Act*; and

(f) all legal costs and fees in connection with the Loan.

10. By executing the Commitment Letter, the Renewal Letter and the Mortgage as guarantor, Wilson guaranteed all of CLC's debts and obligations relating to the Loan (the "**Guarantee**").

Default and Indebtedness

11. The Mortgage has matured and is unpaid. The debt thereunder is due and owing.

12. To date, no payments have been made by CLC or Wilson to MGMIC.

13. GTL claims payment by Wilson of the amount due and owing under the Guarantee, calculated as at October 22, 2020, as follows:

The Mortgage	
Principal	$2,372,500.00
Compound Interest from 8/1/2017 to 10/22/2020	$957,937.50
Three months' interest charge	$74,140.63

Discharge fee	$350.00
Demand fee	$300.00
Default proceedings fee	$1,500.00
Solicitors' cost and disbursements (including HST)	$3,500.00
Notice under Bankruptcy and Insolvency Act	$150.00
TOTAL	**$3,410,378.13**

THE PLAINTIFF PROPOSES THAT THIS ACTION BE TRIED IN THE CITY OF TORONTO.

October 22, 2020

CHAITONS LLP
5000 Yonge Street, 10th Floor
Toronto, Ontario M2N 7E9

Maya Poliak
LSO No. 54100A
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Fax: (416) 218-1844

Lawyers for the Plaintiff

GRANT THORNTON LIMITED in its capacity as Court-appointed Receiver of MONEY GATE MORTGAGE INVESTMENT CORPORATION Plaintiff	-and-	TROY EDWARD THOMAS WILSON Defendant

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO

STATEMENT OF CLAIM

CHAITONS LLP
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Lawyers for the Plaintiff

RCP-E 4C (May 1, 2016)

APPENDIX D

Court File No.: CV-20-00649997-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N :

GRANT THORNTON LIMITED
in its capacity as Court-appointed Receiver of
MONEY GATE MORTGAGE INVESTMENT CORPORATION

Plaintiff

- and -

TROY EDWARD THOMAS WILSON

Defendant

STATEMENT OF DEFENCE

1. The defendant, Troy Edward Thomas Wilson ("**Wilson**"), denies each and every allegation made in the Statement of Claim (the "**Claim**") and puts the plaintiff to the strict proof thereof.

A. THE PARTIES

2. Wilson, is a former pilot and commercial real estate professional with decades of experience in domestic and international markets. As a real estate professional, he was previously contracted by the Federal Government of Canada, the Province of Ontario and the Business Development Bank of Canada and was retained by Ernst & Young Inc. in its capacity as the Court appointed monitor selling assets of Grant Forest Products Inc.

3. The Plaintiff, Grant Thornton Limited ("**GTL**"), provides professional insolvency services. GTL is the appointed receiver and manager (the "**Receiver**") of the assets of Money Gate Mortgage Investment Corporation ("**MGMIC**"). On December 17, 2019, the Ontario Securities Commission ("**OSC**") found that, between 2014 and 2017, Ben Katebian and Payam Katabian (the "**Katebians**"), two principals of MGMIC, perpetrated various multi-million dollar frauds on MGMIC's investors.

B. THE LOAN AND GUARANTEE

4. Wilson was at all material times a director of Canada Land Corporation ("**CLC**").

5. In answer to the whole of the Claim, Wilson denies that CLC ever obtained a mortgage loan from MGMIC (the "**Loan**") secured against real property municipally known as 5355 Highway 101 W., Timmins, Ontario (the "**Timmins Property**"), or that Wilson ever provided a personal guarantee on the Loan as surety for CLC (the "**Guarantee**").

6. In answer to paragraphs 3 and 10 of the Claim, Wilson denies that he executed, and is a party to, the Loan and/or the Guarantee and puts the Plaintiff to the strict proof thereof.

7. In answer to paragraph 8 of the Claim, Wilson denies that he authorized or had any knowledge of the registration of the Loan on title to the Timmins Property.

8. Wilson pleads that the alleged Loan and Guarantee documents are the products of forgery and part of the ongoing and improper course of illegal and fraudulent conduct of the Katebians, as determined by the OSC, or of other persons unknown to Wilson.

9. Further, and/or in the alternative, Wilson pleads that neither he nor CLC received any consideration for the Loan and Guarantee.

10. To the extent that the Loan and Guarantee affect an interest in the Timmins Property, Wilson relies on the *Statute of Frauds*, RSO 1990, c S-19.

11. Wilson pleads and relies on the provisions of the *Limitations Act*, *2002*, SO 2002, c 24, Sched B.

12. Wilson asks that this action be dismissed against him with costs payable on a substantial indemnity basis.

December 16, 2020

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Troy Edward Thomas Wilson

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Lawyers for the Plaintiff

GRANT THORNTON LIMITED
in its capacity as Court-appointed Receiver of
MONEY GATE MORTGAGE INVESTMENT CORPORATION
Plaintiff

and

TROY EDWARD THOMAS WILSON
Defendant

Court File No.: CV-20-00649997-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

STATEMENT OF DEFENCE

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Lawyers for the Defendant,
Troy Edward Thomas Wilson

TAB 3

Court File No. CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MADAM	)	THURSDAY, THE 1ST
	)	
JUSTICE CONWAY	)	DAY OF DECEMBER 2022

BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

MONEY GATE MORTGAGE INVESTMENT CORPORATION

Respondent

APPLICATION UNDER
Sections 126 and 129 of the *Securities Act*, R.S.O. 1990, C.S.5, as amended

ORDER

THIS MOTION made by Grant Thornton Limited in its capacity as Court-appointed receiver ("**Receiver**") of Money Gate Mortgage Investment Corporation ("**MGMIC**"), for an order, *inter alia*:

1. approving the Minutes of Settlement between the Receiver and Troy Edward Thomas Wilson ("**Wilson**") dated September 22, 2022, as amended by the Amendment dated November 18, 2022 (collectively, the "**Minutes of Settlement**"); and

2. sealing the Minutes of Settlement, attached as Confidential Appendix 1 to the Receiver's Sixth Report to the Court dated November 22, 2022 (the "**Sixth Report**") until a further order of the Court,

was heard this day by judicial teleconference via Zoom, Toronto, Ontario.

ON READING the Sixth Report and the Appendices thereto, and on hearing the submissions of counsel for the Receiver, ●,

1. **THIS COURT ORDERS** that the Minutes of Settlement be and hereby is approved.

2. **THIS COURT ORDERS** that the Minutes of Settlement attached as Confidential Appendix 1 to the Sixth Report be and hereby are sealed pending further order of this Court.

3. **THIS COURT ORDERS** that this Order **is** effective from the date that it is made and is enforceable without any need for entry and filing.

ONTARIO SECURITIES COMMISSION -and- **MONEY GATE MORTGAGE INVESTMENT CORPORATION**

Applicant Respondent

Court File No. CV-18-00608086-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO, ONTARIO

MOTION RECORD
(returnable December 1, 2022)

CHAITONS LLP
Barristers & Solicitors
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Lawyers for Grant Thornton Limited in its capacity as Court-apointed Receiver of Money Gate Mortgage Investment Corporation