

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE

JUSTICE

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MONDAY, THE 20th DAY

OF AUGUST, 2018



BETWEEN:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

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

Respondents

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

ORDER

THIS MOTION, made by Grant Thornton Limited ("**GTL**"), in its capacity as the Court-appointed receiver and manager (in such capacity, the "**Receiver**"), without security, of all of the assets, undertakings and properties of each of the Respondents except the Respondent, Chrysalis Yoga Inc. ("**Chrysalis Yoga**") (each of the Respondents except for Chrysalis Yoga being individually and collectively, the "**Crystal Wealth Group**"), for an Order, *inter alia*, approving the Fourth Report of the Receiver dated July 20, 2018 (the "**Fourth Report**") and the activities of the Receiver set out in the Fourth Report, and for other relief requested by the

Receiver in its Notice of Motion dated July 20, 2018, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Fourth Report, including the affidavit of Bruce Bando sworn July 19, 2018 (the "**Bando Affidavit**"), and the affidavit of Mark van Zandvoort sworn July 10, 2018 (the "**van Zandvoort Affidavit**"), the factum of Craig Clydesdale served August 13, 2018, and on hearing the submissions of counsel for the Receiver and such other counsel who were present, no one appearing for any other person on the service list, although duly served as appears from the affidavits of service of Miranda Spence sworn July 23, 2018 and August 16, 2018, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the Receiver's motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that the Fourth Report and the activities of the Receiver described therein be and are hereby approved.

3. **THIS COURT ORDERS** that Confidential Appendix 1 and Confidential Appendix 3 (as defined in the Fourth Report) be and are hereby sealed until further Order of the Court.

4. **THIS COURT ORDERS** that the Receiver's methodology and proposal to make an interim distribution to investors of certain Crystal Wealth Funds, as set out in the Fourth Report, be and is hereby approved, and that the Receiver is hereby authorized to make such interim distribution to such investors.

5. **THIS COURT ORDERS** that Alberto Storelli, Brian Peoples, and Joe Harker are in contempt as a result of their failure to comply with the Order issued by this Court on December 11, 2017 (the "**December 11, 2017 Order**"), which Order required that each of them provide the Receiver and its lawyers, Aird & Berlis LLP, with certain requested but still outstanding information required by the Receiver for a proper account reconciliation and assessment of the US Real Estate LP (as defined in the Fourth Report).

6. **THIS COURT ORDERS** that, as a result of their failure to comply with the December 11, 2017 Order and the finding of contempt against them as set out in paragraph 5 above, Alberto Storelli, Brian Peoples, and Joe Harker are forthwith ordered to comply with the December 11, 2017 Order, and to pay to the Receiver costs in the sum of \$10,000.

7. **THIS COURT ORDERS** that the Receiver's Interim Statement of Receipts and Disbursements through to May 31, 2018, as appended to the Fourth Report, be and is hereby approved.

8. **THIS COURT ORDERS** that the Receiver's engagement of Adair Goldblatt Bieber LLP ("**AGB LLP**") pursuant to an engagement letter dated June 11, 2018, attached as Confidential Appendix 1 to the Fourth Report, be and is hereby approved.

9. **THIS COURT ORDERS** that each of Clayton Smith, Darcy Pahl, David DenHollander, Robert Maljaars, Jeffrey Maljaars, Al Housego, and Jerry Froese be and are hereby ordered to answer the undertakings given, and the questions which were taken under advisement and which were refused, during their respective examinations by the Receiver, as follows:

- (a) Clayton Smith shall forthwith answer the outstanding undertaking given, and shall answer the questions refused during his examination out of court, as set out in the charts appended as Appendix 17 to the Fourth Report;
- (b) Darcy Pahl shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 19 to the Fourth Report;
- (c) David DenHollander shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 21 to the Fourth Report;
- (d) Robert Maljaars shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 20 to the Fourth Report;
- (e) Jeffrey Maljaars shall forthwith answer the questions refused during his examination out of court, as set out in the chart appended as Appendix 22 to the Fourth Report;
- (f) Al Housego shall forthwith answer the outstanding undertaking given during his examination out of court, as set out in the chart appended as Appendix 23 to the Fourth Report; and

- (g) on the consent of Jerry Froese and the Receiver, Jerry Froese shall forthwith answer: (i) the outstanding undertakings given during his examination out of court, being nos. 13, 18, 19, 20, 31 [production of a USB drive with the actual/native data as saved in the software], 34 [missing enclosures], 36, 41, and 42, as set out in the charts appended at Appendix 24 of the Fourth Report; and (ii) the questions taken under advisement and which were refused during his examination out of court, as set out in the charts appended as Appendix 24 to the Fourth Report.

10. **THIS COURT ORDERS** that, on the consent of the Receiver at the request of Regent Law Professional Corporation, paragraphs 162 and 164 of the Fourth Report be and are hereby amended as set out in Schedule "A" to this Order.

11. **THIS COURT ORDERS** that Craig Clydesdale be and is hereby ordered to answer the undertakings given, and the questions which were taken under advisement and which were refused at his examination held March 12 and 13, 2018, as set out at Appendix 18 to the Fourth Report, by no later than September 20, 2018, subject to the following:

- (a) Mr. Clydesdale's answer to Refusal #1 shall be kept confidential by the Receiver and counsel to the Receiver, and not posted on the Receiver's website or filed with the Court; and
- (b) Mr. Clydesdale shall not be required to answer Refusal #3 pending further Order of the Court.

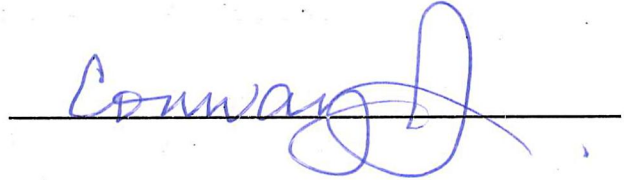
12. **THIS COURT ORDERS** that the fees and disbursements of the Receiver for the period October 1, 2017 to May 31, 2018, as described in the Fourth Report and as set out in the Bando Affidavit, be and are hereby approved, and that the allocation of the Receiver's fees and disbursements from October 1, 2018 to May 31, 2018, as described and detailed in the Fourth Report, be and is hereby approved.

13. **THIS COURT ORDERS** that the fees and disbursements of Aird & Berlis LLP, counsel to the Receiver, for the period April 7, 2017 to May 31, 2018, as described in the Fourth Report and as set out in the van Zandvoort Affidavit, be and are hereby approved, and that the allocation of A&B's fees and disbursements in this regard, as described and detailed in the Fourth Report, be and is hereby approved.

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

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

16. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.



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SCHEDULE A

Paragraph 162 of the Fourth Report shall be deemed to have been amended as follows (underlined portion reflecting amendment made to existing paragraph):

162 Also on February 23, 2018, A&B sent correspondence to Dionne indicating that it had received confirmation from Hudson Inc. that she had personally filed for bankruptcy, however, that neither DDI Corp nor DDI had filed for bankruptcy. In response, Dionne insisted that she had not executed the DDI Corporate Guarantees and requested that she be provided with the individual's name who provided same to the Receiver. A&B advised Dionne that Darren Smits ("**Smits**"), at that time of Miller Thomson LLP in Calgary, Alberta (now a lawyer of Burstall LLP), had provided the DDI Corporate Guarantees to the Receiver and that Wilson was counsel to the specific transaction. A&B further requested that the Receiver be included on all future correspondence between Smits and Dionne.

Paragraph 164 of the Fourth Report shall be deemed to have been amended as follows (underlined portion reflecting amendment made to existing paragraph):

164 Froese testified during his examination that the potential investment in Restoration Energy through a Factoring Agreement was initially put forth by Smits, who is Frontline's lawyer, and was also the lawyer to Restoration Energy, which Smits confirmed to the Receiver. Recently, the Receiver learned that Smits has left Miller Thomson LLP, and is now practicing at Burstall LLP in Calgary.

Applicant

Respondents

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

ORDER

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