Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

MOTION RECORD
(Returnable November 17, 2026)

November 9, 2026

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Lawyers for Grant Thornton Limited, in its capacity as trustee in bankruptcy of Douglas Grozelle and as receiver of K&M Venture Capital Group Inc.

TO: Service List

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario SERVICE LIST

(as at Novebmer 9, 2026)

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Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

INDEX

TAB	Description
1	Notice of Motion, returnable November 17, 2026
2	Joint Fifth Report of the Receiver and Eigth Report of the Trustee, dated November 9, 2026
Appendix	
A	Order of Justice Valente dated June 11, 2025
B	Reasons for Decision of Justice Myers dated February 9, 2026
C	Clawback Order of Justice Myers dated February 9, 2026
D	Costs Endorsement of Justice Myers dated March 11, 2026
E	Costs Endorsement of Justice Myers dated April 23, 2026
F	Costs Order dated April 23, 2026
G	Notice of Appeal dated February 19, 2026
H	Decision of Justice Roberts dated June 24, 2026
I	Costs Decision of Justice Roberts dated July 9, 2026
J	Order of Justice Monahan dated September 18, 2026 (Removal Order)
K	Order of Justice Valente dated February 13, 2024 (Aragon Order)
L	Fourth Report of the Receiver dated October 21, 2024

M	Resolution of the Inspectors approving the Minutes
3	Draft Order

TAB 1

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

NOTICE OF MOTION

Grant Thornton Limited ("**Grant Thornton**"), in its capacity as trustee in bankruptcy of Douglas Grozelle ("**Grozelle**") (in such capacity, the "**Trustee**") and in its capacity as receiver of K&M Venture Capital Group Inc. ("**K&M**") (in such capacity, the "**Receiver**"), will make a motion to the court on November 17, 2026, at 10:30 a.m. or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The Motion is to be heard

[ ] in writing

[ ] in writing as an opposed motion under subrule 37.12.1(4);

[ ] in person;

[ ] by telephone conference;

[X] by video conference.

at the following location:

Zoom link to be provided by the Court.

THE MOTION IS FOR:

1. The Trustee and Receiver seek:

   (a) an order, if necessary, abridging the time for, and validating service of, this notice of motion and the materials filed in support of this motion, and dispensing with further service thereof;

   (b) in furtherance of a settlement reached between the Receiver, Trustee and certain respondents, an order directing that $362,252.77 ("**Aragon Funds**") in funds held by the Receiver pursuant to the order of the Honourable Justice Valente dated February 13, 2024 ("**Aragon Order**"), be released to the Receiver; and

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

THE GROUNDS FOR THE MOTION ARE:

Background

2. Grozelle operated a ponzi scheme between approximately November 2020 and November 2022, through which approximately 236 investors ("**Investors**") contributed more than $24.5 million;

3. Grant Thornton was appointed receiver of Grozelle in July 2023 and receiver of K&M on February 2024. Grozelle was assigned into bankruptcy on September 11, 2024, and Grant Thornton was appointed as Trustee;

4. 116 Investors received less than they contributed and suffered estimated aggregate losses of $24,555,704 ("**Net Losers**"). The remaining Investors ("**Net Winners**") received approximately $21,517,650 in excess of their capital contributions ("**Excess Funds**").

5. The estate has had no material realizations to date;

6. In November 2024, following an extensive 18-month investigation commencing during the receivership, the Trustee brought a motion to clawback funds received by Investors to the extent that such funds exceeded the "principal" amount advanced by them to Grozelle;

Clawback Order and Appeal

7. Following a two-day hearing in January 2026 the Honourable Justice Myers granted the Trustee's motion to claw back the Excess Funds, finding that the underlying investment scheme was "a lie, a scam, a fraud." His Honour approved a two-phase summary process for determining the amount repayable to the estate by each Net Winner ("**Phase II**") ("**Clawback Order**"). At the same time, Justice Myers dismissed a cross-motion for directions brought by certain Net Winners;

8. Fourteen Net Winners, including each of the Settling Parties (as defined below), appealed the Clawback Order to the Court of Appeal for Ontario ("**Appeal**");

9. In view of the Appeal, Phase II has not commenced;

10. In September 2026, the Court of Appeal granted an order removing counsel of record for seven appellants ("**Withdrawing Appellants**"). None of the Withdrawing Appellants have appointed new lawyers of record, served a notice of intention to act in person, or obtained leave to be represented by a person other than a lawyer;

11. In furtherance of the settlement, as discussed below, the Settling Parties have requested that the Appeal be adjourned *sine die*. The Trustee supports the request;

Settlement Agreement

12. Beginning in or about May 2026, acting with the prior approval and support of the bankruptcy estate inspectors, the Trustee engaged with certain of the Settling Parties who had expressed an interest in pursuing a full and final resolution of the bankruptcy estate's claims against them;

13. Following five months of negotiations and the completion of extensive due diligence the Trustee and the Settling Parties agreed to fully and finally resolve the claims against the Settling Parties under the Clawback Order and the Appeal on the terms set out in the minutes of settlement (the "**Settlement**");

14. The Settlement contemplate, among other things:

(a) the immediate payment of a sum of money to the Receiver and Trustee by the Settling Parties;

(b) an order securing the release of the Aragon Funds to the Receiver;

(c) the abandonment of the Appeal by the Settling Parties;

(d) mutual releases, including in respect of the Costs Awards; and

(e) the settlement is conditional on Inspector approval;

15. The Settling Parties, which include all parties asserting competing claims to the Aragon Funds, have consented to the release of the Aragon Funds to the Receiver;

16. The Settlement does not release any claims against approximately 113 Net Winners who are not party to the Minutes. The Trustee intends to pursue recovery as against such Net Winners.

17. The Joint Fifth Report of the Receiver and Eighth Report of the Trustee dated November 9, 2026 ("**Joint Report**") contains a detailed description of the process of negotiation and the terms of the Settlement. It is filed in support of the Trustee's conclusion that Settlement takes into account the commercial realities of this bankruptcy and is fair and reasonable in all of the circumstances;

18. The inspectors of the bankruptcy estate have closely overseen and approved important decisions made in respect of the Clawback Order, the cross-motion for directions, and the Appeal at every stage. The inspectors unanimously support and approve the Settlement;

19. The Trustee, in consultation with the inspectors, has determined that it is prudent and in the best interests of creditors that the fact of the Settlement be broadly noticed to court and creditors at the same time as court approval of the release of the Aragon Funds

is sought. Such publicity sends a strong signal to remaining net winners that the estate offers consensual opportunities to resolve their liabilities;

Other Grounds

20. Sections 30(1)(h) and (i) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

21. Sections 97 and 137(2) of the *Courts of Justice Act*, R.S.O. 1990, c. C.43;

22. Rules 1.04, 2.01, 2.03, 3.02, and 37 of the *Rules of Civil Procedure*; and

23. Such further and other grounds as counsel may advise and this Honourable Court deems just.

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

24. The Joint Report, to be filed, and the appendices attached thereto; and

25. Such further and other documents as counsel may advise and this Honourable Court may permit.

November 9, 2026

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TO: SERVICE LIST

N THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

Court File No. CL-25-00753575-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Hamilton

NOTICE OF MOTION

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TAB 2

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE of the City of Hamilton, Province of Ontario

JOINT FIFTH REPORT OF THE RECEIVER AND EIGHTH REPORT OF THE TRUSTEE

November 9, 2026



200 King Street West, 11th Floor
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Contents

I. Overview of Proceedings and this Motion 1
II. Purpose of this Report 3
III. Scope and Terms of Reference 3
IV. Relevant Procedural History 4
V. Aragon Funds 9
VI. Settlement Negotiations 10
VII. Settlement 11
VIII. Benefits of the Settlement 13
IX. Effect on Non-Settling Parties 14
X. Basis for this Motion 14
XI. Trustee's Recommendation 15

APPENDICES

Tab	Document
A.	Order of Justice Valente dated June 11, 2025
B.	Reasons for Decision of Justice Myers dated February 9, 2026 (2026 ONSC 758)
C.	Clawback Order of Justice Myers dated February 9, 2026
D.	Costs Endorsement of Justice Myers dated March 11, 2026
E.	Costs Endorsement of Justice Myers dated April 23, 2026
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K.	Order of Justice Valente dated February 13, 2024 (Aragon Order)
L.	Fourth Report of the Receiver dated October 21, 2024
M.	Resolution of the Inspectors approving the Minutes

I. Overview of Proceedings and this Motion

1. In furtherance of a bankruptcy settlement, this motion seeks the release of approximately $360,000 in escrowed funds held to the credit of a now resolved dispute.

2. This underlying bankruptcy involves a multi-million-dollar ponzi scheme orchestrated over a two-year period between approximately November 2020 and November 2022.

3. Grant Thornton Limited ("**Grant Thornton**"), in its capacity as receiver of Douglas Grozelle ("**Grozelle**"), Grozelle operating as Grozelle Enterprises, and K&M Venture Capital Group Inc. ("**K&M**"), and subsequently in its capacity as trustee-in-bankruptcy of Grozelle (in such capacity, the "**Trustee**"), has pursued the investigation, accounting, and reconciliation of more than $24.5 million in investor funds contributed by approximately 236 participants in an investment scheme ("**Investors**") operated by Grozelle with the assistance of others ("**Scheme**").

4. When the Scheme collapsed, 116 Investors had received less than they contributed ("**Net Losers**"). Their estimated aggregate losses are $24,555,704. The remaining Investors received their initial investment back plus additional amounts ("**Net Winners**"). In total, the Net Winners received approximately $21,517,650 in excess of their capital contributions ("**Excess Funds**").

5. The estate has had no material realizations to date, and recovery of the Excess Funds is the principal source of any distribution to the Net Losers.

6. Following a two-day hearing in January 2026, the Honourable Justice Myers granted the Trustee's motion to claw back the Excess Funds ("**Clawback Motion**"). His Honour ruled that the underlying investment scheme was "a lie, a scam, a fraud" and declared that the payment of Excess Funds to Net Winners is void as against the Trustee.

7. Justice Myers approved a two-phase summary process for determining the amount repayable to the estate by each Net Winner ("**Phase II**"). His Honour also dismissed a cross-motion for directions brought by certain Net Winners and subsequently awarded the Trustee substantial indemnity costs of $180,000 against the moving parties.

8. Fourteen Net Winners appealed the resulting order to the Court of Appeal for Ontario (the "**Appeal**").

9. Because the Appeal is pending, Phase II of the clawback has not begun.

10. In September 2026, counsel for the appellants was removed as lawyer of record for seven of the appellants (the "**Withdrawing Appellants**"). None of the Withdrawing Appellants have since appointed new counsel or taken the other steps required to continue the Appeal.

11. On October 29, 2026, following extensive negotiations conducted over about six months, the Trustee and the Receiver entered into minutes of settlement ("**Settlement**") with the Lee Parties, the McMullan Parties and the H. Singh Parties (each as defined below, and together, the "**Settling Parties**"). Each of the Settling Parties is a Net Winner and an appellant on the pending appeal.

12. Pursuant to the Minutes, the Settling Parties have requested that the Appeal be adjourned *sine die*, and the Trustee supports that request. Once the conditions of the Minutes are satisfied, the Settling Parties will abandon the Appeal. The only remaining appellants will then be the Withdrawing Appellants, who are currently without counsel and in breach of the Court of Appeal's order dated September 18, 2026 (the "**Removal Order**"), directing the Withdrawing Appellants (as defined below) to appoint new lawyers of record within 30 days of being served with the Removal Order. Alternatively, the individual Withdrawing Appellants were ordered to serve a notice of intention to act in person, while the corporate Withdrawing Appellants could obtain leave to be represented by a person other than a lawyer.

II. Purpose of this Report

13. This joint report (the "**Joint Report**") is filed by Grant Thornton, in its capacities as Trustee and as Receiver, in support of the Trustee's motion returnable November 17, 2026 for, among other things, an order directing that the Aragon Funds (as defined below) be released to the Receiver.

14. The purpose of the Report is also to provide notice to court and bankruptcy stakeholders (particularly ponzi scheme net winners) that a settlement has been reached with certain parties and that the estate has and will continue to offer consensual opportunities for Net Winners to come forward and resolve their liabilities prior to Phase II.

III. Scope and Terms of Reference

15. In preparing this Joint Report, the Trustee has relied upon unaudited financial information obtained through public searches, requests for information including from financial institutions, Grozelle, K&M, Krista McMullan, John McMullan (including from their respective legal counsel), Grozelle's creditors, and known business partners of Grozelle.

16. While the Trustee believes that the financial information reviewed provides a fair summary of the transactions as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness, or compliance with Generally Accepted Assurance Standards ("**GAAS**"), Generally Accepted Accounting Principles ("**GAAP**"), or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Trustee expresses no opinion or other form of assurance pursuant to GAAS, GAAP, or IFRS with respect to such information.

17. This Report provides the Trustee's current and best analysis based on the information available of the business and financial dealings of Grozelle and K&M and other parties. It has been prepared for the use of this court and Bankruptcy Proceeding stakeholders and is intended to assist the court in considering such

directions and relief as may be sought. The reader is cautioned that this report may not be appropriate for any other purpose. The Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction, or use of this Report contrary to the provisions of this paragraph.

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

19. Defined terms that are not specifically defined in this report shall have the meanings as defined in the Receivership Order and prior reports of the Receiver and Trustee.

20. Further details regarding Grozelle, K&M, and these proceedings may be found on the Receiver/Trustee's case webpage at: https://www.grantthornton.ca/grozelle.

21. The defined terms "Receiver" and "Trustee" are used throughout this report and the accompanying motion materials. Grant Thornton is both a Receiver and a Trustee in this case. Generally speaking, the term "Receiver" is used to describe the pre-bankruptcy work of the Grant Thornton, and the term "Trustee" is used in reference to post-bankruptcy filing work.

IV. Relevant Procedural History

Receivership and Bankruptcy

22. The bankruptcy proceeding is a successor proceeding to receivership proceedings initiated in Hamilton in July 2023.

23. On July 7, 2023, the Honourable Madam Justice Sheard of the Ontario Superior Court of Justice (Hamilton) appointed Grant Thornton as interim receiver of Grozelle.

24. On July 20, 2023, the Honourable Justice Goodman appointed Grant Thornton as receiver of Grozelle ("**Receivership Order**"). The Receivership Order expanded

the powers of Grant Thornton including the ability to take possession of Grozelle's property and collect any and all funds owed to Grozelle.

25. On February 13, 2024, the Honourable Justice Valente appointed Grant Thornton as receiver of all of the assets, undertaking, and property of K&M. On the same date, Justice Valente granted the Aragon Order.

26. Grozelle was assigned into bankruptcy by Grant Thornton on September 11, 2024. Grant Thornton was appointed as Trustee.

27. The first meeting of Grozelle's creditors was held on October 2, 2024. During that meeting, Grozelle's creditors appointed inspectors. At the first meeting of inspectors held immediately thereafter, the inspectors instructed the Trustee to pursue the Clawback Motion.

Clawback Motion and Cross-Motion for Directions

28. On November 29, 2024, following an 18-month investigation commencing during the receivership, the Trustee brought the Clawback Motion to claw back funds received by Investors to the extent that such funds exceeded the "principal" amount advanced by them to Grozelle.

29. On June 11, 2025, Justice Valente granted an order permitting the Trustee, among other things, to serve any motions and documents in respect of these proceedings by way of email, regular mail, or publishing the applicable materials on the Trustee's webpage dedicated to this proceeding ("**Substituted Service Order**"). The Substituted Service Order is attached hereto as **Appendix "A"**.

30. On June 19, 2025, Justice Valente released an endorsement scheduling the Clawback Motion and the proposed motion for directions to be heard at the same time on September 26, 2025.

31. On August 21, 2025, certain Net Winners served the Cross-Motion for Directions. The Cross-Motion for Directions sought, among other things, an order requiring

that any clawback claims be pursued through separate actions on a loan-by-loan basis, and directions regarding the Trustee's methodology for determining creditor status, voting rights and the appointment of inspectors.

32. On September 23, 2025, the parties were advised by the Hamilton court office that the motions were adjourned because Justice Valente was presiding over a jury trial on September 26, 2025. The next available hearing date in Hamilton was January 13, 2026.

33. On October 15, 2025, the bankruptcy proceeding was transferred to the Ontario Superior Court of Justice (Commercial List).

34. The Clawback Motion and the Cross-Motion for Directions were heard together by Justice Myers on January 13 and 14, 2026.

Clawback Decision

35. On February 9, 2026, Justice Myers released reasons for decision ("**Clawback Decision**"). Justice Myers found that Grozelle operated a fraudulent ponzi scheme and held that the payment of Excess Funds to Net Winners is void as against the Trustee under section 2 of the F*raudulent Conveyances Act*, R.S.O. 1990, c. F.29. The Clawback Decision is attached hereto as **Appendix "B"**.

36. Justice Myers approved a two-phase summary process for the determination of the amounts repayable by each Net Winner ("**Phase II**") and dismissed the Cross-Motion for Directions. The Clawback Order is attached hereto as **Appendix "C"**.

37. Under the Clawback Order, the Trustee is to provide each Net Winner with a calculation of the Excess Funds received by it. A Net Winner may dispute the calculation by delivering a notice of dispute and, failing resolution, must bring a motion before this Court for a determination of the amount payable. If a Net Winner does not dispute its calculation or does not bring a motion within the prescribed time, the Trustee is entitled to judgment by filing a Trustee's certificate.

Costs of Motions

38. On March 11, 2026, Justice Myers released an endorsement on costs ("**March 11 Endorsement**"). Justice Myers determined that the costs of the Clawback Motion would be payable on a partial indemnity basis, jointly and severally, by those Net Winners who remain Net Winners following Phase II. Justice Myers further determined that the named moving parties on the Cross-Motion for Directions are jointly and severally liable for the costs of the Cross-Motion for Directions on a substantial indemnity basis, regardless of the outcome of Phase II. The March 11 Endorsement is attached hereto as **Appendix "D"**.

39. On April 23, 2026, Justice Myers fixed the costs of the Cross-Motion for Directions at $180,000, all-inclusive, together with interest at 4% ("**Directions Costs Award**"). The corresponding costs order was issued on May 13, 2026. The Directions Costs Award is payable, jointly and severally, by Anthony Rossi, QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, Chris Chetty Financial Inc., Christopher Chetty, Robyn Lee, 13877035 Canada Inc., John McMullan, Krista McMullan and Ganesh Singh. The costs endorsement of Justice Myers dated April 23, 2026 is attached hereto as attached hereto as **Appendix "E".** The costs order dated April 23, 2026 is attached hereto as **Appendix "F".**

Appeal

40. On February 19, 2026, fourteen Net Winners, including each of the Settling Parties, delivered a notice of appeal of the Clawback Order to the Court of Appeal for Ontario (the "**Appeal**").

41. The Appeal was perfected on March 20, 2026 and was scheduled to be heard on December 4, 2026. A copy of the notice of appeal is attached as **Appendix "G"**.

42. In May 2026, the appellants moved before a single judge of the Court of Appeal for leave to amend their notice of appeal to include an appeal of the Directions Costs Award. On June 24, 2026, The Honourable Justice Roberts dismissed the motion.

43. On July 9, 2026, Justice Roberts awarded the Trustee costs of the motion in the amount of $7,551.23, payable jointly and severally by the appellants, together with interest at 4% from June 24, 2026 ("**Appeal Costs Award**", and together with the Directions Costs Award, the "**Costs Awards**"). Copies of these decisions are attached as **Appendix "H"** and **Appendix "I"**, respectively.

44. The Trustee has taken steps to enforce the Costs Awards, including the filing of garnishments and writs of seizure and sale. As of the date of this Report, the Trustee has recovered $3,165.03 on account of the Costs Awards.

45. The Clawback Order is stayed pending the disposition of the Appeal. Accordingly, Phase II has not commenced, and no Net Winner has yet resolved the amount payable by it under the Clawback Order.

Removal Motion

46. On September 8, 2026, Naymark LLP, counsel of record for the appellants, brought a motion before the Court of Appeal for an order removing it as lawyers of record for Christopher Chetty, Chris Chetty Financial Inc., Shan Singh, CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation (together, the "**Withdrawing Appellants**").

47. On September 18, 2026, the Honourable Justice Monahan granted the motion ("**Removal Order**"). Naymark Law continues as lawyers of record for the remaining appellants, being Robyn Lee, 13877035 Canada Inc., 13876985 Canada Inc., John McMullan, Krista McMullan, Hardial Singh and S.S. Singh Enterprises Inc. The Removal Order is attached hereto as **Appendix "J"**.

48. Under the Removal Order, the Withdrawing Appellants were required, within 30 days of being served with the Removal Order, to appoint new lawyers of record. Alternatively, the individual Withdrawing Appellants could serve a notice of intention to act in person, and the corporate Withdrawing Appellants could obtain leave to be represented by a person other than a lawyer.

49. The Removal Order was served on the Withdrawing Appellants by email on September 18, 2026. Pursuant to the Removal Order, service was effective five days after emailing, such that the 30-day period expired on or about October 23, 2026. As of the date of this Joint Report, none of the Withdrawing Appellants have appointed new lawyers of record, served a notice of intention to act in person, or obtained leave to be represented by a person other than a lawyer.

Appeal Adjournment

50. On November 2, 2026, Naymark LLP, on behalf of the Settling Parties, requested that the Appeal be adjourned *sine die*. The Trustee supports the adjournment request.

51. Once the conditions of the Minutes are satisfied, the Settling Parties will abandon the Appeal. The Withdrawing Appellants, who are the only other appellants, have not appointed new lawyers of record, served a notice of intention to act in person, or obtained leave to be represented by a person other than a lawyer.

V. Aragon Funds

52. During the course of its investigation of the Scheme, the Receiver identified approximately $518,000 of Investor funds directed, between December 2021 and August 2022, to Aragon Restaurants Inc. ("**Aragon**"), a company that operates a group of restaurants in Collingwood, Ontario.

53. Approximately $453,000 of the Aragon transfers consisted of investor funds paid directly from the ponzi back account operated by Grozelle. The balance, being $65,000 was transferred to Aragon by K&M (a Grozelle investee entity). The funds were apparently advanced, at least in part, pursuant to the term of "loan and equity agreements" made between Aragon and 2808227 Ontario Inc., a company related to certain of the Settling Parties (together, the "**Aragon Agreements"**).

54. On February 13, 2024, Justice Valente granted an order directing Aragon and its restaurants to remit all payments owing under the Aragon Agreements to the

Receiver, to be held in trust, separate and apart from the receivership of Grozelle, pending further order of this Court ("**Aragon Order**"). Certain of the Settling Parties appeared on the motion and did not oppose the relief sought but asserted a competing claim to the monies. The Aragon Order is attached as **Appendix "K"**.

55. As described in the Receiver's Fourth Report dated October 21, 2024 (the "**Fourth Report**"), Aragon remitted monthly loan repayments to the Receiver pursuant to the Aragon Order. The Receiver reported at that time that the funds were being held pending the resolution of claims to the funds asserted by the Settling Parties.

56. The Receiver currently holds $362,252.77 pursuant to the Aragon Order ("**Aragon Funds**"). The Fourth Report is attached hereto as **Appendix "L".**

57. Pursuant to the Settlement, the Settling Parties (which include all parties asserting competing claims to the Aragon Funds) release any interest in or claims to the Aragon Funds and have consented to the release of the Aragon Funds to the Receiver.

VI. Settlement Negotiations

58. Settlement discussions with the Settling Parties began in May 2026, while the Appeal was pending. The settlement was negotiated between counsel for the Trustee and counsel for the Settling Parties.

59. On May 20, 2026, counsel for Robyn Lee and 13877035 Canada Inc. proposed an all-inclusive settlement, inclusive of the then-pending costs award. The proposal was accompanied by confidential financial disclosure made available to the Trustee.

60. On July 16, 2026, counsel for the McMullan Parties proposed an all-inclusive resolution comprising, the release of the Aragon Funds, and a full and final mutual release, including of the Directions Costs Award. The proposal was also accompanied by confidential financial disclosure made available to the Trustee.

61. On July 27, 2026, counsel for the Trustee delivered requests for further financial disclosure to counsel for the Lee Parties and McMullan Parties. The requests addressed, among other things, personal and corporate tax filings, corporate interests, real property interests, liquid assets and pensions, employment income, third-party indebtedness, and the source of funding for the proposed settlement payment.

62. On July 28, 2026, counsel for the H. Singh Parties proposed an all-inclusive resolution comprising a cash payment, the release of the H. Singh Parties' interest in the Aragon Funds, the withdrawal of Hardial Singh from the Appeal, and a full and final mutual release.

63. On July 31, 2026, counsel for the Trustee delivered requests for further financial disclosure to counsel from the Lee Parties and McMullan Parties.

64. With the benefit of the review of the initially provided financial disclosure, additional requested financial disclosure, public records searches, and asset investigation reports undertaken by the Trustee, the Trustee and the Settling Parties ultimately agreed to the terms of the settlement.

65. The settlement correspondence, the financial disclosure provided by the Settling Parties, and the related forensic accounting reports contain personal and financial information of the Settling Parties. By agreement with the Settling Parties, such materials are being treated as confidential and are not being filed with the court at this time.

VII. Settlement

66. The Settlement was entered into on October 29, 2026 among Grant Thornton, in its capacities as Trustee and as receiver of K&M, and the following parties:

    (a) Robyn Lee, 13877035 Canada Inc., 13876985 Canada Inc. and Construction Financing Consultant (together, the "**Lee Parties**");

(b) John McMullan, Krista McMullan, 2841291 Ontario Inc. and JMCM Investments Inc. (together, the "**McMullan Parties**"); and

(c) Hardial Singh and S.S. Singh Enterprises Inc. (together, the "**H. Singh Parties"**).

67. The Trustee's estimate of the Excess Funds received by the Settling Parties, as set out in the Clawback Motion, is approximately $3,047,237 for the McMullan Parties, $1,971,700 for the Lee Parties and $123,749 for the H. Singh Parties. Each of the Settling Parties disputes the Trustee's accounting and would contest the amounts payable in Phase II.

68. The material terms of the Settlement are as follows:

(a) **Settlement Payment**: the Settling Parties will collectively pay a lump sum amount to the Trustee and Receiver in consideration for the Settlement.

(b) **Aragon Funds:** the Settling Parties release any interest in or claim to the Aragon Funds and have consented to the release of the monies to the Receiver ("**Aragon Condition**").

(c) **Appeal**: the Settling Parties shall abandon the Appeal.

(d) **Clawback proceedings**: the Trustee shall not pursue the Settling Parties in Phase II.

(e) **Releases**: the parties shall exchange mutual releases, which are to be held in escrow until the Approval Date. The releases extend to the Costs Awards.

(f) **Confidentiality**: the personal and financial information provided to the Trustee by the Settling Parties is to remain confidential.

69. In all of the circumstances, the Trustee is of the view that the Settlement takes into account the commercial realities of the case and is fair and reasonable and in the interests of creditors.

VIII. Benefits of the Settlement

70. In considering whether to conclude a Settlement, the Trustee weighed, among other things: (i) the amount of the settlement against the Trustee's estimate of the Excess Funds received by the Settling Parties; (ii) the delays, costs and risks of continued litigation; and (iii) the ability of the Settling Parties to satisfy a judgment.

71. In particular, in respect of the Settling Parties, the Trustee considered:

    (a) The monetary benefit that the Settlement and the Aragon Funds would provide to the estate;

    (b) the time and cost of responding to the Appeal;

    (c) the uncertainty of the level of Phase II recoveries in terms of the amounts payable by each of the Settling Parties, several of whom delivered forensic accounting evidence disputing the Trustee's calculations;

    (d) The ability of the Settling Parties to satisfy a judgment, based on the confidential financial disclosure provided to the Trustee; and

    (e) The desire of the inspectors to conclude the claims against the Settling Parties on the basis of a reasonable settlement, and without significant additional delay, cost or risk to the estate.

72. The Trustee is of the view that the Settlement is a fair and commercially reasonable compromise in all of the circumstances, and that it is in the best interests of the estate that the claims against the Settling Parties be settled on the agreed terms.

73. In this regard, the Settlement offers the following advantages:

    (a) brings closure to the claims against the Settling Parties under the Clawback Order and removes the Settling Parties from the Appeal in advance of a hearing;

(b) avoids ongoing professional fees and disbursements, including those that would be incurred to litigate the Appeal and Phase II with the Settling Parties and to enforce any resulting judgment; and

(c) underwrites ongoing estate administration costs in circumstances where recoveries to date have been marginal.

IX. Effect on Non-Settling Parties

74. The Settlement does not release claims against approximately 113 Net Winners whom are not a party to the Settlement. The Trustee's claims against such parties, including under the Clawback Order and the Costs Awards, are expressly reserved.

75. Achieving the Settlement at this time enhances the Trustee's ability to pursue Phase II recoveries as against non-settling Net Winners.

X. Basis for this Motion

76. Under section 30 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, the Trustee's statutory powers extend, with the permission of the inspectors, to compromising any claims by or against the estate. The Settlement is such a claim.

77. The requisite Settlement approval has been obtained. The estate inspectors unanimously approve of the Settlement. The inspectors of the estate have overseen all important decisions made in respect of the Clawback Motion, the Cross-Motion for Directions and the Appeal and are well informed and positioned to assess the Settlement.

78. It is a condition of the Settlement that an order be obtained releasing the Aragon Funds to the Receiver. By prior court order, the Aragon Funds are set-aside and may only be released upon further court order on notice to certain of the Settling Parties.

79. The Trustee, in consultation with the inspectors, has determined that it is prudent and in the best interests of creditors that the fact of the Settlement be broadly noticed to the Service List at the same time as the necessary court approval is sought for the release of the Aragon Funds. Publicizing the Settlement in this way sends a strong signal to remaining net winners that the estate offers clear consensual opportunities to resolve their liabilities prior to Phase II. Attached hereto as **Appendix "M"** is a copy of the Resolution of the Inspectors approving the Minutes dated November 5, 2026.

XI. Trustee's Recommendation

80. The Trustee and the Receiver respectfully request that this Honourable Court grant the relief requested in the form of an order directing the release of the Aragon Funds to the Receiver.

All of which is respectfully submitted,

GRANT THORNTON LIMITED,
In its capacity as Trustee in Bankruptcy of Douglas Grozelle and as Receiver of K&M Venture Capital Group Inc., and not in its personal or corporate capacity

Per: 

Daniel Wootton, LIT, CIRP

Appendix A

Civil Court File No.: CV-23-00082142-0000
Estate No.: 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE

THE HONOURABLE MR.	)	WEDNESDAY, THE 11TH
	)	
JUSTICE VALENTE	)	DAY OF JUNE, 2025
	)	

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE of the City of Hamilton, Province of Ontario

ORDER
(Substituted Service)

THIS MOTION by Grant Thornton Limited, in its capacity as trustee in bankruptcy of Douglas Grozelle ("**Trustee**") for an order granting the Trustee leave to serve the persons listed in Schedule "A" via substituted service was heard this day via Zoom videoconference.

ON READING the Trustee's Second Report, dated March 25, 2025, the Supplement to the Second Report of the Trustee, dated June 3, 2025, and the Second Supplement to the Second Report of the Trustee, dated June 10, 2025, and on hearing submissions of counsel for the Trustee, counsel for Chelsea Prince, counsel for John McMullan, Krista McMullan, K&M Venture Capital Group Inc., 2841291 Ontario Inc., 2808227 Ontario Inc., JMCM Investments Inc., and Hardial Singh, counsel for Anthony Rossi, QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, and Christopher Chetty, counsel for Robyn Lee, and counsel for Ganesh Singh, no one else appearing for any other party although duly served,

1. **THIS COURT ORDERS** that the Trustee is granted leave to serve any motions and documents in respect of these proceedings on those persons with email addresses listed in Schedule "A" ("**Recipients With Emails**") by emailing a copy of the applicable materials to the email address listed for that person in Schedule "A". Service of the materials on the Recipients With Emails shall be deemed effective on the date the materials are transmitted by email to the Recipient With Emails

2. **THIS COURT ORDERS** that the Trustee is granted leave to serve any motions and documents in respect of these proceedings on those persons with physical mailing addresses listed in Schedule "A" ("**Recipients With Addresses**") by sending a copy of the applicable materials to the address listed for that person in Schedule "A" by regular mail. Service of the materials on Recipients With Addresses shall be deemed effective on the date that is three (3) business days from the date of mailing of the materials by the Trustee to the address listed for the particular Recipient With Addresses.

3. **THIS COURT ORDERS** that the Trustee is granted leave to serve any motions and documents in respect of these proceedings on those persons without email or physical mailing addresses listed in Schedule "A" ("**Recipients Without Contact Information**") by publishing the applicable materials on its webpage dedicated to this proceeding at www.grantthornton.ca/grozelle. Service of the materials on Recipients Without Contact Information shall be deemed effective on the date that is three (3) business days from the date on which the materials are published on the Webpage.

4. **THIS COURT ORDERS** the Trustee may from time to time apply to this Court for advise and directions in the discharge of its powers and duties hereunder.

5. **THIS COURT ORDERS** that, to the extent any of the provisions of this Order affect parties who did not receive notice of the within motion, such parties may bring a motion to vary the terms of this order on seven (7) days notice to the Trustee.

Issued and entered electronically by

Local Registrar
45 Main St East
Hamilton, ON
L8N 2B7

Schedule "A"

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IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

Civil Court File No.: CV-23-00082142-0000
Court File No.: 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Hamilton

ORDER
(Substituted Service)

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Lawyers for Grant Thornton Limited, in its capacity as Trustee of Douglas Grozelle

Appendix B

CITATION: In the Matter of the Bankruptcy of Douglas Grozelle, 2026 ONSC 758
COURT FILE NO.: 32-3126798
DATE: 20260209

ONTARIO

SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

)	*David Ward, Mryam Sarkis, and Armando Ranjbar*, for Grant Thornton Limited, trustee in bankruptcy of Douglas Grozelle
)	*Justin Necpal*, for John McMullan and Krista McMullan
)	*Jeffrey Kaufman and Bradley Adams*, for QQ21 Fund Inc ., 13176100 Canada Ltd ., Force One Marketing Corporation, and Chris Chetty Financial Inc.
)	*Jamie Gibson*, for Robyn Lee and 13877035 Canada Inc.
)	*Brian Fromstein,* for Ganesh Singh
)	*John N. Birch* for Chelsea Prince and Mercy Roldan
)	*Jack Lloyd,* for Sadaf Younge
)	*Karen Morimoto* for Crystal Diane Masterson, Jonathan Williams, Williams Venture Capital Inc., and Michael Foley
)	Antonio Martin, Vincent Lucyk, Drew Davenport, Gordon Fyfe, and Mark Budic, each speaking for themselves

HEARD: January 13 and 14, 2026

FL MYERS J

REASONS FOR DECISION

Overview

[1] Business bankruptcy is usually a tragedy. In each case a business has failed and left unpaid creditors and equity investors to suffer losses. No one wins.

[2] The principal goal of the bankruptcy process under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 is the fair sharing of the bankrupt's assets among its creditors. This can include efforts to increase the value of the bankrupt debtor's assets to provide the highest and fairest recovery to creditors. The bankruptcy process is also concerned with the need to protect the public interest in appropriate cases. See: *Scott v. Golden Oaks Enterprises Inc.*, 2024 SCC 32 (CanLII), at para. 79.

[3] In this case, the bankrupt, Douglas Grozelle, ran a fraudulent Ponzi scheme. He borrowed money from investors ostensibly to fund his business making short term bridge loans on real estate. But there were no bridge loans. It was a lie, a scam, a fraud. Like most fraudulent Ponzi schemes, Mr. Grozelle promised super-market, often incredibly high returns to attract investors. Then he used funds raised from later investors to repay earlier investors.

[4] Investors were induced to loan money to Mr. Grozelle because his returns paid to the "winners" were so high. Even some creditors who told me that they were suspicious that promised returns were "too good to be true" fell victim to the images of easy money dangled before them by apparently credible people.

[5] But, like all other fraudulent Ponzi schemes, eventually Mr. Grozelle could not raise enough new money to keep paying "interest" on all his existing loans. The scheme came to a screeching halt. Mr. Grozelle was put into receivership and then bankruptcy. He and others who allegedly helped him perpetrate his fraudulent Ponzi scheme now face criminal charges.

[6] But when the music stopped, some creditors were left with unpaid loans owing to them by Mr. Grozelle. Others, who were involved at earlier times, had already been repaid their loans plus profit from the massive "interest" payments that typified a fraudulent Ponzi scheme. These people are referred to in this motion as "winners."

[7] The Trustee asks the court to order that the winners repay to the bankrupt estate the "interest" or profits they received. This will help fund payments to those to whom Mr. Grozelle still owes money. The Trustee does not ask for the winners to repay everything they received from Mr. Grozelle. The Trustee is content that they were entitled to their money back i.e. to keep the principal repayments made to them by Mr. Grozelle. If the Trustee succeeds on this motion, the winners will still do better than creditors who have not received their capital back. But the Trustee submits that it is unfair, unjust, and contrary to the public interest for the lucky winners to keep their Ponzi "interest" when others are unpaid even their principal.

[8] I use quotations around "interest" because, as discussed below, while payments were formally denoted as interest payments, often pursuant to forms of promissory notes, the reality is that whatever they were called, they were just Ponzi scheme payments of later investors' money designed to perpetrate the fraudulent scheme.

[9] For the reasons that follow, I am satisfied that the payments made by Mr. Grozelle to the winners identified by the Trustee over-and-above the return of their principal are void as against the Trustee under the *Fraudulent Conveyances Act*, RSO 1990 c F.33.

[10] It may strike some "winners" as unfair that they have to repay their "profits" to fund others who lost out in the scheme. Some might not have known it was a fraudulent Ponzi scheme. Some might not have even had the sophistication to realize that when something seems too good to be true, it usually is. But all are just fortuitous. They participated in a fraudulent scheme, often contracting for illegal interest rates, and all received payments that were intended by Mr. Grozelle to defraud, delay, and hinder his other creditors. That is the very definition of unlawful fraudulent conveyances.

[11] Two very similar cases of fraudulent Ponzi schemes have been adjudicated recently. In *Golden Oaks,* the Supreme Court of Canada had no difficulty accepting that a scheme in which investments were made by way of debt (promissory notes) rather than equity (shares) still amounted to a Ponzi scheme.[1]

[12] In *My Mortgage Auction Corp. (Re)*, 2025 BSCS 1520, bankruptcy expert Fitzpatrick J. made the same orders the trustee asks me to make today. I refer readers to Justice Fitzpatrick's decision in full. I agree with it and adopt her reasons as my own.

---

[1] Mr. Fromstein submits that the fact the investors loaned money to Mr. Grozelle is a key difference from a scheme in which people make equity investments into a Ponzi scheme. Loans are legal obligations that must be repaid in fixed amounts (including interest as agreed). A Ponzi scheme occurs, he submits, when people invest in equity. They are making a bet about the future profits of a business. He submits that people who invest in equity, based on unrealistic promises of return, are not in the same position as people who enter into legal obligations for loaning money with unrealistic interest rate promises. The latter are entitled to receive what they have bargained for. Lenders are not betting on the success of the business to yield super-market profits. I disagree. In each case a fraudster makes claims that he can achieve super-market returns to induce people to put their money into the fraudulent scheme. They are then paid by funds that the fraudster obtains from later investors. Nothing of relevancy turns on the accounting designation of fraudulently obtained investments as equity or debt. To pay super-market returns on equity or on debt requires the company to have a magic business model that the fraudster claims can support such payments. In this case, Mr. Grozelle pretended that he made enough money on short term real estate bridge loans to support payments of enormous interest. There is no difference in kind between the two forms of investment in a Ponzi scheme. To accede to this argument would put form over substance. The SCC accepted debt as a Ponzi scheme in *Golden Oaks* and so do I.

[13] Two paragraphs of Justice Fitzpatrick's decision, in particular, bring home the justice and justness of the relief sought by the Trustee:

> [9] I emphasize at the outset that there is no allegation that any of the [Ponzi Scheme] investors were participants in the Scheme or even had knowledge that Mr. Martel was perpetrating this fraud. No investor here is a "winner" in the true sense - each is a victim. Yet, there is a substantial disparity in terms of the outcomes faced by the investors - with some investors reaping "profits" from the Scheme, often only by blind luck in terms of the timing of the Scheme's collapse, and only by reason of Mr. Martel raising that money by perpetrated the fraud on later investors.
>
> …
>
> [224] The Net Winner can hardly say they had a reasonable expectation of profiting through an illegal and fraudulent scheme that was perpetrated at the expense of other less fortunate investors…

See also: *Kriegman v. Dill*, 2018 BCCA 86 (CanLII) at paras. 14 and 75.

The Facts around the Scheme

[14] Starting with the First Report of the Trustee dated November 29, 2024, the Trustee has disclosed its very comprehensive efforts to unravel the fraudulent Ponzi scheme perpetrated by Mr. Grozelle.

[15] The Trustee reviewed every movement of money into and out of Mr. Grozelle's bank accounts over the relevant period.[2]

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[2] Some of the winners submit that the Trustee commenced its review at too late a date and may have missed illicit payments to some of the people who participated in the Ponzi scheme with Mr. Grozelle. The Trustee's Third Report confirms that only about 1% of transactions occurred before February, 2021. Yet it included in it accounting some 90 transactions from 2020. In the Trustee's judgment there was no cost

[16] In April and May, 2025, the Trustee gave access to the creditors and their counsel to a data room containing its accounting. After some back-and-forth, the Trustee also gave creditors access to its working papers associated with its accounting review.

[17] The Trustee provided its assessment of each movement of funds and provided the back-up information that exists for each. This included financial documents and also relevant emails pulled from the thousands of emails among Mr. Grozelle and others that shed light on particular movements of cash.

[18] The Trustee has produced a spreadsheet detailing the monthly flow of funds. It discloses a total churn of $103 million from February, 2021 until the scheme collapsed in November, 2023.

[19] The Trustee created and provided investor-specific ledgers to each of the 236 investors. It has combined or netted some transactions among related parties to capture the real economic outcomes.

[20] The Trustee has been able to conclude that 116 of the 236 investors suffered losses and are *prima facie* creditors of the bankrupt estate. They were not repaid the full amount of their investments. Their total loss is $24,555,704.

[21] By contrast, the Trustee has identified 120 net winners. They contributed $28,361,446 and received back $49,937,951. They received their full investments plus an additional profit of $21,576,505. Profits ranged from 5% to 6,700% on investors' principal contributions. Some 70 people (including Mr. Grozelle) received about $4.8 million in the aggregate without contributing any capital to the scheme.

[22] The winners' profits amount to about 85% of the creditors' losses. I suppose this is not a fluke as the creditors' money was used to pay the profits to the winners.

[23] Mr. Grozelle told investors that he was adept at dealing with short term bridge loans for real estate. In seeking to borrow funds to finance his bridge loan business, he promised a prompt return of capital and above-market returns.

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benefit to looking at earlier dates. I am satisfied that this is a reasonable determination by the Trustee.

[24] Mr. Grozelle purported to document many loans from investors using short term unsecured promissory notes from himself personally (in most cases). The Trustee reviewed more than 900 notes obtained from Mr. Grozelle and from investors themselves.

[25] The terms of the notes issued by Mr. Grozelle did not correspond with payments made by him to investors. In addition, more than 87% of the notes are defective in that there were not completed or properly signed.

[26] The Trustee advises that 96% of the promissory notes issued by Mr. Grozelle to his inventors purported to promise usurious (i.e. criminal) interest rates of more than 60% per year (as set by the *Criminal Code of Canada* at the time). On their faces, the notes promised interest rates of less than 60%. But the terms of the loans were less than a year. None of the notes disclosed an annualized interest rate. The Trustee has calculated that annualized interest rates contained in the promissory notes ranged from 0% to 18,250%.

[27] Many of the notes contained language that either contradicted other terms of the notes or just made no sense in English. The Trustee provides numerous examples in the First Report. The promissory notes obviously were not prepared by lawyers or anyone who cared about the import or the efficacy of their terms.

[28] I accept the Trustee's view that the promissory notes are not a useful resource in understanding the movement of funds by Mr. Grozelle. They are more properly characterized as marketing tools doled out by Mr. Grozelle to make his fraudulent Ponzi scheme look like something that it wasn't.

[29] The Trustee reported on bank transactions rather than on a note-by-note basis. The Trustee traced approximately 8,500 bank transactions as funds were moved around by Mr. Grozelle.

[30] The Trustee says that it could not follow the promissory notes because:

(a) Grozelle did not maintain a note ledger or any means of systematically and reliably recording note obligations incurred, note obligations outstanding, or note obligations retired.

(b) Grozelle did not create or maintain records of the amounts advanced, owing and/or repaid such as general ledgers, trial balances, or any reliable accounting method at all;

(c) the payments that Grozelle made to Investors bear little if any resemblance to the principal "advanced" or "interest" owed on a given promissory note or the due date reflected on the note;

(d) it appears that the amount of funds transferred by Grozelle to an Investor was dictated by how much money Grozelle had available to transfer at the time the Investor demanded repayment, and how many Investors were making competing demands, rather than the due date or amount owed under any given promissory note, particularly in the second half of 2022; and

(e) Grozelle appears to have made lump sum transfers to Investors without regard to the maturity dates of the promissory note (to the extent such requirements can be determined at all).

[31] The Trustee received some information from Mr. Grozelle. It was of limited use in the absence of ledgers or even bank deposit books. The Trustee had to piece each transaction together from source documents. Its assessment is both comprehensive and transparent.

[32] I am satisfied that the Trustee did a massive amount of work to unravel complex accounting data. The Trustee has identified a small percentage of transactions for which it cannot yet provide certain accounting. But otherwise, the movements of funds to and from Mr. Grozelle funds are all accounted for. The record is complete and full.

[33] On page 3 of his endorsement dated October 25, 2024, Valente J. required that any investor who wishes to challenge the Trustee's accounting "do so by delivering the party's responding accounting in the same form as that of the Trustee." None of the winners who oppose the relief sought by the Trustee complied with this direction. They have evidence about the Trustee's conclusions and inferences to be drawn from the accounting. But there is no particularized challenge to the correctness of the Trustee's accounting of each banking transaction.

[34] Mr. Grozelle did not operate a business or have a business strategy to deal with funds received apart from using them to pay out prior investors. There were no short-term bridge loans being made or bought or sold for a profit.

[35] At some point, Mr. Grozelle advanced as much as $4.4 million of the funds on hand to K&M Investments, a holding company operated by Mr. and Mrs. McMullan. K&M invested approximately $1.4 million in high-risk start-ups. Most of the funds provided by Mr. Grozelle (about $2.8 million) were transferred to Mr. and Mrs. McMullan and their businesses. Of the $1.4 million invested in start-ups, only $103,000 was recovered. In no sense was this deflection of a small portion of the funds received from investors an operating or profitable business.

[36] The McMullans have not produced financial statements for K&M. It stopped filing tax returns after 2021. K&M deposited its cash in a bank account at BMO. The McMullans used that account as well for five other corporations they owned or controlled. Mr. McMullan testifies that some funds received from Mr. Grozelle were paid to investors whom the McMullans brought into the Ponzi scheme. Some funds were returned to Mr. Grozelle. The Trustee concludes that K&M was the McMullans' vehicle to mix and move funds as they pleased.

[37] As detailed by the Trustee in its First Report, Mr. Grozelle generated no business income on the funds lend by investors. Rather, repayments with "interest" were made from funds loaned by subsequent investors. Investors were induced to invest by offering improbable high returns. Loans were said to be short term and therefore of minimal risk.

[38] In addition, some of the early investors with Mr. Grozelle were members of the Halton Regional Police Force. Mr. Grozelle focused on their close connection to induce others to invest. Some of the police officers and other large investors took on roles bringing new investors into the scheme. They used the inherent authority of their positions to add credibility to the fraudulent scheme. Some 20 current and former members of the HRPF are investors in the Ponzi scheme. At least six of the 12 witnesses whose testimony was adduced by the winners represented on these motions are police officers or people brought into the fraudulent Ponzi scheme by police officers.

[39] Some investors, like the McMullans, facilitated others to invest. Some of the investors received promissory notes from Mr. Grozelle. Others relied on their facilitator as their principal borrower or guarantor. Guarantee terms seem to have been informal and differed by facilitator and perhaps even by loan.

[40] The facilitators submit that the Trustee greatly exaggerated the profits they are alleged to have received because the bulk of the funds they received from Mr. Grozelle went to repay their investors on Mr. Grozelle's behalf.

[41] The trustee submits that (a) issues between facilitators and their own investors are beyond the reach of the bankruptcy. The facilitators and their investors can work out their arrangements between them; and (b) to the extent that repayment of their investors by facilitators affects the calculation of the facilitator's own profit, if any, or the equities of the trustee's claims against the facilitators, individual accounting will be reviewed in the next phase of the proceeding.

[42] Over time, investors were ignored, misled, and preferred. Apparently, for example, Mr. Grozelle would give less returns to investors who retained counsel to look into their investments. He chose whom to pay, how much, and when.

Mr. Grozelle Operated a Fraudulent Ponzi Scheme

[43] In *My Mortgage Auction Corp.*, Justice Fitzpatrick discussed the elements or hallmarks of a Ponzi scheme as follows:

> [57] This Court in *Boale, Wood & Company Ltd. v. Whitmore*, 2017 BCSC 1917 [*Whitmore*] at para. 45—as adopted in [*LLS America LLC (Trustee of) v. Dill*, 2018 BCCA 86] at para. 11—referred to the following definition from the United States Securities and Exchange Commission as to what constitutes a Ponzi scheme:
>
> > … an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. Ponzi scheme organizers often solicit new investors by promising to invest funds in opportunities claimed to generate high returns with little or no risk. In many Ponzi schemes, the fraudsters focus on

> attracting new money to make promised payments to earlier-stage investors and to use for personal expenses, instead of engaging in any legitimate investment activity. …

[44] As discussed by Fitzpatrick J., the hallmarks of a fraudulent Ponzi scheme recognized in the case law include:

i. Payment of purported returns to investors from funds contributed by new investors;

ii. The lack of a legitimate business or investment activity by the Ponzi scheme operator;

iii. Promises to investors of high returns with little risk;

iv. The operator's focus on attracting new investments especially through close personal connections; and

v. A significant flow or churn of funds in and out of the operator's accounts.

[45] Based on the facts set out above and in the Trustee's reports, I am satisfied that Mr. Grozelle operated a fraudulent Ponzi scheme.

[46] One counsel argued that there was no Ponzi scheme because the Trustee has not proven that Mr. Grozelle committed civil fraud. He submitted that to prove a fraudulent Ponzi scheme, the Trustee was required to prove that Mr. Grozelle made misrepresentations of facts knowing them to be untrue which investors relied upon to their detriment.

[47] This argument is nothing more than semantics. A fraudulent Ponzi scheme is a title denoting a legal conclusion from a series of hallmarks that I have found to be present.

[48] The word "fraudulent," when used here, means "dishonest." There is no basis for the use of the word "fraudulent" in the nomenclature identifying a Ponzi scheme to mean that the definition of a Ponzi scheme must include proof of all elements of civil fraud.

[49] In fact, the proper name of a civil claim for fraud is the "tort of deceit." *Derry v. Peek* (1889), 14 App. Cas. 337 as cited in *Bruno Appliance and Furniture, Inc. v. Hryniak*, 2014 SCC 8, at para. As cases such as *R. v.*

Riesberry, 2015 SCC 65 and *R. v. Olan* et al., 1978 CanLII 9 (SCC) make clear, fraudulent conduct is that which may be stigmatized as dishonest whether deceitful or not. In other words, a "fraudulent Ponzi scheme" is a dishonest scheme that meets the hallmarks of a Ponzi scheme. The tort of deceit or proof of civil fraud is not required or relevant.

Grozelle was Insolvent throughout.

[50] Fraudulent Ponzi schemes are deemed insolvent as a matter of law from the moment of their inception. They never have sufficient assets to repay their promised returns. See: *Haag Capital, LLC v. Correia*, 2010 ONSC 5339 (CanLII), at paras 9, 19, and 36; and *My Mortgage Auction Corp*. at para. 167.

[51] As a result, in impugning a transaction, as a matter of law, the Trustee need not prove insolvency at any particular point in time. It is inferred by operation of law. In any event, I accept the Trustee's financial analysis at paras. 123 to 127 of its First Report to the effect that Mr. Grozelle could never meet his liabilities undertaken in his fraudulent Ponzi scheme.

Three Causes of Action claimed by the Trustee.

[52] In this case, the Trustee relies on three causes of action to claw back the winners' profits: fraudulent conveyance; unjust preference; and unjust enrichment.

[53] I deal specifically only with the Trustee's claim under the *Fraudulent Conveyances Act,* RSO 1990, c F.29. I deal very briefly with the other two causes of action first.

(i) The *Assignments and Preferences Act* exempts Payments of Money

[54] The Trustee's claim under the *Assignments and Preferences Act*, RSO 1990, c A.33 is defeated by s. 5 of the statute. That section exempts from invalidation, among other things, any preferential payments made in money. All the payments that the Trustee seeks to claw back were payments of money.

[55] I would not be the first to question the efficacy of the statute given the breadth of this exemption. However, that is an issue for the Legislature of Ontario. *Kisluk v. B.L. Armstrong Co. Ltd.*, 1982 CanLII 1931 (ON SC).

(ii) Unjust Enrichment cannot be Established on this Record.

[56] I do not accept that the promissory notes provide a juristic reason for the alleged enrichment. As noted above, they were provided by or for Mr. Grozelle for show. Virtually all contained promises of illegal interest. Most were unsigned. Many were incomprehensible as written. The payments made by Mr. Grozelle bore no relationship to the terms of the promissory notes. Giving the promissory notes preclusive effect now is contrary to the goals of fairness and equity.

[57] Similarly, in this circumstance a court may conclude that the usual equitable defence that a recipient of funds has "changed his or her position" making it inequitable to compel them to return funds, may not apply. To the extent this defence is discretionary however, as discussed briefly by Pepall J. (as she then was) in *Haag* at para. 70, in my view the court ought to consider the discretion in connection with individual facts and circumstances.

[58] In addition, some winners, particularly alleged facilitators, submit that since they passed on to other investors funds they received from Mr. Grozelle, it is not just and equitable to hold them liable for the full amount of the funds they received from Mr. Grozelle. This may just be a form of the "change of position" defence that Pepall J. declined to allow in *Haag*. In my view however, absent an understanding of an individual's overall position, the court is not in a position to assess the equities of their situations. I cannot assess unjust enrichment claims against or in favour of individuals on this record.

[59] This finding has no practical impact however in light of the finding that next follows under the *Fraudulent Conveyances Act*.

(iii) Payments of Profits to Winners are Fraudulent Conveyances and are therefore Void as against Creditors

[60] Sections 2 and 3 of the *Fraudulent Conveyances Act* provide:

> **Where conveyances void as against creditors**
>
> 2. Every conveyance of real property or personal property and every bond, suit, judgment and execution heretofore or hereafter made with intent to defeat, hinder, delay or defraud creditors or others of their just and lawful actions, suits, debts, accounts, damages, penalties or forfeitures are void as against such persons and their assigns.
>
> **Where s. 2 does not apply**
>
> 3. Section 2 does not apply to an estate or interest in real property or personal property conveyed upon good consideration and in good faith to a person not having at the time of the conveyance to the person notice or knowledge of the intent set forth in that section.

[61] The statute looks only at the intention of the person who made the impugned transfers. A creditor or trustee who seeks to invalidate fraudulent conveyances needs to prove that the payments were made with the intent to defeat, hinder, delay, or defraud creditors. The knowledge or intention of the recipient of a fraudulent conveyance is irrelevant to proof of the necessary facts to impugn payments under s.2 of the statute. Knowledge of the recipient may be relevant however to save an impugned transaction under s. 3 above.

[62] There is also no requirement in this statute to prove that a debtor who makes an impugned conveyance was insolvent when he did so. Insolvency may be a factor that is relevant to the finding of intent that the statute does require.

[A] Grozelle's Fraudulent Intention can be Inferred.

[63] The case law provides that the necessary fraudulent intention of the payor may be inferred from the fact that the payor was running a fraudulent Ponzi scheme. His whole goal is to pay out money to keep other investors from reclaiming their funds too soon. It is a fraudulent process designed to defraud and delay creditors by making payments to some to impress others.

[64] In *Haag Capital*, Pepall J. described US law that she was asked to enforce in Ontario:

> [35]…With respect to the former, fraudulent intent must be proven and the investor's knowledge and/or intent is irrelevant to establishment of the fraudulent transfer claim on a *prima facie* basis. In cases involving a Ponzi scheme, proof of actual intent is simplified because fraudulent intent may be inferred from the mere existence of the Ponzi scheme itself. The transfers made by Den Haag in furtherance of the Ponzi scheme were therefore necessarily made with actual intent to hinder, delay and defraud Den Haag's creditors.

[65] In *My Mortgage Auction Corp*., Fitzpatrick J. held:

> [196] As stated in [*Abakhan & Associates Inc. v. Braydon Investments Ltd*., 2009 BCCA 521] at para. 73, the only intent necessary to avoid a transaction under the *FCA* is the intent to put one's assets out of reach of one's creditors. No further dishonest or moral blameworthy intent is required, although the circumstances here clearly give rise to a finding that Mr. Martel was acting dishonestly in respect of the operation of the Scheme.

[66] Fitzpatrick J, also relied on the decision and reasoning in *Boale, Wood & Company Ltd. v Whitmore*, 2017 BCSC 1917 (CanLII), in which Weatherill held as follows:

> [50] An intention to defraud creditors may be inferred from that fact that a debtor is operating a Ponzi scheme, as no other reasonable inference is possible: *Merrill v. Abbott (In Re Independent Clearing House Co.),* 77 B.R.

843, 871 (D. Utah 1987). In that case, the United States District Court for the District of Utah stated, at p. 860–861:

> One can infer an intent to defraud future [investors] from the mere fact that a debtor was running a Ponzi scheme. Indeed, no other reasonable inference is possible. A Ponzi scheme cannot work forever. The investor pool is a limited resource and will eventually run dry. The perpetrator must know that the scheme will eventually collapse as a result of the inability to attract new investors. The perpetrator nevertheless makes payment to present investors, which, by definition, are meant to attract new investors. [The perpetrator] must know all along, from the very nature of his activities, that investors at the end of the line will lose their money…
>
> … the question of intent to defraud is not debatable given the fact that the debtor was carrying on a Ponzi scheme …

[51] Even apart from a Ponzi scheme, fraudulent intent to defeat creditors may be inferred from the circumstances surrounding the transaction where "badges" of fraud exist: *Ocean Construction Supplies Ltd. v. Creative Prosperity Capital Corp*., 1995 CanLII 740 (BC SC), [1995] B.C.J. No. 1814 (S.C.) at paras. 25–28; *Firstar Investment & Financial Co. v. Xu*, 2017 BCSC 271 at para. 39; *Botham Holdings Ltd. (Trustee of) v. Braydon Investments Ltd*., 2009 BCCA 521 at para. 75.

[52] The following badges of fraud in this case support the inference that Samji intended to defraud her creditors (the Investors):

> a) the Scheme, by its very nature, was insolvent from the outset;

> b) the Excess payments made to the defendant were sourced entirely from funds invested by others with the clear objective of defeating their respective investments; and
>
> c) the inference is overwhelming and uncontroverted that Samji knew, or at the very least ought to have known, that each transfer to the defendant had the effect of further defrauding the Investors.
>
> [53] Plainly, the Excess constitutes a "disposition of property". I find that it was paid by Samji with the intent to delay, hinder, or defraud her creditors.

[67] In a similar vein, in discussing the trustee's claim for relief for fraudulent preferences in *My Mortgage Fraud Corp*., Fitzpatrick J. reasoned:

> [180]…Although the specific reasons of Mr. Martel are not known, the very fact that Mr. Martel was operating a Ponzi scheme gives rise to the inference that he made those payments in an attempt to "keep the balls in the air" as long as he could by satisfying the demands of certain investors (the Preference Recipients) who, for some reason, demanded his attention (and funds) more than other investors.
>
> [181] As the Trustee notes, the very nature of a Ponzi scheme is that certain creditors (earlier investors) are preferred by using the funds of later investors to pay those initial investors. As the Court in *Whitmore* put it at para. 50, an intention to defraud creditors may be inferred from the fact that a debtor is operating a Ponzi scheme and no other reasonable inference is possible.

[68] The facts are the same here. Mr. Grozelle paid whomever he chose to pay based on his assessment of available funds. He punished creditors who retained counsel. This is an obvious effort to dissuade investors from taking steps that would bring the fraudulent Ponzi scheme to light.

[69] I accept the foregoing statements of the law as applicable and appropriate here. I can and do infer that in operating a fraudulent Ponzi scheme, Mr. Grozelle made profit payments to winners to defraud, hinder, and delay creditors at least. The whole point of the endeavour is to keep people from exposing the scheme and enforcing their rights for as long as possible.

[70] Some of the winners submit that under s. 2 of the *FCA* Mr. Grozelle's fraudulent intention cannot be inferred globally. Rather, they submit that each and every payment should be subject to individualized review. They submit that the Trustee must prove for each impugned payment of money that Mr. Grozelle had the necessary fraudulent intention. To that end, they rely on cases like *Incondo Building Corp. v. Sloan*, 2014 ONSC 4018, to support the need for an assessment of the traditional badges of fraud to infer fraudulent intent.

[71] Fitzpatrick J. rejected the submission that each transaction requires individualized review under s. 2 of the *FCA* in *My Mortgage Auction Corp.* on the basis of the reasoning in para. 50 of *Whitmore*, citing *Merrill*, above. I agree. Each payment in a fraudulent Ponzi scheme is necessarily made with the intention to defraud, hinder, or delay creditors. The badges of fraud are a red herring. They are used as signposts when the intention of the payor is otherwise difficult to infer. That is not the case here.

[72] In any event, as discussed in para 52 of *Whitmore* above and paras. 202–206 of *My Mortgage Auction Corp.*, a review of badges of fraud supports the global inference that all payments of profit to winners made by Mr. Grozelle were made with the necessary fraudulent intent.

[73] I find that the Trustee has made out the elements in s. 2 of the *FCA* in respect of Mr. Grozelle's payments of profit to winners.

[B] Payments of Profit to Winners are not made in Good Faith or for Good Consideration

[74] The potential defence in s. 3 of the *FCA* is readily dealt with as well. Payments made under a fraudulent Ponzi scheme are not payments made for "good consideration" or in "good faith" as required by that section.

[75] Once again in *Haag Capital*, Pepall J. described the applicable US law that she enforced in Ontario:

> [36]…Generally the courts have held that a debtor does not receive reasonably equivalent value for payments made to its investors which represent distributions in excess of the principal investment. The "good faith and for value" defence, the onus of which is upon the Defendants here, is not available to shield an investor in a Ponzi scheme from having to return sums received in excess of his or her investment, because as a matter of law, one does not provide "value" in exchange for "profit" in a Ponzi scheme.

[76] In *Whitmore*, Weatherill reasoned:

> [70]…I agree with the observations of the United States Court of Appeals in *Donell* and of the Ontario Superior Court of Justice in *Den Haag Capital* that the perpetrator of a Ponzi scheme does not receive "reasonably equivalent value" or "good consideration" for payments made to investors that are in excess of the investors' capital investment. That is because there is no provision of "value" in exchange for "profit" in a Ponzi scheme. Likewise, the recipient of the fictitious profits provides no consideration. While innocent investors in such schemes invest with the expectation of profit as consideration for them having invested in a legitimate business enterprise, what they receive beyond the money they invest, if anything, is not consideration for their investment but rather the principal invested by others in the scheme.
>
> [71] Because the disposition of the Excess was made without good consideration, the only fraudulent intent required to be shown is that of Samji.

[77] In *My Mortgage Auction Corp*. Fitzpatrick came to the same conclusions:

> [208] I adopt this Court's reasoning in *Whitmore* as being equally applicable here to negate any application of the s. 2 defence on the part of the Net Winners with

respect to the Excess Funds. No defences arise with respect to "good consideration", "good faith" or "lawful transfer". Specifically:

> a) A perpetrator of a Ponzi scheme does not receive "good consideration" or "value" for payments made to investors in excess of their principal investment. Such payments are merely used to perpetrate and continue the fraud and are not profits from a legitimate enterprise: *Whitmore* at paras. 59, 70–71; *Haag Capital* at para. 36;
>
> b) Since no "good consideration" was exchanged, the only fraudulent intent required is that of MMAC, which has been established: *Whitmore* at para. 71;
>
> c) I acknowledge that many of the Net Winners argue that their investments were made "in good faith". However, even accepting that as true for the purpose of this application, it is of no relevance, since the only relevant intention is that of the transferor, being MMAC, who was of course not acting "in good faith". In the context of a Ponzi scheme, no issues of "good faith" can arise to shield an investor in a Ponzi scheme from having to return sums received in excess of his or her investment; …

[209] As they did in respect of intent, some investors argue that the Trustee must provide evidence of a lack of good consideration under the *FCA* on a recipient-by-recipient, and transaction-by-transaction, basis. As with the previous argument, this argument is without merit and contrary to the above authorities.

…

[212] Therefore, logically, all payments of Excess Funds by MMAC lacked "good consideration".

> [213] In conclusion, I find that the Trustee has established that the payment of the Excess Funds to the Net Winners are fraudulent conveyances, contrary to the *FCA*. As such, these payments are void and must be repaid by the Net Winners to the Trustee.

[78] It is important to reiterate that the Trustee only seeks to claw back the profits made by winners on pretend interest payments made by Mr. Grozelle.

[79] In my view, winners' profits are not made with good consideration or in good faith. They are payments made through an illegal and fraudulent scheme that was perpetrated at the expense of other less fortunate investors. Therefore, the defence in s. 3 of the *FCA* does not apply.

[80] I therefore find that payments of profit to the winners identified by the Trustee are void as against creditors under s. 2 of the *FCA* and are not saved under s. 3 of the statute.

The *BIA* Summary Process

[81] Mr. Kaufman submits that the court cannot make findings on the current record. He submits that this is a motion for summary judgment or akin to summary judgment under Rule 14.05 (3)(h) as I discussed in *Rubner v. Bistricer*, 2018 ONSC 1934 (CanLII), partly overruled but not on this issue, 2019 ONCA 733 (CanLII).

[82] I disagree. This is a motion in a bankruptcy. See: *Stelco Inc. (Re)*, 2007 ONCA 483 (CanLII), at para. 55. All parties had months to deliver the evidence on which they wished to rely. I am able to make findings of fact on the record and I am aware of the limits of the court's ability to make findings on contested facts on a written record especially if credibility findings are required. But the record here is not at all lacking for the findings that I made above. Rather it is full and complete.

[83] Mr. Kaufman submits that each winner is entitled to a full record with evidence from others - like a bookkeeper whom his clients identified. Nothing stopped his clients from obtaining that evidence if they thought it helpful. They had more than enough time to do so.

[84] The winners before me submit that the Trustee is required to issue a statement of claim against each winner against whom it wishes to recover funds. The defendant(s) should be entitled to documentary and oral discovery in the ordinary course. They should be entitled to issue their own third- and subsequent-party claims to ensure that all proper parties are before the court for each impugned payment.

[85] The winners before me point to *Golden Oaks* in which each transaction was analyzed individually. But nothing in that case says that this is always required. Apparently in that case, the records enabled the parties and the court to piece together note-by-note transactions. As I discussed at the outset, here the comprehensive accounting could only be accomplished by following the movements of money rather than documented individual lending transactions.

[86] In my view, the law ought not and does not preclude review of a fraudulent Ponzi scheme on the basis that the operator kept too few records to allow a transaction-by-transaction review. That would benefit those whose wrongdoing is greater. In addition, there is nothing wrong with the accounting provided by a review of movements of cash as opposed to transactions under largely meaningless promissory notes. While some argue that the Trustee's comprehensive accounting is underinclusive or does not support inferences drawn, no one challenged individual entries in the manner required by the order made by Valente J.

[87] There is no money in the bankrupt estate. Requiring the Trustee to bring 120 individual actions would be cost prohibitive. It would also involve wasteful duplication and engender serious delays.

[88] In *My Mortgage Auction Corp*., Fitzpatrick J. adopted the same two-stage summary process as is proposed by the Trustee here. She held (and I adopt) the following:

> [109] I accept the Trustee's submission that this application stands as the most practical, effective and efficient means of the balancing process in this proceeding, as discussed in *LLS America*. I also readily conclude that the lengthy and involved process suggested by the Net

Winners represented by Aikins is largely intended to delay the inevitable and exhaust what little financial resources remain in the Estate, all in the hope that the Net Winners will escape from any determination of liability.

[110] Turning to the individual action argument, I concede that it was open to the Trustee to commence separate actions against all Net Winners and Preference Recipients. Aikins refers to some examples of such an approach: *Whitmore*; the *Golden Oaks* litigation (citation found later in these reasons) and an Ontario Superior Court Action regarding the bankruptcy of Douglas Grozelle (Court No. 32-3126798).

[111] Yet, as I have stated above, the *BIA* contemplates a summary proceeding, at least in the first instance, while still allowing the Court to consider whether the issues can be fairly decided in that fashion. There is nothing to support that a Trustee must proceed by filing individual actions.

[112] Insolvency proceedings typically involve their own statutory imperatives in terms of achieving a just outcome in the face of loss and chaos in what are usually unique circumstances (as here).

[113] The overarching statutory goals of efficiency and expediency are encapsulated within the "single proceeding model" in Canadian insolvency laws. In this way, a collective process maximizes recovery for creditors and avoids inefficiencies and the inevitable negative results of chaos: *Peace River Hydro Partners v. Petrowest Corp*., 2022 SCC 41 [Peace River] at paras. 54–55, 60–63. As stated by the Court in *Peace River* at para. 55, the single proceeding model is:

> … intended to mitigate the inefficiency and chaos that would result if each stakeholder in an insolvency initiated a separate claim to enforce its

> rights. In other words, the single proceeding model protects the clear 'public interest in the expeditious, efficient and economical clean-up of the aftermath of a financial collapse'…

…

[116] The Court in *Peace River* also recognized that procedural flexibility is a hallmark of insolvency law: *Peace River* at para. 64. The Court noted that, consistent with that flexibility, the court and the parties can tailor proceedings to fit a particular case and design a process as is appropriate toward the goals in a particular matter: para. 66.

…

[125] This procedure is an efficient and expedient means to resolve what can only be described as issues that are common issues as between all Net Winners and Preference Recipients. It is undeniable that, if the Trustee is required to undertake separate actions against all 561 investors, the cost of doing so would be exorbitant. The relief sought on this application is intended to provide a mechanism to permit the Trustee to pursue claims in a cost-effective manner.

[126] Thirdly, I conclude that the procedure is a fair one. This is so in the sense of allowing the affected investors to raise any legal or factual defences or issues pertaining firstly to liability (i.e., Phase I, this application). If liability is found, the affected investors are also afforded a robust process to determine the amount of any "winnings" or preference received, including by court order if necessary.

[127] As I will discuss below, the Net Winners and Preference Recipients have failed to advance any factual or legal defence to meet this application by the Trustee in Phase I, despite having months to do so.

> [128] Fourthly, I accept the Trustee's submissions that, if it is required to proceed against each Net Winner and Preference Recipient separately, the process is simply unworkable and, given the lack of funds in the Estate, not feasible. Such a scenario, even if it could be undertaken, would inevitably be characterized by delay and costs, all to the detriment of the Estate and the potential distributions to the Net Losers.
>
> [129] To endorse such an approach would result in years, if not decades, of litigation with minimal recovery at the end of it all for the Net Losers. As I commented above, I agree with the Trustee that objections raised to this collective procedure are a litigation strategy by certain Net Winners to delay and frustrate the recovery of funds for the Net Losers and avoid them having to repay any of the profits they received from the Scheme.

[89] As was the case in *My Mortgage Auction Corp*., after obtaining judgment for liability against the winners, the Trustee proposes a robust phase II along the following lines:

> Second, if the Trustee is successful on Phase I, the Trustee proposes a process to determine whether, and in what amount, if any, the Net Winners received Excess Funds. This process involves the following steps:
>
> i. Recipients would be provided with a "Clawback Calculation" by the Trustee ("Clawback Calculation") detailing the Excess Funds received by that Recipient;
>
> ii. each Recipient would have an opportunity to dispute their Clawback Calculation with the Trustee, and failing that, apply to the Court for direction to resolve the issue; and
>
> iii. the Trustee would ultimately be able to obtain, file, and enter a money judgment against each Recipient with the Court, subject to the Recipient disputing their Clawback Calculation and, if so, the resolution of the issues by the court.

[90] In light of the inferences provided by law,[3] once the determination is made that the bankrupt operated a fraudulent Ponzi scheme as described in the case law, liability under the *FCA* flows as a matter of law. Requiring individual trials on liability is a formality that just wastes time and money in this circumstance. Nothing turns on individual circumstances of any recipient of funds. Rather, in phase II the Trustee will focus on individualized proof and negotiation of quantum with each winner having resort to the court as necessary. This approach is sensible, consistent with the flexibility of the bankruptcy and insolvency process and, especially, the single proceeding model approved by the Supreme Court of Canada.

[91] Although the Trustee is not seeking to set aside the impugned payments under its statutory authority to review preferential payments or transactions at undervalue, the *BIA* nevertheless applies. Subsection 98 (1) of the *BIA* authorizes the Trustee to enforce provincial preferences and fraudulent conveyances legislation even after the time limits appliable to relief under ss. 95 and 96 of the *BIA* have expired.

The Trustee's Proceedings are not Barred by the Limitation Period

[92] The Ponzi Scheme collapsed in November, 2022. The Trustee was appointed as Receiver in July, 2023. It became trustee in bankruptcy in September, 2024. It brought its clawback motion three months later.

[93] The winners before me submit that since Mr. Grozelle was an individual, Mr. Grozelle's knowledge will be attributed to the Trustee under s. 12 (1) of the *Limitations Act, 2002*, SO 2002, c 24, Sch B. There is no issue of corporate attribution to delay the limitation period as there was in *Golden Oaks*.

[94] That appears to be correct in law. The Trustee is deemed to have known of the matters in s. 5 (1)(a) of the *Limitations Act, 2002* on the day Mr. Grozelle knew or ought to have known of them. That raises the

---

[3] i.e. that the Ponzi scheme was insolvent throughout; that Mr. Grozelle necessarily made payments with the intention to defraud, hinder, or delay creditors; and that his payments of profit to winners were not payments made in good faith or for good consideration.

issue that the Supreme Court of Canada expressly decided to leave to another day in paras.48 and 49 of *Golden Oaks* – whether Mr. Grozelle knew or ought to have known that it was "appropriate" to sue himself before the Receiver was appointed in July, 2023 or the Trustee was appointed in September, 2024.

[95] While neither the Court of Appeal nor the Supreme Court of Canada had to deal with this question, Gomery J (as she then was) dealt with it at first instance in *Golden Oaks*. See: *Doyle Salewski Inc. v. Scott*, 2019 ONSC 5108 (CanLII). In that case, Mr. Lacasse operated a fraudulent Ponzi scheme through his sole control of *Golden Oaks*. Gomery J. held:

> [421] In my view, a proceeding was not a legally appropriate means for Golden Oaks so long as it was controlled solely by Lacasse. Lacasse was the only corporate officer and director. There is no evidence that anyone had the means to challenge his control of the company. There was no legal or practical route, as there was in *Ridel*, for the initiation of legal proceedings in the name of Golden Oaks by anyone other than Lacasse. Lacasse had no motivation to begin lawsuits on the company's behalf. On the contrary, bringing the actions would end the arrangement from which he was profiting personally and would expose the fraudulent Ponzi scheme that he had orchestrated.
>
> [422] Given its "abilities and circumstances" while controlled solely by Lacasse, legal proceedings by Golden Oaks, against individuals to whom Lacasse had caused the company to pay usurious interest and commission amounts, were not just inappropriate but impossible. The claims were therefore not discoverable by Golden Oaks until the receivership on July 9, 2013, at the earliest.
>
> [423] This finding does not create an exception to or undermine the corporate identification doctrine. The doctrine's purpose is to determine when the knowledge of a person directing a company to commit unlawful acts should be imputed to the corporation where that knowledge alone is sufficient to establish the company's shared liability for the acts. The doctrine in this case means that Golden Oaks is imputed with the knowledge

> that it had made payments of usurious interest and potentially unlawful commissions to the defendants to its detriment and to the defendants' enrichment.
>
> [424] But the introduction of the "appropriate means" criterion in the discoverability analysis means that knowledge of potential claims is not always enough, by itself, to begin the running of the limitations period. As the Court of Appeal has repeatedly recognized, the new criterion "can have the effect … of postponing the start date of the two-year limitation period beyond the date when a plaintiff knows it has incurred a loss because of the defendant's actions": *407 ETR*, at para. 33; *Presidential MSH Corporation v. Marr Foster & Co. LLP*, 2017 ONCA 325, 135 O.R. (3d) 321, at para. 17; *Gillham*, at para. 35. Although Golden Oaks may have known, through Lacasse, about its dealings with the defendants, it did not and could not have known that it would be legally appropriate for it to sue them to recover its losses so long as it was directed by Lacasse.

[96] By the same reasoning, Mr. Grozelle was not about to sue himself and his favoured winners on behalf of the creditors whose funds they were all taking. It cannot be said that Mr. Grozelle knew or ought to have known that he should sue himself and his winners on behalf creditors to redress the very wrongs he was deliberately inflicting on them.

[97] The attribution of Mr. Grozelle's knowledge to the Trustee therefore does not satisfy the requirement in s. 5 (1)(a)(iv) of the *Limitations Act, 2002*. That means that the limitation period did not begin to run before the appointment of the Trustee or perhaps the Receiver. The Trustee brought the clawback motion within two years of both appointment dates.

The Cross-Motion for Directions

[98] The winners before the court brought a motion hoping to pre-empt the hearing of the Trustees' clawback motion. They sought the following relief:

1. An order that this motion be heard and determined on the scheduled date and prior to the hearing of the Trustee's

Clawback Motion, and that all further steps in the Clawback Motion be held in abeyance until these determinations are made;

Form of Clawback Claims

2. An order directing that the relief sought by the Trustee in its Clawback Motion be pursued by way of one or more properly constituted actions, not by summary motion;

3. An order directing that, if the Trustee elects to pursue any such clawback claims, the Trustee must pursue the claims from all recipients of interest payments from Grozelle on a loan-by-loan basis, not based on "estimated" or incomplete aggregates or net amounts by lender or lender groups;

Directions on Creditor Methodology and Creditor Status

4. The advice and directions of this Honourable Court regarding the Trustee's methodology and creation of its own creditor list based on "estimated" "Net Losers" or "Net-Net Losers" and deriving its authority on that basis, which included:

    (a) using an arbitrary start and end date and admittedly incomplete records to estimate "net" amounts for creditors;

    (b) not requiring proper proofs of claim from "Net Loser" creditors in accordance with the BIA;

    (c) excluding "Net Winners" as creditors, who are owed principal and interest under separate, unpaid loans;

    (d) grouping distinct "Net Winner" and "Net Loser" entities for creditor and voting rights;

    (e) including parties as creditors whose claims arise from loans made directly to the appointing creditors, Jonathan Williams (and his companies), Michael Foley, or Crystal Masterson (together,

the "Appointing Creditors"), or directly to other parties who are not Grozelle;

5. An order directing that any lender who has been labelled a "Net Winner" is entitled to be treated as a creditor for amounts owed under any unpaid loans;

6. An order directing that any "Net Winner" or "Net Loser" creditor whose claim arises from loans made directly to the Appointing Creditor or any other borrower aside from Grozelle - in which Grozelle was not the actual debtor/promisor- is not a proper creditor of the Grozelle estate for the purposes of this bankruptcy and must be excluded from creditor voting entitlements;

7. An order directing that all creditor claims, whether or not characterized by the Trustee as "Net Losers," must be proved by proper proofs of claim in accordance with the BIA and not be based on estimates from incomplete records;

Directions on Non-arm's-length Voting and Appointment of Inspectors

8. The advice and directions of the Court regarding the Trustee permitting the Appointing Creditors, who were directly involved with Grozelle and his scheme and subsequently charged with fraud, to control the vote and appoint the inspectors;

9. An order directing that the creditor votes of Williams (and his companies), Michael Foley, and Crystal Masterson, who did not deal at arm's length with Grozelle, should have been excluded pursuant to BIA s. 109(6), with consequential directions;

10. An order directing that the foundation for the first (and only) meeting of creditors - including voting entitlements and inspector appointments - was improper and contrary to the BIA and is set aside;

11. An order directing that Chelsea Prince, who loaned money directly to Michael Foley is not a proper creditor of

Grozelle, and was improperly labelled a creditor/Net Loser and improperly appointed inspector in that basis;

12. An order directing that the Trustee did not have authority to commence the Clawback Motion under the BIA;

New First Meeting of Creditors

13. An order directing a new first meeting of creditors based on (i) a corrected creditor list; (ii) removal of voting rights of parties charged with fraud in connection with the Grozelle fraud (pending determination of their creditor status and arm's-length issues); and (iii) proper disclosure to actual creditors and any new inspectors of the conflicts and classification issues determined by the Court;

Disclosure from Trustee

14. An order compelling the Trustee to deliver the documents and information previously requested by the Moving Creditors, including:

    (a) Copies of all communications between the Trustee (or its counsel), including in its previous capacity as receiver, on the one hand, and Jonathan Williams, Crystal Masterson, Michael Foley, and Ms. Garlow on the other, including written communications, meeting notes, memos, and any other records;

    (b) Copies of the minutes of all inspectors' and creditors' meetings to date, and recordings of those meetings if they exist;

    (c) Copies of all creditor communications in the bankruptcy;

    (d) Confirmation as to who authorized the clawback litigation, and whether any individual now facing criminal charges had a role in those instructions;

(e) A description of the steps taken by the Trustee, including in its previous capacity as receiver, to investigate the concerns raised regarding the Appointing Creditors/Inspectors in the Moving Creditors' letter of October 21, 2024, and their involvement or potential involvement in the underlying fraud more generally, together with all related documents; and

(f) Any communications between Trustee, including in its previous capacity as receiver, and police regarding the involvement or potential involvement of the Appointing Creditors/Inspectors in the underlying fraud;

15. An order compelling the Trustee to deliver a detailed accounting of all fees and disbursements of the Trustee and counsel (1) since the inception of the receivership, and (2) since the inception of the bankruptcy, in a form suitable for court approval; and

16. Such further and other relief as this Honourable Court may deem just.

[99] To give credit where credit is due, the requested directions amount to a very fulsome kitchen sink.

[100] Request #1 that the motion for directions to be heard before the Trustee's clawback motion was denied previously in scheduling orders.

[101] Requests #2, #3 and #4(a) have been rejected in the outcome of the Trustee's clawback motion above.

[102] Requests #4(b), (c), (d), #5, and #7 all turn on the outcome of Phase II. Creditors who wish to receive dividends will be required to deliver Proofs of Claim to the Trustee in due course. Whether any of the winners may ultimately show that he, she, or it is a net creditor will be determined in Phase II.

[103] Jonathan Williams, Michael Foley, and Crystal Masterson were the plaintiffs/applicants who applied to the court for the appointment of the Receiver. They were then elected as the initial Inspectors of the bankrupt estate at the First Meeting of Creditors.

[104] The three have resigned in face of allegations that they were part of Mr. Grozelle's fraudulent Ponzi scheme. Criminal charges have now been brought against Ms. Masterson and Mr. Williams in addition to Mr. Grozelle.

[105] The winners before the court make numerous allegations of wrongdoing against the Trustee based on the involvement of the three tainted individuals as the "appointing creditors" and Inspectors.

[106] The allegations reflect a fundamental misunderstanding of how receiverships and bankruptcy processes work.

[107] In a private receivership, the receiver is the agent of the creditor that appointed it. A private receiver takes instructions from its appointing creditor. There was no private appointment of a receiver and manager under a security instrument in this case.

[108] In a court-appointed receivership, such as this case, the moving parties who commence the legal proceeding may be referred to as "appointing creditors" for convenience. But the receiver is appointed only by the court. Once appointed, it is an officer of the court and subject to strict statutory and common law duties. Court-appointed receivers do not carry a brief for the plaintiffs who sought their appointment.

[109] Often the party that asks the court to appoint a receiver will be the senior secured creditor of the debtor. In that position it will have a very important role in the proceeding no doubt. If there is no recovery expected for any creditor beneath the first secured creditor on the priority ladder, then the will of the first secured creditor may be the only input received by a receiver. But here, where the moving parties were not priority creditors, in conducting its court-ordered mandate, a court-appointed receiver will exercise its business judgment as to whether or how much to engage with them as with all other interested parties.

[110] Similarly, in bankruptcy, the Inspectors role is supervisory and often very narrow. Inspectors are appointed first by the limited class of creditors who are recognized for voting purposes at the First Meeting of Creditors chaired by the Official Receiver. The Trustee may need approval of Inspectors for some steps. But it can always go to court if it is unhappy with the Inspectors' decisions.

In practice, there is no basis to believe that the identities of initial Inspectors implies any relationship of cooperation or dependence with the Trustee. To the contrary, all licensed insolvency professionals are familiar with the oft-cited words of Farley J. in *Confederation Treasury Services Ltd., Re,* 1995 CanLII 7386 (ON SC):

> The trustee is an impartial officer of the Court; woe be to it if it does not act impartially towards the creditors of the estate.

[111] As to Requests #4(e) and #6, the winners before the court apparently object to the Trustee recognizing claims by people whose promissory notes were signed by or who provided funds through one of the three appointing creditors/initial Inspectors. That is completely at odds with their position that the three were in a common enterprise and were part and parcel of Grozelle's fraud. It is also inconsistent with their own efforts to have the Trustee recognize the claims of people who invested through the winners as facilitators.

[112] The Trustee has comprehensively followed every movement of money into and out of Mr. Grozelle's accounts. There is no basis to criticize the Trustee for how it accounted for the identities of those who provided funds to, or received funds from, Mr. Grozelle.

[113] The Trustee invites any information held by any interested party that will assist in completing the accounting. Individual quantification is the substance of Phase II. Those who claim that their affairs have been improperly netted or joined with related parties will have their say in Phase II.

[114] Requests #8 through #13 challenge the constitution and outcome of the First Meeting of Creditors seeking then to undermine the authority of the Trustee to bring the clawback motion. As I understand it, the winners before the court are no longer seeking this relief although they continue to assert that the Trustee has committed wrongdoing recognizing the involvement of the three individuals associated with Mr. Grozelle.

[115] This motion was authorized by the court. The initial Inspectors have been replaced. The idea of holding a new First Meeting of Creditors was an impractical non-starter and was rightly discarded by the winners before the court.

[116] Request #14 is a fishing expedition and a make-work project that is divorced from the clawback motion before the court. If the Trustee fails to engage and respond to proper requests for relevant information at an appropriate time, the parties may seek a case conference to deal with the issue.

[117] As to Request #15, the Trustee's fees and disbursements are dealt with in due course by people with standing under the detailed provisions of the *BIA*. The winners before the court are not even recognized as creditors of the estate at this moment. Costs will be dealt with in due course. The fees in the receivership will be dealt with in accordance with the order appointing the Receiver. This is all premature fishing.

[118] The motion for directions is therefore dismissed.

Individuals' Evidence and Submissions

[119] Much evidence was adduced on behalf of individuals who loaned funds to Mr. Grozelle. Those associated with the winners before the court opposed the Trustee's proposed process. I also heard unsworn submissions by several self-represented parties who say they lost money with Mr. Grozelle. They support the Trustee's efforts to claw back profits from the winners. Mr. Birch's clients are in that position as well.

[120] I appreciated hearing from individuals and I understand that people on both sides can readily be heard claiming they have suffered dearly from their involvement with the bankrupt Mr. Grozelle. I do not doubt any of it. But this is sadly the result of there being a bankruptcy as I discussed at the very outset of this decision. There just isn't enough money to pay everyone. There are no real winners. But as I also stated at the outset, this is a process to try to maximize recovery for the creditors of the bankrupt estate in the interests of justice. That is what I have been considering in these Reasons for Decision.

[121] In all, the evidence concerning individual loans, netting of loans, and accounting for facilitated loans, belongs in Phase II.

Criticisms of the Trustee

[122] As was the case in *My Mortgage Auction Corp*., many of the winners before the court were rather free with their allegations of wrongdoing and unsubstantiated conspiracy theories regarding the Trustee. Fitzpatrick J. held:

> [26] I have concluded that the concerns/complaints directed at PwC are ill-conceived and unjustified. By any measure, PwC's investigation has been thorough and, while the information garnered from that process has not been entirely complete or accurate, and the news has not been positive for the investors, that result is not for lack of effort by PwC.

[123] Once again, some lack of familiarity with insolvency proceedings is manifested by the criticisms against the Trustee.

[124] The Trustee is injected into a hornet's nest to try to find an outcome that is just, efficient, affordable, and independent.

[125] The Trustee is not one of the parties. It did not invest with Mr. Grozelle. It did not decide whom Mr. Grozelle would pay or not pay. The Trustee was not in place when people made their loans. It did not create the books and records or promissory notes. It did not counsel anyone on whether to make their investments or how to get their money out.

[126] The Trustee operates outside the parties' fray. It is an officer of the court and reports to the court as appropriate. It is not a proper target for the parties' litigation strategies absent real evidence of material wrongdoing.

[127] There is no basis to equate the Trustee with Mr. Grozelle's fraud. There is no basis in evidence to suggest that the Trustee's accounting was tainted by the involvement of the three people associated with Mr. Grozelle. There is no basis in evidence to accuse the Trustee of withholding information. Its accounting, including production of its working papers, is incredibly thorough and transparent. There is no basis in the evidence to suggest that the Trustee has prioritized its fees over creditors' entitlements.

[128] I echo the words of my colleague Kimmel J. in *Royal Bank of Canada v. Peace Bridge Duty Free Inc.*, 2025 ONSC 4233 (CanLII),

> [66] As a general matter, I note that criticisms of a court appointed officer should not be made lightly. They are a serious matter. While the Debtor says it is not attacking the motives of the Receiver, many of its criticisms go beyond attacks on how the Receiver has carried out its duties. These types of attacks should not be made unless they can be substantiated.

[129] The Trustee has answered all the allegations made against it thoroughly in Mr. Ward's letter to counsel opposite dated May 22, 2025.

[130] I agree with Mr. Ward, that anyone with a substantiated claim against the Trustee should seek leave to bring it on. Otherwise, unsubstantiated allegations should not be made. Speculative claims and conspiracy theories asserted against the court and its officers diminish the integrity of the process and impact negatively on the rule of law.

Outcome

[131] I have reviewed the draft order provided by the Trustee. I agree with Mr. Ward that the incorporation of Schedule "A" into para. 2 of the draft is appropriate as it reflects the outcome of the Trustee's robust accounting process. Paragraphs 3 and following establish a summary claims process for phase II. It follows well-trod ground in other proceedings. Resort to the court is always available to parties in any event. The winners' entitlement to challenge their groupings and the outcomes of on-lending or facilitated loans is protected in para. 5 of the draft.

[132] Mr. Ward is requested to remove the watermark, update the date of the order, and forward a clean copy to the Commercial List Office to my attention for signing.

Costs

[133] The Trustee may deliver costs submission by no later than February 20, 2026. Anyone against whom the Trustee seeks costs or who seeks costs in any event, may then deliver costs submissions by no later than March 6, 2026.

[134] Costs submissions shall be no longer than 750 words. They shall be double-spaced and contain normal margins. They shall be typed in a font of no less than 12-points (including footnotes, if any).

[135] All costs submission shall be accompanied by the party's own Costs Outline whether they seek costs or not. Anyone delivering costs submissions may also deliver a copy of any offers to settle on which they rely for costs purposes.

[136] Costs submissions shall be delivered to the Commercial List office to my attention.

FL Myers J

Released: February 9, 2026

Justice FL Myers

Digitally signed by Justice FL Myers
Date: 2026.02.08 19:57:36 -05'00'

CITATION: In the Matter of the Bankruptcy of Douglas Grozelle, 2026 ONSC 758
COURT FILE NO.: 32-3126798
DATE: 20260209

ONTARIO

SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

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REASONS FOR DECISION

FL Myers J

Released: February 9, 2026

Appendix C

Electronically issued / Délivré par voie électronique : 15-Feb-2026 Court File No./N° du dossier du greffe: CL-25-00753575-0000
Superior Court of Justice - Toronto - Commercial List / Cour supérieure de justice

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	MONDAY, THE 9th
	)	
JUSTICE MYERS	)	DAY OF FEBRUARY, 2026

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

ORDER
(CLAW BACK OF EXCESS FUNDS)

THIS MOTION, made by Grant Thornton Limited, in its capacity as the trustee-in-bankruptcy ("**Trustee**") of Douglas Grozelle ("**Grozelle**"), for an order, declaring that certain pre-bankruptcy transfers made to investors constitute preferences under the *Assignments and Preferences Act*, R.S.O. 1990, c. A.33, as amended ("**APA**"), and/or declaring that such transfers are void as against the Trustee pursuant to the *Fraudulent Conveyances Act*, R.S.O. 1990, c. F 29 ("**FCA**"), and granting related declaratory and restitutionary relief including establishing a process for the final determination and repayment of such amounts to the Grozelle estate ("**Estate**"), was heard on January 13 and 14, 2026 in person, at the courthouse 330 University Avenue, Toronto, Ontario, with judgment reserved until the date of this order.

ON READING the Trustee's notice of motion dated November 29, 2024, the First Report of the Trustee dated November 29, 2024, the Supplement to the Trustee's Second Report dated June 3, 2025, the Third Report of the Trustee dated August 29, 2025, the Fourth Report of Trustee dated September 5, 2025, the affidavit of Betty Moffat sworn November 28, 2024, the affidavit of

Justin Lee Kavanagh sworn November 28, 2024, the affidavit of Lynda McArdle sworn August 14, 2025, the affidavit of Omar Nadim sworn August 14, 2025, the affidavit of Philippe Bibawi sworn August 14, 2025, the affidavit of Jared Griego sworn August 14, 2025, the affidavit of Robyn Lee sworn August 15, 2025, the affidavit of Ganesh Singh sworn August 15, 2025, the affidavit of Anthony Rossi sworn August 16, 2025, the affidavit of John McMullan sworn August 20, 2025, the affidavit of Krista McMullan sworn August 20, 2025, the affidavit of Robyn Lee sworn September 5, 2025, the reply affidavit of John McMullan sworn September 5, 2025, the supplementary affidavit of John McMullan sworn September 8, 2025, and on hearing the submissions of respective counsel for the Trustee, the respondents and such other counsel as were present as shown on the Participant Information Form, and no one else appearing although duly served as appears from the omnibus affidavit of service of Armando Ranjbar sworn January 9, 2026, filed:

SERVICE

1. **THIS COURT ORDERS** that this motion is properly returnable today and hereby dispenses with further service thereof.

THE PAYMENTS

2. **THIS COURT ORDERS** that payments made by Grozelle between December 1, 2019 to July 31, 2023 to those persons listed in **Schedule "A"** (each a "**Recipient**", collectively the "**Recipients**") in excess of those Recipients' principal investments (the "**Excess Funds**") constitute fraudulent conveyances in accordance with the FCA and are void and of no effect against the Trustee.

THE PROCESS FOR RECOVERY BY THE ESTATE

3. **THIS COURT ORDERS** that within 60 days of the granting of this Order, the Trustee shall, in accordance with the order for substituted service granted by the Honourable Justice Valente in these proceedings on June 11, 2025 ("**Substituted Service Order**"), provide each

person listed in **Schedule "A"** a calculation (the "**Clawback Calculation**") detailing the Excess Funds received by that Recipient.

4. **THIS COURT ORDERS** that each Recipient shall have 30 days from receipt of their Clawback Calculation, or such longer period as may be agreed by the Trustee in writing, to dispute the quantum of their Clawback Calculation by completing a notice substantially in the form attached as **Schedule "B"** (the "**Notice of Dispute**") and providing a copy of that Notice of Dispute to the Trustee as set out in the Notice of Dispute.

5. **THIS COURT ORDERS** that for greater certainty, this Order preserves, but does not determine, each Recipient's right to dispute a Clawback Calculation on the basis that the Clawback Calculation should, but does not, account for transactions to or from:

(a) joint accounts; and/or

(b) individuals or entities owned, controlled, or otherwise related to the Recipient.

((a) and (b) together, the "**Related Accounts**").

6. **THIS COURT ORDERS** that any Recipient that receives a Clawback Calculation that does not dispute that Clawback Calculation with the Trustee as provided for in paragraph 4 of this order shall:

(a) be conclusively deemed to be a recipient of Excess Funds in the amount set out in their Clawback Calculation;

(b) be conclusively deemed to be indebted to the Estate in the amount shown in their Clawback Calculation; and

(c) have a further period of 45 days, or such longer period as may be agreed by the Trustee, in writing, to repay such indebtedness to the Trustee, failing which the Trustee shall be granted judgment against them in the amount of their Clawback Calculation, and shall be immediately entitled to enforce that judgment without further order of this Court.

7. **THIS COURT ORDERS** that if a Recipient provides a Notice of Dispute to the Trustee in accordance with paragraph 4 of this order, and within 60 days (or such longer period as may be agreed by the Trustee in writing) there is no settlement or resolution on terms acceptable to the Trustee and Recipient, the Recipient must bring a motion to this Court for direction and determination as to the judgment amount, if any, by way of filing a notice of motion and any supporting affidavit evidence in this proceeding and serving those materials on the Trustee (the "**Challenge Motion Materials**") in the timeframe set out in paragraph 8 below.

8. **THIS COURT ORDERS** that the Challenge Motion Materials must be served on the Trustee within 15 days of the expiry of the 60-day period for settlement and resolution referred to in paragraph 7 of this Order, or such longer period as may agreed to by the Trustee in writing.

9. **THIS COURT ORDERS** that if a Recipient provides the Trustee with a Notice of Dispute but does not file and serve Challenge Motion Materials in accordance with paragraphs 7 and 8 of this Order, then the Trustee shall be granted judgment against that Recipient in the amount of the Clawback Calculation and the Trustee shall be immediately entitled to enforce such judgment without further order of this Court.

10. **THIS COURT ORDERS** that upon being granted judgment against a Recipient in accordance with this Order, the Trustee shall be entitled to file or enter, as appropriate, the following documents with the Court in respect of that Recipient:

(a) a copy of a Trustee's certificate substantially in the form attached as **Schedule "C"**; and together with

(b) a copy of an order substantially in the form attached as **Schedule "D"** (the "**Judgment**").

SERVICE AND NOTICE OF THIS ORDER

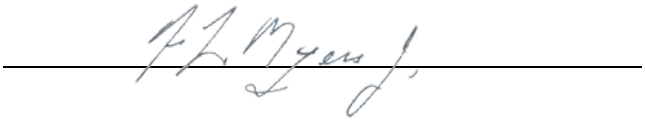
11. **THIS COURT ORDERS** that this Order shall be posted on the Trustee's website at: <https://www.doanegrantthornton.ca/service/advisory/creditor-updates/#Douglas-Grozelle>, and shall be served upon all Recipients in accordance with the methods provided for in the Substituted Service Order.

GENERAL

12. **THIS COURT ORDERS** that the Trustee may from time to time apply to this Court for advice and directions on the discharge of its powers and duties hereunder.

13. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, agency or regulatory or administrative bodies, having jurisdiction in Canada, the United States of America or any other jurisdiction, to give effect to this Order and to assist the Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, agencies and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Trustee in any foreign proceeding, or to assist the Trustee and their respective agents in carrying out the terms of this Order.

14. **THIS COURT ORDERS** that the Trustee and their respective agents be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.



Justice FL Myers

Digitally signed by Justice FL Myers
Date: 2026.02.12 07:29:59 -05'00'

Schedule "A" to Order

Recipients of Excess Funds

Recipient Names
John McMullan
Krista McMullan
2808227 Ontario Inc.
Force One Marketing Corporation
Force One Marketing Corporation
13176100 Canada Ltd.
QQ21 Fund Inc.
Robyn Lee
Construction Financing Consultant
13876985 Canada Inc.
13877035 Canada Inc.
CCSS Fin Fund Inc.
Christopher Chetty
DC Syndicate Inc.
Chris Chetty Financial
Ganesh Singh
Nicholas Tansley
2844381 Ontario Inc
Whats Inside Inc
Too Far Gone Inc.
Denise Tansley
Douglas Grozelle
Jody Ann McKenzie
Talic Holdings Inc
NFT Cards Canada Inc
Brian Byrne
14114299 Canada Incorporated
Candido Botelho Moniz (Household)
1000131924 Ontario Inc
Veronique Audette
James Crayford
Christopher Chivers
Shan Singh
Sammy Bertucci
Allan Craig
David Callahan
Dikran Tokat
William King
Richard Szabo
Chris and Jenny Richardson
Hardial Singh
S.S Singh Enterprises Inc.
Neelanand Sukhdeo

David Fraser Hughes
James Lowe
Mark and Karen Graig
Michelle Bozyk
Greg Phinney
Katie Banks
Gopaul Kandhai (Paul)
John Dionne
John Alldis
Simara Mundo
Wizba Technologies LLC
Justin Bilar
Nomad Mechanix Inc.
Constantin Mundo
Deijahna Thomas
Blake Louise Prince
Mithuran Manogaran Real Estate Corporation
Chris Battaglia (Household)
Kiritkumar Bhakta
Michael Gibson
Chad B Cox
Katrina Hizov (Consulting)
Kelly Elizabeth Chivers
Eric A Doyle
Kayla Longmuir
Molly Crayford
Jay Rydzewski (Jason)
Comprehensive Travel
Frances Crayford
Paul M Moysiuk
2830912 Ontario Inc
Daniel Bishop
Georgia Godber
Angelique McDonald
Saraswati Devi Bachan
Wendy McDonald
Jeannie and Nushy Vuksinic
Kris Sbranchella
Joel Wilson
Patricia Ruth French Schultz
Kayla Hunter
Mike Mitchell
Wray Chivers
Conrad Floyd
Paul Crevar
Jordan Miller
Saroj Singh
Sienna

Samantha May Williams
Steven D Fontes
Amanda Pidberezny
Davis Wright
Jessica Evans
Elaine Marie Cruz
Joseph Battaglia
Chune at Rawthsteins Inc.
SISI Travel Technology
Jsm Web3 Consulting
MC Licensing Grop
Lynda Mcardle (Cardlee)
Jaclyn Elliott
Music Travel Love LLC
Scarlet Delgado
Gell Communications LLC
James H Chapman
One of Two for 102
Ryan Zoth
Darin Samai
Unknown Recipient
Unknown Recipient
Joseph Cole
Ben Rispin
Andrew Ivanhoe Wildman
Stohn Hay Cafazzo Dembroski
Anthony Lee
Wendy McQuillan
Wendal Jones
David Sciara
6105316
Jason Hachey
Helen Thai
Marie-Pierre Guay
Jesse Bye
Chantelle Poisson
Alan Nolan
Nicole Colterman
Louise McLaughlin
Steven Zangrando
Eldon Moses
Brad Casarin
Muhammad Khalid Yousaf
Lindsay Ballard
Peeraporn Muenngoen
Kelly McKenzie
Jason Cumming
Anthony R Bacchus

Schedule "B"
Notice of Dispute

NOTICE OF DISPUTE

This Notice of Dispute must be read together with the order of the Honourable Justice Valente of the Ontario Superior Court of Justice (Hamilton) granted on June 11, 2025 (the "**June 11 Order**"). A copy of the June 11 Order is available at <https://www.doanegrantthornton.ca/service/advisory/creditor-updates/#Douglas-Grozelle>. This Notice of Dispute must also be read together with the order of the Honourable Justice Myers of the Ontario Superior Court of Justice (Commercial List) granted on February 9, 2026.

Pursuant to the June 11 Order, notice is hereby given to you that the undersigned Recipient intends to dispute the Clawback Calculation bearing Reference Number _____ and dated _____ issued by Grant Thornton Limited in its capacity as the trustee in bankruptcy of Douglas Grozelle (the "**Trustee**").

Full Legal Name of Recipient: _____

Amount Claimed by Trustee in Clawback Calculation ($CAD)	Amount of Clawback Calculation Accepted ($CAD)	Amount of Clawback Calculation Disputed ($CAD)

Reasons for Dispute: [*attach additional sheet and copies of all supporting documentation. If the Recipient intends to dispute the Clawback Calculation on the basis of an inaccurate calculation, or asserts that transactions concerning related accounts should be considered together, then such related accounts should be described, such supporting documents should be provided, and the impact of the Clawback Calculation should be specified*]:

_____

_____

_____

Signature of Recipient or Authorized Representative of Corporate Recipient:

_____

Date: _____

[*Please print name*]: _____

Telephone Number: (____) _____

Fax Number: (____) _____

Email Address: _____

Full Mailing Address:

_____

_____

Your complete Notice of Dispute must be delivered to the Trustee in PDF format by email, within 30 days after the date of delivery of your Clawback Calculation (or such later date as may be agreed to by the Trustee in writing) at the following address:

Grant Thornton Limited
In its capacity as trustee in bankruptcy of Douglas Grozelle

200 King Street West Toronto, 11th Floor
Toronto, ON M5H 3T4
Email: grozellereceivership@ca.gt.com

In addition to delivering this Notice of Dispute to the Trustee, you MUST, unless matters are settled and resolved on terms acceptable to the Trustee and Recipient, within 60 days after providing the Trustee with this Notice of Dispute (or such later date as may be agreed to by the Trustee in writing or ordered by the Court) file with the Court and serve on the Trustee a Notice of Motion disputing your Clawback Calculation, together with any supporting affidavit evidence and serving it upon the Trustee.

IF YOU DO NOT DELIVER A NOTICE OF DISPUTE BY THE TIME SPECIFIED, OR DO NOT FILE AND SERVE A NOTICE OF MOTION FOR DIRECTION AND DETERMINATION AS TO THE JUDGMENT AMOUNT, IF ANY, IN RESPECT OF YOUR CLAWBACK CALCULATION BY THE DATE SPECIFIED, THE NATURE AND AMOUNT OF THE TRUSTEE'S CLAIM AGAINST THE RECIPIENT SHALL BE AS SET OUT IN YOUR CLAWBACK CALCULATION.

Schedule "C"
Form of Trustee's Certificate

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

TRUSTEE'S CERTIFICATE

RECITALS:

1. Pursuant to an order of the Ontario Superior Court of Justice (Hamilton) (the "**Court**") dated July 7, 2023, as amended and restated by an order of the Court dated July 20, 2023 (collectively, "**Receivership Order**"), Grant Thornton Limited ("**Grant Thornton**") was appointed as the receiver of Douglas Grozelle and Douglas Grozelle o/a Grozelle Enterprises (collectively, "**Grozelle**").

2. Pursuant to the power granted to it by the Receivership Order, the receiver assigned Grozelle into bankruptcy on September 11, 2024, and Grant Thornton was appointed trustee in bankruptcy of the estate of Grozelle (the "**Trustee**").

3. Whereas Grozelle was orchestrating a Ponzi scheme (the "**Scheme**") pursuant to which there were a number of investors who received payments in excess of their principal investment in the Scheme (the "**Excess Funds**").

4. Pursuant to the order of the Ontario Superior Court of Justice (Commercial List) dated February 9, 2026 ("**February 9, 2026 Order**"), the Court declared that payments of Excess Funds to those persons listed in **Schedule "A"** to February 9, 2026 Order (each a "**Recipient**") as void as against the Trustee pursuant to section 2 of the *Fraudulent Conveyances Act*, R.S.O. 1990, c. F 29.

5. And whereas, in the February 9, 2026 Order and in accordance with paragraphs 3 to 10, the Court directed a process for payment of the Excess Funds to the Trustee on behalf of the Grozelle estate.

THE TRUSTEE CERTIFIES the following:

6. **[Individual/Corporate Entity]** is listed in Schedule "A" to the February 9, 2026 Order.

7. The Trustee provided **[Individual/Corporate Entity]** a calculation detailing the Excess Funds on **[Date]** (the "**Clawback Calculation**")

8. The Clawback Calculation set out that **[Individual/Corporate Entity]** owes **[Amount]** to the estate of Grozelle.

9. **[Individual/Corporate Entity] [has not provided the Trustee with a Notice of Dispute / did not provide a Notice of Dispute within the 30-day period set out in the February 9, 2026 Order / provided the Trustee with a Notice of Dispute but did not file and serve a Notice of Motion and supporting affidavit evidence within 60 days of providing a Notice of Dispute as required by the Order].**

10. **[Individual/Corporate Entity] [has not paid any amount to the Trustee/ has paid to the Trustee only AMOUNT of the AMOUNT owing to the estate as set out in the Clawback Calculation]**

This Certificate was executed by the Trustee at **[Time]** on **[Date]**.

Grant Thornton Limited, in its capacity as trustee in bankruptcy of Douglas Grozelle, and not in its personal capacity.

Per: _____
Name:
Title:

Schedule "D"
Form of Judgment

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

JUDGMENT

ON READING the order of the Ontario Superior Court of Justice (Commercial List) dated February 9, 2026 (the "**Order**") and the trustee-in-bankruptcy, Grant Thornton Limited having filed the Trustee's Certificate attached as **Schedule** "**C**" to the Order, and the proof of service of the Order on the **[RECIPIENT]**, and

1. **IT IS ORDERED AND ADJUGED** that [RECIPIENT] pay to the Trustee the sum of [**AMOUNT**].

   This Judgment bears interest at the rate of __ per cent per year from its date.

Date: _____ Signed by: _____
Local Registrar

Address of court office:
330 University Avenue
Toronto, ON M5G 1R7

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Hamilton

ORDER

(CLAW BACK OF EXCESS FUNDS)

MILLER THOMSON LLP
Scotia Plaza, 40 King St. W., Suite 6600
P.O. Box 1011
Toronto, ON Canada M5H 3S1

David S. Ward LSO# 33541W
dward@millerthomson.com
Tel: 416.595.8625

Mryam Sarkis LSO #88660C
msarkis@millerthomson.com
Tel: 416.597.6001

Armando S. Ranjbar LSO #: 93408B
aranjbar@millerthomson.com
Tel: 416.595.8610

Lawyers for Grant Thornton Limited, in its capacity as Trustee in Bankruptcy of Douglas Grozelle

Appendix D

COURT FILE NO.: 32-3126798
DATE: 20260311

ONTARIO
SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

David Ward, Mryam Sarkis, and Armando Ranjbar, for Grant Thornton Limited, trustee in bankruptcy of Douglas Grozelle

Justin Necpal, for John McMullan and Krista McMullan

Jeffrey Kaufman and Bradley Adams, for QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, and Chris Chetty Financial Inc.

Jamie Gibson, for Robyn Lee and 13877035 Canada Inc.

Brian Fromstein, for Ganesh Singh

Nicholas Tansley, acting for himself

READ: March 10, 2026

FL MYERS J

COSTS ENDORSEMENT

[1] The Trustee in Bankruptcy asks for its costs of the motion to implement a two-phase hearing process to seek return of Ponzi profits from participants whom it calculates were "winners" in the bankrupt's fraudulent scheme. It also seeks costs of the unsuccessful cross-motion for directions.

[2] While there was some element of novelty to the Trustee's motion, at least in this province, it was not defended on the basis of it being an interestingly novel issue worthy of mooting. Rather, the responding parties listed on the first page above ("Winners") engaged in a full-throated and coordinated defence of the motion on as many grounds as they could develop. I would not withhold costs due to novelty of the question, therefore.

[3] The Trustee was put to very substantial costs to get the motion heard and won. It is entitled to its costs on a partial indemnity basis.

[4] I have concerns however. First, on the facts, some of the Winners may ultimately establish in phase II that they actually lost money and are properly regarded as creditors of the estate. For example, the final treatment of people who facilitated loans or were conduits for payments made or received by others has yet to be determined. It may be that some of them are correct that they are not winners at all. If that is the case, they have at least an argument that they should not have been impleaded and put to the expense of this process.

[5] I hold those of the Winners who remain as winners after phase II jointly and severally liable for the Trustee's costs of its motion on a partial indemnity basis. This was a cooperative defence of the motion. Joint and several liability fits this proceeding.

[6] I refer to the judge who decides the phase II proceeding the issue of whether any Winner who succeeds by becoming recognized as a creditor of the estate ought to also share in these costs or not.

[7] Subject to the next issue, I have reviewed the hours and rates claimed and am satisfied that they are reasonable. Some of the preparation times are high. But the Trustee bore the burden of responding to multiple parties on numerous grounds. I am not prepared to criticize the time required of counsel.

[8] Several of the Winners raise concerns about the scope of the items included in the Trustee's costs outline. The Trustee is claiming time for several prior hearings including meta-motions and case conference that preceded the motion hearing.

[9] In my view, this issue also militates in favour of deferring the costs of the Trustee's motion to the judge who hears the phase II proceeding. He or she will be in the best position to determine the reasonableness of holding any winners who become creditors liable to bear their share of the Trustee's costs and to hear argument on the scope of proceedings properly included in the costs outline if that issue cannot be settled.

[10] The Trustee raised issues about the conduct of the Winners on its motion. Absent significant criticism by the case management judge, I have no real ability to weigh the various steps that have already been heard and resolved.

[11] But there was also a cross-motion. I set out the relief requested in full in my prior endorsement to highlight that it was a scattergun of tactics largely devoid of substance. The relief concerning the First Meeting of Creditors and the Inspectors displayed either a lack of practical understanding of the bankruptcy process or just mud slinging. That relief was rightly withdrawn at the hearing of the cross-motion. The request for yet further disclosure was a fishing expedition without merit as well.

[12] Paras. 18 through 23 of the Notice of Motion made direct scurrilous allegations against the Trustee with no objectively verifiable evidentiary in support. They attacked the Trustee's honesty and professionalism.

[13] There is a huge difference between disagreement and allegations of dishonesty. One can criticize conduct without engaging in *ad hominem* attacks upon the court's officer. If the criticisms of the Trustee's conduct had been upheld, then the moving parties' inferences about the Trustee's motives asserted would not have been necessary in any event.

[14] As explained in my prior endorsement, officers of the court are not fair game. They are doing a job for which they are accountable. Personal attacks on the court's officer undermine the integrity of the bankruptcy process and the court. Stakeholders should not be seeking to implead

the court's officers without objectively verifiable evidence. See: *City of Toronto v. Harry Sherman Crowe Housing Co-Operative Inc.*, 2025 ONSC 3908. At para 24.

[15] The motion for directions was an effort to throw a procedural spanner into the Trustee's clawback motion to delay or derail it from being heard. It was wholly without merit.

[16] The cross-motion and the attacks on the Trustee were unfounded and were reprehensible within the meaning of para. 42 and 43 of *Mars Canada Inc. v. Bemco Cash & Carry Inc.*, 2018 ONCA 239 (CanLII).

[17] In my view, regardless of the outcome of phase II, the moving parties identified in the Notice of Motion, being, Anthony Rossi, QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, Christopher Chetty, Robyn Lee, John McMullan, Krista McMullan, and Ganesh Singh ought to be held jointly and severally liable for the Trustee's costs referable to the cross-motion for directions on a substantial indemnity basis and I do hereby do so.

[18] I recognize that in its submissions, the law firm for Chris Chetty Financial Inc., QQ21 Fund Inc., 13176100 Canada Ltd., and Force One Marketing Corporation says that Mr. Chetty and Mr. Rossi were never its clients personally. Yet, the Notice of Motion names them personally as moving parties. However, the law firm listed at the end of the document describes itself as counsel to the various corporations only. But, the law firm also delivered the affidavit of Anthony Rossi sworn August 16, 2025 in support of the motion. Although the affidavit deals only with corporate involvement with Mr. Grozelle, Mr. Rossi twice describes the law firm as "my counsel." On the backsheet of the supporting affidavit, counsel listed Mr. Chetty a party whom it represents in addition to his corporation.

[19] In my view, with each of Messrs. Rossi and Chetty specifically listed as a moving party in the Notice of Motion, they are properly regarded as a parties to the motion and fairly held liable in costs therefore.

[20] The Trustee is directed to engage with counsel to the moving parties listed in the Notice of Motion to try to resolve a quantum of costs for the cross-motion for directions.

[21] If they cannot agree, I will fix the costs on a review of a revised costs outline and on hearing submissions at a brief case conference to be arranged by the Trustee for that purpose.

FL Myers J

Released: March 11, 2026

Justice FL Myers Digitally signed by Justice FL Myers
Date: 2026.03.11 14:09:11 -04'00'

CITATION: In the Matter of the Bankruptcy of Douglas Grozelle, 2026 ONSC 758
COURT FILE NO.: 32-3126798
DATE: 20260209

ONTARIO

SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

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REASONS FOR DECISION

FL Myers J

Released: February 9, 2026

Appendix E

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

COUNSEL SLIP / ENDORSEMENT

COURT FILE NO.: CL-25-00753575-0000 **DATE:** April 23, 2026

REGISTRAR: Puneet Bhandal

NO. ON LIST: 1

TITLE OF PROCEEDING: MICHAEL FOLEY; JONATHAN WILLIAMS; WILLIAMS VENTURE CAPITAL INC; CRYSTAL MASTERSON v. DOUGLAS GROZELLE

BEFORE: JUSTICE FL MYERS

PARTICIPANT INFORMATION

Participants:

Name of Person Appearing	Name of Party	Contact Info
James Gibson	Robyn Lee and 13877035 Canada Inc.	jgibson@naymarklaw.com
Justin Necpal	John McMullan/Krista McMullan	justin@necpal.com
Bryan Fromstein	Ganesh Singh	bryan@longolawyers.ca
Jeffery Kaufman Bradley Adams	QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, Chris Chetty Financial Inc.	jeff@kaufman.law brad@kaufman.law /
David Ward Armando Ranjbar	Grant Thornton Limited, Trustee in Bankruptcy	dward@millerthomson.com aranjbar@millerthomson.com

ENDORSEMENT OF JUSTICE FL MYERS:

1. The parties disagree on the allocation of the Trustee's costs as between its clawback motion and the cross-motion for directions. Costs of the former motion are deferred. Costs of the latter cross-motion are payable to the Trustee on a substantial indemnity basis.
2. All parties agree that there is no definitive answer to an allocation of lawyers' time among related proceedings. It is art not science. The cross-motion was aimed at stopping or undermining the clawback motion. I found the moving parties sought to throw a spanner into the works. I also found the allegations made against the Trustee as part of the cross-motion were reprehensible as that term is used for costs purposes.
3. The cross-motion was exceptionally broad. I listed the prayer for relief from the Notice of Motin in my decision to demonstrate the kitchen sink approach. It attacked every element of the bankruptcy process from the constitution of the first meeting of creditors, to the appointment of Inspectors, to the Inspectors' approval of the Trustee bringing the clawback motion, to the disclosure of documents made by the Trustee, to accounting and fairness issues left for Phase II, and to allegations about the Trustee's fees. And all of this was presented under an overarching allegation that throughout all these steps and stages, the Trustee was dishonestly seeking to favour Mr. Grozelle and allegedly criminal colleagues.
4. My point is not to make findings today. I made them already. I am just pointing out that for allocation purposes, the cross-motion for directions may have been the secondary issue of importance, but the breadth of the attacks made comprehensive responses necessary.
5. A reasonable litigants making attacks on multiple steps over years of proceedings including the integrity of the opposite party must reasonably expect a full and comprehensive response.

6. I am not assessing the propriety of fees charged by a lawyer to its client under the *Solicitors Act*, RSO 1990 c. S.15. In *Boucher v. Public Accountants Council for the Province of Ontario,* 2004 CanLII 14579 (ONCA), at para. 26, the Court of Appeal discussed the purpose of a costs award as between litigants (previously referred to as a "party and party" assessment):

> Overall, as this court has said, the objective is to fix an amount that is fair and reasonable for the unsuccessful party to pay in the particular proceeding, rather than an amount fixed by the actual costs incurred by the successful litigant.

7. My goal then is to settle upon a fair and reasonable sum for the unsuccessful parties to pay to the Trustee on the scale ordered. The dockets and Costs Outlines are guideposts. So too is my experience and counsels' submissions.
8. The Trustee delivered a Costs Outline from which it argued that it should be entitled to 100% of some sections and 50% of others as a rough and ready calculation. On this basis, it seeks costs of the cross-motion of $221,677.02 all-inclusive.
9. The responding parties would reduce some of the Trustee's percentage allocations on the basis that the Trustee has given too much emphasis to the cross-motion when much of the material was really related to the Trustee's clawback motion. They come to an outcome of costs of $85,000 all-inclusive.
10. Mr. Fromstein takes the Trustee's full indemnity fees, multiplies by 0.9 to arrive at "substantial indemnity" fees and then would allow the trustee 15% to 20% of its overall fess for the cross-motion. His range works out to about $82,000 to $109,000.
11. I have already found that overall, the Trustee's hours and rates claimed are reasonable. I am attracted to Mr. Fromstein's approach. It adopts a higher level of abstraction, but given the overlaps, in my judgment, this is appropriate. I'm not sure that I have a factual basis to say that for the Trustee's Group "G" fees, just to pick one for example, the allocation should be 100% or 25% as sought. I could pick almost any number within a range.

12. But having read the materials, prepared for the motions, heard them, and written the decisions, I have a very good feel for the role of each and the overlapping nature of the issues. In my view, it would be more appropriate, fair, and reasonable to allocate one-third of the Trustee's costs to the cross-motion (at 90%). While less than one-third of the time was used to argue the cross-motion directly, answers to the cross-motion were revealed throughout the argument and materials for the clawback motion. It was often the case, in response to the 20+ requests for relief, the Trustee's response was that the issue is dealt with on its merits or given context in the clawback material or argument. Then the issue resolved to whether directions were appropriate on the topic given how it had been considered or dealt with there.
13. I therefore fix the Trustee's costs of the cross-motion payable as previously found at the all-inclusive sum of $180,000.
14. I have not signed the draft order uploaded to Case Center because it does not deal with the decision on costs that arose from the written submissions and then today's case conference held under the final paragraph of that decision. I do not require that fulsome disclosure in recitals to an order. The order could just allocate and fix the fees. But if recitals are to be made, then they should describe the situation more clearly.

FL Myers J.

Justice FL Myers

Digitally signed by Justice FL Myers
Date: 2026.04.23 13:09:26 -04'00'

Appendix F

Electronically issued / Délivré par voie électronique : 13-May-2026 Court File No./N° du dossier du greffe: CL-25-00753575-0000
Superior Court of Justice - Toronto - Commercial List / Cour supérieure de justice

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	THURSDAY, THE 23rd
	)	
JUSTICE MYERS	)	DAY OF APRIL, 2026

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

COSTS ORDER
(MOTION FOR DIRECTIONS)

THIS MOTION, made by the moving parties Anthony Rossi, QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, Chris Chetty Financial Inc., Christopher Chetty, Robyn Lee, 13877035 Canada Inc., John McMullan, Krista McMullan, and Ganesh Singh (collectively, the "**Moving Parties**") by way of cross motion for directions (the "**Motion for Directions**") in connection with the motion (the "**Clawback Motion**") made by Grant Thornton Limited in its capacity as the trustee-in-bankruptcy (the "**Trustee**") of Douglas Grozelle was heard on January 13 and 14, 2026 at 330 University Avenue, Toronto Ontario, with judgment reserved, and the court delivering its decision in respect to the Clawback Motion and Motion for Directions on February 9, 2026.

UPON THE COURT initially directing the parties to make overall cost submissions in respect of the Clawback Motion and the Motion for Directions,

UPON THE COURT subsequently issuing an endorsement dated March 11, 2026 directing that: (a) costs of the Clawback Motion will be fixed as part of "Phase II" in these proceedings; (b) costs of the Motion for Directions will be fixed and payable at this stage; and (c) the Trustee and the Moving Parties deliver further costs submissions on costs of the Motion for Directions,

AND UPON the Trustee providing cost submissions dated February 20, 2026 and an aide memoire dated April 21, 2026 and upon the court also reviewing the costs submissions of QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, and Chris Chetty Financial Inc. dated March 6, 2026; of Robyn Lee and 13877035 Canada Inc. dated March 6, 2026; of John McMullan and Krista McMullan dated March 6, 2026; of Ganesh Singh dated March 6, 2026; the aide memoire and revised costs outline of Robyn Lee and 13877035 Canada Inc. dated April 21, 2026; and the revised costs outline of John McMullan and Krista McMullan dated April 21, 2026,

AND ON HEARING the submissions at a case conference held this day of counsel for each of the Trustee, QQ21 Fund Inc., 13176100 Canada Ltd., Force One Marketing Corporation, Chris Chetty Financial Inc., Robyn Lee, 13877035 Canada Inc., John McMullan, Krista McMullan, and Ganesh Singh,

1. **THIS COURT ORDERS** that the Moving Parties shall pay to the Trustee its costs referable to the Motion for Directions on a substantial indemnity scale, fixed in the all-inclusive amount of $180,000 inclusive of HST, within 30 days.

2. **THIS COURT ORDERS AND ADJUDGES** that the Moving Parties are jointly and severally liable for the payment of costs awarded herein.

3. **THIS ORDER BEARS INTEREST** at the rate of four per cent per year, commencing on the date of this order, in accordance with the *Courts of Justice Act,* RSO 1990, c. C 43.

Date of issuance

Justice FL Myers

Digitally signed by Justice FL Myers
Date: 2026.05.13 09:06:39 -04'00'

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Hamilton

COSTS ORDER
(MOTION FOR DIRECTIONS)

MILLER THOMSON LLP
Scotia Plaza, 40 King St. W., Suite 6600
P.O. Box 1011
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Lawyers for Grant Thornton Limited, in its capacity as Trustee in Bankruptcy of Douglas Grozelle

Appendix G

COURT OF APPEAL FOR ONTARIO
SUBMITTED/SOUMIS: 03/Mar/2026
FILED/DÉPOSÉ: 04/Mar/2026
REGISTRAR / GREFFIER
COUR D'APPEL DE L'ONTARIO

Court of Appeal Court File No.
Superior Court File No. CL-25-00753575-0000

COURT OF APPEAL FOR ONTARIO

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

NOTICE OF APPEAL

THE APPELLANTS, Robyn Lee, 13877035 Canada Inc., 13876985 Canada Inc., John McMullan, Krista McMullan, Hardial Singh, SS Singh Enterprises, Christopher Chetty, Chris Chetty Financial Inc., Shan Singh, CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation APPEAL to the Court of Appeal for Ontario from the order of the Honourable Justice Myers dated February 9, 2026 of the Superior Court (Commercial List) located at Toronto, Ontario (the **Clawback Order**). The order was rendered following the hearing of a motion (the **Clawback Motion**) brought by Grant Thornton Limited (**Grant Thornton**) in its capacity as trustee in bankruptcy (the **Trustee**) of the bankrupt debtor Douglas Grozelle (**Grozelle**).

THE APPELLANTS ASK that the Clawback Order be set aside and an order be granted as follows:

(a) dismissing the Clawback Motion;

(b) if necessary, an order granting leave to appeal the Clawback Order;

(c) awarding costs of the appeal and the motion below; and

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

THE GROUNDS OF APPEAL are as follows:

(a) The bankrupt, Grozelle, solicited unsecured loans from numerous lenders in the years before his bankruptcy. Grozelle serviced the debt at high interest rates, often memorialized in promissory notes

(b) At a certain point, Grozelle began to use loan advances from new lenders to pay interest due on loans from existing lenders.

(c) In the fall of 2022, Grozelle began to default on the loan obligations.

(d) On July 7, 2023, the Honourable Justice Sheard of the Hamilton Superior Court granted an order appointing Grant Thornton as interim receiver of Grozelle's assets, undertaking and property.

(e) On July 20, 2023, the Honourable Justice Goodman granted a receivership order appointing Grant Thornton as receiver.

(f) On September 11, 2024, Grozelle was assigned into bankruptcy and Grant Thornton was appointed Trustee.

(g) As part of its mandate, the Trustee carried out an analysis of Grozelle's affairs and reported the following conclusions (which is disputed by the appellants):

(i) 236 investors had loaned funds to Grozelle;

(ii) 116 investors had not received payment of the principal amount of their loans (the **Net Losers**) and had suffered losses totalling approximately $24.5 million; and

(iii) 120 investors had received payments in excess of the principal amount of their loans (the **alleged Net Winners**) and had received net payments in excess of their principal (the **Excess Payments**) totalling approximately $21.5 million.[1]

(h) On November 29, 2024, the Trustee brought the Clawback Motion seeking an order declaring that the Excess Payments were void because they:

(i) were fraudulent conveyances under section 2 of the *Fraudulent Conveyances Act* (**FCA**);

(ii) were fraudulent preferences under section 3 of the *Assignments and Preferences Act*; and

(iii) constituted unjust enrichment.

(together, the **clawback claims**)

(i) The Trustee's Clawback Motion also sought an order requiring the alleged Net Winners to repay forthwith the Excess Payments identified by the Trustee.

[1] The appellants dispute the Trustee's conclusion in this regard, but adopt for convenience the terms used by the motion judge.

(j) Several lenders, including the appellants, disputed the Trustee's conclusions and opposed the Clawback Motion (the **Responding Parties**).

(k) The Responding Parties indicated that they would bring a motion seeking directions on the appropriate procedure for the Trustee's clawback claims and certain other issues that had arisen in the bankruptcy proceeding (the **Motion for Directions**). The Responding Parties requested that their Motion for Directions be heard before the Clawback Motion.

(l) In response, the Trustee requested an order bifurcating the Clawback Motion into two phases: (1) to determine, on a class-wide basis, whether the alleged Net Winners were liable for Excess Payments and (2) to determine the amount, on an individual basis, of the Excess Payments received by each alleged Net Winner.

(m) On June 19, 2025, the Honourable Justice Valente ordered that the Clawback Motion and the Motion for Directions be heard in tandem.

(n) On October 10, 2025, the Honourable Justice Kimmel issued an order transferring the bankruptcy proceeding from Hamilton to the Commercial List in Toronto.

(o) The Clawback Motion and the Motion for Directions were heard by the motions judge on January 13 and 14, 2026.

(p) On February 9, 2026, the motions judge issued reasons for decision granting the Trustee's Clawback Motion in part and finding that the Excess Payments were void as fraudulent conveyances under section 2 of the *FCA* (the **Clawback Order**).

(q) The motions judge dismissed the Motion for Directions. While the appellants do not appeal that dismissal, they challenge the motion judge's findings that the Clawback Motion was an available and appropriate procedure for determining the clawback claims, as set out below.

(r) The appellants appeal the Clawback Order, in which the motions judge made the errors set out below, which, individually and taken together, require that the order be set aside.

(s) The motions judge's decision to grant the Clawback Order erred in law or principle by finding that:

(i) The payments made by Grozelle to the alleged Net Winners in excess of their principal investments constitute fraudulent conveyances under section 2 of the *FCA*;

(ii) Grozelle made the challenged payments with the intent to defraud, delay and hinder his other creditors;

(iii) Each payment in a fraudulent Ponzi scheme is necessarily made with the intention to defraud, hinder or delay creditors. The necessary fraudulent intention of Grozelle could be inferred from the fact that he was running a fraudulent Ponzi scheme;

(iv) The badges of fraud support an inference that all Excess Payments to alleged Net Winners were made with the necessary intent under section 2 of the *FCA*;

(v) The alleged Net Winners were not protected by the statutory defence set out in section 3 of the *FCA*;

(vi) The alleged Net Winners' receipt of Excess Payments was not made with good consideration or in good faith because of the existence of an illegal and fraudulent scheme;

(vii) The Trustee's proposed summary process in the bankruptcy proceeding, comprising a two-phased approach that bifurcated liability and damages, was legally available under the *Bankruptcy and Insolvency Act* (**BIA**), including subsection 98(1), or was an appropriate procedure for adjudicating the Trustee's clawback claims;

(viii) The Trustee's clawback claims were not time-barred under the *Limitations Act, 2002*;

(ix) The limitation period did not begin to run from the date of the Excess Payments because a proceeding was not an appropriate means of remedying the loss under s. 5(1)(a)(iv) of the *Limitations Act, 2002*;

(x) The investment scheme carried out by Grozelle constituted a Ponzi scheme, and triggered certain legal presumptions;

(xi) A Ponzi scheme can be established without proving an underlying fraud;

(xii) Fraudulent Ponzi schemes are deemed insolvent as a matter of law from the moment of their inception;

(xiii) There is no difference in kind between an equity investment and a debt investment in an investment scheme;

(xiv) The underlying promissory notes were properly characterized as marketing tools rather than evidence of an underlying debt obligation; and

(xv) The alleged Net Winners did not have a reasonable expectation of profiting from the Excess Payments made by Grozelle.

(t) The motions judge's decision to grant the Clawback Order erred by making the following palpable and overriding errors of fact by finding that:

(i) the payments made to the appellants were not based on underlying debt obligations and were not, in reality, payments of interest;

(ii) the Trustee's reported finding that 96% of the promissory notes issued by Mr. Grozelle to his investors purported to promise criminal interest rates was accurate;

(iii) None of the alleged Net Winners opposing the Clawback Motion complied with a court direction to deliver a responding accounting to the accounting delivered by the Trustee or otherwise challenged the Trustee's accounting;

(iv) Grozelle did not make any business investments or have a business strategy to deal with funds received apart from using them to pay out prior investors;

(v) Grozelle could never meet his liabilities during the material period identified by the Trustee;

(vi) Grozelle paid whomever he chose to pay based on his assessment of available funds during the material period; and

(vii) Grozelle punished creditors who retained counsel during the material period, in an effort to dissuade investors from taking detrimental steps.

Application for Leave to Appeal and Stay Pending Appeal

(u) If necessary, the appellants apply for leave to appeal under section 193(e) of the BIA and section 32(2) of the BIA Rules, and an accompanying stay pending appeal.

(v) Leave should be granted because the proposed appeal:

(i) raises an issue that is of general importance to the practice in bankruptcy matters or to the administration of justice as a whole, and is one that this court should therefore consider and address;

(ii) is *prima facie* meritorious; and

(iii) would not unduly hinder the progress of the bankruptcy proceedings.

THE BASIS OF THE APPELLATE COURT'S JURISDICTION IS:

3. Under section 6(1) of the *Courts of Justice Act* (**CJA**), an appeal lies as of right to the Court of Appeal from a final order of a judge of the Superior Court.

4. The Clawback Order is a final order declaring that payments made by Grozelle to the alleged Net Winners in excess of their principal investments constitute fraudulent conveyances under the FCA.

5. The Superior Court's order voiding the challenged payments was a remedy granted under provincial legislation, without exercising powers conferred by the BIA, and may therefore be appealed as of right under the CJA. A respondent has the same right to appeal a fraudulent conveyance order, regardless of whether the claim is asserted by a creditor outside of an insolvency proceeding, a receiver, or a trustee in bankruptcy.

6. Alternatively, an appeal lies as of right to the Court of Appeal from the Clawback Order under subsection 183(2) and section 193(b) and (c) of the BIA because:

(a) the order or decision is likely to affect other cases of a similar nature in the bankruptcy proceedings (s. 193(b)) – The appellants' appeal of the Clawback Order affects the rights of all of the other Alleged Net Winners in the bankruptcy proceeding, which are of a similar nature;

(b) the property involved in the appeal exceeds in value ten thousand dollars (s. 193(c)) – The Trustee has alleged that the total value of the amount owed by the appellants under the Clawback Order is in excess of $9 million. While the appellants dispute this quantum, there is no dispute that the total amount owed by one or more of the appellants will exceed $10,000 if they are found liable.

7. In the further alternative, an appeal lies to the Court of Appeal with leave from the Clawback Order under subsection 193(e) of the BIA.

8. The appellants have applied for leave to appeal in this notice of appeal in compliance with Rule 31(2) of the BIA Rules, on the grounds set out above.

9. The appellants ask that the appeal and this application for leave, sought in the alternative, be heard by a panel of the Court of Appeal.[2]

February 19, 2026

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[2] See, e.g., *North House Foods Ltd. (Re)*, 2025 ONCA 563, ¶34, citing *Crown Capital Private Credit Fund v. Mill Street & Co. Inc.*, 2022 ONCA 194, ¶5 (panel hearing application for leave to appeal when sought as alternative relief to asserted right of appeal)

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Counsel for the Respondent Grant Thornton Limited, in its capacity as Trustee in Bankruptcy of
Douglas Grozelle

AND TO: THE SERVICE LIST

Electronically filed/ Déposé par voie électronique : 03-Mar-2026
Court File No./N° du dossier du greffe: CL-25-00753575-0000
Superior Court of Justice - Toronto - Commercial List / Cour supérieure de justice

GROZELLE (RE)

Court of Appeal Court File No.
Superior Court File No. CL-25-00753575-0000

COURT OF APPEAL FOR ONTARIO

PROCEEDING COMMENCED AT HAMILTON AND TRANSFERRED TO TORONTO

NOTICE OF APPEAL

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Lawyers for the Appellants

Appendix H

COURT OF APPEAL FOR ONTARIO

CITATION: Grozelle (Re), 2026 ONCA 464
DATE: 20260624
DOCKET: M57106 (COA-26-CV-0234)

Roberts J.A. (Motion Judge)

In the Matter of the Bankruptcy of Douglas Grozelle, of the City of Hamilton, in the Province of Ontario

James Gibson, for the appellants/moving parties, Robyn Lee, 13877035 Canada Inc., 13876985 Canada Inc., John McMullan, Krista McMullan, Hardial Singh, SS Singh Enterprises, Christopher Chetty, Chris Chetty Financial Inc., Shan Singh, CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation

David Ward and Armando Ranjbar, for the respondent/responding party, Grant Thornton Limited in its capacity as trustee in bankruptcy of Douglas Grozelle

Heard: June 10, 2026

REASONS FOR DECISION

Overview

[1] The moving parties were investors in what Myers J. found was a Ponzi scheme perpetrated by the bankrupt, Douglas Grozelle. The trustee in bankruptcy successfully obtained a declaration that certain investment returns received by the

moving parties were fraudulent conveyances (the “clawback order”). Myers J. bifurcated the trustee’s motion into two parts and deferred the disposition of the costs of the trustee’s motion until final determination of the second part of the motion.

[2] A group of investors in Grozelle’s scheme, many of whom are now the moving parties on this motion, brought a cross-motion for directions concerning the appropriate procedure for determining the clawback claims, the methodology for identifying net winners and net losers, and certain concerns about the administration of the bankruptcy estate. The cross-motion was dismissed with costs of $180,000 ordered against the moving parties (the “costs order”).

[3] The moving parties bring this motion for leave to amend their notice of appeal to seek leave to appeal the costs order. They have not appealed from the dismissal of their cross-motion. They have appealed from the clawback order, which they argue is inextricably bound up with the issues on the cross-motion and the costs order.

Issues

[4] Before the amendment question can be determined, it is necessary to determine two other issues:

(1) First, whether the costs order is an order made under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "*BIA*"), and, if so, whether the moving parties must obtain leave to appeal the $180,000 order under s. 193(e) of the *BIA*. The parties submitted further written arguments on this issue, which I have received and reviewed.

(2) Second, if the costs order is not an order made under the *BIA*, whether the appeal from the costs order, which would otherwise lie to the Divisional Court with leave, should be consolidated with the appeal from the clawback order, pursuant to s. 107(1) of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (the "*CJA*").

[5] For the reasons that follow, I am of the view that the costs order was a procedural order made under the statutory powers of the *BIA* and that leave to appeal is therefore required under s. 193(e) of the *BIA*. I further conclude that leave to appeal should not be granted. As a result, I dismiss the moving parties' motion.

Analysis

i. Does s. 193 of the *BIA* apply?

[6] I disagree with the moving parties' submissions that the costs order was a freestanding order related to the fraudulent conveyances declaration and should be subject to the appeal provisions of the *CJA*.

[7] The jurisdiction of the court for the purposes of appeal is governed by the substance of the order made: *RREF II BHB IV Portofino, LLC v. Portofino Corporation*, 2015 ONCA 906, 33 C.B.R. (6th) 9, at para. 12; *Dal Bianco v. Deem Management Services Limited*, 2020 ONCA 585, 82 C.B.R. (6th) 161, at para. 11. The costs order followed the moving parties' unsuccessful cross-motion, which focused on administrative and procedural matters within the bankruptcy. Myers J. made the costs order pursuant to the authority conferred under s. 197(1) of the *BIA*. That there was authority for the court to make the costs order under the *CJA* is of no moment. Where the authority to make the order is under the *BIA* and under provincial legislation in bankruptcy proceedings, the appeal is governed by the *BIA* as a matter of paramountcy: *Business Development Bank of Canada v. Astoria Organic Matters Ltd.*, 2019 ONCA 269, 69 C.B.R. (6th) 13, at paras. 5, 66-67; *Dal Bianco*, at para. 6.

[8] Accordingly, the moving parties' proposed appeal of the costs order is under s. 193 of the *BIA*.

ii. Is leave to appeal required under s. 193(e) of the *BIA*?

[9] I reject the moving parties' argument that their proposed appeal from the $180,000 costs order is as of right under s. 193(c) of the *BIA*. It is well-established that s. 193(c) is to be construed narrowly, rejecting an expansive application of the automatic right of appeal contained in that section. The approach to be followed is "alive to and satisfies the needs of modern, 'real-time' insolvency litigation" and

dictates that: “s. 193(c) does not apply to (i) orders that are procedural in nature, (ii) orders that do not bring into play the value of the debtor's property, or (iii) orders that do not result in a loss”: *2403177 Ontario Inc. v. Bending Lake Iron Group Limited*, 2016 ONCA 225, 396 D.L.R. (4th) 635, at para. 53.

[10] The essence of the bankruptcy regime is to promote the efficient and expeditious resolution of a bankruptcy, one of the principal objectives of bankruptcy legislation, which necessarily requires the court to control the appeal process in bankruptcy matters: *2403177 Ontario Inc.*, at para. 47. It would be contrary to the legislative purpose of the bankruptcy regime to allow an automatic right of appeal for costs orders that under any other regime, including the *CJA*, would require leave to appeal.

[11] The proposed appeal relates to the monies that the appellants have to pay in costs, not the bankrupt’s property or any loss to the bankrupt’s property exceeding $10,000. Rather, the costs order serves to reimburse the trustee for its costs in responding to the unsuccessful cross-motion. The costs order is therefore entirely procedural. As a result, leave to appeal is required under s. 193(e) of the *BIA*: *Osztrovics Estate v. Osztrovics Farms Ltd.*, 2015 ONCA 463, 27 C.B.R. (6th) 156.

iii. Should leave to appeal the costs order be granted under s. 193(e) of the *BIA*?

[12] The moving parties submit that the issue of leave to appeal should be left to the appeal panel. There is no justification for doing so. As a single judge of this court, I clearly have jurisdiction to determine the question of leave to appeal under s. 193 of the *BIA*. Moreover, as this court recently instructed in *North House Foods Ltd. (Re)*, 2025 ONCA 563, 20 C.B.R. (7th) 1, at para. 34: "Motions for leave to appeal under s. 193(e) are to be brought to a single judge in chambers." Motions for leave to appeal may be put before an appeal panel but it is not mandatory to do so. Further, delaying this issue to the appeal panel would only interfere with the speedy administration of the appeal and simply cause more costs to be incurred in this bankrupt estate.

[13] I turn finally to the question of whether leave to appeal the costs order should be granted. I am not persuaded that it is in the interests of justice to do so, having regard to the well-established criteria set out by this court in *Business Development Bank of Canada v. Pine Tree Resorts Inc.*, 2013 ONCA 282, 115 O.R. (3d) 617, at para. 29, and as followed in subsequent cases of this court:

(1) The proposed appeal does not raise any issue of general importance to the practice in bankruptcy or insolvency matters. The costs order was a run-of-the-mill costs order following an unsuccessful motion.

(2) The proposed appeal is not *prima facie* meritorious. It is a high hurdle to obtain leave to appeal a costs order because of its discretionary nature and the considerable appellate deference owed to the judge's exercise of discretion in making it. This deference is only displaced where the costs order is the product of an error in principle or plainly wrong: *Hamilton v. Open Window Bakery Ltd*., 2004 SCC 9, [2004] 1 S.C.R. 303, at para. 27.

(3) Finally, the proposed appeal would hinder the progress of the bankruptcy proceedings. If leave to appeal were granted, the trustee would have to use non-existent or scant resources to respond to an appeal that *prima facie* lacks merit and to delay the reimbursement of its costs expended to respond to the cross-motion.

[14] Leave to appeal the costs order is therefore denied.

Conclusion

[15] In summary, I conclude that the costs order is an order made under the *BIA* and that leave to appeal is required under s. 193(e) of the *BIA*. I further determine that leave to appeal should not be granted. As a result, it is unnecessary to consider the issues of consolidation and amendment.

Disposition

[16] The moving parties' motion is dismissed.

[17] The trustee is entitled to its costs from the moving parties. Although the parties submitted costs outlines at the hearing of the motion, those outlines did not include the fees for the supplementary written submissions submitted by the parties. If the parties are unable to agree on the disposition of costs, they may deliver brief written submissions of no more than one page, plus a revised costs outline, within 10 days of the release of these reasons.



Appendix I

COURT OF APPEAL FOR ONTARIO

CITATION: Grozelle (Re), 2026 ONCA 514
DATE: 20260709
DOCKET: M57106 (COA-26-CV-0234)

Roberts J.A. (Motion Judge)

In the Matter of the Bankruptcy of Douglas Grozelle, of the City of Hamilton, in the Province of Ontario

James Gibson, for the appellants/moving parties, Robyn Lee, 13877035 Canada Inc., 13876985 Canada Inc., John McMullan, Krista McMullan, Hardial Singh, SS Singh Enterprises, Christopher Chetty, Chris Chetty Financial Inc., Shan Singh, CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation

David Ward and Armando Ranjbar, for the respondent/responding party, Grant Thornton Limited in its capacity as trustee in bankruptcy of Douglas Grozelle

Heard: June 10, 2026

COSTS: REASONS FOR DECISION

[1] On June 24, 2026, I dismissed the moving parties' motion. The moving parties shall pay the all-inclusive amount of $7,551.23 to the trustee in bankruptcy for its costs.



Appendix J

COA-26-CV-0234
M57582

COURT OF APPEAL FOR ONTARIO

THE HONOURABLE JUSTICE MONAHAN **FRIDAY the 18TH DAY OF SEPTEMBER, A.D., 2026**

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE
of the City of Hamilton, Province of Ontario

ORDER

THIS MOTION, made by Naymark Law for an order removing Naymark Law as lawyers of record for the appellants Christopher Chetty, Chris Chetty Financial Inc., Shan Singh, CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation (together, the "**Withdrawing Clients**"), was heard this day at Osgoode Hall, 130 Queen Street West, Toronto, Ontario, by videoconference,

ON READING the motion record and the unredacted motion record, including the affidavit of James Gibson, and on hearing the submissions of the moving lawyer, and the submissions of the parties appearing on the counsel slip, no one else appearing although properly served,

1. **THIS COURT ORDERS** that Naymark Law is removed as lawyers of record for the Withdrawing Clients, Christopher Chetty, Chris Chetty Financial Inc., Shan Singh, CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation, upon compliance with subrule 15.05(b) of the *Rules of Civil Procedure*.

2. **THIS COURT ORDERS** that Naymark Law shall continue as lawyers of record for the remaining appellants, Robyn Lee, 13877035 Canada Inc., 13876985 Canada Inc., John McMullan, Krista McMullan, Hardial Singh and SS Singh Enterprises.

3. **THIS COURT ORDERS** that service of this order on the Withdrawing Clients may be effected by email, in place of the methods of service specified in subrule 15.04(6) of the *Rules of Civil Procedure*, at the email addresses and other contact particulars set out below:

Christopher Chetty

Last known address: 47 Vanguard Drive, Whitby, Ontario, L1M 2N8, Canada

Alternate address (if any): 72 Halfmoon Square, Toronto, Ontario, M1C 3V3, Canada

Telephone: (416) 892-0746

Email: info@chrischettyinc.com

Chris Chetty Financial Inc.

Last known address: 47 Vanguard Drive, Whitby, Ontario, L1M 2N8, Canada

Alternate address (if any): Not available

Telephone: (416) 892-0746

Email: info@chrischettyinc.com (c/o Christopher Chetty)

Shan Singh

Last known address: 246 Dufferin Hill Drive, Vaughan ON L4K 5K5

Alternate address (if any): Not available.

Telephone: Not available.

Email: Served c/o info@chrischettyinc.com and anthony@forceonecapital.ca

CCSS Fin Fund Inc.

Last known address: 1964 Queensbury Drive, Oshawa, Ontario, L1K 0S1, Canada

Alternate address (if any): Not available.

Telephone: 416.931.4476

Email: Served c/o info@chrischettyinc.com and anthony@forceonecapital.ca

QQ21 Fund Inc.

Last known address: 1119 – 29 Queens Quay East, Toronto, Ontario, M5E 0A4, Canada

Alternate address (if any): Not available.

Telephone: (416) 892-0746

Email: Served c/o info@chrischettyinc.com and anthony@forceonecapital.ca

13176100 Canada Ltd.

Last known address: 320 Bay Street, Suite 101, Toronto, Ontario, M5H 4A6, Canada

Alternate address (if any): Not available

Telephone: 416.931.4476

Email: anthony@forceonecapital.ca (c/o Anthony Rossi)

Force One Marketing Corporation

Last known address: Attention / Care of Force One Marketing Corp (Anthony R), 320 Bay Street, Suite 101, Toronto, Ontario, M5H 4A6, Canada

Alternate address (if any): Not available.

Telephone: 416.931.4476

Email: anthony@forceonecapital.ca (c/o Anthony Benedetto Rossi)

Service is effective five days after emailing.

4. **THIS COURT ORDERS** that, pursuant to subrule 15.04(12) of the *Rules of Civil Procedure*, Chris Chetty Financial Inc., CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation shall, within 30 days after being served with this order,

(a) appoint a new lawyer of record by serving a notice in Form 15B under subrule 15.03(2) of the Rules of Civil Procedure; or

(b) obtain and serve on every other party an order under subrule 15.01(2) granting them leave to be represented by a person other than a lawyer.

5. **THIS COURT ORDERS** that, pursuant to subrule 15.04(13) of the *Rules of Civil Procedure*, if Chris Chetty Financial Inc., CCSS Fin Fund Inc., QQ21 Fund Inc., 13176100 Canada Ltd. and Force One Marketing Corporation fail to comply with paragraph 4 above,

(a) the court may dismiss their proceeding or strike out their defence; and

(b) in an appeal,

(i) a judge of the appellate court may, on motion, dismiss the corporation's appeal, or

(ii) the court hearing the appeal may deny the corporation the right to be heard.

6. **THIS COURT ORDERS** that, pursuant to subrule 15.04(16) of the *Rules of Civil Procedure*, Christopher Chetty and Shan Singh shall, within 30 days after being served with this order,

(a) appoint a new lawyer of record by serving a notice in Form 15B under subrule 15.03(2) of the Rules of Civil Procedure; or

(b) serve a notice of intention to act in person (Form 15C) under subrule 15.03(3) of the Rules of Civil Procedure.

7. **THIS COURT ORDERS** that, pursuant to subrule 15.04(17) of the *Rules of Civil Procedure*, if Christopher Chetty and Shan Singh fail to comply with paragraph 6 above,

(a) the court may dismiss the client's proceeding or strike out the client's defence; and

(b) in an appeal,

(i) a judge of the appellate court may, on motion, dismiss the client's appeal, or

(ii) the court hearing the appeal may deny the client the right to be heard.

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

September 18, 2026

PER / PAR: **TL**

Registrar
COURT OF APPEAL FOR ONTARIO
Tobi Lateef

Appendix K

Court File No. CV-23-00082142-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

THE HONOURABLE MR.	)	TUESDAY, THE 13TH
	)	
JUSTICE VALENTE	)	DAY OF FEBRUARY, 2024

MICHAEL FOLEY, JONATHAN WILLIAMS, WILLIAMS VENTURE CAPITAL INC. and CRYSTAL MASTERSON

Applicants

-and-

DOUGLAS GROZELLE AND DOUGLAS GROZELLE O/A GROZELLE ENTERPRISES

Respondent

ORDER
(Aragon Restaurants, Production of Financial Records)

THIS MOTION, made by Grant Thornton Limited ("**Grant Thornton**"), in its capacity as receiver of Douglas Grozelle and Douglas Grozelle o/a Grozelle Enterprises ("**Grozelle**"), for an Order:

a) directing that Aragon Restaurants Inc. ("**Aragon**") and the restaurants operating under the business names "Bent Taco", "Tesoro Restaurant", and "Frank and Steins" properly account for and remit any and all payments presently owed or coming due to Grozelle, K&M Venture Capital Group Inc. ("**K&M**"), 2841291 Ontario Inc., or 2808227 Ontario Inc. (or their successor or assignee entities, if any) to the Receiver ("**Aragon Funds**");

b) an order, further to paragraphs 9 and 10 of the order of the Honourable Mr. Justice Goodman, dated July 20, 2023 ("**Receivership Order**"), directing The Toronto-

Dominion Bank ("**TD**") to provide the Receiver with records for any accounts held by TD for the benefit of Grozelle or K&M;

c) approving the first report of the Receiver, dated January 30, 2024 ("**First Report**"), and the activities of the Receiver described therein;

was heard this day by Zoom video conference.

ON READING the First Report, the Supplemental Report to Court of the Receiver, dated February 9, 2024, the Affidavit of Douglas Grozelle, affirmed February 8, 2024, and on hearing the submissions of counsel for each of the Receiver, K&M, John McMullan, Brian McMullan, Krista McMullan, 2808227 Ontario Inc., 2841291 Ontario Inc., Hardial Singh, Grozelle, and Ross Grozelle, no one else appearing although served as evidenced by the affidavit of service of Darlene Moffett, sworn February 1, 2024,

AND ON BEING ADVISED that TD, K&M, John McMullan, Brian McMullan, Krista McMullan, 2808227 Ontario Inc., 2841291 Ontario Inc., and Hardial Singh do not oppose the relief sought herein, and that Ross Grozelle and Douglas Grozelle consent to the relief sought herein,

SERVICE

1. **THIS COURT ORDERS** that the service of the Notice of Motion and the Motion Record is hereby validated such that this motion is properly returnable today and hereby dispenses with further service thereof.

DEFINITIONS

2. **THIS COURTS ORDERS** that capitalized terms not defined herein shall have the meanings given to them in the Receivership Order.

ARAGON RESTAURANTS

3. **THIS COURT ORDERS** that Aragon and the Aragon Restaurants shall remit any and all payments of any kind ("**Aragon Funds**") owing to any person pursuant to or on account of the Equity Purchase & Loan Agreement, dated June 3, 2022, between Aragon and 2808227 Ontario Inc. and the Equity Purchase & Loan Agreement, dated July 1, 2022, between Aragon and 2808227 Ontario Inc. (together, the "**Aragon Agreements**") to the Receiver, to be held in a trust account, separate and apart from the receivership of Grozelle, pending further order of this Court. Such payments shall include, but are not limited to, loan repayments, dividends, and proceeds from the sale of the Aragon Restaurants.

4. **THIS COURT ORDERS** that Aragon, John Garbe, John McMullan, Brian McMullan, Ross Grozelle, Hardial Singh, Krista McMullan, 28008227 Ontario Inc., 2841291 Ontario Inc., and all persons having notice of this order and relevant information shall forthwith provide the Receiver with a full and proper accounting with supporting documents of their investments in Aragon Restaurants, if any, and shall otherwise cooperate with the Receiver with a view to allowing the Receiver to understand their respective financial and/or ownership interest(s) in Aragon Restaurants and its related interests.

PRODUCTION OF FINANCIAL RECORDS

5. **THIS COURT ORDERS** that notwithstanding paragraph 9 of the Receivership Order, any and all financial institutions, including TD, shall produce to the Receiver any and all Records and K&M Records (as defined in the February 13, 2024 order of the Honourable Mr. Justice Valente) in its possession or control, having regard to the limitations of the financial institutions' retention and storage policies and practices,

notwithstanding that any disclosure may include "personal information" about third parties as defined in *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, as amended.

6. **THIS COURT ORDERS** that the Receiver shall compensate TD for its compliance with paragraph 5 of this Order at the rates charged by TD for producing such documents.

RECEIVER'S BORROWING CHARGE

7. **THIS COURT ORDERS** that paragraph 29 of the Receivership Order be and is hereby amended to increase the Receiver's Borrowing Charge to $250,000.

APPROVAL OF ACTIVITIES

8. **THIS COURT ORDERS** that the First Report and the conduct and activities of the Receiver as described therein are hereby approved.

GENERAL

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

10. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

11. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body,

wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

ELECTRONICALLY ISSUED AND ENTERED
Mohamed Mutasim Mohamed
Digitally signed by Mohamed Mutasim Mohamed
Date: 2024.02.14 17:24:45 -05'00'

Local Registrar

45 Main Street East,
Hamilton, Ontario L8N 2B7

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Hamilton

ORDER
(SUPPLEMENTAL RELIEF)

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Lawyers for Grant Thornton Limited, in its capacity as receiver of Douglas Grozelle and Douglas Grozelle o/a Grozelle Enterprises

Appendix L

Court File No.: CV-23-00082142-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

MICHAEL FOLEY, JONATHAN WILLIAMS,
WILLIAMS VENTURE CAPITAL INC. and CRYSTAL MASTERSON

Applicants

- and -

DOUGLAS GROZELLE
and DOUGLAS GROZELLE o/a GROZELLE ENTERPRISES

Respondents

APPLICATION UNDER SECTION 101 OF THE
***COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C.43, AS AMENDED**

FOURTH REPORT OF THE RECEIVER

October 21, 2024



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

TABLE OF CONTENTS

I. OVERVIEW OF PROCEEDINGS 1
II. BACKGROUND - RECEIVERSHIP PROCEEDINGS 3
III. PURPOSE OF THIS REPORT 4
IV. SCOPE AND TERMS OF REFERENCE 4
V. GROZELLE BANKRUPCTY PROCEEDINGS 5
VI. PUNTA CANA CONDO FUNDS 7
VII. ASSET INVESTIGATIONS 8
VIII. COMMUNICATIONS WITH INVESTORS 11
IX. INTENDED COURT PROCEEDINGS 14
X. RECEIVER'S ACTIVITIES SINCE THE THIRD REPORT 15
XI. RECOMMENDATION 17

APPENDICES

Tab	Document
A.	Net Winners Chart
B.	Net Losers Chart
C.	Interim Order, dated July 7, 2023
D.	Receivership Order, dated July 20, 2023
E.	K&M Receivership Order, dated February 13, 2024
F.	Certificate of Appointment dated September 11, 2024
G.	Creditors' Package
H.	Minutes of the First Meeting of Inspectors, held October 2, 2024
I.	July 4, 2024 Order
J.	October 3, 2024 Email from Vasiliadis
K.	October 4, 2024 Email from Counsel for the Receiver
L.	October 9, 2024 Email Exchange
M.	Schedule of Transfers to Carabin Wood Works Limited and Danielle Carabin
N.	Corporate Profile Report for Carabin Wood Works Limited
O.	Instagram Account for Carabin Wood Works Limited
P.	Land Registration View Search Results
Q.	Realtor.ca Search Results
R.	September 11, 2024 Letter without Attachments
S.	October 8, 2024 Email Exchange
T.	February 13, 2024 Order
U.	October 6, 2024 Email from John Garbe
V.	October 7, 2024 Email from Counsel for the Receiver

W. Receiver's Accounting

X. October 10, 2024 Letter without Attachments

Y. September 12, 2024 Letter from Counsel for the McMullans

Z. October 18, 2024 Letter without Attachments

AA. Draft Notice of Motion

BB. Receiver's Legal Submissions

I. OVERVIEW OF PROCEEDINGS

1. Since its appointment on July 20, 2023, Grant Thornton Limited, in its capacity as receiver ("**Receiver**") of Douglas Grozelle, Douglas Grozelle operating as Grozelle Enterprises (together, "**Grozelle**"), and K&M Venture Capital Group Inc. ("**K&M**"), has pursued an investigation, accounting, and reconciliation of the more than $24.5 million in funds invested by 236 individuals and entities ("**Investors**")[1] in a Ponzi-like investment scheme operated by Grozelle with the assistance of others.

2. Over a period of approximately two years between November 2020 and November 2022, Grozelle solicited funds from Investors. Investor contributions were generally characterized as "borrowings", and were documented through promissory notes issued by Grozelle ("**Investor Funds**"). Investors were induced to contribute capital by promises of extraordinary—often usurious—rates of return.

3. However, none of the investments, save for one, resulted in any legitimate returns or income.

4. Grozelle repaid early Investors their promised extraordinary returns with funds received from later Investors. Doing so appeased Grozelle's early Investors and created the impression that the scheme was successful thereby inducing others to become Investors.

5. The scheme was insolvent from its inception. However, the monies at risk and associated losses grew over time as Grozelle solicited more and more Investors to participate.

6. When the sources of continuing financing dried up (i.e. new Investors), the scheme collapsed into litigation and ultimately receivership and bankruptcy.

[1] The total number of Investors is calculated by taking the total number of persons who transferred money to Grozelle, and adding the total number of persons who received money from Grozelle but did not transfer money to Grozelle.

7. It has been challenging for the Receiver to identify persons who profited from the scheme and those who did not because Grozelle did not maintain adequate books and records.

8. However, based on the Receiver's analysis of account records and statements for bank accounts held by Grozelle, 116 of 236 Investors suffered "losses" in the scheme in that the payments they received were less than the principal amount of their "investment" or "capital" contribution ("**Net Losers**"). These Net Losers incurred aggregate losses of $24,555,704.[2]

9. The remaining Investors received reimbursement of their initial investment and additional amounts totaling in excess of their investment ("**Net Winners**"). Some Net Winners contributed little, if any, capital to the scheme. The Receiver has prepared a summary of the Net Winners and Net Losers that is attached as **Appendices "A"** and **"B"** respectively**.**

10. In total, there are 120 Net Winners that transferred an aggregate of $28,361,446 in the scheme and received total payments of $49,314,233, thereby receiving $21,576,505 in "excess" of their investment in or capital contribution to the scheme ("**Profits**"). The Net Winners achieved realizations ranging from approximately 5% to 6,700% of their principal contributions.[3]

11. The Receiver acknowledges that some of the Net Winners were not parties to and had no knowledge of the Ponzi aspect of the investment scheme. However, for these Net Winners, their lack of participation and knowledge is not an answer to

[2] In the Third Report of the Receiver, dated September 9, 2024, the Receiver noted that 114 of 194 Investors incurred net losses. Since the Third Report, the Receiver has incorporated those persons who received funds from and transferred funds to K&M, and aggregated some Investors the Receiver has subsequently learned are associated.

[3] In the Third Report, the Receiver identified 80 Net Winners that received $20,465,851 in Profits. These numbers have increased because the Receiver has included those Net Winners that received less than $10,000 but more than $1,000, whereas the Third Report excluded these Net Winners from the calculations. The Receiver has also excluded a few persons who the Receiver believes received funds from Grozelle, but were not involved in the scheme (e.g. Carabin Wood Works Limited, as explained below).

fraudulent preferences law and restitutionary based claims for disgorgement of Ponzi profits.[4]

12. As explained in the Third Report of the Receiver, dated September 9, 2024 ("**Third Report**"), the Receiver has recently recommended proceedings to "clawback" (or seek disgorgement of) the full amount of the Profits received by the Net Winners, failing which judgment ought to issue against those parties who have not made appropriate restitution of what are essentially false profits ("**Clawback Motion**").

II. BACKGROUND - RECEIVERSHIP PROCEEDINGS

13. On July 7, 2023, the Honourable Madam Justice Sheard granted an order ("**Interim Order**") appointing Grant Thornton Limited as the interim receiver ("**Interim Receiver**") of all of the assets, undertaking, and property acquired for or used in relation to any business carried on by Grozelle ("**Property**"). A copy of the Interim Order is attached as **Appendix "C"**.

14. Among other things, the Interim Order (i) froze all assets held by financial institutions for the benefit of Grozelle; (ii) required Grozelle to produce certain documents related to his finances to the Receiver; and (iii) required the cooperation of the Financial Transactions and Reports Analysis Centre of Canada, the Ontario Provincial Police, and certain Canadian financial institutions in advising the Interim Receiver of any Property or Records (as defined in the Interim Order) in their possession or control.

15. On July 20, 2023, the Honourable Mr. Justice Goodman granted an order expanding the Interim Receiver's powers such that they accord with the Commercial List Model Receivership Order ("**Receivership Order**"). The Receivership Order appointed Grant Thornton as Receiver of all of the assets, undertaking, and property of Grozelle and granted additional authority and powers

[4] *Den Haag Capital LLC v. Correia*, 2010 ONSC 5339 at para 70 [Commercial List]; *Boale, Wood & Company Ltd. v. Whitmore*, 2017 BCSC 1917 at para 111.

to the Receiver including the ability to take possession of the Property, collect any and all funds owed to Grozelle, and to sell the Property. Attached as **Appendix "D"** is a copy of the Receivership Order.

16. On February 13, 2024, the Honourable Mr. Justice Valente, granted an order appointing Grant Thornton as receiver of all of the assets, undertaking, and property of K&M ("**K&M Receivership Order**"). Attached as **Appendix "E"** is a copy of the K&M Receivership Order.

III. PURPOSE OF THIS REPORT

17. This fourth report of the Receiver ("**Fourth Report**") provides an update to the Court and creditors of Grozelle and K&M on the following matters:

(a) Grozelle's bankruptcy proceedings and the first meeting of creditors;

(b) the Receiver's continued investigation of the Punta Cana Condo Funds;

(c) the Receiver's ongoing investigation of potential assets that may be available for realization for the benefit of creditors;

(d) communications with Investors;

(e) the intended Clawback Motion; and

(f) a summary of the Receiver's activities since the Third Report.

IV. SCOPE AND TERMS OF REFERENCE

18. In preparing this Fourth Report, the Receiver has relied upon unaudited financial information obtained through public searches, requests for information including from financial institutions, Grozelle, K&M, Krista McMullan, John McMullan (including from their respective legal counsel), Grozelle's creditors, and known business partners of Grozelle. While the Receiver believes that the financial information reviewed provides a fair summary of the transactions as reflected in

the documents, such work does not constitute an audit or verification of such information for accuracy, completeness, or compliance with Generally Accepted Assurance Standards ("**GAAS**"), Generally Accepted Accounting Principles ("**GAAP**"), or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to GAAS, GAAP, or IFRS with respect to such information.

19. This Fourth Report provides the Receiver's best analysis based on the information available of the business and financial dealings of Grozelle and K&M and other parties. It has been prepared for the use of this court and the stakeholders of Grozelle and K&M and is intended to assist the court in considering such directions and relief as may be sought. The reader is cautioned that this Fourth Report may not be appropriate for any other purpose. The Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction, or use of this Fourth Report contrary to the provisions of this paragraph.

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

21. Defined terms that are not specifically defined in this Fourth Report shall have the meanings as defined in the Receivership Order and prior reports of the Receiver.

22. Further details regarding Grozelle, K&M, and these proceedings may be found on the Receiver's case webpage at: https://www.grantthornton.ca/grozelle.

V. GROZELLE BANKRUPCTY PROCEEDINGS

23. On September 11, 2024, the Receiver assigned Grozelle into bankruptcy and Grant Thornton, a Licensed Insolvency Trustee, was appointed trustee-in-bankruptcy of Grozelle (in such capacity, the "**Trustee**"). Attached as **Appendix "F"** is a copy of the Certificate of Appointment dated September 11, 2024.

24. The Trustee sent all known creditors of Grozelle a creditor's package consisting of the Notice of Bankruptcy and First Meeting of Creditors, Proof of Claim Form, Proxy Form, Statement of Affairs, and Income and Expense Statement. Attached as **Appendix "G"** is a copy of the package sent to creditors.

25. The statutorily prescribed first meeting of creditors was held on October 2, 2024, at the Trustee's offices in Toronto, and virtually via Zoom video conference. The meeting was chaired by the Office of the Superintendent of Bankruptcy ("**OSB**"). The Trustee has not yet received the minutes of the meeting from the OSB.

26. During the meeting, Grozelle's creditors elected Crys Masterson, Jonathan Williams, Dr. Erin Woodburn, Chelsea Prince, and Jeanine Garlow as inspectors of Grozelle's bankruptcy estate ("**Inspectors**").

27. Immediately following the meeting, the Inspectors met to discuss the bankruptcy proceedings. During the meeting, the Inspectors resolved, among other things, that the Trustee should pursue the Clawback Motion. Attached as **Appendix "H"** is a copy of the Minutes of the First Meeting of Inspectors.

28. To date, approximately 42 Investors, including Net Winners, have filed proofs of claim in the bankruptcy proceeding.

29. In respect of those proofs of claim where Investors have either failed to provide supporting documentation, or provided incomplete supporting documentation, the Trustee has invited the Investor to submit supporting records to supplement their claim.

30. The Trustee continues to review and validate all proofs of claim filed. The review is being undertaken with the benefit of the investigations and accounting reconciliations completed during the course of the prior receivership proceedings. For example, to the extent that an Investor seeks to prove a claim in the bankruptcy proceedings that is different (i.e. valued higher or lower) from the receivership

assessment of such claim, the creditor is so advised and provided with an opportunity to submit banking or financial records sufficient to reconcile or explain any discrepancies.

VI. PUNTA CANA CONDO FUNDS

31. Regarding the Punta Cana Condo Funds, parties are reminded that the Honourable Mr. Justice Valente made an interim order dated July 4, 2024 directing that the monies be paid into trust in Canada and held pending a final determination of entitlement. A copy of the July 4, 2024 order is attached as **Appendix "I"**.

32. Unfortunately, no progress has been made in implementing the July 4, 2024 order.

33. By way of recent update, Dimitri Vasiliadis ("**Vasiliadis**") called the Receiver's counsel on October 1, 2024 and said that he was in jail in the Dominican Republic.

34. Vasiliadis subsequently proposed a settlement to the Receiver's counsel. The Receiver's counsel advised Vasiliadis that while the Receiver was not prepared to negotiate a settlement between Vasiliadis and the McMullans, the Receiver would be prepared, if appropriate, to assist in implementing any settlement that might be reached by the parties directly. For example, and as previously advised, the Receiver would consider acting as an "escrow agent" to facilitate the completion of a settlement.

35. On October 3, 2024, Vasiliadis sent an email to counsel for the Receiver and the McMullans regarding his detention and a proposed settlement offer. Although the email was addressed to Justice Valente, it was not sent to His Honour. Attached as **Appendix "J"** is a copy of the October 3, 2024 email. It has been redacted to remove the settlement proposal.

36. On October 4, 2024, counsel for the Receiver responded and advised that Vasiliadis should not communicate directly with Justice Valente, but noted that the

Receiver would include Vasiliadis' email in the next Receiver's report. Attached as **Appendix "K"** is a copy of this email.

37. On October 9, 2024, Vasiliadis requested the consent of the parties to communicate directly with Justice Valente. Such all-party consent was not obtained. Attached as **Appendix "L"** is a copy of this email chain.

38. As of the date of this report, the Receiver has not received any further communication from either Vasiliadis or the McMullans regarding a potential resolution of this matter.

39. The Receiver's motion in respect of the Punta Cana Condo Funds was brought to preserve a potential asset of the receivership estate pending a determination as to the entitlement to the funds. While it does not appear that the Punta Cana Condo Funds will be realized in the immediate future, it is anticipated that the Receiver's claim to the amounts transferred to Krista McMullan in connection with the Punta Cana Condo Funds will now be addressed by the proposed Clawback Motion. This is because the $150,000 transferred by Grozelle to Krista McMullan in connection with the Punta Cana Condo Funds forms part of the amount attributed to Krista McMullan in the Net Winners schedule attached as Appendix "A" to this report.

VII. ASSET INVESTIGATIONS

A. Carabin Wood Works Limited

40. In connection with the Receiver's investigation and tracing of the Investor Funds, the Receiver identified a total of $73,333 that was transferred to Carabin Wood Works Limited ("**Carabin**") from a Grozelle bank account with the Bank of Montreal ("**BMO**"). The Receiver identified a further $20,000 that was transferred from the same account to the spouse of the principal of Carabin, Danielle Carabin in two transfers on August 30, 2022 and November 1, 2022. Attached as **Appendix "M"** is a schedule listing the transfers to Carabin and Danielle Carabin.

41. Carabin is a carpentry and home building company based in Sydney, Nova Scotia. Attached as **Appendix "N"** is a copy of the corporate profile for Carabin. Attached as **Appendix "O"** is a copy of Carabin's Instagram account.

42. The expenditures appear to be in connection with a parcel of real property in Boularderie East, Nova Scotia that, at the time of the payments, was owned by John McMullan ("**Property**"). The relevant parcel register indicates that John McMullan sold the Property on July 20, 2024, for $760,000. Attached as **Appendices "P"** and **"Q"** are a copy of the Land Registration View search results for the Property, and the search results from Realtor.ca for the Property.

43. On September 11, 2024, counsel for the Receiver wrote to Carabin regarding the payments. The Receiver requested particulars regarding the transfers, including any documents related to the payments such as invoices, contracts, agreements, and emails. Attached as **Appendix "R"** is a copy of the September 11, 2024 letter without attachments.

44. Carabin did not respond to this letter.

45. On October 8, 2024, the Receiver called Carabin's principal, Rick Carabin, regarding the transfers. The Receiver emailed Mr. Carabin on October 8, 2024, to confirm the contents of their discussion and to request that he provide copies of documents related to the work performed by Carabin at the Property.

46. Mr. Carabin responded to the Receiver's email the same day and confirmed the contents of the discussion, but did not provide any documents responsive to the Receiver's request. Attached as **Appendix "S"** is a copy of the October 8, 2024 email exchange.

47. The Receiver has followed up with Mr. Carabin numerous times to request documentation related to the fund transfers, but he has so far failed to respond.

48. The Receiver has specifically drawn Mr. Carabin's attention to para 9 of the Receivership Order that empowers the Receiver to compel production of the records requested, and directs that all persons cooperate with the Receiver by providing relevant evidence and records relating to the receivership administration.

49. Unfortunately, it now appears that the Receiver will require this Honourable Court's assistance in further ordering Rick Carabin to comply with the Receiver's outstanding document production request.

50. Efforts will be made to provide Mr. Carabin with a copy of this Receiver's Report as soon as it is issued. He will also be provided with the Zoom particulars for the October 25, 2024 case management hearing.

51. If necessary, the Receiver recommends that a motion be scheduled so that an order can be sought seeking all appropriate relief in respect of Mr. Carabin's ongoing non-compliance with the Receivership Order and the Receiver's requests of Mr. Carabin as described herein.

52. The $93,333 paid to Carabin to renovate the Property has not yet been included in the Net Winners calculation for John McMullan

B. Aragon Restaurants Inc.

53. On February 13, 2024, Justice Valente granted an order directing that Aragon Restaurants Inc. ("**Aragon**") and the restaurants operating under the business names "Bent Taco", "Tesoro Restaurant", and "Frank and Steins" remit any and all payments of any kind ("**Aragon Funds**") owing to any person pursuant to or on account of certain agreements between Aragon and 2808227 Ontario Inc. to the Receiver, to be held in a trust pending further order of the court. Attached as **Appendix "T"** is a copy of the February 13, 2024 order ("**Aragon Order**").

54. Between February 13, 2024 and September 1, 2024, Aragon remitted the monthly loan repayments of Aragon Funds to the Receiver pursuant to the Aragon Order.

The payments remitted to date total $126,502.50 (including interest) and are being held by the Receiver pursuant to the Aragon Order pending the resolution of what the Receiver understands to be claims of John McMullan, Brian McMullan, Krista McMullan, and Hardial Singh to the money.[5]

55. On October 6, 2024, John Garbe, the director of Aragon, requested that the Aragon Funds repayments be reduced by half for three months in light of what he described as Aragon's current cash flow constraints. Mr. Garbe proposed that starting on January 1, 2025, Aragon remit the required $10,550 monthly payment plus an additional $5,225 to make up for the reduced payments from October to December 2024. Attached as **Appendix "U"** is a copy of the October 6, 2024 email from John Garbe.

56. On October 7, 2024, counsel for the Receiver advised that the Receiver would report to Court on this development and seek directions to accept the revised repayment scheduled. Attached as **Appendix "V"** is a copy of the October 7, 2024 email.

57. Aragon remitted $5,000 to the Receiver on October 9, 2024.

58. The Receiver respectfully recommends that the court approve Aragon's proposed revised payment schedule. Mr. Garbe has cooperated with the Receiver. The Receiver wishes to be practical and cost-efficient in addressing what is a relatively low dollar value issue.

VIII. COMMUNICATIONS WITH INVESTORS

59. Since the Third Report was issued, the Receiver has received numerous inquiries from Investors regarding their status as Net Winners or Net Losers. Such parties

[5] This amount includes the $24,000 that Krista McMullan transferred to the Receiver on account of the sale of the restaurant operating under the name Frank and Steins.

have sought additional details regarding the Receiver's calculations of their investment winnings or losses.

60. The Receiver has provided each Investor who has requested additional information with a table listing all transfers of funds between Grozelle and/or K&M and the Investor ("**Receiver's Accounting**"). Attached as **Appendix "W"** is an example of the format of the Receiver's Accounting.

61. On September 24, 2024, Delaney Ramos ("**Ramos**"), on behalf of herself and her spouse Candido Moniz ("**Moniz**"), wrote to the Receiver regarding the accounting provided by the Receiver and requested certain clarifications.

62. The Receiver's counsel responded on October 10, 2024, and provided additional information. The Receiver's counsel also requested that if Ramos or Moniz intended to provide an alternative accounting, that it be in the same format as the Receiver's Accounting. Attached as **Appendix "X"** is a copy of the October 10, 2024 letter without attachments

63. On September 12, 2024, counsel for K&M, and John and Krista McMullan, requested that the Receiver provide, among other things, particulars for the Net Winners calculations for his clients. Attached as **Appendix "Y"** is a copy of the September 12, 2024 letter.

64. On October 18, 2024, the Receiver's counsel provided the McMullans' counsel with a package of documents in support of its accounting including (i) tables summarizing transfers of funds from Grozelle and K&M to the McMullans, and transfers of funds from the McMullans to Grozelle and K&M; and (ii) source documents from the relevant financial institution and the McMullans for each referenced transaction. The supporting source documentation provided included images of cheques, electronic funds transfer records, bank statements, emails reflecting Interac e-transfers, and wire transfer forms. Such documentation was

made available to McMullans' counsel by way of TitanFile channel link. Attached as **Appendix "Z"** is a copy of the October 18, 2024 letter without attachments.

65. The October 18, 2024 correspondence to McMullan counsel specifically requested that any alternative accounting provided by the McMullans be in the "same form" as that provided by the Receiver and should include: (i) a chronological running account debit/credit list with entries cross-referenced to source documentation; and (ii) complete and legible copies of supporting source documentation from all relevant financial institutions. The accounting must identify the source (name and account particulars) as well as the recipient (name and account particulars) of all payments.

66. The Receiver believes that the exchange of this "same form" accounting will ultimately assist the court and the parties in resolving any accounting issues that need to be determined, including in respect of the intended Clawback Motion. The October 18, 2024 correspondence to the McMullans' counsel noted that the Receiver reserved the right to seek a direction from the court to the effect that parties contesting the Receiver's Accounting provide a "same form" alternative accounting.

67. The Receiver recognizes that parties may question or dispute the Receiver's Accounting of their investment outcome, and it is important that they have an opportunity to do so. However, the Receiver also believes that parties wishing to question the Receiver's assessment of their financial position should engage constructively by putting forward organized and understandable alternative accountings (and supporting financial records) for consideration by the Receiver.

68. In order to assist the court and parties in narrowing, or otherwise efficiently addressing disputed accounting issues, the Receiver requests a direction that any Investor who disputes the Accounting provided by the Receiver shall provide an alternative accounting in a format the same as or similar to the Receiver's

Accounting with cross references to (and inclusion of) all available source documentation from financial institutions.

69. Further, so that the Receiver can ensure it has provided adequate notice of the Clawback Motion to all Net Winners, the Receiver anticipates requesting the court's assistance to address service issues for the Net Winners.

IX. INTENDED COURT PROCEEDINGS

A. Request to Schedule Clawback Motion

70. The Trustee, with the support and instructions of the Inspectors, asks to schedule a motion for a declaration that Profits paid to the Net Winners constitute preferences under the *Assignment and Preferences Act*, R.S.O. 1990, c. A. 33, as amended. An order will be sought that Net Winners repay their Profits to the estate, failing which judgment shall issue against them. The same or comparable relief will be sought on the basis of common law principles of unjust enrichment.

71. A draft notice of motion (clawback relief) is attached as **Appendix "AA"**.

72. It is respectfully submitted that Clawback Motion may be appropriately adjudicated in a bankruptcy motion process. The Receiver's legal submissions in this regard are presented in **Appendix "BB"**.

73. The draft notice of motion at Appendix "BB" is shared with the court and parties in an effort to facilitate a discussion around process and scheduling.

74. As discussed at paras. 28 to 30, above, the bankruptcy proof of claim process is being employed to validate and confirm (or revise as may be required) the financial outcomes of Investors as calculated at Appendices "A" and "B" of this report.

75. As discussed, at paras. 64 and 67, above, the Trustee requests a direction that any Investor that wishes to challenge or contest the Accounting do so by preparing and serving a "same form" accounting.

B. Disposition of Aragon Funds

76. As noted, the Aragon funds are being remitted to the Receiver by loan repayments made over time. Approximately $156,899.80 remains to be collected.

77. If not otherwise resolved, the entitlement to and disposition of the Aragon Funds will need to be adjudicated.

X. RECEIVER'S ACTIVITIES SINCE THE THIRD REPORT

78. The Receiver's activities since the Third Report was filed on September 9, 2024, include:

(a) undertaking real property, corporate profile, internet, and other public record searches so as to better understand the trade, dealings, and property of Grozelle, K&M, and those entities and individuals who received funds from both Grozelle and K&M;

(b) making written requests for productions to multiple financial institutions and third parties in an effort to locate and secure Property and financial information relevant to Grozelle to the extent permitted by the Receivership Order and the K&M Receivership Order;

(c) assembling, reviewing, analyzing, and reconciling bank information, including bank statements and source documents provided by Canadian financial institutions that hold or held accounts for the benefit of Grozelle, with a view to reconstructing the source and disposition of all monies contributed by Investors;

(d) obtaining, reviewing, and analyzing thousands of pages of financial information and documentation from Investors, including Net Winners;

(e) reviewing documents produced by Grozelle, K&M, and Investors, and corporate profile reports, to determine the relationships, if any, between Investors;

(f) considering how best to trace and recover funds paid to and through Transferee Entities;

(g) preparing Grozelle's bankruptcy filing;

(h) preparing for and attending the first meeting of creditors and first meeting of inspectors in the Grozelle bankruptcy estate;

(i) corresponding with Investors regarding their position as Net Winners or Net Losers;

(j) identifying and considering investments and expenditures undertaken by Grozelle and K&M on behalf of Investors in order to determine whether such investments are realizable assets that ought to be pursued on behalf of Investors; and

(k) responding to various creditor claims and inquiries.

79. Certain additional investigations and inquiries of the Receiver are best characterized as sensitive in nature. This is because the work relates to the assembly and assessment of evidence that may be used to pursue Property in circumstances where efforts may have been made to put assets beyond the reach of creditors. The Receiver's work in this regard has accordingly been described at a general level with particulars omitted. Additional details of the Receiver's work in this regard will be put forward if and when appropriate and in connection with such relief as may be sought.

XI. RECOMMENDATION

80. Based on the foregoing, the Receiver respectfully requests that the Court grant an order:

(a) setting a return date for the Clawback Motion and instructing affected parties to work out a motion timetable for submission to the court for approval;

(b) directing that any Investors contesting the Receiver's Accounting provide an alternate "same form" accounting which should include: (i) a chronological running account debit/credit list with entries cross-referenced to source documentation; and (ii) complete and legible copies of supporting source documentation from all relevant financial institutions. The accounting should identify the source (name and account particulars) as well as the recipient (name and account particulars) of all payment

(c) approval of the revised Aragon Funds payment schedule; and

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

All of which is respectfully submitted,

GRANT THORNTON LIMITED
In its capacity as Court-Appointed Receiver
of Douglas Grozelle, Douglas Grozelle o/a Grozelle
Enterprises, and K&M Venture Capital Group Inc.
and not in its personal or corporate capacity
Per.



Daniel Wootton, LIT, CIRP

Appendix M

Docusign Envelope ID: CFFDAE2E-4CF2-84CA-81A4-AB06E7D87444

Province of Ontario
Division No. 07 - Hamilton
Court No. CV-23-00082142-0000
Estate No. 32-3126798

IN THE MATTER OF THE BANKRUPTCY OF
DOUGLAS GROZELLE
OF THE CITY OF HAMILTON, IN THE PROVINCE OF ONTARIO

(Ordinary Administration)

INSPECTORS' RESOLUTION

IT IS RESOLVED AND APPROVED THAT:

1. The Trustee is authorized to enter into the settlement agreement dated October 29, 2026, and such settlement is approved by the Inspectors based upon receipt of the settlement agreement and associated side letters, and with reference to the Inspector meeting held on September 11, 2026 wherein the Trustee provided an explanation of the anticipated terms of the settlement agreement.

We hereby waive the need for a further Inspector's meeting with respect to this resolution.

Dated November 5, 2026

Approved by Inspectors:

Signed by:
C40584FC3FAB496...
Dr. Erin Woodburn

Signed by:
18A3DD20398A42E...
Chelsea Prince

TAB 3

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	TUESDAY, THE 17TH
	)	
JUSTICE DUNPHY	)	DAY OF NOVEMBER, 2026

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

ORDER
(Release of Aragon Funds)

THIS MOTION, made by Grant Thornton Limited, in its capacity as trustee in bankruptcy of Douglas Grozelle ("**Grozelle**") (in such capacity, the "**Trustee**") and in its capacity as receiver of K&M Venture Capital Group Inc. ("**K&M**") (in such capacity, the "**Receiver**"), for an order, among other things, directing that approximately $362,252.77 ("**Aragon Funds**") in funds held by the Receiver pursuant to the order of the Honourable Justice Valente dated February 13, 2024 ("**Aragon Order**") be released to the Receiver, was heard this day by Zoom video conference.

ON READING the Notice of Motion, the Joint Fifth Report of the Receiver and Eighth Report of the Trustee dated November 9, 2026 ("**Joint Report**"), and on hearing the submissions of counsel for each of the Trustee and the Receiver, counsel for Robyn Lee, 13877035 Canada Inc. and 13876985 Canada Inc. (collectively, the "**Lee Parties**"), counsel for John McMullan, Krista McMullan, 2841291 Ontario Inc., JMCM Investments Inc. (collectively, the "**McMullan Parties**"), and counsel for Hardial Singh and S.S. Singh Enterprises Inc. (collectively, the "**Singh**

Parties",and together with the Lee Parties and McMullan Parties, the "**Settling Parties**"), no one else appearing although duly served as appears from the affidavit of service of Maureen McLaren, filed,

AND ON BEING ADVISED that the Settling Parties consent to the relief sought herein,

SERVICE

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

RELEASE OF THE ARAGON FUNDS

2. **THIS COURT ORDERS** that the Aragon Funds are hereby released from the trust imposed by paragraph 3 of the Aragon Order to the Receiver.

IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Hamilton

ORDER
(Release of Aragon Funds)

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IN THE MATTER OF THE BANKRUPTCY OF DOUGLAS GROZELLE, of the City of Hamilton, in the Province of Ontario

Court File No. CL-25-00753575-0000
Estate File No. 32-3126798

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Hamilton

MOTION RECORD

(RETURNABLE NOVEMBER 17, 2026)

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