

APPENDIX F

**NOTICE AND STATEMENT OF RECEIVER
(SECTION 245(1) AND 246(1) OF THE ACT)**

In the matter of the receivership of the property of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1887722 Ontario Ltd., 1688902 Ontario Inc. and Forza Fitness Ltd. (collectively referred to as the "**Companies**")

The receiver gives notice and declares that:

- On the 8th day of September, 2014, the undersigned Collins Barrow Toronto Limited was appointed as receiver and manager (in such capacities, the "**Receiver**"), without security, of all of the assets, undertakings and properties acquired for, or used in relation to businesses carried on, including all the proceeds thereof, of Aventura II Properties Inc. ("**Aventura**"), Pavilion Sports Clubs Inc. ("**PSCI**"), Pavilion Sports Ice Inc. ("**PSII**"), Pavilion Sports Food and Beverage Inc. ("**PSFB**"), Pavilion Aquatic Club Inc. ("**PACI**"), Pavilion Clubs Inc. ("**PCI**"), 1887722 Ontario Ltd. ("**188**"), Forza Fitness Ltd. ("**Forza**"), and 1688902 Ontario Inc. ("**168**"), insolvent companies that are described below:

	Aventura	PSCI	PSII	PSFB	PACI
Cash	\$ -	\$ -	\$ 2,682	\$ -	
Accounts receivable	173,830	334,070	390,785	-	
Computer equipment	16	3,466	302	-	
Furniture & equipment	3,007	971,154	31,227	58,431	
Vehicles	-	-	16,819	-	
Land	4,198,479	-	-	-	
Building	12,366,533	-	-	-	
	\$ 16,741,865	\$ 1,308,690	\$ 441,815	\$ 58,431	\$ -

	PCI	188	Forza	168
Cash	\$ 62,712	\$ 19,066	\$ 2,424	\$ -
Accounts receivable	7,500	-	-	-
Computer equipment	-	-	-	-
Furniture & equipment	-	-	-	-
Vehicles	-	-	-	-
Land	-	-	-	-
Building	-	-	-	-
	\$ 70,212	\$ 19,066	\$ 2,424	\$ -

Sources:

- Cash balances are as per TD Canada Trust bank statements as at September 8, 2014.
- Aventura's fixed assets and real property are recorded at net book values per December 31, 2013 unaudited financial statements.
- Aventura's A/R balance is as per the internal records as at September 8, 2014.
- PSCI's and PSII's accounts receivable balances are as per internal records as at September 8, 2014.

5. Fixed asset values for PSCI, PSII and PSFB are recorded at net book values per the unaudited December 31, 2012 financial statements.
6. No financial information was available for PACI.
7. The Receiver does not have access to accounting records for Forza.
8. The internal records for 168 show no assets.

The values shown above may not be representative of the market or realizable value of the assets.

2. The undersigned became receiver and manager in respect of the property described above by virtue of being appointed by the Ontario Superior Court of Justice - Commercial List.
3. The undersigned commenced the exercise of its powers in respect of that appointment on the 8th day of September 2014.
4. The following information relates to the receivership:

a) Address of insolvent Companies: 130 Racco Parkway, Thornhill, Ontario L4J 8X9

b) Principal lines of business (based on information known to the Receiver):

Aventura - Owner and landlord of real property at 130 Racco Parkway
PSCI - Operator of gym/fitness facility
PSII - Operator of ice rink and arena facilities
PSFB - Operator of pub/restaurant
PCI - Manager of certain banking and financial reporting for Aventura, PSCI, PSII, PSFB and PCI.
188 - Processed payment of amounts owed to employees and contractors of PSCI, PSII and PSFB.
PACI - Non-operational
Forza - Activities related to the operations of PSCI
168 - Non-operational

c) Amounts owed by the Companies to creditors who appear to hold a security interest on the property described above include:

Business Development Bank of Canada	\$6,988,602.20
DUCA Financial Services Credit Union Ltd.	\$9,882,749.93
Return on Innovation Capital Ltd.	\$3,000,000.00
The Corporation of the City of Vaughan	\$1,184,362.37
Ford Credit Canada Leasing	Unknown
Her Majesty in Right of Ontario represented by the Minister of Finance	\$94,545.00
Her Majesty the Queen in Right of Ontario represented by the Ministry of Revenue	\$13,867.00

The validity of the above list of secured creditors has yet to be confirmed.

d) Lists of secured and other creditors of each of the Companies, the amount owed to each creditor and the total amount due by the insolvent companies is attached. In preparing the creditor lists, the Receiver has relied on internal and unaudited financial information that was available to the Receiver. The Receiver has not audited or otherwise attempted to verify the accuracy or completeness of the information presented herein.

- e) The current intended plan of action of the Receiver, to the extent that such a plan has been determined, is to sell the assets of the Companies as a going concern.
- f) Contact person for the Receiver:

Brenda Wong
Collins Barrow Toronto Limited
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario M5H 4C7
Telephone: (647) 727-3621
Facsimile: (416) 480-2646
E-mail: bywong@collinsbarrow.com

Dated at Toronto this 18th day of September, 2014.

COLLINS BARROW TORONTO LIMITED

In its capacity as Court Appointed Receiver and Manager, without security, of all of the assets, undertakings and properties of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1887722 Ontario Ltd., 1688902 Ontario Inc. and Forza Fitness Ltd. and not in its personal capacity,



Per: Daniel Weisz, CPA, CA, CIRP
Senior Vice President

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
Aventura II Properties Inc.

MAILING LIST

Secured

Business Development Bank of Canada	\$ 6,988,602.20
DUCA Financial Services Credit Union Ltd.	9,882,749.93
Return on Innovation Capital Ltd., As Agent	3,000,000.00
The Corporation of the City of Vaughan	1,184,362.37

Total Secured \$ 21,055,714.50

Unsecured

Canada Revenue Agency - HST	\$ 1,704,721.47
Centent Lighting	244,161.83
Enbridge	337.01
Envoy Express	95.65
Lerners LLP	5,346.26
Ontario Ministry of Finance	Unknown
Power Stream	50,473.56
Sigal Stern	31,915.31
UPS Canada	129.96

Total Unsecured \$ 2,037,181.05

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
Pavilion Sports Clubs Inc.

MAILING LIST

Secured	
Business Development Bank of Canada	\$ 6,988,602.20
DUCA Financial Services Credit Union Ltd.	9,882,749.93
Ford Credit Canada Leasing, a Division of Canadian Road Leasing Company	Unknown
Her Majesty in Right of Ontario Represented by the Minister of Finance	94,545.00
Return on Innovation Capital Ltd.	3,000,000.00
Total Secured	<u>\$ 19,965,897.13</u>
 Unsecured	
21st Century Lock & Security	\$ 1,112.50
A.W. Faucet Repair Co.	945.81
Abell Pest Control	1,757.75
Alan Rapkin	282.50
Aviva Insurance Company of Canada	930.00
Bell	445.35
Breeze Max Web	4,581.50
Burrell Overhead Door Limited	256.51
Canada Revenue Agency - Source deductions	60,095.45
Canadian Linen and Uniform Services, Inc.	304.64
Canadian Tire	4,238.12
Capital One MasterCard 5651	30.81
Chem-Aqua	1,921.00
Compaction Plus	192.10
Dentons Canada LLP	40,788.35
Ecolab	2,547.91
Joe Johnson Equipment	6,775.39
KAF Marketing	250.00
Marc Di Schiavi	1,666.52
Maxam Fit Tech	2,840.13
Maxx Global Networks	287.02
Merytex Incorporated	2,252.09
Modell Printing	223.74
Ontario Ministry of Finance	Unknown
Organic Resource Management Inc.	580.38
Pestend	282.50
Petro Flooring	553.50
Petro Plastics Corporation	29.38
Sam Ghassem	1,605.00
Steadfast Safety Services	1,631.09
Superior Pool, Spa & Leisure Ltd.	3,377.43
T&T Industrial Supplies Ltd.	979.48
TD VISA - 3597	60.69
Telus	1,464.12
The Beer Store	3,580.92
The National Sign Corp.	10,080.00
The Party Centre	197.75
TK Electric	1,187.50
UPS Canada	52.03
Vitali Gringauz	2,046.41
William L Kallis	1,033.39
Workplace Safety and Insurance Board	Unknown
Zep Manufacturing Co. of Canada	15,858.18
Total Unsecured	<u>\$ 179,324.94</u>

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
Pavilion Sports Ice Inc.

MAILING LIST

Secured

Business Development Bank of Canada	\$ 6,988,602.20
DUCA Financial Services Credit Union Ltd.	9,882,749.93
Her Majesty the Queen in Right of Ontario Represented by the MOR	13,867.00
Return on Innovation Capital Ltd., As Agent	3,000,000.00

Total Secured \$ 19,885,219.13

Unsecured

407 Express Toll Route	\$ 2,087.16
Canada Revenue Agency - HST	408.80
New Ice Inc.	670.97
Olympia Resurface Corp	89,541.06
Ontario Ministry of Finance - Collections Branch, Bankruptcy and Insolvency Unit	Unknown
Workplace Safety and Insurance Board	Unknown

Total Unsecured \$ 92,707.99

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
Pavillon Sports Food and Beverage Inc.

MAILING LIST

Secured

Business Development Bank of Canada	\$ 6,988,602.20
DUCA Financial Services Credit Union Ltd.	9,882,749.93
Return on Innovation Capital Ltd., As Agent	3,000,000.00

Total Secured \$ 19,871,352.13

Unsecured

Canada Revenue Agency - HST	\$ 8,747.59
Canada Revenue Agency - Source Deductions	28,863.44
Maya Coffee Services	498.94
Mister Produce	330.00
Nella Cutlery	27.00
Ontario Ministry of Finance	Unknown
Pesticon Pest Control Inc.	565.00
Superior Propane	190.09
Workplace Safety and Insurance Board	Unknown

Total Unsecured \$ 39,222.06

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
Pavillon Aquatic Club Inc.

MAILING LIST

Secured

Business Development Bank of Canada	\$ 6,988,602.20
DUCA Financial Services Credit Union Ltd.	9,882,749.93
Return on Innovation Capital Ltd., As Agent	3,000,000.00

Total Secured \$ 19,871,352.13

Unsecured

Canada Revenue Agency - HST	\$ 9,791.51
Canada Revenue Agency - Source Deductions	13,740.12
Ontario Ministry of Finance	Unknown

Total Unsecured \$ 23,531.63

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
PAVILION CLUBS INC.

MAILING LIST

Secured*

Business Development Bank of Canada	\$ 6,988,602.20
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Total Secured	<u>\$ 6,988,602.20</u>
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Unsecured

Canada Revenue Agency	Unknown
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Ontario Ministry of Finance	Unknown
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Total Unsecured	<u>\$ -</u>
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* Based on a search of the Personal Property Security Registration System
as of September 10, 2014.

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
1688902 ONTARIO INC.

MAILING LIST

Unsecured

Canada Revenue Agency - source deductions	\$ 115,621.60
Ontario Ministry of Finance	Unknown

Total Unsecured	<u>\$ 115,621.60</u>
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* Based on a search of the Personal Property Security Registration System there were no registrations as of September 10, 2014.

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
1887722 ONTARIO LTD.

MAILING LIST

Secured*		
Business Development Bank of Canada	\$	6,988,602.20
	Total Secured	<u><u>\$ 6,988,602.20</u></u>
Unsecured		
Anamarie Galban	\$	88.00
Canada Revenue Agency		Unknown
Daniel Ostrovsky		221.88
Isabella Aiello		539.00
John Zabbal		62.50
Konstantin Milovanov		554.00
Mario Simone		475.25
Michelle Memme		74.25
O'Neil Johnson		120.00
Ontario Ministry of Finance		Unknown
Palak Shah		762.72
	Total Unsecured	<u><u>\$ 2,897.60</u></u>

* Based on a search of the Personal Property Security Registration System
as of September 10, 2014.

COLLINS BARROW TORONTO LIMITED
In the Matter of the Receivership of the Property of
FORZA FITNESS LTD.

MAILING LIST

Secured*

Business Development Bank of Canada	\$ 6,988,602.20
DUCA Financial Services Credit Union Ltd.	9,882,749.93

Total Secured	<u>\$ 16,871,352.13</u>
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Unsecured

Acuity Technology Solutions	\$ 960.50
Canada Revenue Agency	Unknown
Medicine Man Fitness Systems	350.00
Ontario Ministry of Finance	Unknown
PPL Aquatic, Fitness & Spa Group Inc.	2,985.69

Total Unsecured	<u>\$ 4,296.19</u>
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* Based on a search of the Personal Property Security Registration System
as of September 10, 2014.

APPENDIX G



Collins Barrow Toronto Limited
Collins Barrow Place
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario
M5H 4C7 Canada

**Estates No. 31-457786, 31-457787, 31-457788
31-457789, 31-457790, 31-457791
31-457792, 31-457793, 31-457794**

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

**IN THE MATTER OF THE RECEIVERSHIP OF
AVENTURA II PROPERTIES INC., PAVILION SPORTS CLUBS INC.,
PAVILION SPORTS ICE INC., PAVILION SPORTS FOOD AND
BEVERAGE INC., PAVILION AQUATIC CLUB INC., PAVILION CLUBS INC.,
1887722 ONTARIO LTD., 1688902 ONTARIO INC. AND FORZA FITNESS LTD.**

INTERIM STATEMENT OF RECEIVER (SUBSECTION 246(2))

INTRODUCTION

On the 8th day of September, 2014, the undersigned Collins Barrow Toronto Limited was appointed by the Ontario Superior Court of Justice – Commercial List as receiver and manager (the "**Receiver**") of all of the assets, undertakings and properties of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1887722 Ontario Ltd., 1688902 Ontario Inc. and Forza Fitness Ltd., (collectively referred to as the "**Companies**"). At the date of the Receiver's appointment, the Companies (or certain of them) owned and operated The Pavilion.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Attached to this report is an Interim Statement of Receipts and Disbursements for the period from the date of the Receiver's appointment (September 8, 2014) to February 28, 2015 (the "**Interim R&D**"). The Interim R&D reflects transactions through the Receiver's general bank account in respect of this receivership and does not reflect the receipts and disbursements of the various operating areas of The Pavilion. As of February 28, 2015, the aggregate balance in the Receiver's bank accounts for the operating areas of The Pavilion was approximately \$405,000.

STATEMENT OF UNREALIZED PROPERTY

The Receiver is pursuing the sale of The Pavilion and pending a sale, the Receiver continues to operate The Pavilion.

DISTRIBUTION OF PROCEEDS REALIZED FROM PROPERTY

To date, no distributions have been made by the Receiver to either secured or unsecured creditors.

Dated at Toronto this 25th day of March, 2015.

COLLINS BARROW TORONTO LIMITED

In its capacity as Court Appointed Receiver and Manager of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1887722 Ontario Ltd., 1688902 Ontario Inc. and Forza Fitness Ltd. and not in its personal capacity.


Per: Daniel Weisz, CPA, CA, CIRP
Senior Vice President

IN THE MATTER OF THE RECEIVERSHIP OF
 AVENTURA II PROPERTIES INC., PAVILION SPORTS CLUBS INC.,
 PAVILION SPORTS ICE INC., PAVILION SPORTS FOOD AND BEVERAGE INC.,
 PAVILION AQUATIC CLUB INC., PAVILION CLUBS INC., 1887722 ONTARIO LTD.,
 1688902 ONTARIO INC. AND FORZA FITNESS LTD.

Interim Statement of Receipts and Disbursements
 For the period September 8, 2014 to February 28, 2015

Receipts	
Cash on hand	\$ 112,181
Interest	221
Transfer from Pavilion Sports Ice Inc.	29,000
Advances pursuant to Receiver's Certificates	400,000
Total receipts	\$ <u>541,402</u>
Disbursements	
Facility Management Services	\$ 52,057
Insurance	152,177
Miscellaneous	1,214
Repairs and maintenance	1,220
Security and possession	55,447
Transfer to Pavilion Sports Clubs Inc.	40,000
Buyout of vehicle under sales contract	4,678
Wages	34,533
HST paid	14,212
PST paid	12,174
Total disbursements	\$ <u>367,712</u>
Excess of Receipts over Disbursements	\$ <u>173,690</u>

Note: This schedule does not reflect the receipts and disbursements of the operating areas of The Pavilion. The aggregate balance in the Receiver's bank accounts for the operating areas of The Pavilion is \$404,983 as at February 28, 2015.

APPENDIX H

Bobby Sachdeva

From: Joseph Neuberger <joseph@nrlawyers.com>
Sent: Monday, December 22, 2014 4:59 PM
To: Bobby Sachdeva; Lorne Honickman
Cc: dweisz@collinsbarrow.com; Domenico Magisano; James Zibarras; Scot Patriquin; hmanis@msmlaw.net
Subject: RE: Aventura and Pavilion [PV-Active.FID56652]

Bobby,

I echo Lorne's email. We are not ignoring your emails. But can you please advise as to the status of the sales process?

Happy and healthy holiday season.

Joseph A. Neuberger



From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: December-22-14 12:20 PM
To: Lorne Honickman; joseph@nrlawyers.com
Cc: dweisz@collinsbarrow.com; Domenico Magisano; James Zibarras; Scot Patriquin
Subject: Aventura and Pavilion [PV-Active.FID56652]

Dear Mr. Honickman and Mr. Neuberger

It is now one month since the email exchange below and I have heard nothing from you.

At this point it is evident that your clients have no intention of complying with their obligations under the Receivership Order. The Receiver's position has been and remains is that Mr. Karl, Mr. Druckmann and Ms. Bitton are in breach of the Receivership Order.

If Mr. Karl, Mr. Druckmann or Ms. Bitton decided to break their silence and respond to our enquiries at some point in the future, that is up to them. The Receiver will not be chasing them for responses any longer. However, the Receiver may move for a finding of contempt at a later date. The Receiver's decision not to do so to date should in no way be interpreted as the Receiver having condoned, accepted or otherwise waved their respective breaches of the Receivership Order.

Regards

Bobby H. Sachdeva

Partner Direct: 905.273.3022 x 295

Reception: 905.273.3300 Fax: 905.273.6920

sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781

Website: www.pallettvalo.com

77 City Centre Drive, West Tower, Ste 300, Mississauga ON L5B 1M5

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From: Lorne Honickman [mailto:lhonickman@btzlaw.ca]
Sent: Monday, November 24, 2014 10:02 AM
To: Bobby Sachdeva; Joseph Neuberger; Howard Manis; Stacey Nichols
Cc: dweisz@collinsbarrow.com; Domenico Magisano; James Zibarras; Scot Patriquin
Subject: RE: Druckmann

Mr. Sachdeva,

I am now back in the office. Thank you for providing a copy of Mr. Magisano's email of September 2nd. You also refer to an email where it is alleged that Ms. Bitton approved payments to Mr. Karl after being threatened by Mr. Karl. Could you please provide me a copy of that email, and any other emails/documents in which Mr. Karl's alleged actions are referenced or referred to.

As per your request, we will get back to you sometime this week.

All the best

Lorne Honickman

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: November-22-14 10:13 AM
To: Joseph Neuberger; Howard Manis; Lorne Honickman; Stacey Nichols
Cc: dweisz@collinsbarrow.com
Subject: RE: Druckmann

Thanks for your email Joseph.

I would simply point out that back in September the reason put forward by Mr. Magisano, in several email exchanges with me, for Mr. Druckman's failure to respond to the numerous enquiries about the missing funds was that he was retaining separate counsel. In or about early October, all of Mr. Druckmann, Ms. Bitton and Mr. Karl retained separate counsel and yet all of the Receiver's questions remain unacknowledged and unanswered some 50 days later.

I am not pointing the finger at you by any means; rather, I am pointing out the lack of responsiveness from Mr. Druckmann, Ms. Bitton and Mr. Karl.

So that we are on the same page and there is no confusion as to what the Receiver is currently looking, here is a consolidated list of preliminary questions:

1. Mr. Magisano delivered an email on September 2, 2014 (see attached) advising that Mr. Karl had concealed from Mr. Druckmann the receipt and disbursement of \$980K from a CRA refund for approximately 8 months. The funds were supposedly paid to "questionable persons". We are looking for full particulars of this payment including the names of the recipients (as well as addresses), dates of payments, copies of the cheques or wire transfers representing the payments and evidence as to basis upon which this was a "repayment". We would also like Mr. Karl to confirm whether the information in Mr. Magisano's email of September 2, 2014 is accurate, and if not, what is his version of what happened to the \$980K. Lastly, if any of these fund are in the possession of Mr. Druckmann, Mr. Karl or Ms Bitton, then the funds should be paid to the Receiver forthwith.

2. In the days prior to the Receivership, Mr. Karly received payments totaling approximately \$140K. We have an email from Mr. Magisano advising that Ms. Bitton approved these payments pursuant to threats by Mr. Karl to unilaterally change the signing authorities on the bank accounts and to then empty those accounts. The Receiver is demanding that Mr. Karl repay these funds forthwith.

3. We have asked for the Minute Books of the various companies in Receivership to be delivered to the Receiver or, if the Minute Books are not in the control of these three individuals, we wish to be advised as to where the Minute Books are located. This cannot be a complicated question.

4. We have asked if Mr. Druckmann, Mr. Karl or Ms. Bitton have company property, including funds, books and records, in their possession and that such property be returned to the Receiver. Alternatively, are these individuals aware of the location of any company property other than at the Pavillion facility?

We look forward to responses to these questions this coming week, regardless of who is acting for the three individuals in question.

Regards

Bobby

Bobby H. Sachdeva

Partner Direct: 905.273.3022 x 295

Reception: 905.273.3300 Fax: 905.273.6920

sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781

Website: www.pallettvalo.com

PALLETT VALO LLP
Lawyers & Trade-Mark Agents *Member of* 

77 City Centre Drive, West Tower, Ste 300, Mississauga ON L5B 1M5

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From: Joseph Neuberger [<mailto:joseph@nrlawyers.com>]

Sent: Saturday, November 22, 2014 9:02 AM

To: Bobby Sachdeva; Howard Manis; Lorne Honickman; Stacey Nichols

Subject: Druckmann

Dear Mr Sachdeva, sorry for my late reply. I have brought in Howard Manis to work with us on the receivership issues. We understand your client's desire to pursue the issue of the funds and we will be formulating a position shortly. A fair amount of time was devoted to the Eno offer.

Be in touch soon.

Thanks

Joseph

Bobby Sachdeva

From: Lorne Honickman <lhonickman@btzlaw.ca>
Sent: Monday, December 22, 2014 12:55 PM
To: Bobby Sachdeva; joseph@nrlawyers.com
Cc: dweisz@collinsbarrow.com; Domenico Magisano; James Zibarras; Scot Patriquin
Subject: RE: Aventura and Pavilion [PV-Active.FID56652]

Dear Mr Sachdeva,

Thank you for your patience.

The fact that you have not heard back from me should not be interpreted that your correspondence has been ignored. Mr. Zibarras and I have been tied up in several matters, and most importantly, we are still waiting for instructions from our client with respect to the information you are seeking.

In the meantime, can you please advise us as to what has happened during the sale process and more specifically, have you been able to secure an offer as good, if not better, than the offer from Eno Investment Ltd that had been on the table back in November.

Thank you for your indulgence.

Yours truly,

Lorne Honickman

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: December-22-14 12:20 PM
To: Lorne Honickman; joseph@nrlawyers.com
Cc: dweisz@collinsbarrow.com; Domenico Magisano; James Zibarras; Scot Patriquin
Subject: Aventura and Pavilion [PV-Active.FID56652]

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Regards

Bobby H. Sachdeva

Partner Direct: 905.273.3022 x 295
Reception: 905.273.3300 Fax: 905.273.6920
sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
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From: Lorne Honickman [<mailto:lhonickman@btzlaw.ca>]
Sent: Monday, November 24, 2014 10:02 AM
To: Bobby Sachdeva; Joseph Neuberger; Howard Manis; Stacey Nichols
Cc: dweisz@collinsbarrow.com; Domenico Magisano; James Zibarras; Scot Patriquin
Subject: RE: Druckmann

Mr. Sachdeva,

I am now back in the office. Thank you for providing a copy of Mr. Magisano's email of September 2nd. You also refer to an email where it is alleged that Ms. Bitton approved payments to Mr. Karl after being threatened by Mr. Karl. Could you please provide me a copy of that email, and any other emails/documents in which Mr. Karl's alleged actions are referenced or referred to.

As per your request, we will get back to you sometime this week.

All the best

Lorne Honickman

From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: November-22-14 10:13 AM
To: Joseph Neuberger; Howard Manis; Lorne Honickman; Stacey Nichols
Cc: dweisz@collinsbarrow.com
Subject: RE: Druckmann

Thanks for your email Joseph.

I would simply point out that back in September the reason put forward by Mr. Magisano, in several email exchanges with me, for Mr. Druckman's failure to respond to the numerous enquiries about the missing funds was that he was retaining separate counsel. In or about early October, all of Mr. Druckmann, Ms. Bitton and Mr. Karl retained separate counsel and yet all of the Receiver's questions remain unacknowledged and unanswered some 50 days later.

I am not pointing the figure at you by any means; rather, I am pointing out the lack of responsiveness from Mr. Druckmann, Ms. Bitton and Mr. Karl.

So that we are on the same page and there is no confusion as to what the Receiver is currently looking, here is a consolidated list of preliminary questions:

1. Mr. Magisano delivered an email on September 2, 2014 (see attached) advising that Mr. Karl had concealed from Mr. Druckmann the receipt and disbursement of \$980K from a CRA refund for approximately 8 months. The funds were supposedly paid to "questionable persons". We are looking for full particulars of this payment including the names of the recipients (as well as addresses), dates of payments, copies of the cheques or wire transfers representing the payments and evidence as to basis upon which this was a "repayment". We would also like Mr. Karl to confirm whether the information in Mr. Magisano's email of September 2, 2014 is accurate, and if not, what is his version of what happened to the \$980K. Lastly, if any of these fund are in the possession of Mr. Druckmann, Mr. Karl or Ms Bitton, then the funds should be paid to the Receiver forthwith.
2. In the days prior to the Receivership, Mr. Karly received payments totaling approximately \$140K. We have an email from Mr. Magisano advising that Ms. Bitton approved these payments pursuant to threats by Mr. Karl to unilaterally change the signing authorities on the bank accounts and to then empty those accounts. The Receiver is demanding that Mr. Karl repay these funds forthwith.
3. We have asked for the Minute Books of the various companies in Receivership to be delivered to the Receiver or, if the Minute Books are not in the control of these three individuals, we wish to be advised as to where the Minute Books are located. This cannot be a complicated question.
4. We have asked if Mr. Druckmann, Mr. Karl or Ms. Bitton have company property, including funds, books and records, in their possession and that such property be returned to the Receiver. Alternatively, are these individuals aware of the location of any company property other than at the Pavillion facility?

We look forward to responses to these questions this coming week, regardless of who is acting for the three individuals in question.

Regards

Bobby

Bobby H. Sachdeva

Partner


Direct: 905.273.3022 x 295

Reception: 905.273.3300 Fax: 905.273.6920

sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781

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Warning: From time to time, our spam filters may eliminate legitimate email from clients. If your email contains important instructions, please ensure that we acknowledge receipt of those instructions.

From: Joseph Neuberger [<mailto:joseph@nrlawyers.com>]

Sent: Saturday, November 22, 2014 9:02 AM

To: Bobby Sachdeva; Howard Manis; Lorne Honickman; Stacey Nichols

Subject: Druckmann

Dear Mr Sachdeva, sorry for my late reply. I have brought in Howard Manis to work with us on the receivership issues. We understand your client's desire to pursue the issue of the funds and we will be formulating a position shortly. A fair amount of time was devoted to the Eno offer.

Be in touch soon.

Thanks

Joseph

--
This email was Virus checked by UTM 9. <http://www.sophos.com>

Shallon Garrafa

From: Domenico Magisano <dmagisano@lerner.ca>
Sent: September-23-14 9:13 AM
To: Bobby Sachdeva
Cc: joseph@nrlawyers.com
Subject: RE: Pavilion

Bobby,

This back and forth is getting a little ridiculous. I have inserted numbers to the paragraphs in my previous e-mail (to which you have responded) and will answer using those numbers:

1. I am advised that, at the request of the Receiver, Jeff Amaral (manager of the ice operations and retained by the Receiver) reached out to Johnny about the website matters and Johnny advised that he would speak to Mr. Bitton but was "sure" that Mr. Bitton would provide the relevant passwords. Johnny expected a call back from Jeff to get the particulars of the website and that call never came. Yesterday my client received word that Jeff in fact advised "Colleen" of Collins Barrow that Johnny would provide whatever website passwords were required but was then told "not to worry about it, the lawyers were on it". Of course, when a simple matter like this (where my client was prepared to give the information) gets escalated to the "lawyers" less than 24 hours after the first request was made my clients become concerned.

I fail to see why we, at our hourly rates, are dealing with these type of operational matters. It sounds like the matter was well in hand and then Collins Barrow escalated this to the lawyers. This seems to be people making mountains out of mole hills and is a waste of resources. I strongly suggest that the Receiver go back to its first instinct, contact Johnny directly and ask for the passwords. I will try to get the passwords as well, but I fail to see how that is an efficient use of resources, and frankly, I am now starting to understand my client's confusion and concern about this issue as they expected a call back from Jeff that never came. I believe I have quelled their concerns and I hope that my efforts do not up with a "I told you so" from my clients later on.

2. I am not going to respond to the second paragraph of your e-mail. If this is seriously an issue we can go back to the endorsement and we can go back to Justice McEwen and see if he recalls me raising the issue of the protections (or lack thereof) in the Receivership Order at the time the Order was made. Just because you are asking the questions via e-mail (as opposed to an oral examination) doesn't change the issue.
3. I have repeatedly asked for a full list of questions as opposed to the piecemeal requests I am getting. If the two questions you reference are truly the "key questions" (i.e. questions surrounding the \$980K and the website). I will simply say the following
 - (a) website issue seems to be a miscommunication between the Receiver's staff and the people it has (or had) retained to maintain operations (and will be easily rectified once someone contacts Johnny directly); and
 - (b) the \$980K question will be an issue for Mr. Neuberger to comment upon.

LERNERS

Lawyers

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: September 22, 2014 4:53 PM
To: Domenico Magisano
Cc: joseph@nrlawyers.com; Daniel Weisz
Subject: RE: Pavilion

My responses are in red below.

The email trail speaks volumes Dom. Mr. Druckmann has repeatedly failed to cooperate with the Receiver and he is deliberately not telling us where the \$980K went. You can characterize it however you want.

Bobby H. Sachdeva
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From: Domenico Magisano [mailto:dmagisano@lerners.ca]
Sent: Monday, September 22, 2014 3:12 PM
To: Bobby Sachdeva
Cc: Joseph Neuberger (joseph@nrlawyers.com)
Subject: RE: Pavilion

Bobby,

1. I won't bother getting into the rhetoric about whether requests are being "deliberately ignored". I will reiterate what I said this morning: Specifically, Mr. Druckmann is retaining new counsel. I will let Mr. Neuberger address your queries as they pertain to Mr. Druckmann once he has had an opportunity to finalize his retainer and familiarize himself with the file.
So, Mr. Druckmann would prefer to leave the website down and cause further harm to the business?
2. I also reiterate my comments from when we were before Justice McEwen in chambers (and addressed in His Honour's endorsement): Specifically, I do not believe that the existing receivership order provides appropriate protections for Mr. Druckmann, particularly given some of the allegations and suggestions that have been made about their conduct.

I have asked about the \$980K repeatedly since the attendance before Mr. Justice McEwen. This is the first time you have raised the concern regarding protections in the Receivership Order as a potential reason for why Mr. Druckmann will not answer a simple question: "Who were the questionable people" to whom Mr. Karl paid the \$980K. This is a perfectly legitimate question that arises directly from the email you sent 3 weeks ago with the vague story about what Mr. Karl did with the money.

I also find it interesting that Mr. Karl is now going to be represented by the same lawyer who will supposedly be representing Mr. Druckmann and Ms. Bitton given that your email on Friday essentially has Ms. Bitton's evidence pointing to Mr. Karl deliberately breaching the Monitor Order and threatening her into signing off on the cheques in breach of the Monitor Order.

3. I suggest that once Mr. Neuberger is formally retained you provide him with a comprehensive list of questions so that he can address them with his clients at one time, as opposed to piecemeal. Mr. Neuberger can also review the Receivership Order and make his own conclusions regarding same.
Please pass on my emails to you over the last 2 weeks. All of my questions are there over and over. In fact, the 2 key questions were set out in my email to you this morning.

Domenico Magisano | Lerner's LLP | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerner.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5



From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: September 22, 2014 2:51 PM
To: Domenico Magisano
Cc: Daniel Weisz
Subject: Pavilion

Dom

Time for my daily requests. These are old ones that are still vital and being deliberately ignored by the Debtors and Mr. Druckmann.

- (1) Any chance Mr. Druckmann feels like telling us where the \$980K went today?
- (2) How about him telling his son-in-law to get the website up and running again?

There are other outstanding issues but I thought I would keep the list short today so as not to overwhelm Mr. Druckmann.

Bobby H. Sachdeva
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Shallon Garrafa

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Sent: September-22-14 4:53 PM
To: 'Domenico Magisano'
Cc: 'Joseph Neuberger (joseph@nrlawyers.com)'; 'Daniel Weisz'
Subject: RE: Pavilion

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Sent: Monday, September 22, 2014 3:12 PM
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Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

LERNERS
LAWYERS

From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: September 22, 2014 2:51 PM
To: Domenico Magisano
Cc: Daniel Weisz
Subject: Pavilion

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From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: September 22, 2014 2:51 PM
To: Domenico Magisano
Cc: Daniel Welsz
Subject: Pavilion

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Bobby H. Sachdeva

Partner

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Shallon Garrafa

From: Domenico Magisano <dmagisano@lerner.ca>
Sent: September-22-14 11:40 AM
To: Bobby Sachdeva
Cc: Joseph Neuberger (joseph@nrlawyers.com)
Subject: RE: Pavillion (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

Bobby,

With respect to the first paragraph of your e-mail, it appears our respective clients will have to agree to disagree. There is apparently documentary evidence (albeit sent from Pavillion e-mail addresses that my client no longer has access to) that show the disclosure being made.

With respect to paragraph 2 of your e-mail, you and I both know the Monitor had no control over the company's bank accounts. Your client would have needed a further order of the court. Be that as it may, my client assures me that disclosure of the \$120K payment was made.

I acknowledge your requests as to whom I am representing. I also acknowledge that every e-mail adds another individual to the request. First there were requests about Mr. Karl, then Ms. Bitton, now, the e-mail below asks if I represent Mr. Bitton. It is hard to keep up with all of the requests. Having said this, my understanding is that Mr. Druckmann, Mr. Karl and Ms. Bitton are in the process of retaining Mr. Neuberger (copied on this e-mail) and will hopefully be confirmed in the next 24 to 48 hours. I suggest that any of your threatened motions with respect to Mr. Karl and Mr. Druckmann wait until after that retainer is confirmed. I have no information on Mr. Bitton's counsel as this is the first that I have heard that he requires counsel.

I remain counsel of record for the debtor companies.

I trust this answers your queries.

Regards

Dom

Domenico Magisano | **Lerners LLP** | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerner.ca | 130
 Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

LERNERS

LLP

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: September 19, 2014 8:57 PM
To: Domenico Magisano
Cc: Daniel Welsz
Subject: RE: Pavillion (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

I should tell you Dom that Ms Bitton never reported the \$120K Cheque payable to Mr. Karl to the Monitor on September 5th or anytime after September 5, 2014 to the Monitor or the Receiver.

Furthermore, when faced with Mr. Karl's demands for payment on September 4th (and at that time knowing about Mr. Karl's diversion of the \$980K) all Ms. Druckmann had to do to freeze the account in which the funds were located was to call the Monitor and advise of Mr. Karl's threats.

I will ask one more time, please advise if you represent Ms Bitton.

Also, the website issue has still not been addressed. No one from the facility will be speaking with Mr. Druckmann directly. We first made the request on this issue days ago. There is little doubt that the website issue could be addressed in short order if Mr. Druckmann was interested in being cooperative.

Please advise if you represent Ms. Bitton's husband as well.

Your client and your presumed clients are leaving the Receiver little choice but to seek the assistance of the Court.

Regards

Bobby H. Sachdeva
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Reception: 905.273.3300 Fax: 905.273.6920
sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
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From: Domenico Magisano [mailto:dmagisano@lerner.ca]
Sent: Friday, September 19, 2014 11:55 AM
To: Bobby Sachdeva
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

Bobby,

Answers to your first set of questions are below. As you can appreciate there have been numerous requests from the Receiver and it is very difficult for my client to provide comprehensive answers as they are no longer able to access the debtors' records. They have made attempts and the answers I have been provided are in red below:

1. A \$120K payment to Mr. Karl on September 5th. The signatures on the cheque appear to be those of Johny Druckmann and his daughter. You may wish to ask your client about this cheque.

We need to start from the premise that Henry Karl is the Officer and Director of Pavilion Clubs Inc.

Johny does not recall signing the cheque, however, he acknowledges that he pre-signs cheques for Henry as all cheques require signatures from two authorized signing officers. The reason being that Johny isn't always around so if he pre-signs the cheques, Henry can then also sign and they can then pay bills when required. With respect to this specific cheque, Jennifer advises that on Thursday, September 4, 2014 Henry came to her and insisted that she sign the cheque for the \$120,000. She asked Henry what the money was for to which he responded "I am owed over \$300,000 and you can either sign this cheque or I can just clear out all of the money from all bank accounts". He also reminded Jennifer that this is only a partial payment on the amount he is owed. Jennifer knew that there were significant operational payments that needed to be made on Friday, September 5th and if Henry cleared out the account those payments would not be honoured so she signed the cheque as Henry demanded.

Remember, in theory, Henry could simply change the corporate resolutions to make him the sole signing officer with the bank, then withdraw all the money without Johny or Jennifer's knowledge. This would have been disastrous so a decision was made.

I am also advised that the \$120,000 cheque was reported to the Receiver (then acting as Monitor) on September 5, 2014 (in accordance with the Monitorship Orders).

2. The website for the Facility being inaccessible on Monday, although it appears to have been working on the Saturday prior to the beginning of the receivership.

My client is not sure which website you are referencing. I am advised that the Forza website was working on Monday when Johny and Jennifer left the premises and that there hasn't been a Pavilion website for some time. As an aside, I am advised that if the Receiver checks the requisite databases for IP domains, they will see the debtors never owned the domains (dating back to 2004 – or well before the lenders advanced funds or granted security). In any event, I believe a manager at the premises reached out to Mr. Bitton (the owner of the Forza domain name) and that they either have worked out a solution or a solution is imminent with respect to continued use of the domain name.

3. Employees being unable to log into the network on Monday.

I am advised that when Johny and Jennifer left the premises the network was working as was the internet. I am further advised that neither Johny or Jennifer are particularly "techy" so they don't know what assistance they can provide in re-booting or fixing the network if it is still not working. Finally, Johny and Jennifer have advised that the Receiver must have been able to do something because both of them have been locked out of the system such that they cannot even retrieve their work e-mails. I make no comment as to the appropriateness of locking Johny and Jennifer out from e-mails, I only mention it to say that they really are handcuffed in terms of helping with this issue.

4. The system by which fitness club members entered the facility not working.

My clients advise that the system was working when they left. They are also being advised by fitness club members that they are having no problem accessing the premises. To the extent there is still a problem, Johny would have to come to the premises and take a look as the system is not controlled remotely.

5. The majority of executed contracts for the hockey leagues are missing

Johny and Jennifer did not control the ice contracts. They advise that the manager of the rinks would have kept control of the ice contracts.

- 6. Inability to access computer systems or servers without passwords and the passwords not being made available to the Receiver.

Jennifer advises that the Receiver only asked for Henry's password which was provided (to both Brenda and an IT person who was with her).

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Please advise if there are any further questions.

Regards

212

Dom

Domenico Magisano | Lerner's LLP | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerner's.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

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Shallon Garrafa

From: Bobby Sachdeva
Sent: September-19-14 8:32 PM
To: 'Domenico Magisano'
Cc: 'Daniel Weisz'
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]
Attachments: RE: Pavilion Matters

Dom

It is not your lack of response that is disconcerting. It is the clear and deliberate delay on the part of your client. The delay has now hit 17 days.

Attached is my email to you dated September 2, 2014 wherein I requested, in my capacity as Monitor's counsel, the names of the persons to whom the \$980K was paid as well as other information and documents. I have since that time repeated my request for such items in my capacity as Receiver's counsel.

Mr. Druckmann has to know how serious the issue of the missing \$980K is and it is inconceivable to me that he does not know the names of the persons to whom the money was paid. I am as such skeptical at this point that the money was paid to "questionable parties". It should not be hard for you to imagine what the secured creditors make of the resounding silence from Mr. Druckmann on this issue.

Mr. Druckmann is in breach of the Receivership Order in my view. I will seek the Receiver's instructions to address this issue as soon as possible.

Regards

Bobby

Bobby H. Sachdeva
Partner Direct: 905.273.3022 x 295
Reception: 905.273.3300 Fax: 905.273.6920
sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
Website: www.pallettvalo.com



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From: Domenico Magisano [mailto:dmagisano@lernalers.ca]
Sent: Friday, September 19, 2014 3:23 PM
To: Bobby Sachdeva
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby,

I won't have the answers regarding the \$980K by 5pm, but you should not be reading into my lack of response. It is not fair to assume that my client's failure to respond is an indication of his knowledge (or lack thereof) of the questions asked below. The issues surrounding the Receiver's request below were articulated at the hearing on September 8th and my client is looking to address those concerns, but again, just as the last 10 days have been hectic for the Receiver (who has numerous staff), they have been equally hectic for my client (who now has no staff).

Regards

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Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

LERNERS

LAWYERS

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: September 19, 2014 12:05 PM
To: Domenico Magisano
Cc: Daniel Weisz
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Thank you Dom. I will pass on your client's responses to the Receiver.

I have to point out the obvious; your client has yet again failed to answer our questions about the \$980K. Again, he is not saying that he does not know the answers, he is just not answering the questions. He is thereby impeding the Receiver's investigation into the missing funds and is in breach of the Receivership Order. Your client has until 5:00 pm today to provide the answers otherwise I will seek instructions to bring this issue before the Court.

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Sent: Friday, September 19, 2014 11:55 AM

To: Bobby Sachdeva

Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

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1. A \$120K payment to Mr. Karl on September 5th. The signatures on the cheque appear to be those of Johny Druckmann and his daughter. You may wish to ask your client about this cheque.

We need to start from the premise that Henry Karl is the Officer and Director of Pavilion Clubs Inc.

Johny does not recall signing the cheque, however, he acknowledges that he pre-signs cheques for Henry as all cheques require signatures from two authorized signing officers. The reason being that Johny isn't always around so if he pre-signs the cheques, Henry can then also sign and they can then pay bills when required. With respect to this specific cheque, Jennifer advises that on Thursday, September 4, 2014 Henry came to her and insisted that she sign the cheque for the \$120,000. She asked Henry what the money was for to which he responded "I am owed over \$300,000 and you can either sign this cheque or I can just clear out all of the money from all bank accounts". He also reminded Jennifer that this is only a partial payment on the amount he is owed. Jennifer knew that there were significant operational payments that needed to be made on Friday, September 5th and if Henry cleared out the account those payments would not be honoured so she signed the cheque as Henry demanded.

Remember, in theory, Henry could simply change the corporate resolutions to make him the sole signing officer with the bank, then withdraw all the money without Johny or Jennifer's knowledge. This would have been disastrous so a decision was made.

I am also advised that the \$120,000 cheque was reported to the Receiver (then acting as Monitor) on September 5, 2014 (in accordance with the Monitorship Orders).

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3. Employees being unable to log into the network on Monday.

I am advised that when Johnny and Jennifer left the premises the network was working as was the internet. I am further advised that neither Johnny or Jennifer are particularly "techy" so they don't know what assistance they can provide in re-booting or fixing the network if it is still not working. Finally, Johnny and Jennifer have advised that the Receiver must have been able to do something because both of them have been locked out of the system such that they cannot even retrieve their work e-mails. I make no comment as to the appropriateness of locking Johnny and Jennifer out from e-mails, I only mention it to say that they really are handcuffed in terms of helping with this issue.

4. The system by which fitness club members entered the facility not working.

My clients advise that the system was working when they left. They are also being advised by fitness club members that they are having no problem accessing the premises. To the extent there is still a problem, Johnny would have to come to the premises and take a look as the system is not controlled remotely.

5. The majority of executed contracts for the hockey leagues are missing

Johnny and Jennifer did not control the ice contracts. They advise that the manager of the rinks would have kept control of the ice contracts.

6. Inability to access computer systems or servers without passwords and the passwords not being made available to the Receiver.

Jennifer advises that the Receiver only asked for Henry's password which was provided (to both Brenda and an IT person who was with her).

7. Quickbooks files which appear to have been deleted.

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Please advise if there are any further questions.

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Shallon Garrafa

From: Domenico Magisano <dmagisano@lerner.ca>
Sent: September-19-14 3:23 PM
To: Bobby Sachdeva
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby,

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From: Bobby Sachdeva
Sent: September-18-14 2:08 PM
To: 'Domenico Magisano'
Cc: 'dweisz@collinsbarrow.com'
Subject: RE: Pavilion [PV-Active.FID56652]

Dom

Please see my responses in red below:

Could you also let me know if Mr. Karl was an employee of any of Mr. Druckmann's companies and if so, in what capacity.

Bobby H. Sachdeva
Partner Direct: 905.273.3022 x 295
 Reception: 905.273.3300 Fax: 905.273.6920
 sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
 Website: www.pallettvalo.com



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From: Domenico Magisano [mailto:dmagisano@lerner.ca]
Sent: Thursday, September 18, 2014 12:42 PM
To: Bobby Sachdeva
Subject: RE: Pavilion [PV-Active.FID56652]

Bobby,

Thank you for advising that the Receiver has instructed its personnel to stop reviewing e-mails. I trust this also applies to hard files and non-email correspondence that may be subject to privilege. I also trust that of the documents already reviewed, if any of the documents were privileged, or could be considered privileged, they were not discussed or disclosed to any third parties, including, but not limited to, any of the lenders.

Agreed and confirmed on all counts. I can tell you that even I have not seen any emails from the Pavilion system other than one which was from Mr. Karl to someone one would consider to be a supplier. This email was clearly not privileged. Certainly, no emails or other correspondence has been disclosed to the lenders or their lawyers.

The suggestion I would have made is in fact that a third party review the e-mails and determine whether they are subject to privilege. This is often the basis for any protocol I have seen in a litigation context. In fact, it was exactly what was done in a previous monitorship/receivership that I was involved with. I could have forwarded that protocol (minus the privileged information therein) but it appears this is a non-starter for the Receiver. You will have to explain to me why it would be necessary for someone to review all of the emails if we can isolate all those emails originating from lawyers or being sent to lawyers? Presumably, your clients know the names of all of the lawyers they were dealing with. This is clearly not our preferred course given the costs but I will give you the chance to justify it over approach #2 below.

Seeing as the Receiver is taking that option off the table, I only see two other practical options: (1) my client be given full and unfettered access to their files and the computer systems so they can review their e-mails and other correspondence, flag the one's that they claim privilege over and then print and/or permanently delete them; or (2) a neutral third party be provided a list of lawyers with which my clients have dealt and that neutral third party be given access to the same files and computer systems with the power to print and/or delete any correspondence where those of the lawyer names is on the document it is automatically printed, delivered to my client and deleted from the server).

- (1) You will appreciate that given everything that has transpired there is a trust issue here such that this option is a non-starter.
- (2) This is the one I would prefer subject to discussing with the Receiver and your trying to convince me that a broader review is necessary.

I am advised that I will have answers to the Receiver's original questions by tomorrow morning. We continue to look forward to those responses.

In the context of the operational/contractual matters, it struck me that Ms. Bitton, as contract administrator, is an employee who is not being permitted to enter the premises and do her job. While Ms. Bitton is 8.5 months pregnant, she has been ready, willing and able to work up until her due date (and beyond, if the baby is late and the doctors are comfortable letting her do so). From a practical perspective, I suspect the "Contracts Administrator" would be invaluable to the Receiver given the numerous questions about fitness club contracts.

- 1. Can you tell me when she tried to enter the premises and was refused.
- 2. I need to know if Ms. Bitton in fact signed the cheque for \$120K in favour of Mr. Karl and in breach of a Court Order. You will appreciate that this would impact her employment.
- 3. You will appreciate there is a very serious issue of trust here.
- 4. I will ultimately need instructions from the Receiver.

Be that as it may, I don't believe Ms. Bitton has been advised of her status with the company (and to be clear, she was an employee of Mr. Karl's company). If the Receiver plans to retain Ms. Bitton she should be paid for all days following the receivership and be given immediate access to the premises so she can do her job. If the Receiver does not intend to keep Ms. Bitton, she should be advised of that fact and the Receiver should be arranging an ROE for her and assisting her with her WEPPA claims. Please note that prior to the Receivership Ms. Bitton was planning on taking some maternity leave.

As stated above, I will discuss this item with the Receiver once I have the requested information.

We can deal with Mr. Druckmann's status at another time, although he certainly is entitled to know if he has been terminated.

I look forward to that discussion.

Please advise as to which of my alternatives in dealing with the privilege issue is acceptable to the Receiver and how you propose to deal with Ms. Bitton.

Regards

Dom

Domenico Magisano | Lerner's LLP | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerner's.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

LERNER'S
LAWYERS

From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: September 17, 2014 11:34 PM
To: Domenico Magisano
Cc: Daniel Weisz; chdelaney@collinsbarrow.com
Subject: RE: Pavilion [PV-Active.FID56652]

Dom

The Receiver has instructed his personnel to refrain from the review of any emails recovered from the computer system at Pavilion. Due to problems accessing the computer system from the outset of the Receivership and what may have been a concerted effort to delete emails from the computer system by yet unidentified parties, very few emails have been reviewed to date.

This temporary suspension of the review of emails will not be indefinite and, in fact, will be very short. We are simply giving you and your clients an opportunity to propose a practical procedure to address the concerns you have raised of solicitor client privilege. To that end we continue to await the information requested in my email earlier today. I would suggest your clients provide the requested information as we will not allow any delay tactics to impede the Receiver from conducting its investigations and trying to recover assets belonging to the Debtors.

Regards

Bobby

Bobby H. Sachdeva B.A., LL.B
Partner
Pallett Valo LLP
Telephone: 905.273.3022 Ext. 295
Fax: 905.273.6920
Toll Free: 1800.323.3781
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Shallon Garrafa

From: Bobby Sachdeva
Sent: September-17-14 4:22 PM
To: 'Domenico Magisano'
Cc: 'dweisz@collinsbarrow.com'
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Dom

Please see my comments in red below.

Regards

Bobby H. Sachdeva
Partner Direct: 905.273.3022 x 295
Reception: 905.273.3300 Fax: 905.273.6920
sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
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From: Domenico Magisano [mailto:dmagisano@lernalers.ca]
Sent: Wednesday, September 17, 2014 3:43 PM
To: Bobby Sachdeva
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

Bobby,

I am not going to address the comments regarding the \$980K other than the "missing" \$980K was discovered while Collins Barrow was acting as Monitor, not as Receiver. My e-mail clearly referred to events following Collins Barrow's appointment as Receiver. The circumstances surrounding the \$980K are what they are and continuously referring to them in correspondence does not make them any more (or any less) relevant. Likewise, the continuous reference to my client not having any further contact information for Mr. Karl does not change the facts as presented by my client. The Receiver is now point blank asking your client "Who received the \$980K and on what basis and to produce all relevant documents" Your client is refusing to answer this question as far as I can tell and the Receivership Order requires him to provide this answer. I will keep raising it until your client answers the question. I note that he has not instructed you to say that he does not have the answer. At the moment he is failing to disclose information that is critical to the Receiver's efforts to track down assets of the Debtors.

Your e-mail below will be forwarded to my client for review and comment. While my client may be able to provide some insight into some of the matters below, a number of the issues appear to be operational and as we all know, my client is no longer in control of operations. I will see if my client has any insights into why certain things are not working and whether they were working on the day of the receivership. I will also ask for their comment on the balance of the matters raised.

All of the operational issues were in existence at the time the handover to the Receiver took place.

You are quite correct that the Receiver has no obligation to share its findings in advance, but as a court officer, one would think that before indicting my client in a report, it would want to have his side of the story. The Receiver is not an adversarial party and should be seeking to provide full information to the court.

Thank you. We are well aware of the Receiver's duties.

The comments allegedly made by the manager were not related to the receivership and (if accurately recounted to my client) were extremely personal in nature. I am pleased to see that the Receiver is certain that the third party manager is not making these comments, because it must mean that the Receiver is with the third party Manager at all times. Please ensure that the third party Manager is also not making disparaging comments about Ms. Bitton. I have conveyed to you what the Manager has advised us. We have no basis to question his advice to us. I note that you have not advised as to what the alleged comments were or to whom the comments were made. Makes it difficult for the Receiver to investigate further.

Finally, I trust that you appreciate both the urgency and the seriousness of the privilege issue. My client's communications with counsel are privileged, even after the receivership, and that privilege has not been waived. The receiver's (or its staff, contractors or managers) mere review of this type of correspondence could irreparably harm my client and prejudice the receiver. To be clear, my client was not just represented by my firm, but had other matters with other counsel all of which is privileged communication that has not been waived. In short, a protocol for reviewing e-mails and correspondence for privilege should be at the top of the receiver's "to do" list.

Dom, (1) you are very competent counsel and I know full well you would have advised your client on the Thursday or Friday prior to the Receivership Order being issued that that the Order was likely to issue on September 8th. Your client failed to take any steps to segregate the privileged emails and now wishes to foist that expense and time consuming exercise onto the Receiver.

(2) Perhaps you would be good enough to advise what type of protocol you would like to have in place for any communications between the Debtor companies and their lawyers or between Mr. Druckmann and his lawyers and presumably as between Ms. Bitton and her lawyers. I will need a detailed plan. Also, we will need key search terms in order to locate all such emails. We are not going to pay someone to sit and sift through thousands or tens of thousands of emails. So, speak with your clients and give me the names of the lawyers from whom they would have received emails or to whom they would have sent emails. If you want the Receiver to preserve your clients' privileged communications, I expect more from you than simply telling us that this is urgent. Kindly also advise if your client will pay to have a neutral third party segregate all such emails. We will pick the third party.

Regards

Dom

LERNERS

LAWYERS

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: September 17, 2014 2:27 PM
To: Domenico Magisano
Cc: dweisz@collinsbarrow.com
Subject: RE: Pavllion (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

Dom

As you will appreciate I am occupied in dealing with efforts to stabilize the business at the Pavilion Facility so that we can move to the sale process and thereby stop the bleeding for the secured creditors.

In terms of your client's cooperation or lack thereof, it is not so much matter of what he failed to do in terms of requests from the Receiver (although the failure to provide the banking information and other details with respect to the missing \$980K stands out along with the failure to provide any contact information for Mr. Karl as the phone number provided was not assigned) but rather the issues that the Receiver encountered when it took possession of the Pavilion premises:

1. A \$120K payment to Mr. Karl on September 5th. The signatures on the cheque appear to be those of Johny Druckmann and his daughter. You may wish to ask your client about this cheque.
2. The website for the Facility being inaccessible on Monday, although it appears to have been working on the Saturday prior to the beginning of the receivership.
3. Employees being unable to log into the network on Monday.
4. The system by which fitness club members entered the facility not working.
5. The majority of executed contracts for the hockey leagues are missing
6. Inability to access computer systems or servers without passwords and the passwords not being made available to the Receiver.
7. Quickbooks files which appear to have been deleted.
8. Failure to provide the information on the list the Receiver had provided to you prior to the date of receivership. When the Receiver showed Mr. Druckmann the list, he said he hadn't seen it before.

This is not an exhaustive list.

The Receiver will detail its findings in its eventual First Report. Your client will be welcome to respond as he sees fit. We are under no obligation to disclose all of our findings to your client in advance. Need I remind you that Mr. Druckmann was running the facility when approximately \$1M disappeared and despite our requests, we have received no paper evidence to support the assertion that the funds were paid to "questionable people". We have to believe that Mr. Druckmann asked Mr. Karl as to whom the missing money was paid to. We also have to assume that Mr. Druckmann would have some documentation showing the advance of funds from the "questionable people". The last payment of \$120K to Mr. Karl on the eve of the Receivership is simply astounding in its complete disregard for the Monitor Orders.

I will speak with the Receiver about the emails and the issues of privilege and will get back to you.

As for your last comment, the reality is that most of the employees are aware of much of what transpired at the Facility in the days before the Receivership. It is not the Manager (nor the Receiver) that is making negative statements about your client. In addition, we suspect that there are a few employees still loyal to Mr. Druckmann. I would not put too much credence on their version of what is transpiring at the Facility. In any event I have spoken with the Manager and he assures me that he is not making any disparaging comments about Mr. Druckmann.

Regards

Bobby

Bobby H. Sachdeva
Partner Direct: 905.273.3022 x 295
Reception: 905.273.3300 Fax: 905.273.6920
sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
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From: Domenico Magisano [<mailto:dmagisano@lerner.ca>]
Sent: Monday, September 15, 2014 9:45 AM
To: Bobby Sachdeva; Asim Iqbal
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby,

If your e-mail below is correct and our respective clients "differ greatly" on the cooperation being provided, I think it best that you provide me with lists of the information requested by the Receiver and I will forward those requests on to my client and get their responses. If we do that, then there can be no misunderstanding as to the level of cooperation being provided by my client. I would also appreciate it if your "in due course" response to my e-mail below comes in advance of a report to court as I don't think it would be fair for my client to first receive allegations of its conduct or lack of cooperation by way of receiver's report.

As an aside, I understand that the Receiver is seeking access to my clients' work related e-mails. I request that the Receiver put into place an appropriate protocol to ensure that they are not reviewing and reporting on e-mails that would be subject to privilege. I am sure that I do not need to tell you that in addition to the obvious lawyer/client privilege, there may be documents on the computers generally (and in their e-mail boxes specifically) that are subject to litigation privilege. My suggestion is a mutually agreeable third party tend to obtaining copies of all correspondence, reviewing same and providing recommendations on what documents are subject to privilege.

Finally, my client is receiving very disturbing reports about what your client's premises manager is saying to the Pavilion employees that remain employed at the premises. I obviously did not hear the comments directly, but, if what is being relayed to me is true, the comments are, at best, distasteful of the Receiver's designate as manager. To be clear, I am not referring to Collins Barrow, I am referring to the person they have retained to manage the premises.

Regards

Dom

Domenico Magisano | **Lerners LLP** | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerners.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

LERNERS

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From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: September 14, 2014 8:44 PM
To: Domenico Magisano; Asim Iqbal
Cc: dweisz@collinsbarrow.com
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Dom

Rather than responding to each item in your email, it suffices to say that the Receiver's view of your clients' conduct differs greatly. We will provide details in due course. I did not however want my silence in respect of your email below to in any way mean that the Receiver agrees with the contents of your email.

Regards

Bobby H. Sachdeva
Partner Direct: 905.273.3022 x 295
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sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
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From: Domenico Magisano [<mailto:dmagisano@lernalers.ca>]
Sent: Tuesday, September 09, 2014 1:27 PM
To: Bobby Sachdeva; Asim Iqbal
Subject: RE: Pavillion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby,

Over the course of yesterday's e-mail exchanges and discussions, the impression that was being given to me was that Johnny was not being cooperative with the Receiver. I have spoken with my client and he vigorously disputes any insinuation of a lack of cooperation. My client has advised that yesterday alone, he did the following (some of which was completed before the Receiver had provided me or my client with an entered copy of the court order):

- Met with the Receiver's representatives as soon as they arrived at the premises;
- Provided the Receiver with immediate access to the IT room;
- Provided the Receiver with immediate access to all administration offices;
- Provided the Receiver with all keys to the premises and explained what each key was used for;
- Answered all questions the Receiver asked to the best of their ability without being offered the opportunity to contact counsel about the specific questions;
- Gave a comprehensive explanation of operational matters, such as prepaid payments and expenses for the premises (including bills that need to be paid urgently), information on employee/independent contractor matters including duties and responsibilities and introduced many of the managers to the Receiver;
- Contacted the insurance broker to facilitate discussions between the Receiver and the broker; and
- Advised that if there are further questions about operational matters, that the Receiver can provide them to me and he will answer as best he can.

Based on the above, it seems quite clear that my client was trying to cooperate. He even went over and above by advising that there is a hockey tournament being held at the premises this weekend. When it was suggested that it would be a good idea for the bar to be open over the weekend, he offered to make his liquor license available so that the bar could be open. I am not certain that the Receiver can legally proceed this way, but that is for you and the Receiver to decide and if it is decided that you can use my client's license, he has already offered his assistance (although, I will want to make sure that his liability is eliminated for anything that happens with respect to the license or operations under the receiver's control)

I recognize that the Receiver "believes" my client has more than one phone number for Henry Karl. I have been repeatedly advised by my client that they only have the number provided. My client also advised that he has offered to do what he can to track down Henry. The Receiver is very adamant about this, and while I can understand why they want to speak to Henry my client advises that he has not seen him since Friday and further noted that Henry's son was rushed to the hospital by ambulance twice last week. While I don't know particulars, that sounds rather serious and would likely be Henry's first priority.

In short, my client appears to be cooperating as best he can in the circumstances. I am sorry that you find it hard to believe that they only had the one phone number for Henry, but they have repeatedly advised that the number provided is the only number they have.

As in many receiverships, it is often easier to accentuate what was not done and not discuss what was done by the debtor. I hope all of my client's efforts will be recognized by the Receiver and that there won't be a focus on the one or two things he could not immediately provide.

Domenico Magisano | Lernalers LLP | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lernalers.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

LERNERS

LAWYERS

From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: September 08, 2014 6:10 PM
To: Bobby Sachdeva; Domenico Magisano; Asim Iqbal
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Dom

Can I hear from you please.
 I have trouble believing that your client had only one telephone # for Karl and that number is out of service today.

Bobby H. Sachdeva B.A., LL.B
 Partner
 Pallett Valo LLP
 Telephone:905.273.3022 Ext. 295
 Fax: 905.273.6920
 Toll Free: 1800.323.3781
 77 City Centre Drive
 West Tower, Suite 300
 Mississauga, Ontario
 L5B 1M5

----- Original message -----

From: Bobby Sachdeva <sachdeva@pallettvalo.com>
Date: 09-08-2014 4:21 PM (GMT-05:00)
To: Domenico Magisano <dmagisano@lernalers.ca>, Asim Iqbal <aiqbal@pallettvalo.com>
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Is this a cell# or his home #?

Bobby H. Sachdeva B.A., LL.B
 Partner
 Pallett Valo LLP
 Telephone:905.273.3022 Ext. 295
 Fax: 905.273.6920
 Toll Free: 1800.323.3781
 77 City Centre Drive
 West Tower, Suite 300
 Mississauga, Ontario
 L5B 1M5

----- Original message -----

From: Domenico Magisano <dmagisano@lernalers.ca>
Date: 09-08-2014 4:05 PM (GMT-05:00)

To: Asim Iqbal <aiqbal@pallettvalo.com>
Cc: Bobby Sachdeva <sachdeva@pallettvalo.com>
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby/Asim,

I checked with my clients and they advise that the number they gave Danny is the number they have for Henry.

Regards

Dom

Domenico Magisano | **Lerners LLP** | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerners.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5



From: Asim Iqbal [<mailto:aiqbal@pallettvalo.com>]
Sent: September 08, 2014 3:53 PM
To: amarkiewicz@cmbllaw.ca; Domenico Magisano
Cc: dweisz@collinsbarrow.com; Bobby Sachdeva; iaversa@airdberlis.com; tdunn@mindengross.com
Subject: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]
Importance: High

Dom and Anne,

We were previously advised that Dom represented Johnny Druckmann and Anne represented Henry Karl. Please confirm before the end of today whether either of you represent Johnny Druckmann or Henry Karl, and, if so, which counsel represents whom.

If we do not receive a response by the end of today, we will assume that neither of you represent Johnny Druckmann or Henry Karl and we will deal directly with both of those individuals to serve court materials, schedule any examinations and with respect to any other matters related to these proceedings.

We look forward to your prompt response.

Regards,

Asim Iqbal

Lawyer

Direct: 905.273.3022 x 232

Reception: 905.273.3300 Fax: 905.273.6920

aiqbal@pallettvalo.com Toll-Free: 1.800.323.3781

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Please consider the environment before printing this email.

Shallon Garrafa

From: Domenico Magisano <dmagisano@lerner.ca>
Sent: September-17-14 3:43 PM
To: Bobby Sachdeva
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

Bobby,

I am not going to address the comments regarding the \$980K other than the "missing" \$980K was discovered while Collins Barrow was acting as Monitor, not as Receiver. My e-mail clearly referred to events following Collins Barrow's appointment as Receiver. The circumstances surrounding the \$980K are what they are and continuously referring to them in correspondence does not make them any more (or any less) relevant. Likewise, the continuous reference to my client not having any further contact information for Mr. Karl does not change the facts as presented by my client.

Your e-mail below will be forwarded to my client for review and comment. While my client may be able to provide some insight into some of the matters below, a number of the issues appear to be operational and as we all know, my client is no longer in control of operations. I will see if my client has any insights into why certain things are not working and whether they were working on the day of the receivership. I will also ask for their comment on the balance of the matters raised.

You are quite correct that the Receiver has no obligation to share its findings in advance, but as a court officer, one would think that before indicting my client in a report, it would want to have his side of the story. The Receiver is not an adversarial party and should be seeking to provide full information to the court.

The comments allegedly made by the manager were not related to the receivership and (if accurately recounted to my client) were extremely personal in nature. I am pleased to see that the Receiver is certain that the third party manager is not making these comments, because it must mean that the Receiver is with the third party Manager at all times. Please ensure that the third party Manager is also not making disparaging comments about Ms. Bitton.

Finally, I trust that you appreciate both the urgency and the seriousness of the privilege issue. My client's communications with counsel are privileged, even after the receivership, and that privilege has not been waived. The receiver's (or its staff, contractors or managers) mere review of this type of correspondence could irreparably harm my client and prejudice the receiver. To be clear, my client was not just represented by my firm, but had other matters with other counsel all of which is privileged communication that has not been waived. In short, a protocol for reviewing e-mails and correspondence for privilege should be at the top of the receiver's "to do" list.

Regards

Dom

Domenico Magisano | **Lerners LLP** | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerner.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5

LERNERS

LAWYERS

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: September 17, 2014 2:27 PM
To: Domenico Magisano
Cc: dweisz@collinsbarrow.com
Subject: RE: Pavillon (Our File: 72190) - Confirmation of representation [PV-Active.FID56654]

Dom

As you will appreciate I am occupied in dealing with efforts to stabilize the business at the Pavilion Facility so that we can move to the sale process and thereby stop the bleeding for the secured creditors.

In terms of your client's cooperation or lack thereof, it is not so much matter of what he failed to do in terms of requests from the Receiver (although the failure to provide the banking information and other details with respect to the missing \$980K stands out along with the failure to provide any contact information for Mr. Karl as the phone number provided was not assigned) but rather the issues that the Receiver encountered when it took possession of the Pavilion premises:

1. A \$120K payment to Mr. Karl on September 5th. The signatures on the cheque appear to be those of Johny Druckmann and his daughter. You may wish to ask your client about this cheque.
2. The website for the Facility being inaccessible on Monday, although it appears to have been working on the Saturday prior to the beginning of the receivership.
3. Employees being unable to log into the network on Monday.
4. The system by which fitness club members entered the facility not working.
5. The majority of executed contracts for the hockey leagues are missing
6. Inability to access computer systems or servers without passwords and the passwords not being made available to the Receiver.
7. Quickbooks files which appear to have been deleted.
8. Failure to provide the information on the list the Receiver had provided to you prior to the date of receivership. When the Receiver showed Mr. Druckmann the list, he said he hadn't seen it before.

This is not an exhaustive list.

The Receiver will detail its findings in its eventual First Report. Your client will be welcome to respond as he sees fit. We are under no obligation to disclose all of our findings to your client in advance. Need I remind you that Mr. Druckmann was running the facility when approximately \$1M disappeared and despite our requests, we have received no paper evidence to support the assertion that the funds were paid to "questionable people". We have to believe that Mr. Druckmann asked Mr. Karl as to whom the missing money was paid to. We also have to assume that Mr. Druckmann would have some documentation showing the advance of funds from the "questionable people". The last payment of \$120K to Mr. Karl on the eve of the Receivership is simply astounding in its complete disregard for the Monitor Orders.

I will speak with the Receiver about the emails and the issues of privilege and will get back to you.

As for your last comment, the reality is that most of the employees are aware of much of what transpired at the Facility in the days before the Receivership. It is not the Manager (nor the Receiver) that is making negative statements about your client. In addition, we suspect that there are a few employees still loyal to Mr. Druckmann. I would not put too much credence on their version of what is transpiring at the Facility. In any event I have spoken with the Manager and he assures me that he is not making any disparaging comments about Mr. Druckmann.

Regards

Bobby

Bobby H. Sachdeva

Partner

Direct: 905.273.3022 x 295

Reception: 905.273.3300 Fax: 905.273.6920

sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781

Website: www.pallettvalo.com

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From: Domenico Magisano [mailto:dmagisano@lerner.ca]

Sent: Monday, September 15, 2014 9:45 AM

To: Bobby Sachdeva; Asim Iqbal

Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby,

If your e-mail below is correct and our respective clients "differ greatly" on the cooperation being provided, I think it best that you provide me with lists of the information requested by the Receiver and I will forward those requests on to my client and get their responses. If we do that, then there can be no misunderstanding as to the level of cooperation being provided by my client. I would also appreciate it if your "in due course" response to my e-mail below comes in advance of a report to court as I don't think it would be fair for my client to first receive allegations of its conduct or lack of cooperation by way of receiver's report.

As an aside, I understand that the Receiver is seeking access to my clients' work related e-mails. I request that the Receiver put into place an appropriate protocol to ensure that they are not reviewing and reporting on e-mails that would be subject to privilege. I am sure that I do not need to tell you that in addition to the obvious lawyer/client privilege, there may be documents on the computers generally (and in their e-mail boxes specifically) that are subject to litigation privilege. My suggestion is a mutually agreeable third party tend to obtaining copies of all correspondence, reviewing same and providing recommendations on what documents are subject to privilege.

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Finally, my client is receiving very disturbing reports about what your client's premises manager is saying to the Pavilion employees that remain employed at the premises. I obviously did not hear the comments directly, but, if what is being relayed to me is true, the comments are, at best, distasteful of the Receiver's designate as manager. To be clear, I am not referring to Collins Barrow, I am referring to the person they have retained to manage the premises.

Regards

Dom

Domenico Magisano | Lernalers LLP | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lernalers.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5



From: Bobby Sachdeva [<mailto:sachdeva@pallettvalo.com>]
Sent: September 14, 2014 8:44 PM
To: Domenico Magisano; Asim Iqbal
Cc: dweisz@collinsbarrow.com
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Dom

Rather than responding to each item in your email, it suffices to say that the Receiver's view of your clients' conduct differs greatly. We will provide details in due course. I did not however want my silence in respect of your email below to in any way mean that the Receiver agrees with the contents of your email.

Regards

Bobby H. Sachdeva
Partner Direct: 905.273.3022 x 295
Reception: 905.273.3300 Fax: 905.273.6920
sachdeva@pallettvalo.com Toll-Free: 1.800.323.3781
Website: www.pallettvalo.com



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From: Domenico Magisano [mailto:dmagisano@lernalers.ca]
Sent: Tuesday, September 09, 2014 1:27 PM
To: Bobby Sachdeva; Asim Iqbal
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby,

Over the course of yesterday's e-mail exchanges and discussions, the impression that was being given to me was that Johny was not being cooperative with the Receiver. I have spoken with my client and he vigorously disputes any insinuation of a lack of cooperation. My client has advised that yesterday alone, he did the following (some of which was completed before the Receiver had provided me or my client with an entered copy of the court order):

- Met with the Receiver's representatives as soon as they arrived at the premises;
- Provided the Receiver with immediate access to the IT room;
- Provided the Receiver with immediate access to all administration offices;
- Provided the Receiver with all keys to the premises and explained what each key was used for;
- Answered all questions the Receiver asked to the best of their ability without being offered the opportunity to contact counsel about the specific questions;
- Gave a comprehensive explanation of operational matters, such as prepaid payments and expenses for the premises (including bills that need to be paid urgently), information on employee/independent contractor matters including duties and responsibilities and introduced many of the managers to the Receiver;
- Contacted the insurance broker to facilitate discussions between the Receiver and the broker; and
- Advised that if there are further questions about operational matters, that the Receiver can provide them to me and he will answer as best he can.

Based on the above, it seems quite clear that my client was trying to cooperate. He even went over and above by advising that there is a hockey tournament being held at the premises this weekend. When it was suggested that it would be a good idea for the bar to be open over the weekend, he offered to make his liquor license available so that the bar could be open. I am not certain that the Receiver can legally proceed this way, but that is for you and the Receiver to decide and if it is decided that you can use my client's license, he has already offered his assistance (although, I will want to make sure that his liability is eliminated for anything that happens with respect to the license or operations under the receiver's control)

I recognize that the Receiver "believes" my client has more than one phone number for Henry Karl. I have been repeatedly advised by my client that they only have the number provided. My client also advised that he has offered to do what he can to track down Henry. The Receiver is very adamant about this, and while I can understand why they want to speak to Henry my client advises that he has not seen him since Friday and further noted that Henry's son was rushed to the hospital by ambulance twice last week. While I don't know particulars, that sounds rather serious and would likely be Henry's first priority.

In short, my client appears to be cooperating as best he can in the circumstances. I am sorry that you find it hard to believe that they only had the one phone number for Henry, but they have repeatedly advised that the number provided is the only number they have.

As in many receiverships, it is often easier to accentuate what was not done and not discuss what was done by the debtor. I hope all of my client's efforts will be recognized by the Receiver and that there won't be a focus on the one or two things he could not immediately provide.

LERNERS

LAWYERS

From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: September 08, 2014 6:10 PM
To: Bobby Sachdeva; Domenico Magisano; Asim Iqbal
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Dom

Can I hear from you please.
I have trouble believing that your client had only one telephone # for Karl and that number is out of service today.

Bobby H. Sachdeva B.A., LL.B
Partner
Pallett Valo LLP
Telephone:905.273.3022 Ext. 295
Fax: 905.273.6920
Toll Free: 1800.323.3781
77 City Centre Drive
West Tower, Suite 300
Mississauga, Ontario
L5B 1M5

----- Original message -----

From: Bobby Sachdeva <sachdeva@pallettvalo.com>
Date: 09-08-2014 4:21 PM (GMT-05:00)
To: Domenico Magisano <dmagisano@lernalers.ca>, Asim Iqbal <aiqbal@pallettvalo.com>
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Is this a cell# or his home #?

Bobby H. Sachdeva B.A., LL.B
Partner
Pallett Valo LLP
Telephone:905.273.3022 Ext. 295
Fax: 905.273.6920
Toll Free: 1800.323.3781
77 City Centre Drive
West Tower, Suite 300
Mississauga, Ontario
L5B 1M5

----- Original message -----

From: Domenico Magisano <dmagisano@lernalers.ca>
Date: 09-08-2014 4:05 PM (GMT-05:00)

To: Asim Iqbal <aiqbal@pallettvalo.com>
Cc: Bobby Sachdeva <sachdeva@pallettvalo.com>
Subject: RE: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]

Bobby/Asim,

I checked with my clients and they advise that the number they gave Danny is the number they have for Henry.

Regards

Dom

Domenico Magisano | **Lerners LLP** | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerners.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5



From: Asim Iqbal [<mailto:aiqbal@pallettvalo.com>]
Sent: September 08, 2014 3:53 PM
To: amarkiewicz@cmlaw.ca; Domenico Magisano
Cc: dweisz@collinsbarrow.com; Bobby Sachdeva; iaversa@airdberlis.com; tdunn@mindengross.com
Subject: Pavilion (Our File: 72190) - Confirmation of representation [PV-Active.FID56652]
Importance: High

Dom and Anne,

We were previously advised that Dom represented Johnny Druckmann and Anne represented Henry Karl. Please confirm before the end of today whether either of you represent Johnny Druckmann or Henry Karl, and, if so, which counsel represents whom.

If we do not receive a response by the end of today, we will assume that neither of you represent Johnny Druckmann or Henry Karl and we will deal directly with both of those individuals to serve court materials, schedule any examinations and with respect to any other matters related to these proceedings.

We look forward to your prompt response.

Regards,

Asim Iqbal

Lawyer

Direct: 905.273.3022 x 232

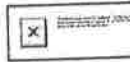
Reception: 905.273.3300 Fax: 905.273.6920

aiqbal@pallettvalo.com Toll-Free: 1.800.323.3781

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Shallon Garrafa

From: Bobby Sachdeva
Sent: September-04-14 10:00 AM
To: Domenico Magisano; tdunn@mindengross.com; sgraff@airdberlis.com; Ian Aversa; Daniel Weisz
Cc: Asim Iqbal
Subject: RE: Extension of APS Goldmanco & Aventura [PV-Active.FID56652]

Thanks Dom.

I also look forward to the additional information I requested with respect to the CRA Refund issue.

Regards

Bobby

Bobby H. Sachdeva B.A., LL.B
 Partner
 Pallett Valo LLP
 Telephone: 905.273.3022 Ext. 295
 Fax: 905.273.6920
 Toll Free: 1800.323.3781
 77 City Centre Drive
 West Tower, Suite 300
 Mississauga, Ontario
 L5B 1M5

----- Original message -----

From: Domenico Magisano <dmagisano@lernalers.ca>
Date: 09-04-2014 9:48 AM (GMT-05:00)
To: Bobby Sachdeva <sachdeva@pallettvalo.com>, tdunn@mindengross.com, sgraff@airdberlis.com, Ian Aversa <iaversa@airdberlis.com>
Cc: Asim Iqbal <aiqbal@pallettvalo.com>
Subject: RE: Extension of APS Goldmanco & Aventura [PV-Active.FID56652]

Bobby,

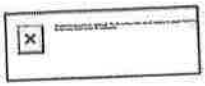
No, to my knowledge my client has not signed back the extension agreement. My understanding from my client is they aren't planning to do anything with respect to the extension until the banks and the purchaser can come to an agreement on terms as there is no point in signing the extension if BDC plans to simply seek the appointment of a receiver.

BDC's offer was not formally presented to the purchaser as it was provided to me at 7:30pm on Tuesday and required a response by 11:59pm that same evening, which was going to be impossible. The \$1,000,000 non-refundable deposit concept has been mentioned to CBRE and they are trying to speak with Goldmanco now about that, and other requests made by BDC and/or Duca.

Regards

Dom

Domenico Magisano | Lerner's LLP | Partner | phone 416.601.4121 | direct fax 416.601.4123 | dmagisano@lerner.ca | 130
Adelaide Street West, Suite 2400 - Toronto - Ontario - M5H 3P5



From: Bobby Sachdeva [mailto:sachdeva@pallettvalo.com]
Sent: September 03, 2014 7:36 PM
To: Domenico Magisano; tdunn@mindengross.com; sgraff@airdberlls.com; Ian Aversa
Cc: Asim Iqbal
Subject: RE: Extension of APS Goldmanco & Aventura [PV-Active.FID56652]

Dom

Please advise if your client has signed back the Extension Agreement.

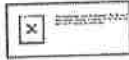
Regards

Bobby H. Sachdeva
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From: Domenico Magisano [mailto:dmagisano@lernalers.ca]
Sent: Tuesday, September 02, 2014 11:38 AM
To: Timothy R. Dunn (tdunn@mindengross.com); Steven Graff - Aird & Berlis LLP (sgraff@airdberlis.com); Ian Aversa
Cc: Bobby Sachdeva
Subject: Extension of APS Goldmanco & Aventura

Counsel,

I attach an amendment agreement received by my client on Friday, however I was out of the office and unable to review until today. Below is the text of an e-mail received by my client from CBRE regarding the proposed transaction and discussions between Peter Senst, President of CBRE's Canadian Capital Markets and the principal of Goldmanco. In sum Goldmanco (or more specifically, its nominee) is requesting additional time to complete the transaction and CBRE is recommending that the additional time be provided.

I have not been able to speak to my client in detail about the e-mail or the attached amendment (although I will do so), but I suspect that before anyone makes any final decisions on this request it may be worthwhile for the Monitor to have a discussion with CBRE and get their thoughts in more detail. My client is happy to facilitate that discussion.

Regards

Dom

From: "Gallagher, Casey @ Toronto DT"
Date: August 30, 2014 at 10:58:39 AM EDT
To: Jennifer Druckmann, "Senst, Peter @ Toronto DT"
Cc: "Nowak, Melissa @ Toronto DT"
Subject: RE: Extension of APS Goldmanco & Aventura

Jennifer –

Peter Senst had a chance to connect in person with Ori Goldman (Goldmanco's principal and Tie Domi's partner) last night to confirm his position. Ori is very committed to facilitating this transaction and feels strongly that more time will help them finalize their business plans as they relate to the Property.

Best,

Casey T. Gallagher | Senior Vice President*
CBRE Limited | Brokerage | National Investment Team
145 King Street West, Suite 600 | Toronto, ON M5H 1J8
T 416-815-2398 | F 416-362-8085
casey.gallagher@cbre.com | www.cbre.com

* Sales Representative

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APPENDIX I

AQUATICS SERVICES AGREEMENT

THIS AGREEMENT is made as of November 7, 2014

BETWEEN:

COLLINS BARROW TORONTO LIMITED, solely in its capacity as Receiver and Manager of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1688902 Ontario Inc., 1887722 Ontario Ltd., and Forza Fitness Ltd. and not in its personal capacity (the "**Receiver**")

-and-

Kendal Aquatics Swim Program Ltd. ("Kendal")

RECITALS:

- A. On September 8, 2014, the Ontario Superior Court of Justice, Commercial List (the "**Court**") granted an order (the "**Receivership Order**") appointing Collins Barrow Toronto Limited as the Receiver over all property, assets and undertakings (collectively, the "**Property**") of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1688902 Ontario Inc., 1887722 Ontario Ltd., and Forza Fitness Ltd. (collectively, the "**Debtors**");
- B. The Property includes the property known municipally as 130 Racco Parkway, Vaughan, Ontario (the "**Facility**"), which includes an approximately 145,000 square foot building (the "**Pavilion**") which includes, among other things, swimming pools (including the leisure pool and the lap pool), the jacuzzi, pool deck and sauna; and
- C. The Receiver has taken possession of the Facility and wishes to retain Kendal to provide lifeguarding and related services, as described in Section 2 below (the "**Services**") to the Receiver for the swimming pools (including the leisure pool and the lap pool), the jacuzzi, pool deck and sauna at the Facility (the "**Aquatic Facilities**").

NOW THEREFORE, in consideration of the covenants and agreements herein contained, and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged and agreed to by the parties), the parties agree as follows:



ARTICLE I - APPOINTMENT

1.01 Appointment

- (a) The Receiver hereby appoints Kendal to provide the Services for the Aquatic Facilities, and for all aquatic activities being carried on at the Facility and otherwise to provide the Services in accordance with this Agreement.
- (b) Kendal hereby accepts the appointment and agrees to provide the Services and comply with the provisions of this Agreement.

1.02 Independent Contractor

Kendal will provide the Services to the Receiver as an independent contractor. Kendal will have no power or authority to bind the Receiver or to assume or create any obligations or responsibility, express or implied, on the Receiver's behalf or in its name except as expressly provided in this Agreement or as may be expressly agreed to in writing by the Receiver, nor will Kendal represent to anyone that it has such power or authority.

ARTICLE II - THE SERVICES

2.01 Provision of Services

- (a) Subject to the direction of the Receiver and the provisions of this Agreement, Kendal shall provide lifeguarding and related services for the hours the Aquatic Facilities are open, as more particularly set out in Schedule "A" attached to this Agreement; *one (1) lifeguard to provide JK ✓*
- (b) Kendal shall not allow access to the Aquatic Facilities by any person, whether or not scheduled aquatics classes are in session, unless an appropriate number of qualified lifeguards are present at the Aquatic Facilities, at all times. In order to ensure that Kendal has the appropriate number of lifeguards present at the Aquatic Facilities, the Receiver hereby authorizes Kendal to lock the access doors from the change rooms to the pool deck if the number of individuals on the pool deck exceeds twenty (20), excluding participants in classes held by Kendal, Kendal Aquatics Ltd. or UMCA Richtree; *for forza members JK ✓*
- (c) Lifeguards on duty at any of the Aquatic Facilities shall be present immediately adjacent to the pool surface, at all times;
- (d) In the event Kendal or Kendal Aquatics Ltd. conducts a class for its own clients, for which Kendal or Kendal Aquatics Ltd. is providing a lifeguard(s) or instructor, or UMCA Richtree conducts a class for which UMCA Richtree provides a lifeguard, Kendal shall also provide one other lifeguard (the "Pavilion Lifeguard") dedicated to the Aquatic Facilities not being used by the class being conducted by Kendal or Kendal Aquatics Ltd. or UMCA Richtree;

- (e) Kendal shall have the sole responsibility for the formulation and enforcement of all applicable and required safety rules at any of the Aquatic Facilities, and all persons present at any of the Aquatic Facilities shall be subject to the exclusive jurisdiction of Kendal to set and enforce all rules regarding the use and enjoyment of the Aquatic Facilities;
- (f) The Receiver shall be responsible for all pool fixtures and equipment and maintenance of the Aquatic Facilities, including the main pool, lap pool and jacuzzi. For greater certainty, this shall include the purchase of chemicals for the Aquatic Facilities; and
- (g) Kendal shall immediately advise in writing Alex Paterson at the Property, and the Receiver, if it identifies or becomes aware of any maintenance or repairs required to any of the Aquatic Facilities, including the main pool, lap pool and jacuzzi, or equipment related thereto.

2.02 Kendal Staff

- (a) Kendal will provide and train staff ("Kendal Staff") to fulfill its duties and responsibilities hereunder. Kendal Staff will be employees or contractors of Kendal and not the Receiver or the Debtors. All contracts and obligations entered into or incurred by Kendal with respect to Kendal Staff will be made in the name of Kendal only and not the name of the Receiver or the Debtors.
- (b) Kendal will employ, control and pay all Kendal Staff and will comply with all laws relating to employment, wages, benefits, source deductions, withholdings, hours of labour and working conditions in connection with the Kendal Staff, and the Receiver shall have no liability in connection therewith.
- (c) Kendal represents and warrants to the Receiver that all Kendal Staff members possess the requisite qualifications and certificates, skill, knowledge and experience to perform the tasks assigned to them and to conform to the requirements of Kendal to perform the Services, and Kendal will conduct such reference and security checks as the Receiver may request. Any costs associated with said reference or security checks by Kendal requested by the Receiver will be reimbursed by the Receiver.
- (d) Kendal shall at all times ensure that sufficient Kendal Staff are present and available to provide sufficient supervision and management in connection with Kendal's obligations under this agreement.
- (e) Kendal represents, warrants and covenants that Kendal Staff will, at all times while at the Facility or on any other part of the property of the Debtors, abide by any order of the Court as well as the Receiver's instructions, as provided from time to time.

ARTICLE III - COMPENSATION

3.01 Fees

- (a) In consideration of Kendal performing the Services during the Term, the Receiver will pay fees to Kendal (the "Kendal Fees") the amount of One Thousand Seven Hundred dollars (\$1,700) per week, not including applicable HST. In the event of any material change in such hours, the Receiver shall nevertheless continue to pay the full amount set out in this section 3.01 for a 15 day period, it being recognized by the Receiver that Kendal has previously made commitments to Kendal's staff, in terms of interviewing, hiring, training and scheduling.
- (b) Kendal shall invoice the Receiver for the Kendal Fees on a bi-weekly basis or as otherwise agreed in writing between the Receiver and Kendal, and the Receiver shall pay the invoice provided by Kendal within 5 business days of receipt by the Receiver.

ARTICLE IV - OTHER KENDAL OBLIGATIONS

4.01 Other Covenants

In addition to the other covenants and obligations to be performed by Kendal hereunder, Kendal covenants and agrees that it will, at all times during the Term:

- (a) make full, frank and immediate disclosure to the Receiver (or its representatives or advisors) of all matters coming to the attention of Kendal in relation to the Facility and this Agreement, which are material and/or adverse to the interests of the Receiver;
- (b) require, as a condition of use, that any individual wishing to use the Aquatic Facilities, that is a customer or client of Kendal, Kendal Aquatics Ltd. or a company related to either Kendal or Kendal Aquatics Ltd., must provide a waiver of liability consistent with industry standards and in form and substance satisfactory to the Receiver;
- (c) make any remittances required by law including, without limitation, employee withholdings, source deductions, WSIB premiums and HST; and
- (d) provide proof of coverage of insurance, all in a form, amounts and with binding companies approved by, and satisfactory to, the Receiver.

4.02 Provision of the Facility

The Receiver agrees to provide Kendal with access to the Facility as contemplated by this Agreement and the delivery of the Services hereunder.

d

ARTICLE V - TERM AND TERMINATION

5.01 Term

- (a) The appointment of Kendal under this Agreement commences on November 7, 2014 and continues in full force and effect until the tenth (10th) day after delivery of written notice of termination by Kendal to the Receiver or by the Receiver to Kendal, as the case may be, unless the Receiver terminates this agreement as a result of the fraud, willful misconduct or gross negligence on the part of Kendal in which case the agreement shall be terminated on two (2) days written notice to Kendal.

ARTICLE VI - INDEMNIFICATION

6.01 Indemnity in Favour of the Receiver

Kendal hereby covenants and agrees to and hereby does indemnify and save the Receiver harmless of and from any and all claims, including those arising from damage to property and injuries or death to persons arising from or in connection with:

- (a) any negligent act or omission of Kendal or any of its directors, officers, employees, and agents; and
- (b) any breach of the terms and conditions contained in this Agreement on the part of Kendal to be observed or performed by Kendal.

ARTICLE VII - GENERAL

7.01 No Assignment

Neither party will assign, transfer or pledge this Agreement or any rights or obligations hereunder to any person without the prior written consent of the other party.

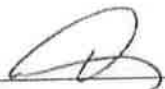
7.02 Final Agreement

This Agreement and the schedules attached hereto constitute the entire agreement between the Receiver and Kendal in respect of the subject matter of this agreement and supercedes any prior agreement(s) in respect of the subject matter of this agreement.

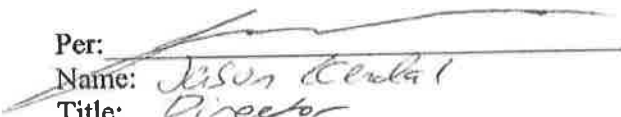


IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

COLLINS BARROW TORONTO LIMITED,
solely in its capacity as Receiver and Manager of
Aventura II Properties Inc., Pavilion Sports Clubs
Inc., Pavilion Sports Ice Inc., Pavilion Sports
Food and Beverage Inc., Pavilion Aquatic Club
Inc., Pavilion Clubs Inc., 1688902 Ontario Inc.,
1887722 Ontario Ltd. and Forza Fitness Ltd. and
not in its personal capacity

Per: 
Name: DANIEL WEISS
Title: SENIOR VICE PRESIDENT

**KENDAL AQUATICS SWIM PROGRAM
LTD.**

Per: 
Name: Jason Kendal
Title: Director
(I have authority to bind the corporation)

SCHEDULE "A" TO AQUATICS SERVICES AGREEMENT

SWIMMING POOL HOURS

Monday - 7:30 am to 12:30 pm; and 4:00 pm to 9:00 pm

Tuesday - 7:30 am to 12:30 pm; and 4:00 pm to 9:00 pm

Wednesday - 7:30 am to 12:30 pm; and 4:00 pm to 9:00 pm

Thursday - 7:30 am to 12:30 pm; and 4:00 pm to 9:00 pm

Friday - 7:30 am to 12:30 pm; and 4:00 pm to 9:00 pm

Saturday - 8:00 am to 6:00 pm

Sunday - 8:00 am to 6:00 pm



APPENDIX J

EXCLUSIVE AUTHORITY TO SELL

THIS AGREEMENT dated as of the 15th day of October, 2014 (the "Effective Date").

Between: COLLINS BARROW TORONTO LIMITED SOLELY IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF AVENTURA II PROPERTIES INC., PAVILION SPORTS CLUB INC., PAVILION SPORTS ICE INC., PAVILION SPORTS FOOD AND BEVERAGE INC., PAVILION AQUATIC CLUB INC., PAVILION CLUBS INC., 1688902 ONTARIO INC., 1887722 ONTARIO LTD. AND FORZA FITNESS LTD. WITH NO PERSONAL OR CORPORATE LIABILITY. **(the "Vendor")**

And: COLLIERS MACAULAY NICOLLS (ONTARIO) INC. **(the "Agent")**

In consideration of the services of the Agent, the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Vendor and the Agent, the Vendor hereby authorizes the Agent to act as its exclusive agent for the purposes of selling those lands municipally known as 130 Racco Parkway, Vaughan, ON and legally described as:

BLOCK 1, PLAN 65M3531 VAUGHAN. S/T EASE OVER THAT PT LYING WITHIN THE LIMITS OF PT 16 65R21129 AS IN LT1306631. T/W EASE OVER PT LT 8, CON 2, PTS 1, 2, & 3, 65R17402 & PTS 1 & 2 65R17833 AS IN LT1072914. S/T EASE OVER PTS 1 & 2, 65R24404, AS IN YR82691; **(the "Property")**

at a purchase price to be determined inclusive of commission, payable in full on the closing of the purchase of the Property and on the following terms and conditions:

1. Term

This Agreement shall commence on the Effective Date and shall be irrevocable until it expires at one minute before midnight on February 15, 2015 (the "Term") (Vendor to initial beside this date).

2. Agent's Responsibilities

The Agent shall:

- (a) provide experienced representatives who will devote themselves diligently to the sale of the Property. The representatives shall be Tim Bristow, David Williams and Yash Kumar;
- (b) Colliers shall be responsible for all marketing costs associated with the Property including distribution of electronic marketing brochures, mail drops, dedicated website and any mutually approved newspaper advertising;
- (c) promote and protect the best interests of the Vendor;
- (d) consult with the Vendor on a periodic basis, including submission of regular agreed upon written reports to the Vendor;
- (e) take reasonable steps to determine the material facts in respect of the transaction and disclose such material facts to the Vendor, including the provision of current market data;

- (f) work with all realtors and real estate companies for bona fide introductions made by such realtors of potential purchasers with whom the Agent is not already dealing; in the event that a purchase transaction is consummated involving a cooperating realtor, the total commission payable by the Vendor shall be paid by the Vendor to the Agent and the Vendor shall not be obligated to pay such cooperating realtor;
- (g) negotiate the offer to purchase as required by the Vendor, present such offer to purchase to the Vendor along with recommendations for acceptance, rejection or counter offer and assist with the documentation and execution of the final agreement;
- (h) ensure that all offers are in writing and are submitted promptly to the Vendor through the Agent, including offers received from other real estate companies or cooperating realtors; the Agent acknowledges that it has no authority to accept any offers on behalf of the Vendor;
- (i) endeavour to prolong all offers for an adequate period of time in order to facilitate review by the Vendor;
- (j) provide liaison between the purchaser and the Vendor as required;
- (k) provide personalized attention to the purchaser to create the best possible continuing relationship with the Vendor; and
- (l) devote as much time to its duties pursuant to this Agreement as shall be requisite to achieve the objectives herein contemplated.

3. Vendor's Responsibilities

- (a) the Vendor hereby authorizes the Agent to make inquiries of any parties holding mortgages, agreements for sale or other charges on the Property, their agents or representatives and civic or municipal officers and employees to obtain particulars relating to the Property;
- (b) the Vendor covenants and agrees with the Agent to refer all enquiries regarding the purchase of the Property to the Agent as soon as reasonably possible;
- (c) the Vendor covenants and agrees with the Agent to bring to the Agent's attention all offers submitted to it before considering acceptance or rejection;
- (d) the Vendor will provide such documents that are in the Vendor's possession (ie. plans, surveys, blueprints, environmental reports, structural reports, HVAC service reports, mechanical reports, service contracts and the like) as the Agent may reasonably require to effectively market the Property;
- (e) the Vendor will allow the Agent to show prospective purchasers the Property during reasonable hours; and
- (f) the Vendor covenants and agrees to provide, for the benefit of the Agent, a direction with respect to the payment of the commission to the Agent from the purchase price proceeds.

4. Agent's Commission

The Vendor shall pay the Agent a commission of one and three quarters percent (1.75%) of the purchase price payable to purchase the Property plus applicable taxes (including, but not limited to Harmonized Sales Tax) if a sale is to a Buyer introduced to the Property by the listing team as provided in paragraph 2. (a) of this Agreement.



The Vendor shall pay the Agent a commission of two and one half percent (2.50%) of the purchase price payable to purchase the Property plus applicable taxes (including, but not limited to Harmonized Sales Tax) if a sale is to a Buyer introduced to the Property by a co-operating broker and the Agent shall pay at their discretion to the co-operating broker three quarters of one percent to one percent (0.75% to 1.00%) of the purchase price based on the level of involvement of the co-operating broker as more fully described in the e-mail attached as Schedule 1 to this Agreement. Such commission shall be earned and due only if and when:

either:

- (a) the Vendor completes a sale transaction for the Property during the Term, whether or not the purchaser was introduced to the Vendor or the Property by the Agent, or
- (b) within four (4) months after the expiration of the Term, the Vendor accepts an offer to purchase the Property and completes a sale transaction for the Property from a party who was introduced to the Vendor or the Property by the Agent during the Term in accordance with section 8(a); or the Vendor should have referred the purchaser to the Agent in accordance with sections 3(b) or 3(c).

Any deposit with an Offer to Purchase accepted by Vendor shall be made payable to and be held by the Receiver's lawyers In Trust unless otherwise directed by the Vendor.

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5. Legal Advice

The Vendor acknowledges that the Agent has recommended that they obtain advice from their legal Counsel prior to signing this document. The Vendor further acknowledges that the information provided by the Agent is not to be construed as expert legal, environmental or tax advice and the Vendor is cautioned not to rely on such information without seeking specific legal, environmental or tax advice with respect to their unique circumstances.

6. Disclosure

The Vendor acknowledges its potential liability for deliberate or willful failure, or its gross negligence in failing, to disclose any latent defects in the Property, including environmental contamination, to any purchaser. The Vendor agrees to indemnify, on a full indemnity basis, and save the Agent harmless in respect of any claims made by any purchaser against the Agent for non-disclosure of information which the Vendor knew or ought to have known and had a duty to disclose at law solely if such non-disclosure arises from the deliberate or willful misconduct or gross negligence of the Vendor. The Vendor acknowledges the Agent's obligation to disclose all material facts, including but not limited to environmental and latent defect information, to all parties the Agent represents with respect to the Property.

7. Multiple Representation by Agent

(a) Disclosure Before Multiple Representation

The Vendor acknowledges and agrees that the Agent has the exclusive listing for the purposes of selling the Property as further described in this Agreement and the Agent and its licensees shall not represent any other party to a transaction involving the Property unless the following matters are disclosed to all parties to the transaction at the earliest practicable opportunity and before the Agent enters into a second or subsequent representation agreement with a potential purchaser:

- (i) the fact that the Agent may represent more than one party to the transaction; and
- (ii) the differences between the obligations the Agent would have if the Agent represented only one party to the transaction and the obligations the Agent would have if the Agent represented more than one party, including the differences relating to the disclosure of information or services that the Agent would provide.

(b) Consent to Multiple Representation

The Agent shall not represent more than one party to the transaction unless, after the Agent complies with Section 7(a), all parties represented by the Agent consent in writing.

(c) Nature of Relationship

The Agent shall, at the earliest practicable opportunity, inform all parties to a transaction which the Agent represents of the nature of the Agent's relationship to each party. The Agent shall disclose all material facts in respect of the Property to all parties the Agent represents.

8. Miscellaneous

- (a) The Agent will notify the Vendor in writing within ten days after the expiration of the Term of all those potential purchasers who were introduced to the Property by the Agent during the Term and in respect of whom the Agent is entitled to a commission pursuant to Section 4(b) of this Agreement.
- (b) Neither party to this Agreement shall be entitled to assign this Agreement or any interest herein.
- (c) This Agreement shall be binding on the successors and assigns of the parties hereto.
- (d) This Agreement shall be governed by the laws of the Province of Ontario.
- (e) Any amendments to this Agreement are to be in writing signed by both parties.
- (f) There are no representations, warranties, guarantees, promises or agreements other than made herein.


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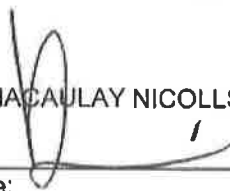
DR

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year on page one.

COLLINS BARROW TORONTO LIMITED SOLELY IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF AVENTURA II PROPERTIES INC., PAVILION SPORTS CLUB INC., PAVILION SPORTS ICE INC., PAVILION SPORTS FOOD AND BEVERAGE INC., PAVILION AQUATIC CLUB INC., PAVILION CLUBS INC., 1688902 ONTARIO INC., 1887722 ONTARIO LTD. AND FORZA FITNESS LTD. WITH NO PERSONAL OR CORPORATE LIABILITY.

Per: 
name: DANIEL WEISS
title: SENIOR VICE PRESIDENT

COLLIERS MACAULAY NICOLLS (ONTARIO) INC.

Per: 
name:
title: KEN NORRIS
EXECUTIVE MANAGING
DIRECTOR

SCHEDULE "1"
TO EXCLUSIVE AUTHORITY
TO SELL AGREEMENT

Daniel Weisz

From: Williams, David <David.Williams@colliers.com>
Sent: Friday, October 17, 2014 5:11 PM
To: Daniel Weisz
Subject: 130 Racco Parkway

Danny,

Further to our conversation, Colliers agrees that in the event of a sale transaction involving a co-operating broker, the total commission will be 2.5% of the sale price. Colliers will offer co-operating brokers a 1.0% fee in circumstances where the co-operating broker represents a buyer and performs all the typical duties of a buyer's representative including but not limited to: being present at all tours and inspections, offer preparation and negotiation, providing market information, coordinating due diligence and help manage the sale through to closing. In circumstances where a co-operating broker is not comfortable performing all the typical duties of a buyer's representative and would prefer Colliers to step into some of those responsibilities, Colliers will pay the co-operating broker a fee of .75% of the total commission.

In no circumstance will the Colliers listing team earn a commission in excess of 1.75%. In all circumstances involving a co-operating broker, there will be a confirmation of co-operation document signed by the brokers, buyer and seller confirming the commission arrangement.

I hope this provides the clarity you require with respect to the commission agreement.

David

David Williams

Senior Vice President, Sales Representative

Direct +1 416 643 3753 | Mobile +1 416 605 3753 | [View my profile](#)

David.Williams@colliers.com

Colliers International


245 Yorkland Blvd., Suite 200 | Toronto, ON M2J 4W9 | Canada

Main +1 416 777 2200 | Fax +1 416 492 0100





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Colliers
INTERNATIONAL

Plug in at
the source.

As of July 1, we will require your consent to continue emailing you.
If you have already provided your consent, thank you!

[Click to Consent](#)



APPENDIX K

FOR SALE

MULTI-PURPOSE SPORTS & RECREATION FACILITY



130 RACCO PARKWAY, VAUGHAN, ONTARIO



Colliers International has been retained as the exclusive agent in the sale of **130 Racco Parkway**, a 150,000 square foot sports and recreational facility located on the south east corner of Highway 407 and Dufferin Street in Vaughan, Ontario.

This recently constructed multi-purpose facility contains an aquatics centre, two rink arena complex, fitness centre, gymnasium, squash courts, indoor climbing wall, full service restaurant and other amenities. The property is well positioned to generate strong revenue through membership fees, short and long term contracts for the aquatics centre and arena complex, and other space for educational purposes within the property.

HIGHLIGHTS INCLUDE:

- Strong branding opportunity with exposure to Highway 407 and Dufferin Street.
- Adjacent to seven full size multi-purpose playing fields.
- Modern, high quality facility that offers rare combination of aquatics, fitness, gym, and ice rinks.
- Central to rapidly growing communities of Vaughan, Thornhill, Richmond Hill and Markham.
- Highly accessible by transit and one kilometre away from new Viva Rapidway station due to open in 2018.
- Tremendous long term redevelopment potential of strategically located 7.66 acre site.

Further information can be found on the property website. All parties will be required to execute the Confidentiality Agreement ("CA") prior to being granted access to the confidential information located on Sharefile link. Please send the signed CA to **Lisa Cerenzia** by email to lisa.cerenzia@colliers.com or fax +1 416 777 2277.

APPENDIX L

March 9, 2015

Collins Barrow Toronto Limited
11 King St. W., Ste 700, Box 27
Toronto ON M5H 4C7

Sent by email: dweisz@collinsbarrow.com

Attention: Daniel Weisz, Sr. Vice President

RE: Receivership of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1887722 Ontario Inc., 1688902 Ontario Inc., and Forza Fitness Ltd. (collectively, the "Debtor Group of Companies")

Dear Daniel:

As the only secured creditor with an economic interest in the assets of the Debtor Group of Companies, we request that Collins Barrow Toronto Limited ("the Receiver") make an application to the Court, without delay, for approval of its fees and its discharge as receiver and manager. Contemporaneously, DUCA will be moving to substitute Pollard & Associates Inc. as receiver and manager of the Debtor Group of Companies.

As you are aware, we have expressed our concern over the quantum of fees charged by the Receiver. In our view, it is greatly disproportionate to the value of the services provided. Accordingly, unless an agreement can be reached on the quantum of your fees, we shall be opposing the approval of the same. We will also be reviewing the time spent by your counsel.

Regrettably, we have lost confidence in the Receiver's ability to administer the receivership on a cost-effective basis. As you know, we have serious concerns respecting both the amount of time and resources that the Receiver has dedicated to this matter when a professional manager has been operating the facility and what we consider to be the poor manner in which the original sales process was run, which process yielded wholly unacceptable offers. These concerns have been exacerbated by the general lack of meaningful reporting to stakeholders throughout the receivership process and the preceding monitoring engagement.

As a result of DUCA's efforts, a Purchaser was identified and brought to the table. Now that an agreement of purchase and sale has been entered into for the real and associated personal property situated at 130 Racco Parkway, Vaughan, we need to rationalize professional fee expenses and ensure the most efficient management of the estate in the months leading up to the closing. In our view, this necessitates the proposed substitution process.

It is unfortunate that this step needs to be taken but we strongly believe it is the prudent course to ensure the best possible realization.

Respectfully,


Richard Senechal

President & CEO

DUCA Financial Services Credit Union Ltd.

5290 Yonge St., Toronto, ON M2N 5P9

T: (416) 590-2390, F: (416) 223-2575, C: (416) 880-9993

rsenechal@duca.com www.duca.com

APPENDIX M

Collins Barrow Toronto Limited
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

March 19, 2015

DUCA Financial Services Credit Union Ltd.
5290 Yonge Street
Toronto, Ontario
M2N 5P9

**Attention: Mr. Richard Senechal
President & CEO**

Dear Sirs:

**COLLINS BARROW TORONTO LIMITED
Court Appointed Receiver and Manager of
Aventura II Properties Inc.
Pavilion Sports Clubs Inc.
Pavilion Sports Ice Inc.
Pavilion Sports Food and Beverage Inc.
Pavilion Aquatic Club Inc.
Pavilion Clubs Inc.
1887722 Ontario Ltd.
1688902 Ontario Inc.
Forza Fitness Ltd.**

(collectively, the "Companies") - Receivership

We are writing in reply to your letter dated March 9, 2015 (copy enclosed for your convenience). The Receiver and Manager's ("Receiver") comments to your letter were perforce delayed as Mr. Sachdeva, the primary representative of the Receiver's counsel, was on vacation last week.

With reference to the specific matters raised in your letter, we advise that we disagree generally with your comments as to the activities of the Receiver in administering the receivership. In particular:

1. The fees and disbursements charged by the Receiver, as well as those by the Monitor, have been set out on invoices that provide narrative details of activities, prepared for the most part on a semi-monthly basis, that were provided to both DUCA and Business Development Bank of Canada ("BDC"), the Applicant in this matter, on a regular basis. The Receiver has also prepared a detailed report to be presented to the Court (a draft of which prepared to on or about February 20, 2015 was provided to your counsel) setting out the Receiver's activities, and we are of the view that the Receiver's fees, in addition to those of the Monitor, are fair and reasonable in the circumstances. We also note that BDC has paid in full its share of the Receiver's and Monitor's fees to January 12, 2015 which we understand is the effective date of when the BDC security was assigned to DUCA. We are six months into the receivership, and over one year since the appointment of the Monitor, and this is the first time that objection has been made to our accounts. Given the period of time that DUCA has been in possession of our accounts, and given the fact that we continue to carry out our

duties in good faith and incurring time accordingly, we believe that it is unfair at this juncture to take issue with our accounts. We understand that you have asked for copies of our dockets in support of our billings and these will be supplied to you shortly.

2. While there should be no need for us to rehearse here all of the obstacles encountered in connection with this administration, we note that this was and continues to be a difficult Receivership. There were extensive difficulties in terms of operational issues, especially in the first two months of the Receivership. The stabilization of the operations at the facility took significant time and resources. The Receivership has also been difficult due to the fact that the two primary stakeholders, BDC and DUCA, were hardly on the same page on many issues. These differences included everything from operational issues to the sales process. The Receiver spent a significant amount of time dealing with questions and concerns from both secured creditors. Lastly, the Receiver has been required to address issues raised by DUCA, as set out in emails from DUCA to the Receiver, with respect to the conduct of a Court Ordered Receivership process and the duties and obligations of a Court appointed Receiver, and what appeared to the Receiver to be DUCA's efforts at times to assume control of the Receivership.
3. The sales process conducted by the Receiver is described in the draft Receiver's report and was conducted in a manner that one would expect from a court-appointed officer. Any specific concerns that DUCA raised in connection with the sales process were responded to by the Receiver when those concerns were raised. The sales process conducted did not have an impact on the quantum of the offers received.
4. We acknowledge your comment that as a result of DUCA's efforts, "a Purchaser was identified and brought to the table". When the offer was presented to the Receiver, we worked with DUCA to finalize the terms of an agreement of purchase and sale that was acceptable to all parties and the Receiver executed the agreement of purchase and sale on March 3, 2015. Please be advised that Colliers has enquired of the Receiver whether or not this buyer falls under the terms of its listing agreement. We have not yet responded to Colliers as we request that DUCA provide the Receiver with details of the genesis of the submission of the offer, in order that the Receiver can reply accordingly.
5. We do not agree with your comment that there was a general lack of meaningful reporting during both the monitoring and receivership processes. The Monitor brought matters of issue to the attention of DUCA and BDC as the Monitor became aware of them and, during the period of the monitoring engagement, issued three comprehensive reports to the Court. With respect to the receivership administration, the Receiver has kept DUCA and BDC apprised on a regular basis either through e-mail updates or through discussions either directly or with respective counsel.
6. You are requesting that the Receiver make an application to the Court for its discharge. However, we are uncertain of the basis upon which the Receiver, having now entered into an agreement of purchase and sale that is conditional until April 15, 2015, would make that request to the Court at this time. In the circumstances, we are of the view that if DUCA wants to bring a motion seeking to discharge this Receiver, it should do so. The Receiver would then reply to that motion and seek the direction of the Court. In connection with the request, while you have expressed your desire to rationalize professional fees and expenses, we point out that there will be costs of the existing Receiver and a new receiver to effect a transition of the receivership administration that could well exceed your expected savings, particularly if the conditions to the agreement of purchase and sale are waived on April 15, 2015 and the transaction closes on June 15, 2015.
7. While DUCA has expressed concerns regarding the costs of this Receivership, it is now forcing the Receiver to expend time and incur entirely unnecessary expenses in having to deal with the issues raised in DUCA's letter of March 9, 2015. Given where we are in the

March 19, 2015
Page 3

sale process, it makes little sense to force the Receiver and its lawyers to deal with these issues at this time. These costs are increasing the costs of the receivership.

Should you have any questions or require any additional information, please do not hesitate to contact the undersigned.

Yours truly,

COLLINS BARROW TORONTO LIMITED

In its capacity as Court-appointed Receiver and Manager of
**Aventura II Properties Inc., Pavilion Sports Clubs Inc.,
Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc.,
Pavilion Aquatic Club Inc., Pavilion Clubs Inc.,
1887722 Ontario Ltd., 1688902 Ontario Inc. and Forza Fitness Ltd.**
and not in its personal capacity



Per: Daniel R. Weisz, CPA, CA, CIRP
Senior Vice-President

Cc Bobby Sachdeva, Pallett Valo LLP
Tim Dunn, MInden Gross LLP

MAR 09 2015

March 9, 2015

Collins Barrow Toronto Limited
11 King St. W., Ste 700, Box 27
Toronto ON M5H 4C7

Sent by email: dweisz@collinsbarrow.com

Attention: Daniel Weisz, Sr. Vice President

RE: Receivership of Aventura II Properties Inc., Pavilion Sports Clubs Inc., Pavilion Sports Ice Inc., Pavilion Sports Food and Beverage Inc., Pavilion Aquatic Club Inc., Pavilion Clubs Inc., 1887722 Ontario Inc., 1688902 Ontario Inc., and Forza Fitness Ltd. (collectively, the "Debtor Group of Companies")

Dear Daniel:

As the only secured creditor with an economic interest in the assets of the Debtor Group of Companies, we request that Collins Barrow Toronto Limited ("the Receiver") make an application to the Court, without delay, for approval of its fees and its discharge as receiver and manager. Contemporaneously, DUCA will be moving to substitute Pollard & Associates Inc. as receiver and manager of the Debtor Group of Companies.

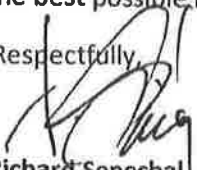
As you are aware, we have expressed our concern over the quantum of fees charged by the Receiver. In our view, it is greatly disproportionate to the value of the services provided. Accordingly, unless an agreement can be reached on the quantum of your fees, we shall be opposing the approval of the same. We will also be reviewing the time spent by your counsel.

Regrettably, we have lost confidence in the Receiver's ability to administer the receivership on a cost-effective basis. As you know, we have serious concerns respecting both the amount of time and resources that the Receiver has dedicated to this matter when a professional manager has been operating the facility and what we consider to be the poor manner in which the original sales process was run, which process yielded wholly unacceptable offers. These concerns have been exacerbated by the general lack of meaningful reporting to stakeholders throughout the receivership process and the preceding monitoring engagement.

As a result of DUCA's efforts, a Purchaser was identified and brought to the table. Now that an agreement of purchase and sale has been entered into for the real and associated personal property situated at 130 Racco Parkway, Vaughan, we need to rationalize professional fee expenses and ensure the most efficient management of the estate in the months leading up to the closing. In our view, this necessitates the proposed substitution process.

It is unfortunate that this step needs to be taken but we strongly believe it is the prudent course to ensure the best possible realization.

Respectfully,


Richard Senechal
President & CEO

DUCA Financial Services Credit Union Ltd.

5290 Yonge St., Toronto, ON M2N 5P9

T: (416) 590-2390, F: (416) 223-2575, C: (416) 880-9993

rsenechal@duca.com www.duca.com

APPENDIX N

**COLLINS BARROW TORONTO LIMITED
COURT-APPOINTED RECEIVER AND MANAGER OF
AVENTURA II PROPERTIES INC. ET AL
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD SEPTEMBER 8, 2014 TO APRIL 17, 2015**

Receipts

Cash re TD Accounts transferred to this account	\$	141,190.72
Advances pursuant to Receiver Certificates issued		400,000.00
Net transfers from Receiver's operating accounts (Note 1)		260,000.00
Interest and miscellaneous income		387.03

Total receipts	\$	<u>801,577.75</u>
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Disbursements

Filing and licensing fees	\$	905.00
Buyout of Ford Truck		4,678.01
HST and PST paid		79,696.67
Insurance		157,677.12
Facility Manager's fees and disbursements		52,057.27
Change of locks		6,385.00
Miscellaneous		309.00
PSCI Payroll		34,533.19
Security, taking possession, repairs and maintenance		60,538.25
Receiver's fees and disbursements		271,914.34
Legal fees and disbursements		104,004.09
Monitor fees and disbursements		20,525.19

Total disbursements	\$	<u>793,223.13</u>
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Excess of Cash Receipts over Disbursements (2)	\$	<u>8,354.62</u>
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Notes:

(1) This schedule does not include the cash receipts and disbursements of the Receiver's trust accounts maintained for The Pavilion's operations. Additional amounts relating to disbursements set out on this schedule may have been made from the Receiver's trust accounts maintained for The Pavilion's operations.

(2) The above schedule does not include Receiver and legal fees for the period subsequent to January 12, 2015.

THIS SCHEDULE FORMS PART OF THE FINAL REPORT DATED MAY 15, 2015 OF COLLINS BARROW TORONTO LIMITED AS RECEIVER AND MANAGER OF AVENTURA II PROPERTIES INC. ET AL AND SHOULD ONLY BE READ IN CONJUNCTION THEREWITH

TAB 4

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

BUSINESS DEVELOPMENT BANK OF CANADA

Applicant

and

**AVENTURA II PROPERTIES INC., PAVILION SPORTS CLUBS INC.,
PAVILION SPORTS ICE INC., PAVILION SPORTS FOOD AND BEVERAGE
INC.,
and PAVILION AQUATIC CLUB INC.**

Respondents

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED**

**AFFIDAVIT OF DANIEL WEISZ
(Sworn on May 15, 2015)**

I, DANIEL WEISZ, of the City of Vaughan, in the Province of Ontario,
MAKE OATH AND SAY AS FOLLOWS:

1. I am a Senior Vice-President of Collins Barrow Toronto Limited ("**CBTL**"), in its capacity as former Court-appointed Receiver and Manager (in such capacity, the "**Receiver**"), of all of the assets, undertakings and properties of the Respondents and Pavilion Clubs Inc., 1887722 Ontario Ltd., 1688902 Ontario Inc. and Forza Fitness Ltd. (the "**Proceedings**") and, as such, I have knowledge of the matters to which I hereinafter depose. Unless I indicate to the contrary, the facts herein are within my

personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.

2. Attached hereto and marked as **Exhibit "A"** are detailed invoices (the "**Invoices**") issued by CBTL for fees and disbursements incurred by CBTL in the course of the Proceedings between September 3, 2014 and April 17, 2015 (the "**Appointment Period**"). The total fees charged by CBTL to the Respondents during the Appointment Period were \$580,154.25, plus disbursements of \$4,714.36, plus HST of \$76,032.91 totaling \$660,901.52.

3. The Invoices are a fair and accurate description of the services provided and the amounts charged by CBTL.

4. Attached hereto and marked as **Exhibit "B"** is a schedule summarizing each invoice in Exhibit "A", the total billable hours charged per invoice, the total fees charged per invoice and the average hourly rate charged per invoice.

5. I make this affidavit in support of a motion for an Order approving the Receiver's fees and disbursements and for no other or improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on May 15, 2015.



Commissioner for Taking Affidavits
(or as may be)

Alexander Fichera



DANIEL WEISZ