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## **I. Overview**

1. Through the Court Officers' review of tens of thousands of documents it is clear that approximately 100,000 people in more than 120 countries paid over US\$156 million<sup>1</sup> for "Banners Broker" product. The Joint Liquidators and the Receiver have focused their time, effort and resources on obtaining records and tracing funds, all with a view to recovering as much money as possible and providing creditors with the story of what actually took place.

2. In due course the Receiver will be providing a holistic overview of the Banners Broker business and what actually occurred during its three years of operation. However, for the purposes of this report, it is important to understand two key concepts: what is a "creditor" and what is the Banners Broker "product".

3. In October 2010 Banners Broker principals set up a website called bannersbroker.com that promised visitors a doubling of their money if they could recruit others in a marketing program involving the sale of online advertising. In effect the "product", which was described as "advertising", offered parties the opportunity to double their money.

4. The creditors of Banners Broker are the tens of thousands of individuals who bought the product with a view to earning returns.

## **II. Legal Proceedings**

5. This is a foreign recognition and cross-border insolvency proceeding involving Canada and the Isle of Man. The debtor, Banners Broker International Limited ("**BBIL**"), was an internet advertising business operating both directly and through related entities and agents around the world. In many countries, BBIL contracted with local entities who acted as "independent contractors" or "resellers" for Banners Broker in a specific country or region. BBIL is believed to have hundreds of thousands of individual unsecured creditors in jurisdictions around the world.

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<sup>1</sup> Unless otherwise indicated, all amounts referenced in this report are in Canadian dollars.

6. Winding up proceedings commenced in the Isle of Man in January 2014. Six months later, in August 2014, the Isle of Man proceedings were recognized in Canada as a “foreign main proceeding” for the purposes of Part XIII of the *Bankruptcy and Insolvency Act*, R.S.C. 1992, c. 27, s.2 (“**BIA**”).

7. msi Spergel inc. was appointed receiver of BBIL in Canada (“**Receiver**”). The Receiver’s mandate was expanded in October 2014 to include certain investigatory authority in respect of five corporations (and six business names/styles) believed to be closely associated with BBIL. The Receiver’s mandate was further expanded in August 2015 to include certain investigatory authority in respect of two additional corporations believed to be associated with BBIL.

8. This is the Receiver’s fifth report to the court (“**Fifth Report**”). It follows and may be read in conjunction with the:

(a) **Receiver’s First Report** (dated October 2, 2014)

This report described the Receiver’s actions upon appointment, including initial inquiries and the discovery of a criminal investigation in respect of Banners Broker. The report was filed in support of a request for additional investigatory powers extending to certain specifically identified associated corporations.

(b) **Receiver’s Second Report** (dated January 12, 2015)

This report was filed in support of the Receiver’s motion for an order restricting the disposition of certain monies and credits held by electronic payment processors, which monies were then frozen by *ex parte* Restraint Orders granted in the context of the criminal investigation.

(c) **Receiver’s Third Report** (dated July 30, 2015)

This report was filed in support of the Receiver’s motion for approval of a settlement agreement with a BBIL group entity, and for the grant of certain limited investigatory authority in respect of recently identified BBIL associated companies. The report also provided an update on the activities of the Receiver since its First Report.

(d) **Receiver's Fourth Report** (dated January 8, 2016)

This report was filed in support of the Receiver's motion for the production of certain banking records from the Royal Bank of Canada ("**RBC**") and the Canadian Imperial Bank of Commerce ("**CIBC**"). The Fourth Report also provides an update on the Receiver's activities since the Third Report.

9. All court materials filed, including previous Receiver's reports, and court orders and endorsements issued in these proceedings are available on the Receiver's website at: [www.spergel.ca/banners](http://www.spergel.ca/banners).

10. The purpose of this Fifth Report is to provide an update to the Court with respect to developments in the receivership proceedings and to describe the relief sought by the Receiver and the evidentiary basis therefore. Relief is sought on this motion with a view to:

- (a) converting the investigatory receivership of BBIL-associated entity Bannersbroker Canada (defined below) into standard receivership proceedings;
- (b) declaring that the St. Lucian Funds (as defined below) are BBIL Funds to be used in accordance with the Receiver's mandate;
- (c) directing HSBC Bank plc, and any and all of its Canadian subsidiaries and creditors to produce any and all documents within its possession or control that relate to BBIL, the Associated Corporations (defined below) and the Additional Dixit Entities (defined below);
- (d) approving the Fifth Report and the conduct and activities of the Receiver as set out herein;
- (e) granting a sealing order with respect to Confidential Appendices "A", "B" and "C" to this Fifth Report;
- (f) approving the Receiver's interim statement of receipts and disbursements as at March 31, 2016;

- (g) approving the fees and disbursements of the Receiver and its counsel, Cassels Brock & Blackwell LLP ("**Cassels**"), for services rendered from June 1, 2015 to February 29, 2016, as particularized in the affidavits of Phillip Gennis sworn April 4, 2016, and Larry Ellis sworn April 4, 2016, (collectively, the "**Fee Affidavits**")

11. The following section of this report (pages 4 to 11) briefly reviews the nature of the Banners Broker business, the commencement of wind-up proceedings in the Isle of Man, and the initiation of foreign recognition and receivership proceedings in Canada. It is presented by way of background to the relief requested on this motion. Developments in the receivership proceeding since the date of the Third Report (July 30, 2015), are addressed beginning at paragraph 40, page 11.

### **III. Background**

#### **A. Foreign Recognition Proceedings**

12. BBIL was central to a group of at least eight related companies and service providers. Together they were involved in and/or operated the "Banners Broker" online enterprise, a platform whereby registered members known as "creditors" could advertise their businesses on websites within the Banners Broker network of publishers while, at the same time, earn revenues as an advertising publisher through specialized and targeted publisher sites created, designed and hosted by BBIL ("**Banners Broker**").

13. His Honour the Deemster Doyle, First Deemster and Clerk of the Rolls of the High Court of Justice of the Isle of Man, placed BBIL into liquidation under section 174 of the *Companies Act 1931* of the Isle of Man on February 26, 2014. Miles Andrew Benham and Paul Robert Appleton were appointed as joint liquidators ("**Joint Liquidators**" with the Receiver, collectively, the "**Court Officers**") of BBIL ("**Isle of Man Proceedings**").

14. On August 22, 2014, on application of the Joint Liquidators, the Honorable Madam Justice Matheson, of the Ontario Superior Court of Justice (Commercial List) granted an order (“**Initial Recognition Order**”):

- (a) recognizing the Isle of Man Proceedings as a “foreign main proceeding” for the purposes of section 268 of the BIA;
- (b) recognizing the Joint Liquidators as the “foreign representative” (“**Foreign Representative**”) of BBIL for the purposes of section 268 of the BIA; and
- (c) granting a stay of proceedings in respect of actions concerning BBIL’s property, debts, liabilities or obligations.

15. Also on August 22, 2014, Justice Matheson issued a supplemental order (foreign main recognition) (“**Supplemental Order**”):

- (a) appointing the Receiver, as receiver of BBIL’s assets, undertakings and properties, including the proceeds thereof (“**Property**”);
- (b) empowering the Receiver to identify and realize upon the Property, including taking steps to access all information relating to BBIL’s accounts at any financial institution;
- (c) authorizing the Receiver to conduct examinations of the former principals of BBIL, as well as any other persons that the Receiver reasonably believes may have knowledge of BBIL’s trade, dealings and Property;
- (d) authorizing the Receiver to provide such information and assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request; and



- (e) authorizing the Receiver to coordinate the administration and supervision of BBIL's assets and affairs with the Joint Liquidators as Foreign Representative of the Isle of Man Proceeding.

16. An important ground for the Canadian foreign recognition application, and the appointment of a Canadian receiver, was that BBIL appeared to have ownership and business connections to Canada, as well as financial dealings tied to Canada, that were deserving of investigation. These Canadian connections, as they were then understood, were detailed in the affidavit of Paul Robert Appleton, in his capacity as Joint Liquidator of BBIL, sworn August 6, 2014 and filed with this court at the time that foreign recognition of the Isle of Man Proceeding was sought ("**JL Affidavit**").

17. The Supplemental Order that appointed the Receiver provides the Receiver with the mandate to assist the Foreign Representative in the wind-up of BBIL, including the identification of and realization upon BBIL assets for the benefit of creditors. Consistent with the Model Receivership Order, the Receiver's powers in respect of BBIL extend to accessing all manner of relevant information, and the taking of possession of assets. Additionally, the Receiver is authorized to undertake examinations under oath of persons believed to have knowledge of the Banners Broker business, including the connections to Canada described in the JL Affidavit. The Receiver is empowered to initiate and prosecute proceedings with respect to BBIL and its property and claims.

## **B. Receiver's Initial Activities and Orders Obtained**

### *i. Notices*

18. As described in the First Report, the Receiver published court approved media notices, and established and activated an e-protocol URL: <http://www.spergel.ca/banners/>.

19. Banners Broker deactivated its entire social media presence shortly after these proceedings commenced. The corporate website (<http://www.bannersbroker.com>), Facebook and Twitter accounts have been inactive since in or around early August 2014.

*ii. Discovery of Criminal Investigation and Restraint Orders*

20. In September 2014, the Receiver was made aware of criminal proceedings before the Ontario Court of Justice arising from a Toronto Police Services Financial Crime Unit investigation into Banners Broker's operations in Canada and Banners Broker principals, Christopher Smith ("**Smith**") and Rajiv Dixit ("**Dixit**").

21. Specifically, the Receiver obtained copies of several *ex parte* restraint orders ("**Criminal Restraint Orders**") obtained by the Ministry of the Attorney General, Crown Law Office-Criminal ("**Crown**"). The orders, issued pursuant to section 462.33 of the *Criminal Code*, R.S.C. 1985, c. C-46 ("**Criminal Code**"), froze funds held by third party electronic payment processors for accounts associated with Banners Broker.

22. The Receiver subsequently obtained copies of the affidavit evidence filed by the Crown in support of its application for the Criminal Restraint Orders. The evidence consisted of affidavits sworn by RCMP Constable Katie Judd on July 17, 2014 and July 28, 2014 ("**RCMP Affidavits**").

23. The RCMP Affidavits detail the basis for what the RCMP investigators state is their reasonable belief that Smith and Dixit, through their operation of Banners Broker – which, as noted in the RCMP Affidavits, includes BBIL – have committed criminal offences related to the operation of a "pyramid scheme", fraud, possession and laundering of the proceeds of crime and criminal misrepresentations contrary to the Criminal Code and the *Competition Act*, R.S.C. 1985, c. C-34 ("**Competition Act**").

24. Constable Judd identified a number of other Canadian incorporated entities believed to be operated by Smith and/or Dixit and associated with BBIL and the Banners Broker business. The Joint Liquidators' independent investigations, conducted prior to the Receiver's review of the RCMP Affidavits, identified certain of the same parties as being associated with BBIL.

25. Specifically, the entities identified by the RCMP Affidavits are:

- (a) 2087360 Ontario Incorporated o/a Local Management Services ("**LMS**");
- (b) Parrot Marketing Inc. (formerly o/a "8264554 Canada Limited") ("**Parrot**");
- (c) 2341620 Ontario Corporation ("**234**");
- (d) Stellar Point Inc. (formerly o/a "7250037 Canada Inc." and "Bannersbroker Limited") ("**Bannersbroker Canada**");
- (e) Dixit Holdings Inc. (formerly o/a "8163871 Canada Limited") ("**Dixit Holdings**");  
and
- (f) any other entity operating under the business names "Bannersbroker", "Banners Broker", "Bannersbroker Limited", "Bannersmobile", "BannersMobile" or "Banners Broker Belize"

(collectively, the "**Associated Corporations**")

*iii. Receiver's Motion for Additional Investigative Authority*

26. In reliance in part on the RCMP Affidavits, the Receiver sought and obtained an order in October 2014 for, among other things, the grant of certain investigative authority in respect of the Associated Corporations ("**Additional Powers Motion**"). The Receiver filed its First Report in support of this motion.

27. The Honourable Mr. Justice Newbould issued an Order granting the Receiver the requested additional investigative authority in respect of the Associated Corporations on

October 15, 2014 (“**Further Supplemental Order**”). The Further Supplemental Order requires persons with notice thereof to advise the Receiver of any books, documents, or other records related to the Associated Corporations in the person’s possession or control, and to provide the Receiver with or allow the Receiver to make copies of such documents. The Further Supplemental Order also approved the actions and activities of the Receiver as set out in the First Report.

*iv. Confidentiality Order*

28. In furtherance of its mandate, the Receiver initially sought evidence and documentary production from BBIL principal and founder, Smith.

29. Smith, through counsel, raised confidentiality and other concerns having to do with the use of any information or documentation produced to the Receiver in the context of the receivership. The Receiver understands that Smith’s concerns in this regard have to do with his desire to avoid having the evidence provided to the Receiver under the compulsion of the Supplemental Order and the Further Supplemental Order used in the context of any other court proceeding.

30. Smith’s concerns were acknowledged and resolved in the form of an order of this court dated October 23, 2014, entitled “Order Restricting Possession, Publication, Handling, Duplication and Use of Transcript Documents and Information”.

*v. Order for Continued Restraint of Payment Processor Monies*

31. The Criminal Restraint Orders, described in paragraph 21, above, statutorily expired six months after issuance.

32. By early January 2015, the Court Officers had formed the view that the source of the restrained funds held in the payment processor accounts derived from deposits/investments made by Banners Broker creditors. The Receiver further believed, and continues to believe, that

there had been significant inter-company transfers of affiliate-contributed funds between BBIL and the Associated Corporations. Moreover, and as discussed in the Receiver's Second Report, roughly half of funds received by Banners Broker from creditors were not used to fund withdrawal requests by creditors, resulting in tens of thousands of individual creditors.

33. In these circumstances, the Receiver concludes that monies restrained by the Criminal Restraint Orders are properly claimable by creditors of BBIL and/or the Associated Corporations. The basis for this conclusion is that the Criminal Restraint Order Funds were sole sourced by Banners Broker creditor funds.

34. By motion returnable January 14, 2015, the Receiver brought a motion for an order that all monies held pursuant to the terms of the Criminal Restraint Orders (as defined in paragraph, 21, above) continue to be held pursuant to the terms of the Criminal Restraint Orders, and not be released without the written consent of the Receiver or further order of the court on notice to the Receiver. The motion was granted by order of the Honourable Mr. Justice Newbould made January 14, 2015 ("**Restraint of Funds Order**").

35. The Restraint of Funds Order provides that, effective as of the expiry date of each underlying Criminal Restraint Order, all money or credits held pursuant to such Criminal Restraint Order(s), be transferred to msi Spergel inc., in its capacity as court officer, to be held in a separate interest-bearing trust account, separate and apart from the receivership of BBIL, pending further order of this court.

36. Pursuant to the terms of the Restraint of Funds Order, the following payment processors transferred the following funds to msi Spergel inc., in its capacity as court officer:

- (a) Beanstream Internet Commerce Inc. ("**Beanstream**"): \$537,576.31;
- (b) SolidTrust Pay ("**STP**"): \$104,260.51;
- (c) Mazarine Commerce Inc. o/a Payza.com ("**Payza**"): US\$33,374.80; and

(d) 6003061 Canada Inc. o/a UseMyServices (“**UMS**”): US\$93,336.70.

(Beanstream, STP, Payza and UMS are collectively referred to herein as the “**Payment Processors**”)

37. msi Spergel inc. has accordingly received a total of CAD\$126,711.50 and US\$641,836.82 from the Payment Processors, which monies are invested in a separate interest-bearing trust account pending further order of this court (“**Restrained Funds**”).

*vi. Receiver’s Motion for Investigative Authority Over the Additional Dixit Entities*

38. In the course of the Receiver’s review and analysis of documents received in response to its inquiries under the Supplemental Order and Further Supplemental Order, and as further detailed in the Third Report, the Receiver determined that there were two additional companies that had significant Banners Broker related dealings: 8643989 Canada Inc. o/a Dixit Consortium Inc. (“**Dixit Consortium**”) and Dreamscape Ventures Ltd. (“**Dreamscape**”, with Dixit Consortium, collectively the “**Additional Dixit Entities**”). The Additional Dixit Entities, as well as Bannersbroker Canada and Dixit Holdings, are controlled by Dixit.

39. The Receiver applied for and was granted investigative authority in respect of the Additional Dixit Entities ( “**Additional Authority Order**”) by order dated August 7, 2015. As with the Further Supplemental Order, the Additional Authority Order requires persons with notice thereof to produce to the Receiver books, documents, or other records related to the Additional Dixit Entities in the person’s possession or control. The Additional Authority Order also approved the actions and activities of the Receiver as set out in the Third Report.

#### **IV. Developments Since the Receiver’s Third Report**

##### **A. “Cease and Desist” Notices from Dixit**

40. On or about August 12, 2015, the Receiver, the Joint Liquidators, and counsel for the Receiver were served with notices to “Cease and Desist” from Dixit (“**Cease and Desist**”

**Notices**”). The Cease and Desist Notices require that the recipients cease and desist “grievous trespass creating great harm to the man master rajiv of the family dixit [*sic*], known to you and other third party interlopers as Mr. Rajiv Dixit.” A copy of a Cease and Desist Notice is attached as **Appendix “A”**.

41. The Cease and Desist Notices go on to state that if the Court Officers and their counsel do not cease and desist “all actions and claims against Mr. Rajiv Dixit and or Rajiv Dixit forthwith” Dixit will invoice them \$47,304,000.00 silver dollars “[p]lus, for each second starting at 12:00:01 AM until the cease and desist is complied with, each Respondent will be charged an additional \$36.000 per second.”

42. After receiving the Cease and Desist Notices, counsel for the Receiver contacted Dixit’s lawyer and asked that the notices be retracted. A copy of the letter from the Receiver’s counsel to counsel for Dixit, which is dated August 14, 2015, is attached as **Appendix “B”**.

43. Dixit’s counsel responded by letter dated August 19, 2016. He said that he did not represent Dixit with respect to the Cease and Desist Notices, only the receivership proceedings. Dixit’s counsel also advised that Dixit would not retract the Cease and Desist Notices. A copy of the August 19, 2015 letter is attached as **Appendix “C”**.

44. Approximately three weeks later, on September 9, 2015, the Receiver, Joint Liquidators and certain lawyers at Cassels each received a “Notice to Cure” from Dixit. The Notice to Cure references the Cease and Desist Notices and offered the recipients a “reminder to engage [Dixit] in communication concerning [his] rights and freedoms as duly declared in the original notice.” A copy the Notice to Cure is attached as **Appendix “D”**.

45. By letter dated September 11, 2015, counsel for the Receiver wrote to counsel for Dixit and reiterated the Receiver’s position that the notices were contrary to the stay of proceedings. Receiver’s counsel advised that the Notices were frivolous, vexatious and without legal basis

and requested that they be retracted. A copy of the September 11, 2015 letter is attached as **Appendix “E”**.

46. Despite the Receiver’s requests that the Notices be withdrawn, they remain outstanding. It is the Receiver’s position that the Cease and Desist Notices are in violation of the stay of proceedings, and as such are of no force and effect. The Receiver will further address this point at the return of this motion and the court’s assistance may be sought as is appropriate.

#### **B. Dixit Moves to British Columbia**

47. On August 11, 2015, Dixit’s lawyer advised the Receiver that Dixit would be moving from Toronto to Vancouver. Upon learning that Dixit would be leaving Ontario, the Receiver requisitioned a parcel register for Dixit’s personal residence in Oshawa. The parcel register indicates that Dixit sold his house on July 20, 2015. A copy of the parcel register is attached hereto as **Appendix “F”**.

48. In response to a broad document production request (i.e. not specific to the residence) made by counsel for the Receiver, Dixit produced information relating to the sale of the property. The sale proceeds were directed to pay down two mortgages and to satisfy a support order, with the balance of the monies (after transaction costs) paid to Dixit and his wife Stephanie Schlacht (“**Schlacht**”).

#### **C. Criminal Proceedings Against Dixit and Smith**

##### *i. Execution of Search Warrants Against Dixit and Smith*

49. As in the Third Report, the Receiver is aware that criminal proceedings are pending against Smith and Dixit. To that end, the Receiver learned that on February 24, 2015, eight search warrants were executed at the properties of Dixit and Smith, including personal automobiles, residences and places of business.



50. A publically available affidavit, in the form of a “Report to Justice”, was filed with the Ontario Court of Justice in connection with the execution of the search warrants. The Report to Justice annexes six evidence registers listing property seized in the course of execution of the search warrants. A copy of the evidence registers is attached hereto as **Appendix “G”**.

51. The Receiver reviewed the evidence registers and concluded that certain of the documents identified therein would assist in the fulfillment of its mandate. Based on discussion with Smith’s counsel and the Crown, the Receiver first determined that an application should be brought to the Ontario Court of Justice to obtain documents relevant to the implementation of the 234 Settlement (defined below). Such application proceeded with the consent of Smith and the Crown. Justice Omastu issued an order on May 4, 2015, pursuant to section 490(15) of the Criminal Code authorizing production of the documents to the Receiver.

*ii. July Records Application: Production of Documents Seized by Police*

52. Upon further consideration of the evidence registers, the Receiver brought a second application to the Ontario Court of Justice, initially returnable on July 9, 2015, seeking copies of the balance of the documents seized by the police (“**July Records Application**”). The basis for this application is that the documents listed in the evidence registers appear relevant and it is believed that they will assist the Receiver in the fulfillment of its mandate. Additionally, it is the Receiver’s position that the documents sought constitute “Records” such that they are *prima facie* captured by the document production provisions of the relevant receivership orders.

53. Documents referenced in the evidence registers appear relevant to the Receiver’s investigations based on the descriptions that the police have assigned to the documents. For example, the evidence registers reference documents such as “Booklet Dreamscape Ventures Ltd. British [V]irgin Islands incorporated May 22, 2012”; “Bank of Cyprus Bank Statement 2013 Dreamscape Ventures Ltd.”; “Bank of America Chris Smith Bannersbroker USA”; “Cyprus Bank

re: Dreamscape Ventures Ltd.”; invoices issued to Dixit Consortium and Dreamscape; and documents regarding money “sent to Belize”.

54. Documents referenced in the evidence registers are of interest to the Receiver as they appear to relate to the business, operations and assets of Banners Broker group entities. Certain of the listed documents are of particular interest as they appear to relate to important open issues in the Receiver’s investigation, such as the business and accounting of Dreamscape, as well as Banners Broker’s Belizean investments and connections in the months following the relocation of customer service and support to that jurisdiction in late 2013.

55. Based on a review of the evidence registers it appears to the Receiver that it does not have many of the documents referenced, and that such missing documents would be of assistance to the Receiver in fulfilling its mandate if they could be obtained.

56. Smith, through counsel, raised privilege and relevancy concerns with respect to the July Records Application and has asked that he have an opportunity to review all seized documents and computer storage devices before they are made available to the Receiver. Dixit raises similar concerns.

57. The July Records Application was adjourned *sine die* in furtherance of discussions towards a document production protocol that would meet the needs of the Crown, the co-accused and the Receiver.

*iii. Criminal Charges Laid Against Dixit and Smith*

58. On December 9, 2015, Dixit and Smith were arrested in Toronto and charged with violations of the Criminal Code and the Competition Act. More specifically, they were charged under the Criminal Code with (i) defrauding the public over \$5,000; (ii) possession of proceeds of crime; and (iii) laundering proceeds of crime. They were also both charged under the

Competition Act with (i) operating a pyramid scheme; and (ii) making false or misleading statements.

59. The Toronto Police allege, among other things, that:

- (a) “between October 2010 and March 2013, a pyramid scheme known as ‘Banners Broker’ was operated out of a Church Street address in Toronto”;
- (b) “by the end of 2012, over \$93 million US was obtained from thousands of participants, of which approximately \$45 million was paid back to participants in the scheme”; and
- (c) “the remaining funds were funneled to a number of offshore accounts in Belize, St. Lucia, Cyprus, and others.”

A copy of the Toronto Police Services press release dated December 9, 2015 is attached hereto as **Appendix “H”**.

60. The criminal charges were filed before the July Records Application could be returned to court for a hearing. As a consequence of this development Smith was not prepared to finalize a document production protocol and resolve the Receiver’s motion until he had an opportunity to consider such disclosure in the broader context of the criminal prosecution.

61. The criminal proceedings are relevant to the Receiver’s mandate and administration in several important respects. Specifically:

- (a) the publically available documents, particularly the RCMP Affidavits (described in paragraphs 22 to 25, above), have advanced the receivership by identifying certain of the Associated Corporations and describing how they formed an integral part of the Banners Broker business and operations in Canada and abroad;

- (b) the publically available Criminal Restraint Orders (described in paragraph 21 above) disclosed the Crown injunction as against the Restrained Funds. As described in paragraph 36 above, the Restrained Funds were subsequently ordered to be transferred to msi Spergel inc. to be held pending further order of this court;
- (c) information obtained from the publically available documents served to identify banks and payment processors that were valuable sources of financial information, which information advanced the Receiver's understanding of how funds flowed between Banners Broker entities; and
- (d) more generally, all of the information obtained as a consequence of the criminal proceedings has assisted the Receiver in understanding the Banners Broker enterprise and identifying potential sources of recoveries for creditors.

62. The Receiver intends to continue to monitor developments in the criminal proceedings on the basis that they are relevant parallel proceedings involving common issues and documents. It may be that there will be additional disclosures obtained and efficiencies gained from monitoring public aspects of the prosecution.

63. The Receiver attended to monitor a "show cause" hearing held immediately after Dixit and Smith were arrested and charged. The accused were released on bail. The show cause hearing is otherwise subject to a publication ban.

64. Counsel for Smith and Dixit appeared in court again on January 14, 2016, along with the Crown Attorney prosecuting the case. In the course of this hearing the Receiver learned that the Crown had provided disclosure to Smith and Dixit in the form of hard drives of documents.

65. On February 16, 2016, counsel for Smith and Dixit again appeared in criminal court in Toronto. The Crown advised the court that it had provided additional document disclosure to Smith and Dixit and that it considered disclosure to be substantially complete.

66. The Receivership orders made provide the Receiver with a *prima facie* right to access to Records including Records found within the Crown disclosure. Having said that, the Receiver understands that there may be other interests at play when it comes to providing access to Crown disclosure in the context of a parallel criminal prosecution of the principals of the debtor. The Receiver and counsel for Smith and Dixit commenced discussions regarding the appropriate timing and manner of access to Crown disclosure.

**D. Receiver's Motion for the Production of Banking Records**

67. As further detailed below, the Receiver and Joint Liquidators are working to complete an accounting of BBIL receipts and disbursements. The accounting is based primarily on financial records received from financial institutions and electronic payment processors that provided services to Banners Broker Group entities.

68. In the course of conducting an accounting in respect of Bannersbroker Canada, Dixit Holdings, and Dixit Consortium the Receiver identified 50 transactions of interest, all over \$5,000, in respect of which the Receiver had been unable to identify the recipient of the debit (withdrawal) from the Accounts ("**TOI**").<sup>2</sup> As at January 2016, the TOI collectively constituted a US\$1.7 million gap in the Receiver's accounting.

69. Additionally, in reviewing the bank accounts belonging to Bannersbroker Canada and Dixit Holdings, the Receiver identified three CIBC Visa cards that received approximately US\$2.2 million from the Bannersbroker Canada and Dixit Holdings bank accounts ("**Visa Cards**"). The Receiver asked that CIBC produce account statements for the Visa Cards. CIBC declined to do so on the basis that the accounts were not in the names of the parties identified in the orders obtained by the Receiver as of the date of the Receiver's request.

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<sup>2</sup> One of the transactions of interest was a \$10,000 transaction from a Parrot bank account held with CIBC. The remainder of the unverified disbursements were made to accounts belonging to entities controlled by Dixit.

70. Combined, the TOI and Visa Cards payments represented nearly a quarter of the US\$16.7 million received by Dixit and entities controlled by him based on the documents received to date.

71. By motion returnable January 13, 2016, the Receiver sought an order directing RBC and CIBC to provide the Receiver with transaction details relating to the TOI, and the Visa Cards (**"Bank Production Motion"**).

72. The Receiver's motion was brought on notice to RBC and CIBC. It was brought *ex parte* to Banners Broker entities and former principals.

73. The motion was brought *ex parte* out of a concern that had notice been given it may have become more difficult for the Receiver to trace and preserve assets identified by the transaction details disclosed. The Receiver made this determination because there would be an opportunity for parties with control of residual funds in Canada to move such assets outside of the jurisdiction of this Court. There is evidence that Banners Broker's former principals have a demonstrated capacity and inclination to transfer funds off-shore.

74. The Honourable Mr. Justice Penny granted the Receiver's motion for production of certain additional banking records by order dated January 13, 2016 (**"Bank Production Order"**). A copy of the Bank Production Order, as amended January 20, 2016 (to correct a transposed digit in an account number), is attached as **Appendix "I"**.

75. The respondent financial institutions complied with the Bank Production Order and produced documents responsive to the Receiver's request.

76. The Receiver and the Joint Liquidators have reviewed the additional financial institution records produced, assessed their actionability, and incorporated relevant information into its Flow of Funds Analysis (defined below). The information obtained was of significant value,

particularly as it has allowed the Receiver to advance its tracing and accounting of affiliate contributions to the Banners Broker business.

77. The Receiver returned to Court on March 30, 2016, to set aside the provision in the Bank Production Order which required that the order and the underlying motion remain confidential. A copy of the March 30, 2016 order setting aside the confidentiality provision is attached hereto as **Appendix “J”**.

#### **E. Joint Liquidators Report to Court**

78. The Joint Liquidators are required by the *Companies Act* 1931 and the *Companies (Winding-up) Rules* 1934 to report to the High Court of Justice of the Isle of Man on a regular basis.

79. The Joint Liquidators' most recent report to the Isle of Man court was filed on March 11, 2016 and covers a reporting period beginning October 20, 2014 and ending August 7, 2015 (**“JL's Third Report”**). A copy of the JL's Third Report, without exhibits, is attached as **Appendix “K”**.

80. Recognizing Banners Broker's extensive Canadian connections, the JL's Third Report mirrors the Receiver's reports filed with this Court. Reporting that is unique to the JL's includes descriptions of “United Kingdom based investigations” (page 15), “Committee of Inspection” (page 81), “Isle of Man Reporting Requirements” (page 82), and “Isle of Man Tax Return for BBIL” (page 82).

#### **V. General Observations and Conclusions With Respect to the Banners Broker Group of Companies**

81. As noted above, the Receiver sought and was granted certain limited investigatory authority in respect of five Banners Broker Associated Corporations in October 2014. The grounds for the order obtained was, among other things, that the companies were owned and controlled by the same principals as BBIL, and had been used by them interchangeably in

furtherance of the Banners Broker enterprise which is alleged by the Crown to have been a fraudulent pyramid scheme.

82. In the course of its initial investigations and the preparation of the Flow of Funds Analysis (defined below), the Receiver concluded that Dixit Consortium and Dreamscape also had Banners Broker related dealings, and that the nature and timing of the dealings was indicative of a level of involvement in the Banners Broker business consistent with that of the Associated Corporations. On this basis limited investigatory powers were sought and obtained in respect of these companies as well.

83. In every case, the Receiver's investigatory powers in respect of Banners Broker group entities were sought and obtained on full notice to those affected. The relief obtained was not opposed.

84. The Receiver's work and findings to date in respect of the Associated Corporations and the Additional Dixit Entities is set out in the following sections of this report. The companies are discussed in order of their apparent relative importance to the Banners Broker business.

85. The Receiver's conclusions with respect to the business of the Banners Broker group companies generally, including BBIL, the Associated Corporations and the Additional Dixit Entities are as follows:

- (a) between December 2010 and November 2014 almost all of the funds received by the Associated Corporations and the Additional Dixit Entities was monies received directly or indirectly (through BBIL or Monetize Group Inc. ("**MGI**"), BBIL's sole shareholder and a Belizean corporation) from Banners Broker creditors. There is no evidence that these companies had independent paying clients or sources of revenue apart from Banners Broker;



- (b) BBIL receipts from creditors generally flowed from payment processors up to the offshore parent entity (MGI). The monies were subsequently disbursed at Smith's direction and/or Dixit's request for a wide variety of business and non-business purposes. In most cases there does not appear to be a contractual, restitutionary or other basis for such payments. The transfers of funds from BBIL to MGI are reflected in the Flow of Funds at Confidential Appendix "B";
- (c) although there has not as yet been a formal claims process, creditor claims made to date consist of approximately US\$27,959,782 million in creditor claims. At least 100,000 people in 120 countries contributed amounts totaling US\$156.44 million, with a fraction of the creditors succeeding in making "withdrawals" totaling perhaps \$78.93 million. Third party arms length suppliers to the Banners Broker group were paid in due course such that the Receiver is not aware of any amounts being owed to such suppliers;
- (d) as a general matter, funds were transferred between the Banners Broker group entities (primarily BBIL, MGI, and Bannersbroker Canada) when and as needed, on an *ad hoc* basis, and without any loan or contractual basis. Such transfers were largely undocumented from a corporate records or accounting perspective. While invoices were at times created to provide support for payments, such invoices were summary in nature and were themselves unsubstantiated;
- (e) there is little if any evidence to suggest that the dozens of large intra-company transfers (totaling approximately US\$17.14 million from August 2012 to August 2014) from MGI to Parrot, 234, Bannersbroker Canada and Dreamscape represent reasonable and fair compensation for services rendered;

- (f) there are no invoices, intercompany loan agreements, or other BBIL/MGI reporting or accounting of millions of dollars of transfers, apart from bank statements maintained by the financial institutions across the transactions. A further explanation is provided in paragraphs 103-111 below;
- (g) non-cash assets were similarly transferred between Banners Broker entities without any business or contractual reason, and little if any documentation. Dixit, for example, appears to have purchased five Mercedes-Benz automobiles using funds from Bannersbroker Canada's bank accounts. The vehicles were placed in the names of Dixit Holdings and Parrot. Attached as **Appendix "L"** is a chart providing some additional details of these vehicle purchases;
- (h) Dixit used the bank accounts of Bannersbroker Canada, Dixit Holdings and Dixit Consortium to fund at least US\$3.34 million of personal expenses. These funds were spent by Dixit without ever properly accounting for or reimbursing the respective corporations;
- (i) BBIL, the Associated Corporations and the Additional Dixit Entities were all managed and controlled by one or both of Banners Broker principals Smith and Dixit. While other persons may have served as officers or directors of these companies from time to time, such persons were generally related to and nominees of Smith and Dixit;
- (j) employees within the Banners Broker group (e.g. Bannersbroker Canada and Parrot), sometimes worked for one or more Banners Broker group companies (mainly Bannersbroker Canada and Parrot), and performed various roles at the direction of Smith and Dixit. At least a dozen people, including Smith and his assistant, worked for one or more of Bannersbroker Canada, Dixit Consortium

and Parrot Marketing. It does not appear that BBIL had any employees of its own;

- (k) although Bannersbroker Canada and Dixit Holdings retained a bookkeeper to book account entries for the two companies at Dixit's direction, none of the Banners Broker entities employed the services of an accounting professional, or otherwise took steps to prepare and maintain reliable internal accounts, financial statements, or tax returns;
- (l) Banners Broker entities projected the image of being a singular entity. Creditors and third party service providers believed that they were dealing with Banners Broker, rather than BBIL or Bannersbroker Canada. Creditors had a single point of contact for Banners Broker – Bannersbroker Canada. Bannersbroker Canada was the “face” of Banners Broker providing worldwide customer support, IT services, and training to Banners Broker creditors and resellers; and
- (m) for all of the above reasons, it is difficult to trace or segregate the group's affiliate-funded assets for the purposes of determining where the assets and liabilities within the group ought to be attributed and which creditor claims are against which entity. It would take a significant amount of time and estate resources to make such determinations without any guarantee that the Receiver could conclusively trace all assets and liabilities to a given entity.

**VI. Relief Sought****A. Investigatory Receivership Update and Receiver's Recommendations With Respect to the Conversion of the Investigatory Receivership of Bannersbroker Canada to a Possessory Receivership**

86. The Receiver has concluded that the investigatory receivership of Bannersbroker Canada ought to be converted into a standard possessory receivership for the following reasons:

- (a) Bannersbroker Canada was a central and interchangeable element of the Banners Broker business operated by the Banners Broker principals to market Banners Broker "product". The company is currently inactive. Its major known asset, the Restrained Funds, has been transferred to the court officer. A wind-up of the company in conjunction with the BBIL liquidation will further and best protect the interests of creditors of the Banners Broker enterprise;
- (b) it is in the best interests of the creditors of both BBIL as well as Bannersbroker Canada that Bannersbroker Canada be wound up in a manner that is court-supervised, open and transparent. A receiver will be required to seek court approval of its activities on notice to all interested parties;
- (c) the appointment of a full receiver will position such receiver to pursue and realize upon any residual Bannersbroker Canada assets and claims. These include the \$537,000 in Bannersbroker Canada Restrained Funds;
- (d) Bannersbroker Canada and BBIL were involved in the same enterprise, projected the image of being a singular entity, and have similar if not identical creditor profiles. Bannersbroker Canada is not operating and has no employees. No person will be prejudiced by the transition to a full receivership;
- (e) Bannersbroker Canada does not oppose a possessory receivership. This has been confirmed by Dixit through his counsel in his capacity as the company's

sole director and 85% owner (through Dixit Holdings), as well as Kelly Stinson (“**Stinson**”) who owns the remaining 15% of Bannersbroker Canada through her company 8136645 Canada Limited. Dixit and Stinson were consulted in respect of the relief sought and are on notice of this motion; and

- (f) it is just, convenient and appropriate that the investigatory receiver’s powers be transitioned to those of a standard model order receiver in all of the circumstances. It is submitted that both the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (s. 101) and the BIA (s.272(1)) provide jurisdiction to do so in these circumstances.

87. The Receiver’s report in respect of Bannersbroker Canada is based upon a review of corporate books and records, bank account statements, financial records (albeit largely incomplete), and tax returns (also incomplete). Information was also obtained from interviews conducted with BBIL principals, answers to undertakings, and public records searches.

88. Bannersbroker Canada was incorporated as 7250037 Canada Inc. on September 28, 2009. The company was formed approximately two years before it began conducting business in conjunction with and on behalf of Banners Broker.

89. A current corporate profile report for Bannersbroker Canada indicates that its sole director is Dixit. In terms of ownership, Bannersbroker Canada was and remains majority owned by Dixit. Dixit Holdings owns 85% of the issued and outstanding shares of Bannersbroker Canada. The remaining 15% of Bannersbroker Canada is held by 8136645 Canada Limited, Stinson’s company. Attached as **Appendix “M”** is the federal government corporate profile report for Bannersbroker Canada. Attached as **Appendix “N”** a corporate organization chart depicting the corporate relationship between Bannersbroker Canada, Dixit Holdings, Dixit Consortium, and Dreamscape.

90. Bannersbroker Canada has common officers and directors with BBIL and the Associated Corporations. Both Dixit and Smith have served as directors of Bannersbroker Canada. Dixit has held a position as a director of Bannersbroker Canada since its incorporation on September 28, 2009. According to Bannersbroker Canada's corporate records, Smith was appointed as a director on February 1, 2012.<sup>3</sup> Smith has advised the Receiver that he was never an officer or director of Bannersbroker Canada. Bannersbroker Canada's other directors were associates of Dixit: his mother Gloria Dixit and Kurt Kornelson.

91. In 2011, Bannersbroker Canada (or as it was then legally known, 7250037 Canada Inc.) began conducting business on behalf of Banners Broker. Initially, the company acted as a "reseller" and a "legal representative" of Banners Broker. In this capacity, 7250037 Canada Inc. was very broadly authorized to "make any commitments on behalf of Banners Broker International" and to use the Banners Broker International trademarks and trade names to promote and solicit sales".<sup>4</sup>

92. Beginning in November 2011, 7250037 Canada Inc. variously held itself out as Banners Broker Canada, Bannersbroker CA and BB Canada. 7250037 Canada Inc. changed its legal name to Bannersbroker Limited on February 22, 2012.

93. Bannersbroker Canada's role within the Banners Broker enterprise expanded throughout the first half of 2012, presumably in connection with the growth of the Banners Broker business. By mid-2012, Bannersbroker Canada's responsibilities had evolved to include providing customer service to Banners Broker creditors, managing reseller commission payments,

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<sup>3</sup> Upon review of Bannersbroker Canada's corporate books and records, it does not appear that Smith's appointment as director was ever filed with Industry Canada.

<sup>4</sup> 7250037 Canada Inc.'s role as a Banners Broker reseller was memorialized in a Banners Broker International Reseller Agreement, dated January 1, 2012 ("**Reseller Agreement**"). A copy of the Reseller Agreement is attached as **Appendix "O"**. The Receiver questions the reliability of the agreement. First, the Agreement letterhead identifies Banners Broker's head office as being in Belize. Banners Broker did not incorporate a company in Belize until July 2013, a year and a half after the date of the agreement. Second, the agreement is between Banners Broker International Inc. (an entity not known to exist) and Bannersbroker Limited, which as of the date of the agreement was known as 7250037 Canada Inc.

undertaking IT support, providing affiliate training services, providing marketing services, and providing compliance advice for Banners Broker.

94. For a period of time beginning in late 2011 and continuing until September 2013 Bannersbroker Canada was the primary source of customer support for Banners Broker creditors and resellers. During at least nine months of this period (i.e. from February 2012 to October 2012), Bannersbroker Canada collected funds directly from creditors on behalf of Banners Broker through the payment processor Beanstream.

95. Bannersbroker Canada administered Banners Broker's web presence, including by creating online content for and updating and maintaining the business website. Bannersbroker Canada also planned BBIL conventions and BBIL "World Tour" stops including events in Portugal, England, and Ireland.

96. In mid-2012, Dixit purported to change the business relationship between Bannersbroker Canada and BBIL. In a letter dated June 13, 2012, Dixit told Smith that Bannersbroker Canada "will no longer be considered the Canadian division of [BBIL]." Although Bannersbroker Canada said that it was terminating its role as a BBIL reseller, the company agreed that it would continue to provide customer support for creditors through a call centre and live chat system. A copy of the June 13, 2012 letter is attached as **Appendix "P"**.

97. Even though Bannersbroker Canada changed its name to Stellar Point Inc. on July 20, 2012, the business relationship between Stellar Point Inc. and BBIL did not much change. Dixit's company continued to provide customer service to BBIL creditors, and IT support, affiliate training, marketing services, and compliance advice to BBIL.<sup>5</sup> Bannersbroker Canada's activities continued to be described as being in relation to a territory that was "worldwide".

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<sup>5</sup> Bannersbroker Canada continued to provide these services to BBIL pursuant to a letter agreement entitled "Consulting Agreement" dated July 31, 2012. A copy of this letter agreement is attached as **Appendix "Q"**.

98. In or around October 2012, Bannersbroker Canada's relocated its operations centre from 1019 Nelson Street, Oshawa, Ontario to a newly purchased Banners Broker "Support Centre" at 5 Carlow Court, Whitby ("**BB Support Centre**"). The BB Support Centre together with four condominiums at 167 Church St., Toronto, ON ("**Church Street Property**"), functioned as the Banners Broker world headquarters for the period between October 2012 and September 2013.

99. The BB Support Centre was purchased in mid October 2012 by 234 and 8163871 Canada Limited (Dixit Holdings Inc.) as tenants-in-common, with 8163871 Canada Limited (Dixit Holdings Inc.) holding a 25% interest in the property and 234 holding the residual 75% interest. The Receiver understands that BBIL gave Dixit a 25% interest in the BB Support Centre in recognition of his work with BBIL.

100. The BB Support Centre, although owned by Smith and Dixit through holding companies, was bought and paid for with affiliate funds. The purchase price was paid from a DYZ Media Inc. ("**DYZ Media**") bank account with Caledonian Bank Limited ("**Caledonian Bank**"). The Receiver is advised by Smith that DYZ Media is an entity controlled by him and was at one time intended to be the parent company of BBIL. DYZ Media is a corporation governed by the laws of the British Virgin Islands. From October 2012 to December 2014, the DYZ Media bank account with Caledonian Bank received US\$5.2 million from MGI: US\$4.3 million in transfers from Choice Bank and US\$900,000 from Via Bank. Disbursements from the DYZ Media account totaled US\$5.13 million.

101. Between December 2012 and July 2013 approximately US\$820,000 in Bannersbroker Canada funds were spent on property renovation services. Based on discussions with both BBIL principals and former employees, the Receiver and Joint Liquidators have determined that most if not all of these funds were used to renovate and improve the BB Support Centre. It appears that 8163871 Canada Limited (Dixit Holdings Inc.) invested a further US\$33,991 in BB



Support Centre improvements. It is unclear whether or not 8163871 Canada Limited (Dixit Holdings Inc.) properly accounted for or recognized the Bannersbroker Canada investment by recording the expenditures as an intercompany receivable because Dixit Holdings did not maintain complete or reliable accounting records.<sup>6</sup>

102. Between February 2012 and August 2012, Bannersbroker Canada also paid US\$30,342 in rent for BBIL's condominiums at the Church Street Property.

103. Bannersbroker Canada variously invoiced "Bannersbroker International (Belize)", "Banners Broker International (Isle of Man)", "Monitize Group (Belize City)" and "Monetize Group Incorporate". Invoiced items were typically described in no more than one or two lines as "Cost of Goods Sold", "Consulting Services and I.T. Management" or "Support services rendered". The bills were typically for hundreds of thousands of dollars, but without any supporting documentation or detail whatsoever. A table summarizing the invoices issued by Bannersbroker Limited, Stellar Point Inc., and Bannersbroker Canada to MGI and BBIL is attached at **Appendix "R"**.

104. The description of services rendered varies widely from invoice to invoice. For example, whereas a March 15, 2013 invoice from Bannersbroker Canada to MGI lists multiple services (including consulting fees for \$38,000, computer programming for \$38,500, customer relations of \$65,600, and "Previous Outstanding Amount" of \$7,000), an invoice issued by Bannersbroker Canada 18 days later, references only "Management and Consulting fees for the month of March" in the amount of \$300,000.

105. The invoices are otherwise irregular and seemingly carelessly prepared. For example, four invoices produced to the Receiver (dated from April 2, 2013 to June 17, 2013) are indicated as being rendered from "Banners Broker LTD" to MGI. However, as at the date of such

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<sup>6</sup> It should be noted that the Receiver has also been provided with evidence that Dixit may also have renovated his personal residence during this time. Thus, it is possible that some of these funds were used to renovate Dixit's personal residence.

invoices, Bannersbroker Canada was known as Stellar Point Inc. Notwithstanding this, the business was erroneously generating invoices as “Banners Broker LTD”.

106. Another invoice produced to the Receiver is from “Bannersbroker Canada” to “Bannersbroker International”, and is dated January 6, 2012. Neither Bannersbroker Ltd. nor Stellar Point Inc. was ever legally known as “Bannersbroker Canada”. Moreover, BBIL did not exist until March 29, 2012.<sup>7</sup>

107. Significantly, the amounts invoiced by Bannersbroker Canada to MGI do not correspond to amounts actually transferred by MGI to Bannersbroker Canada. The Receiver has been provided with six invoices that were issued from Bannersbroker Canada to MGI. These invoices were purportedly issued between March 15, 2013 and June 17, 2013, and total \$1,712,460.80. Of this amount, \$932,460.80<sup>8</sup> was for commission payments to resellers.<sup>9</sup> However, from August 2, 2012 to August 14, 2013, MGI transferred US\$11,462,200 or more than six times the amount “invoiced” to MGI.

108. The Receiver has no reason to believe that the amounts invoiced by and paid to Bannersbroker Canada bear any relationship to the fair value or cost of the services performed by Bannersbroker Canada. Rather, it appears that Dixit would simply advise BBIL or MGI (through Smith) of the total amount of funds that he required for a given period and such funds would be wired to Bannersbroker Canada from off-shore accounts held by MGI at Choice Bank and Via Bank.

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<sup>7</sup> Prior to being known as BBIL, the company was a “shelf corporation” known as Bedford Limited. As far as the Receiver is aware, Bedford Limited did not conduct business on behalf of BBIL.

<sup>8</sup> According to invoices produced to the Receiver, creditors in India were making significant sums of money with BBIL. In a span of 12 days (June 5, 2013 and June 17, 2013) Bannersbroker Canada invoiced MGI for \$658,420 for commission payments to Indian creditors.

<sup>9</sup> Although one invoice is for “Commissions owed for the month of March” for \$100,000, in the fall of 2013 it is dated April 2, 2013. By that date Bannersbroker Canada was no longer acting as the Canadian reseller of BBIL and would not have been entitled to commissions.

109. For example, in a January 2, 2013 email from Dixit to Smith, Dixit requests that Smith wire "\$150k to Cyprus I m paying all of the Bannersbroker Limited bills from this account.... Rather use this account then CIBC for wires, and this way Monetize group is being invoiced from Stellar Point for all wires [sic]." When Smith emails Dixit to clarify whether or not funds should be wired to the CIBC account, Dixit emails Smith and states "No still \$300k to CIBC, for payroll and constructions, etc." It is unclear to the Receiver what additional expenses were being paid from the Cyprus bank account.

110. In this same email Dixit advises Smith to send "[t]wo wires plus I m sending \$10k a month from BB account to CIBC so we show more than one client sending money."

111. Similarly, in a May 24, 2013 email from Dixit to Smith, Dixit advises Smith that he "need[s] a wire for \$450k am short money". According to Dixit, the funds were intended to cover the following expenses: (1) "June 7 payroll approx. \$130k"; (2) "May payroll tax approx. \$115k"; (3) "contractors \$50k"; (4) "Air Condiiton heating \$60k [sic]"; (5) "Flights and travel for coming trip \$80k". Dixit then adds that this "[l]eaves \$20k for incidentals" and advises that "[w]e will require another wire mid month [sic]".

112. Bannersbroker Canada established a wholly owned UK subsidiary, Stellarpoint Limited, in January 2013. The company was incorporated to operate as a provider of support service to internet advertising and website companies with its principal client being its parent.

113. Not much is known about Stellarpoint Limited. It appears that the company operated for about eight months before filing for Creditors' Voluntary Liquidation in the United Kingdom on September 30, 2013.

114. Filings prepared in the course of the liquidation identify Stellarpoint Limited's initial directors as Dixit and David Hooker. There is a suggestion in the insolvency filing that Dixit invested £100,000 to finance Stellarpoint Limited start-up costs.

115. Stellarpoint Limited's liquidation resulted in no realizations for creditors. At the time of filing, Stellarpoint Limited owed £5,937 to trade creditors, £17,000 to its landlord and £60,000 to Dixit evidenced by a shareholder loan. The company only had £467 in cash and £7,319 in prepaid rent deposits to its landlord.

116. In Canada, Bannersbroker Canada claims to have ended its relationship with BBIL in September 2013.<sup>10</sup> This timing is not surprising. According to the RCMP Affidavits, by April 2013, the Competition Bureau had begun interviewing former Banners Broker employees regarding the Banners Broker business. Correspondence obtained by the Receiver indicates that by June 2013 threats of legal proceedings had been made against Bannersbroker Canada in connection with its relationship with Banners Broker.

117. Consistent with a mid-2013 break, Dixit wrote to Smith (and others) on July 8, 2013 saying "[w]e are not contacting affiliates. They should all know by now that it is over. WE WILL NOT BE CONTACTING THEM. I will not spend the manpower to inform stupid affiliates. Sorry but that is how I feel [sic]."

118. Notably, Bannersbroker Canada wound down relations with Banners Broker over a period of months. By September 2013 Bannersbroker Canada was training Banners Broker International Limited (Belize) staff in Belize City so that those employees could take over the functions previously performed by Bannersbroker Canada for BBIL.

119. The BB Support Centre was sold in March 2014 for \$1,200,000. (As a point in time reference, the Joint Liquidators were appointed on February 26, 2014).

120. The proceeds of the sale of the BB Support Centre were directed and paid to Dixit Holdings (\$252,811.83) and 234 (\$826,235.51). It has not been possible to trace the funds paid

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<sup>10</sup> Bannersbroker Canada terminated the Consulting Agreement by way of agreement dated August 1, 2013. A copy of the agreement is attached as **Appendix "S"**.

to 234 post-closing. The funds paid to Dixit Holdings are largely accounted for in the Flow of Funds Analysis (defined below).

121. The Receiver and the Joint Liquidators have determined that Bannersbroker Canada's only material and consistent clients were Banners Broker group entities and affiliates during the September 2011 to September 2013 period.<sup>11</sup> The Receiver has not received any contracts or other documentation such as would indicate that the company had any other material sources of revenue at any time.

122. It follows that Bannersbroker Canada was at all times reliant on Banners Broker affiliate contributions for funding and operations. Between February 2012 and March 2014 Bannersbroker Canada received a total of US\$15.88 million in BBIL affiliate funds. The majority of money came to Bannersbroker Canada directly from creditors (approximately US\$4.10 million), or indirectly from MGI bank accounts (US\$9.86 million) located off-shore in St. Lucia and Belize.

123. Between February 2012 and October 2012 Bannersbroker Canada collected and remitted funds from and to Banners Broker creditors through the payment processor Beanstream. Affiliate payments made to Bannersbroker Canada's Beanstream account were forwarded on to Bannersbroker Canada's bank account at RBC. RBC bank records reveal Bannersbroker Canada collected a total of US\$3.7 million from creditors through the Beanstream account.

124. msi Spergel inc., court officer, received \$537,576.31 from the Beanstream account pursuant to the Order: Restraint of Funds. Such funds are held in trust pending further order of the court.

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<sup>11</sup> For a brief period of time, likely no more than several days, Bannersbroker Canada acted as a call centre for a taxi company in British Columbia. This relationship was terminated by the taxi company shortly after it started.

125. The Receiver and the Joint Liquidators believe that approximately US\$2.95 million of Bannersbroker Canada receipts were used by Dixit for predominantly personal (i.e. non – business) purposes including the purchase of clothing, designer handbags, jewelry, lingerie, and trips to water parks. This conclusion is based upon the Flow of Funds Analysis (defined below) attached as Confidential Appendix “B” to the Fifth Report.

126. Bannersbroker Canada subsists as a federal corporation in good standing. Attached as **Appendix “T”** is a *Personal Property Security Act* (Ontario) registration search summary as against the company with a file currency as of March 8, 2016. As indicated there are no PPSA registrants apart from the Ontario Ministry of Finance.

127. In all of the circumstances the Receiver believes that the conversion of the investigatory receivership of Bannersbroker Canada into a standard possessory receivership is the most appropriate course of action at this time. Going forward consideration will be given to the efficiencies of a bankruptcy proceeding as a means of most efficiently resolving creditor claims and concluding a court-supervised wind down of this entity.

**B. Investigatory Receivership Update and Receiver’s Recommendations with respect to the Other Associated Corporations and Additional Dixit Entities**

*i. Recommendation*

128. Significant progress has been made in reviewing and understanding the business and affairs of the balance of the Associated Corporations and Additional Dixit Entities. As such efforts are not yet complete, the Receiver proposes to move forward and complete its work at which time it will provide a recommendation as to what additional relief, if any, may be appropriate. No specific relief is sought with respect to the entities discussed below at this time.

ii. *Current Investigatory Receivership Findings*

a. Parrot Marketing Inc.

129. The Receiver's report in respect of Parrot Marketing Inc. is based upon a review of bank account statements. It is also based upon the Receiver's interviews with Banners Broker principals and employees, answers to undertakings, and public records searches.

130. Parrot was incorporated by Smith on August 1, 2012. Smith is the sole director.

131. Parrot is a services business that, according to its Facebook page, offers "creative and personalized services to each of [Parrot's] clients."

132. According to Smith, Parrot was dormant up until the summer of 2013. However, bank records reviewed by the Receiver indicate that Parrot began receiving transfers from Banners Broker entities in January 2013. From January to June 2013, Parrot received a total of approximately US\$1.23 million with such monies coming from MGI (US\$860,000), Dreamscape (US\$224,000), unknown credit memos and deposits (US\$110,000), and funds from a company the Receiver believes to be associated with Aramor Payments (US\$35,000). As explained in the Third Report, Aramor Payments provided payment solution services to Banners Broker in 2011 and 2012.

133. Beginning in or about June 2013, Parrot commenced providing services to BBIL. According to Smith, Parrot provided BBIL with computer programming services, IT design, security and architecture services, customer support, network support, website development, social media services, training, and event planning.

134. Smith advises the Receiver that although Parrot commenced providing services to clients other than Banners Broker in September 2013, the company's largest client was BBIL.

135. According to Rob Pirie ("**Pirie**"), a former Communications Specialist at Parrot, Parrot's other clients included Wellness Girl, Tracy B. Richards and Smoke Euphoria. Although these

are described by Pirie as Parrot clients, the Receiver has not received any documents that would confirm such a client relationship.

136. The Receiver understands that Parrot stopped providing services to BBIL in August 2014. This is the same month that the Receiver was appointed.

137. Between November 2012 and October 2014 Parrot received US\$5.12 million in BBIL affiliate funds from the Associated Corporations and the Additional Dixit Entities, and individuals or entities otherwise affiliated with BBIL.

138. Of the funds received from BBIL creditors, a total of approximately US\$4.28 million was disbursed by Parrot, predominantly to Parrot's employees and BBIL principals. Of this amount, approximately US\$1.7 million was paid to Telpay Incorporated ("**Telpay**") for payroll. The Receiver is in process of obtaining payroll records from Telpay. The remainder of Parrot's receipts were spent on what has been described to the Receiver as operating expenses.

b. 2341620 Ontario Corporation

139. 2341620 Ontario Corporation was incorporated September 7, 2012, with Smith as the sole and incorporating director. The company was set up to hold real estate assets.

140. 234 used BBIL creditor funds to purchase a mixed use commercial/residential property at 1376 Bayview Avenue in Toronto ("**Bayview Property**"), as well as the BB Support Centre. Both properties have now been sold.

141. The Receiver is pursuing several outstanding document production and law firm records requests in respect of 234.

142. The settlement of matters relating to the Bayview Property was specific to that real estate only. Work is accordingly ongoing to identify other assets that may be similarly subject to BBIL creditor claims.



c. Dixit Holdings Inc.

143. The Receiver's report in respect of Dixit Holdings Inc. is based upon a review of corporate books and records, bank account statements and financial records (albeit largely incomplete). It is also based upon meetings and interviews with BBIL principals (and their counsel), other receiver interviews including with Dixit's spouse, Schlacht, a review of answers to undertakings, and public records searches.

144. Dixit Holdings was incorporated on April 11, 2012 to function as a family holding company for interests in Bannersbroker Canada and the BB Support Centre. At various times the company also held a range of luxury vehicles, including at least two Mercedes Benz.

145. The directors of Dixit Holdings are Dixit and Jennifer Dorazio ("**Dorazio**"), with Dorazio acting as a director between April 2012 and June 2013. Dorazio was Dixit's common law spouse up until June 2013.

146. Dixit Holdings was initially wholly owned by Dixit. Dixit transferred his shareholding interest to Schlacht on May 15, 2014. Dixit and Schlacht married in June 2014. The company shares were transferred back to Dixit on November 19, 2014.

147. There is no indication that Dixit Holdings had any employees or operations. Notwithstanding this, there is evidence that Dixit Holdings invoiced Bannersbroker Canada and Durham Energy Specialist, a tenant at the BB Support Centre, for "Car Services". The invoices provide no details of the car services purportedly provided.

148. The Receiver has identified a Dixit Holdings bank account at a CIBC branch in Toronto. Between July 2012 and September 2014 this account received a total of US\$1.07 million from Bannersbroker Canada, Dreamscape, MGI, 234 and Parrot. Again, and as indicated elsewhere in this report, the Receiver believes that such entities were primarily funded by affiliate contributions. Dixit Holdings used the US\$1.07 million in its CIBC account to purchase

automobiles and to fund construction costs and intercompany transfers. A more complete accounting of the disbursements is set out in the Flow of Funds Analysis at Confidential Appendix "B".

149. Dixit Holdings also received approximately US\$260,000 from a small group of individuals and entities, including both Schlacht (US\$23,340) and RevStar Hosting Inc. (US\$33,737), a company controlled by her.<sup>12</sup>

150. As indicated, Dixit Holdings held a 25% ownership interest in the BB Support Centre at 5 Carlow Court. The property was sold in March 2014. Dixit Holdings share of the net sale proceeds amounted to \$252,811, which money was paid to Dixit Holdings on closing.

151. Dixit Holdings remains a *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 entity in good standing.

d. Dixit Consortium Inc.

152. The Receiver's report in respect of Dixit Consortium Inc. is based upon a review of corporate books and records and CIBC bank account statements. It is also based upon meetings and interviews with BBIL principals (and their counsel), other receiver interviews including with Schlacht, a review of answers to undertakings, and public records searches.

153. Dixit Consortium was incorporated September 24, 2012 as 8643989 Canada Inc. The company was dissolved by articles of dissolution filed March 25, 2015.

154. Dixit was the sole officer, director and shareholder of Dixit Consortium.

155. Dixit Consortium has been described as a "consulting company". Notwithstanding this, the Receiver's investigations to date provide no indication that the company ever had any

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<sup>12</sup> Schlacht is the sole director of Revstar Hosting Inc. According to Schlacht, the company had nothing to do with Banners Broker or Stellar Point. Despite being the sole director of the company, Schlacht did not know anything about the company, it was "just a company" her husband had asked her to put her name on. Examination for Discovery of Stephanie Schlacht, June 11, 2015, 337:2-7. The Receiver has no further information about Revstar Hosting Inc.

clients, or ever provided any consulting services other than purported services to other Banners Broker entities.

156. Dixit Consortium was funded, at least in part, with BBIL affiliate funds. Between October 2013 and March 2015, Dixit Consortium received a total of US\$262,395 from Dixit Holdings, Bannersbroker Canada and Dreamscape. As is noted elsewhere in the report the Receiver has concluded that these entities were almost entirely funded using BBIL affiliate funds.

157. Dixit Consortium received a further approximately US\$519,000 from various other individuals and entities, including at least three entities the Receiver believes to be affiliated with Aramor Payments (approximately US\$193,000). The Receiver has not yet determined why entities affiliated with Aramor Payments might have made upwards of US\$193,000 in remittances to Dixit Consortium.

158. The Receiver has identified three bank accounts that belonged to Dixit Consortium that were held with CIBC. Dixit Consortium disbursed all of the approximately US\$781,000 paid to these accounts. The majority of the disbursements were to BBIL associated entities (approximately US\$116,000), three credit cards (approximately US\$99,000), an Aramor Payments affiliated entity (approximately US\$55,000), and various purported employees of Dixit Consortium (approximately US\$114,000). A more detailed accounting of the Dixit Consortium CIBC account disbursements is set out in the Flow of Funds Analysis at Confidential Appendix "B".

159. The Receiver has not located any other Dixit Consortium assets.

e. Dreamscape Ventures Ltd.

160. Dreamscape Ventures Ltd. is a British Virgin Islands company. It was incorporated on May 29, 2012. Dreamscape's registered agent in the British Virgin Islands is ILS Fiduciary (BVI) Limited.

161. The Receiver's report in respect of Dreamscape is based upon a review of a Dreamscape shareholder's ledger, incomplete Choice Bank records (an MGI account), and an incomplete set of bank records from a Bank of Cyprus account held by Dreamscape.

162. Dixit holds 25,000 of Dreamscape's 50,000 issued and outstanding shares. The remaining 25,000 shares are believed to be held in trust by Dixit for Guarini.

163. According to emails reviewed by the Receiver, Dixit describes Dreamscape as a consulting company. The company purportedly provided management and consulting services to MGI. However, if such services were provided, there are completely undocumented.

164. Between September 2012 and September 2014, Dreamscape received approximately US\$1,050,000 from MGI's bank account with Choice Bank (according to records for MGI's account). Dreamscape received an additional US\$226,000 from Bannersbroker Canada. Because the Receiver does not have a complete set of banking records for Dreamscape, the Receiver can only trace approximately US\$810,000 of the payments from MGI to Dreamscape's bank statements. The Receiver continues to pursue Dreamscape bank records in order to complete its accounting.

165. According to Dixit Holding's bank statements, Dreamscape paid Dixit Holdings approximately US\$417,000. According to Parrot's bank statements Dreamscape paid Parrot approximately US\$344,000. Because the Receiver does not have a complete set of account statements for Dreamscape, the Receiver has been unable to verify and/or better understand the rationale for these transfers.

166. The Receiver has not identified any Dreamscape bank accounts or assets in Canada. Dreamscape accounts were likely held in off shore banks, including in Cyprus.

f. Local Management Services

167. The Receiver's report on LMS is based on the company's bank records, public records, and interviews with Smith. Additional information was drawn from the RCMP Affidavits.

168. Local Management Services was incorporated on November 25, 2005 as 2087360 Ontario Incorporated. Its sole director was and remains Edmund A. Clarke. Clarke was a lawyer who was disbarred in 2010 for committing fraud. Clarke remains listed as a director of LMS which continues to subsist under the laws of Ontario.

169. LMS was operated by Smith and was apparently used to conduct Banners Broker business prior to the time that BBIL was incorporated.

170. The company maintained account relationships with payment processors and financial institutions under the Banners Broker name. LMS retained the computer programmers that developed the Banners Broker software. The company also registered dozens of Banners Broker related internet domain names at or around the time the business was established.

171. The Receiver has identified two bank accounts held by LMS with TD Bank. Through these accounts, LMS received a total of approximately \$359,000 and disbursed a total of approximately \$200,000 between January 2010 and July 2011. The Receiver cannot trace or otherwise account for all disbursements from LMS's accounts because Smith has yet to produce a complete set of LMS bank statements to the Receiver.

**C. Declaration that St. Lucian Funds are BBIL Funds to be Used in Accordance with the Receiver's Mandate**

172. As described in the Third Report, the Receiver was successful in securing possession of certain BBIL Allied Wallet monies that were transferred from BBIL's account at Allied Wallet (a payment processor) to an off-shore account in the name of BBIL parent –entity, MGI, at Via Bank in St. Lucia.

173. The Receiver is satisfied that all realizable funds from MGI's account at Via Bank have been remitted to the Receiver.

174. The Receiver is currently holding Via Bank remittances totaling \$1,506,069.00 ("**St. Lucian Funds**"). Recognizing that such monies were nominally held in a BBIL parent entity account at Via Bank, the monies paid to the Receiver were placed in a segregated receivership account pending further court order.

175. For reasons explained in this section, the Court Officers conclude that the St. Lucian Funds are BBIL monies. This is the case for four main reasons: first, the Receiver's accounting analysis determined that the Via Bank monies were funded entirely from affiliate contributions (or payments) to the Banners Broker business; second, MGI was purely a holding company and acted as such for BBIL in relation to the St. Lucian Funds; third, MGI's sole owner, Smith, has confirmed that the St. Lucian Funds were monies generated by Banners Broker for the benefit of BBIL creditors; and fourth Smith advised that there are no creditors having competing claims to the funds at the MGI level.

176. To the first point, during the period of Banners Broker's operation, MGI's Via Bank account received a total of US\$10.11 million from BBIL's Allied Wallet account. The MGI Via Bank account received a further US\$1.39 million from MGI's account at Choice Bank, a Belizean financial institution. Choice Bank in turn received a total of US\$68.18 million from the BBIL Allied Wallet account and US\$4.8 million from other payment processors that processed payments from creditors to BBIL.<sup>13</sup> Attached as **Confidential Appendix "A"** to this Report is a diagram reflecting the flow of funds from BBIL creditors to Via Bank.

177. To the second point, MGI never operated a business. It functioned as a BBIL parent and holding company. There was no business reason or other requirement for BBIL to flow its Allied

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<sup>13</sup> Deposits to MGI's account with Choice Bank also include \$112,799 from Adzerk and \$15,576 from an individual. These two additional sources of funds account for total of 0.2% of all deposits to the Choice Bank account.

Wallet receipts to an MGI account at an off-shore bank. Smith, as the sole owner of all of MGI's issued and outstanding shares, has confirmed that this is the case. Smith has also advised the Receiver that MGI has no creditors other than BBIL. Smith (and MGI) have willingly turned the St. Lucian Funds over to the Receiver to be dealt with as a receivership asset.

178. Based on the analysis set out above, the Court Officers are satisfied that the St. Lucian Funds belong to BBIL and that there are no competing claims to such funds apart from BBIL creditor claims now advanced through the Receiver. Smith, as the sole director and shareholder of MGI, accepts this. On this basis, the Receiver concludes that the St. Lucian Funds are BBIL receivership administration general receipts and respectfully requests that this Court make a declaration to this effect.

**D. Direction that HSBC Produce Documents to the Receiver**

179. The Receiver has made written requests for the production of documents relating to BBIL, the Associated Corporations and the Additional Dixit Entities from approximately 100 financial institutions. With the exception of HSBC, the Receiver has received a reasonable level of cooperation from all parties contacted.

180. Following its appointment, the Receiver wrote to HSBC on September 9, 2014, requesting Records production in accordance with the court orders. HSBC did not respond. Attached as **Appendix "U"** is a copy of the September 9, 2014 letter from the Receiver to HSBC.

181. On October 16, 2014, upon obtaining the Further Supplemental Order, the Receiver wrote to HSBC requesting Records production in relation to BBIL and the Associated Corporations. Again, HSBC did not respond. A copy of the Receiver's October 16, 2014 letter, is attached as **Appendix "V"**.

182. The Receiver followed up with HSBC and on January 16, 2015, HSBC emailed to advise that HSBC Bank Canada did “not currently have any account in the name of ... Parrot Marketing”. A copy of the January 16, 2015 email from HSBC is attached as **Appendix “W”**.

183. While HSBC may not “currently” hold an account for Parrot, it evidently had held accounts for Parrot and would have had “Records” (as such term is defined in the relevant receivership orders). Both the RCMP Affidavits and documents produced by Smith to the Receiver indicate that Parrot held at least two bank accounts with HSBC.

184. After obtaining the Additional Authority Order, the Receiver wrote to HSBC on August 10, 2015, and requested that HSBC produce all documents relating to the Additional Dixit Entities. A copy of the Receiver’s August 10, 2015 letter is attached as **Appendix “X”**.

185. In response to the Receiver’s August 10, 2015 letter, HSBC’s counsel requested that the Receiver direct its inquiries to the bank branch which held accounts for BBIL, the Associated Corporations and the Additional Dixit Entities. Until that point, all of the Receiver’s requests were directed at HSBC’s head office. Moreover, as of August 2015, neither HSBC nor any other financial institution had suggested that the Receiver ought to direct its inquiries to individual branches. Regardless, HSBC’s counsel advised that the request would be forwarded internally to prepare the appropriate documents. Attached as **Appendix “Y”** is a copy of the August 13, 2015 email from counsel for HSBC.

186. On February 2, 2016, having still not received production of documents from HSBC, counsel for the Receiver wrote to the bank and sought a meeting to discuss the Receiver’s outstanding requests. HSBC responded reverting to the position that the Receiver must identify and pursue production of documents at a branch level. Attached as **Appendix “Z”** is a copy of the February 2, 2016 email correspondence between the Receiver and HSBC.



187. Throughout February 2016 Receiver's counsel was in regular contact with HSBC seeking a meeting to resolve all issues having to do with document production. During this period HSBC was again provided with copies of the relevant court orders.

188. Finally, on February 29, 2016, HSBC advised that it would produce account statements responsive to the Receiver's requests by the end of that week (March 4, 2016), and that supporting documentation for account statements would also be made available.

189. HSBC provided account statements for Parrot's HSBC accounts on March 18, 2016. Upon receipt of the statements, the Receiver asked again for all documents relating to the Parrot account, including supporting documents for the transactions listed. HSBC has recently advised the Receiver that fulfilling such request will take some time. Attached as **Appendix "AA"** is a copy of the HSBC letter dated March 11, 2016, which was received by the Receiver's counsel on March 18, 2016

190. To date, HSBC has not produced the requested supporting documentation to the Receiver.

**E. Approval of Receiver's Conduct and Activities Since the Date of the Third Report**

191. By way of overview, the Receiver, working closely in coordination with the Joint Liquidators, has pursued the following activities since the Third Report was filed on July 30, 2015:

- (a) completion of a substantial claims settlement, and subsequent real property sale to fund the settlement, resulting in a realization to the estate of \$2,374,345;
- (b) correspondence, discussions and meetings with Allied Wallet an online payment processing service retained by BBIL, so as to enable the Receiver to account for and recover approximately \$2.8 million in BBIL receipts;

- (c) correspondence and discussions with Via Bank, a St. Lucian financial institution, leading to the recovery of \$1.5 million in BBIL funds nominally held in the Via Bank account of BBIL parent entity MGI;
- (d) meetings with Smith (and Smith's counsel) regarding fulfillment of Smith's outstanding undertakings, and document production and other Receiver requests;
- (e) coordination of document production requests from Canadian financial institutions in respect of records relating to the Additional Dixit Entities, and the receipt and review of documents responsive to such requests;
- (f) receipt, review and analysis of documents produced by Bannersbroker Canada, and MacDonald Sager Manis LLP ("**MSM**"), former counsel to Dixit, Bannersbroker Canada, Dixit Holdings and Dixit Consortium;
- (g) undertaking real property, corporate profile, internet, and other public record searches so as to better understand the trade, dealings, and property of the Additional Dixit Entities, all in accordance with the mandate and authority of the Additional Authority Order;
- (h) general ongoing correspondence, meetings and discussion with counsel for Smith and Dixit in relation to, among other issues, the criminal proceedings, document production matters, undertakings, and the Cease and Desist Notices;
- (i) monitoring public aspects of the ongoing Banners Broker criminal investigation, including attending criminal court hearings and negotiating with the Crown and counsel for Smith and Dixit in respect of the production of relevant materials in the criminal court file;

- (j) corresponding with banks, trust companies and financial institutions in Canada and abroad in an effort to locate and secure BBIL assets and financial information relevant to Banners Broker to the extent permitted by the Supplemental Order, the Further Supplemental Order and the Additional Authority Order;
- (k) follow up correspondence and pursuit of answers to undertakings in respect of examinations conducted under oath of several executive level employees and service providers to BBIL and/or the Associated Corporations;
- (l) the pursuit of relevant BBIL, Associated Corporation, and Additional Dixit Entities corporate records and legal files from company counsel, including considering and responding to any assertions of privilege and confidentiality over such records;
- (m) the continued assembly, review and analysis of bank and accounting information, including bank statements provided by Canadian financial institutions for the Associated Corporations and the Additional Dixit Entities, as well as information obtained with the assistance of Smith regarding offshore accounts, with a view to reconstructing the source, inter-company transfers and disposition of all monies contributed by Banners Broker creditors and potential creditors of BBIL and the Associated Corporations;
- (n) the receipt and direction of creditor claims and inquiries to the Foreign Representative, who is managing claims and responding to creditor inquiries;  
and

- (o) the coordination of receivership administration efforts in respect of BBIL, the Associated Corporations and the Additional Dixit Entities with the Foreign Representative, including the sharing of information, accounting expertise and resources with the Foreign Representative.

192. Certain of the activities and inquiries of the Receiver and the Joint Liquidators are sensitive in nature. This is the case where the work involved is the assembly and assessment of evidence that may be used to pursue BBIL assets in circumstances where efforts have been made to put such assets beyond reach of creditors. For this reason, and where appropriate, the Receiver's work in this regard has been described in a more general way with particulars omitted.

193. The balance of this report provides an update on the Receiver's ongoing efforts to secure BBIL, Additional Dixit Entities', and Associated Corporations' books, records and accounts, as well as to recover assets in the name of BBIL, or properly belonging to BBIL but held in the name of the Associated Corporations, the Additional Dixit Entities, or third parties. Such actions are being undertaken in coordination and with the support and assistance of the Foreign Representative, as is further described below.

*i. Asset Recoveries*

a. 234 Settlement

194. As reported in the Third Report, the Receiver settled a claim ("**234 Settlement**") in June 2015 in relation to 234's alleged improper use of BBIL funds to purchase the Bayview Property. Pursuant to the 234 Settlement it was agreed that the Bayview Property would be sold with the majority of the sale proceeds remitted to the Receiver in consideration for a release of claims solely in respect of the Bayview Property.

195. To facilitate the 234 Settlement and the closing of the sale of the Bayview Property, an order discharging and vacating the certificate of pending litigation from title to the Bayview Property was obtained on July 30, 2015, on the consent of Smith and 234.

196. The sale of the Bayview Property closed on August 27, 2015. Upon closing, sale proceeds in the amount of \$2,347,345 were paid to the Receiver.

b. Allied Wallet Settlement

197. Allied Wallet is an electronic payment processor headquartered in London, England. BBIL maintained an account with Allied Wallet pursuant to a written account agreement dated May 16, 2012.

198. The Receiver and the Joint Liquidators' analysis indicates that between May 24, 2012 and August 28, 2014, Allied Wallet collected US\$106.3 million from creditors, and paid Banners Broker approximately US\$85.2 million (net of affiliate refunds, chargebacks and Allied Wallet fees).<sup>14</sup> Believing this to be the case, and having discussed the matter with Smith, the Court Officers concluded in late 2014 that Allied Wallet likely held certain residual funds as security for chargebacks requested by creditors who transacted with Banners Broker using Allied Wallet's services.

199. Allied Wallet cooperated with the Receiver and Joint Liquidators in identifying and accounting for the funds held by Allied Wallet. In doing so, Allied Wallet maintained the confidentiality of creditors' bank account information.

200. The Receiver assisted by the Joint Liquidators has completed its review of the accounting and documents provided by Allied Wallet. The Court Officers are satisfied that Allied Wallet has properly accounted for and remitted all amounts claimable by the Receiver.

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<sup>14</sup> From the time of the Receiver's appointment, on August 22, 2014 to August 28, 2014, BBIL's account with Allied Wallet collected \$7,867.60 and processed \$12,255.82 in chargebacks.

c. Claim Settlement

201. In the course of the Court Officers review of Parrot's banking records it was determined that Parrot gifted \$97,000 in September 2014 (after the Receiver's appointment on August 22, 2014), to a Toronto resident who had no business dealings or relationship with Parrot or BBIL. Upon making inquiries of Smith in respect of this transfer, the Receiver concluded that such monies ought to be repaid to the receivership estate of BBIL.

202. The Receiver accordingly asserted a claim against the recipient for the return of the transferred funds. Smith offered to settle the Receiver's claim and entered into discussions with the Receiver to do so. Following a period of negotiation, Smith agreed to pay the Receiver \$70,000 in full settlement of the claim.

203. The Court Officers considered Smith's \$70,000 settlement offer to be fair and reasonable in the circumstances in that it represented an efficient resolution to the matter. The Receiver accordingly accepted Smith's offer and Smith paid settlement funds to the Receiver on September 1, 2015.

ii. *Continuing Efforts to Secure Records From Dixit*

204. Securing the "Records" of BBIL, the Associated Corporations and the Additional Dixit Entities in accordance with the Receiver's court authority has continued to prove difficult and time consuming. The reasons for this were detailed in the Third Report and relate to the fact that the business did not have a document management system, company owned servers, or any other organized records retention system. Receipts and pay-outs were handled non-systematically and on an ad hoc basis. Inter-company transfers were not properly recorded, or not recorded at all. Some payments were made in cash. Although transaction records exist at the financial institution end, in certain cases the financial institutions are off-shore and such

records are not readily obtainable. In short, there is no single source of Banners Broker maintained financial records or support documentation.

205. Certain of the Receiver's document production requests have been directed to counsel (or former counsel) for BBIL and the Associated Corporations. Such counsel are as follows:

(a) **Aird & Berlis LLP ("A&B")**

A&B acted for BBIL and 234. It appears that A&B may have also acted for Associated Corporations Parrot, as well as BBIL's parent company, MGI. A&B has also acted for Smith, personally.

(b) **Macdonald Sager Manis LLP**

MSM acted for Dixit, personally, as well as Associated Corporations, Bannersbroker Canada and Dixit Holdings.

206. Smith has undertaken to produce A&B law firm files and trust ledgers associated with work performed for Banners Broker entities subject to the receivership proceeding. At the same time, and as is permitted by the receivership orders, A&B has reserved its clients' rights to decline to produce certain documents on the basis of privilege claims. Although a small number of A&B documents have been produced in response to specific answers to undertakings, the majority of A&B files have not been produced, nor have any privilege objections been particularized. The Receiver understands that privilege review is underway in respect of A&B files and reserves its rights to pursue additional documentary production from A&B, including account records and trust ledgers. The Receiver intends to return to court if such records are not forthcoming.

207. Claims of privilege in respect of MSM documents have recently been resolved. In this regard, the Receiver first attended at MSM's offices in February 2015. The purpose of the meeting was to understand the nature and scope of MSM's Banners Broker related retainer(s),

and to assess what law files may be relevant and available to the Receiver. During the course of this meeting MSM provided the Receiver with 67 invoices documenting legal services rendered to Dixit and the Dixit Entities.

208. The Receiver corresponded with MSM and sought production of a large number of apparently relevant documents, many of which were referenced in the MSM invoices. MSM initially advised that although they were prepared to cooperate with the Receiver, they had been instructed by Dixit not to release any files beyond what had already been disclosed. The issue of production of MSM law firm records accordingly remained unresolved as at the date of the Receiver's Third Report.

209. On August 11, 2015, after the Additional Authority Order had been granted, counsel for Dixit contacted the Receiver's counsel and advised that Dixit and MSM would be willing to meet with the Receiver and work out a protocol (or agreement) for the production of documents within MSM's possession that may be relevant to the Receiver's mandate ("**MSM Documents**").

210. Shortly thereafter, and before a meeting could be scheduled, counsel for Dixit advised that his client had changed his position and that he would authorize the release of all but one of the MSM Documents to the Receiver. This document is subject to a privilege claim by Smith. The Receiver was specifically advised that Dixit was waiving privilege in respect of everything to be produced.

211. MSM produced the MSM Documents to the Receiver on September 8, 2015. The production consisted of seven bankers boxes containing over 1,600 documents.

212. On September 11, 2015, Dixit's counsel forwarded an additional nine bankers boxes of Bannersbroker Canada documents to counsel for the Receiver. This production consisted of approximately 7,500 documents.



213. The Receiver has completed its initial review of the MSM Documents and the Bannersbroker Canada productions. Relevant financial information has been incorporated into the Flow of Funds Analysis (defined below). Certain of the documents reviewed point to potential asset recoveries and claims and inquiries are being made accordingly.

*iii. Efforts to Secure Financial Records for Additional Dixit Entities*

214. The Receiver continues to diligently pursue production of relevant Banners Broker records. Production requests were initially specific to BBIL, but were later broadened to include the Associated Corporations and the Additional Dixit Entities.

215. Following the grant of the Additional Authority Order, the Receiver contacted major financial institutions across Canada seeking production of documents related to the Additional Dixit Entities.

216. CIBC responded positively and produced account statements for Dixit Consortium on August 26, 2015. Relevant financial information derived from available Dixit Consortium account statements have been incorporated into an updated Flow of Funds Analysis (defined below).

217. As at the date of this report, no financial institution has produced records in respect of Dreamscape.

218. Dixit has provided the Receiver with account statements for an account held by Dreamscape at the Bank of Cyprus. The account statements, relate to the period September 28, 2012 to September 4, 2013, but they are incomplete.

219. Based on the limited records available, it appears that at least US\$1.28 million was transferred to Dreamscape by Banners Broker entities, of which US\$240,000 remains unaccounted for on the Dreamscape bank statements. Moreover, approximately US\$443,000

of the disbursements made by Dreamscape remain unaccounted for on the Dreamscape bank statements.

220. The Receiver continues to pursue financial records and accounts relating to Dreamscape.

*iv. Ongoing Smith Discovery*

221. The Receiver met with Smith in late September 2015 to discuss receivership administration issues ranging from accounting matters to asset recoveries and outstanding undertakings and document production requests. At the conclusion of the meeting it was agreed that all of the Receiver's then outstanding requests would also be provided to Smith's counsel in writing.

222. The Receiver provided Smith with a list of approximately 100 questions cross-referenced to documents and prior answers to undertakings ("**October Discovery**"). Smith provided his first set of responses to the October Discovery in mid-December 2015, which response included 35 new documents.

223. Smith provided a further set of responses to the October Discovery in mid-March 2016. The March 2016 answers are incomplete and raise numerous follow up question, particularly with respect to significant transfers of affiliate sourced funds to 2350842 Ontario Limited o/a Commtrade Services and Bella Moda Inc, a Barbados corporation.

*v. Flow of Funds Analysis*

224. The Receiver and the Foreign Representative continue to prioritize the preparation of a global "Flow of Funds Analysis" sufficient to understand how affiliate contributions were received and disbursed over the period of Banners Broker's operations ("**Flow of Funds Analysis**").

225. The Flow of Funds Analysis has been updated as financial information becomes available. Since the Third Report, the Receiver and Joint Liquidators have reviewed and

incorporated information obtained from the following documents into the Flow of Funds Analysis:

- (a) MSM Documents;
- (b) Bannersbroker Canada Documents;
- (c) G Cube Media LLC (“**G Cube**”) bank statements;
- (d) Payza transaction details;
- (e) Further productions from Canadian financial institutions;
- (f) Dixit Consortium bank account documents;
- (g) Banners Broker UK (“**BBUK**”) bank statements;
- (h) Bank Production Documents;
- (i) Stellarpoint Limited Report to Creditors;
- (j) 234 bank account statements; and
- (k) Additional BBIL bank statements.

226. An updated Flow of Funds Analysis is attached as **Confidential Appendix “B”**.

227. **Confidential Appendix “C”** sets out the conclusions of the Receiver and Foreign Representative with respect to the Flow of Funds Analysis. The document provides a current best estimate of total funds received from creditors, together with information on how such funds were utilized by Banners Broker entities and their principals.

228. By way of overview, it appears that approximately US\$156.44 million was received from creditors, with approximately US\$78.93 million of the funds being returned to creditors in the form of “pay-outs”. Notable payments made to third parties include:

- (a) US\$13.88 million paid to and/or at the direction of BBIL principals Dixit, Kuldip Josun, and Smith;
- (b) US\$9.23 million in fees paid to payment processors; and
- (c) US\$9.71 million paid to Banners Broker resellers/independent contractors.

229. Disbursements attributable to operating expenses of the Banners Broker business total approximately US\$21.98 million.

230. The Receiver's Third Report referenced US\$9.98 million in payments in respect of which the Receiver was then unable to identify the recipient of the funds. As a result of investigation and analysis since July 30, 2015, including in respect of the records obtained in response to the Bank Production Order, the Receiver has been able to trace or otherwise account for US\$8.74 million of the previously unverified US\$9.98 million. Since the Third Report, the Receiver has identified an additional US\$2.82 million in unverified disbursements.<sup>15</sup> Thus, there is a total of US\$4.06 million in unverified disbursements.

#### **F. Sealing Order with Respect to Flow of Funds Analysis**

231. The Via Bank Flow of Funds Diagram attached at Confidential Appendix "A", the Flow of Funds Analysis attached at Confidential Appendix "B" and the summary provided at Confidential Appendix "C" are prepared in part based on Smith Examination Information. For this reason, and consistent with the terms of the Confidentiality Order, the Receiver respectfully requests that these appendices be treated as confidential and sealed.

---

<sup>15</sup> The total US\$4.06 million in unverified disbursements are spread across multiple accounts held by BBIL, the Associated Corporations, and the Additional Dixit Entities. The Receiver notes that the US\$4.06 million in unverified disbursements is a de minimis amount, or 2.6%, of the US\$156.35 million in disbursements made by Banners Broker.

The Receiver has not been able to account for these unverified disbursements because the descriptions of the disbursement transactions in the relevant banking records do not provide sufficient particulars of the transactions. For example, "withdrawal", "transfer", "debit memo", "payment", "Prepaid Card Loads".

**F. Approval of the Receiver's Fees and Disbursements**

232. Pursuant to paragraph 18 of the Supplemental Order the Receiver and its counsel shall pass their accounts from time to time. For this purpose the accounts of the Receiver and its legal counsel are referred to a judge of the Commercial List.

233. The Receiver seeks to have its fees and disbursements, including those of its legal counsel approved by the court. The Receiver and its counsel have maintained detailed records of their professional time and costs.

234. The total fees and disbursements of the Receiver for services provided during the period of June 1, 2015 to February 29, 2016 is \$305,823.75 excluding HST. Attached as **Appendix "BB"** is an affidavit of Philip H. Gennis sworn April 4, 2016 ("**Gennis Affidavit**") regarding the Receiver's fees and disbursements. Copies of the Receiver's detailed time dockets for the period June 1, 2015 to February 29, 2016 are appended as exhibits to the Gennis Affidavit.

235. Cassels has acted as the Receiver's legal counsel on all matters related to these receivership proceedings. Cassels rendered its accounts to the Receiver for the period June 1, 2015 through to and including February 29, 2016 in the amount of \$1,632,882.80 including disbursements and HST. Attached as **Appendix "CC"** is the affidavit of Larry Ellis sworn April 4, 2016 ("**Ellis Affidavit**") regarding counsel's fees and disbursements to the Receiver. Copies of the counsel's detailed time dockets for the period June 1, 2015 to February 29, 2016 are appended as exhibits to the Ellis Affidavit. The Cassels accounts described in the Ellis Affidavit include amounts billed to the Receiver, which were paid directly by the Joint Liquidators and approved by the Committee of Inspection in accordance with the laws governing the Isle of Man Proceedings.

236. The Receiver believes that the fees and disbursements of Cassels are fair and reasonable and justified in the circumstances. The Receiver has reviewed the accounts of Cassels in light of the novel, complex, broad ranging and multi-jurisdictional nature of this

engagement. The Receiver is of the view that all work set out in the accounts was carried out and was necessary. The hourly rates of the lawyers at Cassels who worked on this matter are considered to be appropriate and reasonable in light of the services required, and the services were carried out by lawyers with the appropriate level of experience. The Receiver accordingly respectfully recommends approval of Cassels' accounts by this Honourable Court.

237. A copy of the Receiver's Interim Statement of Receipts and Disbursements, as at March 31, 2016, is attached hereto as **Appendix "DD"**.

## **VII. Summary**

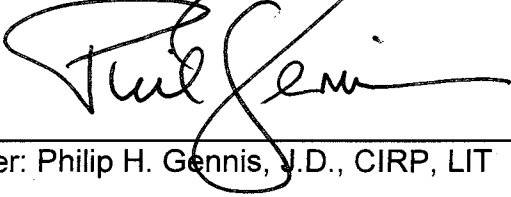
238. Based upon the foregoing, the Receiver respectfully requests that this Honourable Court issue an order:

- (a) converting the investigatory receivership of Bannersbroker Canada into standard receivership proceedings;
- (b) declaring that the St. Lucian Funds are BBIL funds to be used in accordance with the Receiver's mandate;
- (c) directing HSBC Bank plc to produce documents;
- (d) granting a sealing order with respect to Confidential Appendices "A", "B" and "C" to this Fifth Report;
- (e) approving the Receiver's interim statement of receipts and disbursements as at March 31, 2016;
- (f) approving the fees and disbursements of the Receiver and its counsel, Cassels, for services rendered from June 1, 2015, to February 29, 2016 as particularized in the Fee Affidavits; and
- (g) approving this Fifth Report.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** this 4th day of April, 2016.

**msi Spergel inc.,**

Court-appointed Receiver of  
Banners Broker International Limited

A handwritten signature in black ink, appearing to read "Philip H. Gennis", is written over a horizontal line.

Per: Philip H. Gennis, J.D., CIRP, LIT

**TAB G**



SIXTH REPORT OF MSI SPERGEL INC.,  
IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED AND  
STELLAR POINT INC.

May 19, 2016

Court File No. CV-14-10663-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*,  
R.S.O. 1990, c. C-43**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE ISLE OF MAN  
WITH RESPECT TO BANNERS BROKER INTERNATIONAL LIMITED**

**AND IN THE MATTER OF THE RECEIVERSHIP OF STELLAR POINT INC.**

**APPLICATION OF MILES ANDREW BENHAM AND PAUL ROBERT APPLETON, IN  
THEIR CAPACITY AS JOINT LIQUIDATORS OF BANNERS BROKER  
INTERNATIONAL LIMITED, UNDER PART XIII OF THE *BANKRUPTCY AND  
INSOLVENCY ACT* (CROSS-BORDER INSOLVENCIES)**

**SIXTH REPORT OF THE  
COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED AND  
STELLAR POINT INC.  
("SIXTH REPORT")**

**May 19, 2016**

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**TABLE OF APPENDICES**

- A. Fifth Report of the Receiver, dated April 4, 2016 (without appendices)
- B. Affidavit of Philip H. Gennis sworn May 18, 2016
- C. Affidavit of Larry Ellis sworn May 18, 2016
- D. Interim Statement of Receipts and Disbursements as at May 17, 2016

## I. Overview

1. This is the sixth report to court ("**Sixth Report**") of msi Spergel inc. in its capacity as court-appointed receiver ("**Receiver**") of Banners Broker International Limited ("**BBIL**"), Stellar Point Inc. ("**Bannersbroker Canada**") and five other Banners Broker related entities.

2. The Sixth Report is filed in support of the Receiver's motion ("**Motion**") for an order in furtherance of the transition of certain BBIL insolvency administration matters from the Joint Liquidators (defined below) to the Receiver ("**Transition**"):

- (a) authorizing the Receiver to enter into and approving the terms of an assignment agreement ("**Assignment Agreement**") pursuant to which the Joint Liquidators will assign to the Receiver any and all residual property, assets, claims and undertakings of BBIL that have accrued to the Joint Liquidators by virtue of their appointment and activities as Joint Liquidators ("**Assigned Interests**");
- (b) authorizing and empowering the Receiver to pursue, receive, collect, settle, extend or compromise any of the Assigned Interests;
- (c) authorizing and empowering the Receiver to respond to, address, or otherwise deal with BBIL creditors and BBIL creditor inquiries regardless of where such creditors are situate, and regardless of whether such inquiries are directed to the Joint Liquidators or the Receiver;
- (d) reporting to this Court in connection with the Receiver's findings as they relate to BBIL's creditors, their jurisdictional whereabouts and the quantum

of outstanding claims and to make such recommendations on the completion of a potential claims process as the Receiver's sees fit;

- (e) permitting the Receiver to receive and take possession of any BBIL related records, accounts or information in the possession of the Joint Liquidators as the Receiver considers necessary or desirable for the purposes of fulfilling the Receiver's mandate;
- (f) releasing the Joint Liquidators from their role as "Foreign Representatives" of BBIL for purposes of the *Bankruptcy and Insolvency Act*, R.S.C. 1992, c. 27 ("**BIA**") in respect of the proceedings brought in the Isle of Man under section 162(6) of the *Companies Act, 1931*;
- (g) authorizing the Receiver to pay the reasonable fees and disbursements of the Joint Liquidators incurred in relation to the Transition, without further approval of this Court, provided that such fees and disbursements do not exceed \$100,000;
- (h) authorizing and empowering the Receiver to engage David Rubin & Partners Ltd. ("**DRP**") and MannBenham Advocates Ltd. ("**MannBenham**") from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this order;
- (i) approving the Sixth Report and the conduct and activities of the Receiver as set out herein;

- (j) approving the Receiver's interim statement of receipts and disbursements as at May 17, 2016; and
  - (k) approving the fees and disbursements of the Receiver and its counsel, Cassels Brock & Blackwell LLP ("**Cassels**"), for services rendered from March 1, 2016 to April 30, 2016, as particularized in the affidavits of Phillip Gennis sworn May 18, 2016, and Larry Ellis sworn May 18, 2016, (collectively, "**Fee Affidavits**").
3. This Sixth Report follows and may be read in conjunction with the:
- (a) **Receiver's First Report** (dated October 2, 2014)

This report described the Receiver's actions upon appointment, including initial inquiries and the discovery of a criminal investigation in respect of Banners Broker. The report was filed in support of a request for additional investigatory powers extending to certain specifically identified associated corporations.
  - (b) **Receiver's Second Report** (dated January 12, 2015)

This report was filed in support of the Receiver's motion for an order restricting the disposition of certain monies and credits held by electronic payment processors, which monies were then frozen by *ex parte* Restraint Orders granted in the context of the criminal investigation.
  - (c) **Receiver's Third Report** (dated July 30, 2015)

This report was filed in support of the Receiver's motion for approval of a settlement agreement with a BBIL group entity, and for the grant of certain limited investigatory authority in respect of recently identified BBIL associated companies. The report also provided an update on the activities of the Receiver since its First Report.
  - (d) **Receiver's Fourth Report** (dated January 8, 2016)

This report was filed in support of the Receiver's motion for the production of certain banking records from the Royal Bank of Canada ("**RBC**") and the Canadian Imperial Bank of Commerce ("**CIBC**"). The Fourth Report

also provides an update on the Receiver's activities since the Third Report.

(e) **Receiver's Fifth Report** (dated April 4, 2016)

This report was filed in support of the Receiver's motion for the conversion of the investigatory receivership of Bannersbroker Canada into a standard possessory receivership and a declaration that certain funds held by an off-shore financial institution were property of the BBIL estate. The Fifth Report also provides an update on the Receiver's activities since the Third Report.

4. All court materials filed, including previous Receiver's reports and court orders and endorsements issued in these proceedings, are available on the Receiver's websites at: [www.spergel.ca/banners](http://www.spergel.ca/banners) (for BBIL) and <http://www.spergel.ca/StellarPoint> (for Bannersbroker Canada).

## II. **Background**

5. BBIL was central to a group of several related companies and service providers. Together they operated the "Banners Broker" online enterprise, a platform whereby registered members known as "affiliates" could advertise their businesses on websites within the Banners Broker network of publishers while, at the same time, earn revenues as an advertising publisher through specialized and targeted publisher sites created, designed and hosted by BBIL ("**Banners Broker**").

6. Pursuant to an Order of His Honour the Deemster Doyle, First Deemster and Clerk of the Rolls of the High Court of Justice of the Isle of Man, BBIL was placed into liquidation under section 174 of the *Companies Act 1931* of the Isle of Man on February 26, 2014. Miles Andrew Benham and Paul Robert Appleton were appointed as joint liquidators ("**Joint Liquidators**", with the Receiver, the "**Court Officers**") of BBIL ("**Isle**



**of Man Proceedings**"). On August 22, 2014, on application of the Joint Liquidators, the Honorable Madam Justice Matheson, of the Ontario Superior Court of Justice (Commercial List) granted an order:

- (a) recognizing the Isle of Man Proceedings as a "foreign main proceeding" for the purposes of section 268 of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3 ("**BIA**");
- (b) recognizing the Joint Liquidators as the "foreign representatives" ("**Foreign Representatives**") of BBIL for the purposes of section 268 of the BIA; and
- (c) granting a stay of proceedings in respect of actions concerning BBIL's property, debts, liabilities or obligations.

7. Also on August 22, 2014, Justice Matheson issued a supplemental order (foreign main recognition) ("**Supplemental Order**"):

- (a) appointing msi Spergel inc. as receiver of BBIL's assets, undertakings and properties, including the proceeds thereof ("**Property**");
- (b) empowering the Receiver to identify and realize upon the Property, including taking steps to access all information relating to BBIL's accounts at any financial institution;
- (c) authorizing the Receiver to conduct examinations of the former principals of BBIL, as well as any other persons that the Receiver reasonably believes may have knowledge of BBIL's trade, dealings and Property;

- (d) authorizing the Receiver to provide such information and assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request; and
- (e) authorizing the Receiver to coordinate the administration and supervision of BBIL's assets and affairs with the Joint Liquidators as Foreign Representative of the Isle of Man Proceeding.

8. An important ground for the Canadian foreign recognition application, and the appointment of a Canadian receiver, was that BBIL appeared to have ownership and business connections to Canada, as well as financial dealings tied to Canada, that were deserving of investigation. These Canadian connections, as they were then understood, were detailed in the affidavit of Paul Robert Appleton, in his capacity as Joint Liquidator of BBIL, sworn August 6, 2014, and filed with this court at the time that foreign recognition of the Isle of Man Proceeding was sought.

9. The Supplemental Order that appointed the Receiver provides the Receiver with the mandate to assist the Foreign Representative in the wind-up of BBIL, including the identification of and realization upon BBIL assets for the benefit of creditors. Consistent with the Model Receivership Order, the Receiver's powers in respect of BBIL extend to accessing all manner of relevant information, and the taking of possession of assets.

10. A few months later, in October 2014, the Receiver was granted certain investigatory authority over several other BBIL associated entities:

- (a) 2087360 Ontario Incorporated o/a Local Management Services;

- (b) Parrot Marketing Inc. (formerly o/a 8264554 Canada Limited) ("**Parrot Marketing**");
- (c) 2341620 Ontario Corporation;
- (d) Bannersbroker Canada;
- (e) Dixit Holdings Inc. (formerly o/a "8163871 Canada Limited") ("**Dixit Holdings**");
- (f) any other entity operating under the business names "Bannersbroker", "Banners Broker", "Bannersbroker Limited", "Bannersmobile", "BannersMobile" or "Banners Broker Belize"  
  
(collectively, the "**Associated Corporations**").

11. In August 2015, the Receiver's investigatory authority was further expanded to include two additional companies that had significant Banners Broker related dealings: Dixit Consortium Inc. and Dreamscape Ventures Ltd. (collectively, the "**Additional Dixit Entities**").

12. On April 8, 2016, the investigatory receivership of Bannersbroker Canada was converted to a standard possessory receivership and msi Spergel inc. was appointed receiver of Bannersbroker Canada.

### **III. Developments Since the Receiver's Fifth Report**

13. The Fifth Report was filed on April 4, 2016, and remains relatively current. It provides a comprehensive report on developments in these proceedings. A copy of the Fifth Report (without appendices) is attached as **Appendix "A"**.

#### **A. Production of Documents From HSBC**

14. The Receiver has sought documentary production relating to BBIL, the Associated Corporations and the Additional Dixit Entities from approximately 100 financial institutions, including HSBC Bank Canada ("**HSBC**").

15. Following on numerous requests, HSBC provided the Receiver with bank account statements for Parrot Marketing's HSBC accounts ("**Parrot HSBC Accounts**") on March 18, 2016. The statements lacked supporting documents for the transactions listed.

16. HSBC provided the Receiver with the majority of the supporting documents for the transactions listed in the Parrott HSBC Accounts on April 7, 2016. Additional documents were delivered to the Receiver by HSBC on April 19, 2016.

17. The Receiver is reviewing the Parrot HSBC Accounts documentation and incorporating relevant information into an overall accounting effort, referred to as the Banners Broker "Flow of Funds Analysis". The Receiver has no further requests of HSBC at this time.

#### **B. Meetings with Joint Liquidators**

18. The Joint Liquidators, the Receiver, and their counsel met at Cassels' office in Toronto on April 24 and April 25 to discuss the strategic direction of the receivership of BBIL and six associated Banners Broker entities.

19. In respect of BBIL, the outcome of the meetings was that the Court Officers resolved to implement the steps necessary to transition the Joint Liquidators' portable insolvency administration responsibilities to the Receiver.

20. As further explained below, the Court Officers conclude that significant efficiencies are gained if the administration of BBIL's estate is administered by the Receiver alone. The vast majority of BBIL administration work to be completed is domiciled in Canada. Furthermore any work required to be completed in the Isle of Man or any of the other 119 countries where creditors may reside, can appropriately and efficiently be spearheaded from the Canadian proceedings.

**C. Meeting with Committee of Inspection in Isle of Man Proceedings**

21. The Joint Liquidators report regularly to a Committee of Inspection consisting of a group of 5 creditors. The Committee of Inspection, much like inspectors to a Canadian bankrupt estate, instruct the Joint Liquidators to take whatever steps they consider appropriate in order to protect the estate and its creditors.

22. On May 11, 2016, a meeting of the Committee of Inspection was held to consider and seek approval of the proposal to transition portable insolvency administration responsibilities to the Receiver. The Receiver and Cassels attended the meeting for the purpose of providing advice and answers to questions regarding the Canadian receivership process.

23. The meeting consisted of a broad ranging and thoughtful discussion of the future course of these proceedings, with a focus on the efficiencies of shifting portable insolvency administration functions from the Joint Liquidators to the Receiver as a means of centralizing and controlling costs. Consideration was also given as to how best attend to creditor objectives and creditor reporting in circumstances where the Joint Liquidators transition insolvency administration responsibility to the Receiver.

24. The meeting concluded with the Committee of Inspection unanimously resolving to approve of and support the “transition to Canada strategy” and the relief sought on this motion.

#### **D. Criminal Proceedings**

25. The Receiver continues to monitor developments in the criminal proceedings against Christopher Smith (“**Smith**”) and Rajiv Dixit (“**Dixit**”) on the basis that they are relevant parallel proceedings involving common issues and documents.

26. The Receiver understands that a pretrial conference hearing has been scheduled for May 31, 2016. The hearing is not public and the Receiver is not permitted to attend.

### **IV. Relief Sought**

#### **A. Background**

27. As detailed in the Fifth Report, the Receiver and the Joint Liquidators have focused their time, effort and resources on scouring records and compiling information all with a view to recovering as much investor money as possible and with a view to providing parties impacted by BBIL’s business with an understanding of BBIL’s international business affairs. Through the Court Officers’ collective efforts a detailed international flow of funds has been substantially completed and recoveries made in more than six different countries.

28. Through the Court Officers’ review of tens of thousands of documents, and interviews of persons having knowledge of the operation, it appears that upwards of 100,000 people in more than 120 countries paid over US\$156 million for Banners Broker “product”. “Product”, which was described as “advertising”, initially offered

parties the opportunity to double their money. The creditors of Banners Broker are the tens of thousands of individuals who bought the product with a view to earning income.

29. Initially, at the time that these proceedings were commenced, it was believed that BBIL had stronger connections to the Isle of Man than to any other jurisdiction. A case was accordingly made that BBIL's centre of main interest was the Isle of Man.

30. The Isle of Man was recognized by this court as BBIL's centre of main interest, and the Isle of Man proceedings were declared to be a "foreign main proceeding". At the same time, the Receiver was appointed and charged with broad ranging responsibilities in relation to all of BBIL's assets, undertakings and properties in Canada.

31. However, as the insolvency administration has progressed, it has become clear that BBIL connections to Canada are far more extensive than initially believed. Indeed they vastly outweigh connections to the Isle of Man, or any other jurisdiction.

32. Perhaps most significantly, the actual business of Banners Broker was at all times conducted from Canada by resident owners, management and employees. In addition to BBIL, the principals directed a collection of related Canadian incorporated entities, some of which companies were used interchangeably with BBIL. Although the Canadian entities employed certain foreign payment processors and off-shore banking arrangements, such activities were coordinated exclusively from Canada.

33. The Banners Broker website, computer program, and back office support function were designed and managed from Toronto. From its inception in 2010, or shortly thereafter, Banners Broker was run out of four condominiums at 167 Church St.,

Toronto, Ontario. As noted in the Fifth Report, starting in October 2012, these condominiums and a commercial property at 5 Carlow Court, Whitby, functioned as the Banners Broker world headquarters.

34. Beginning in late 2011 and continuing until September 2013, Bannersbroker Canada was the primary source of customer support for Banners Broker creditors and resellers. Bannersbroker Canada administered Banners Broker's web presence, including by creating online content for and updating and maintaining the business website. Bannersbroker Canada also planned BBIL conventions and BBIL "World Tour" stops including events in Portugal, England, and Ireland. At its peak Bannersbroker Canada employed approximately 70 people.

35. Conversely, the business' Isle of Man connections now seem relatively limited. BBIL was in the nature of a "letter box company", incorporated to act as holding company in a tax haven jurisdiction. BBIL deposited funds in a bank account on the island for approximately three months, beyond which time the account was effectively left dormant. The Isle of Man operation never employed a local resident and any creditor/customer/investor communication made by any interested party was routed to Canada, with no ability to contact a BBIL employee located in the Isle of Man.

36. The predominant role that Canada and the Ontario receivership proceedings have played - and promise to continue to play - in the wind-up of BBIL and the Banners Broker business is evidenced by the following high level points:

- (a) almost all realizations in the BBIL insolvency proceedings, with the exception of the BBIL bank account in the Isle of Man, have been made by or to the account of the Receiver;



- (b) Banners Broker debtors, contract counter-parties, payment processors, and banks and financial institutions have largely recognized the authority of and cooperated with the Receiver, even in circumstances where such parties are not resident in Canada or otherwise subject to this Honourable Court's jurisdiction;
- (c) the Receiver has, where appropriate, sought and obtained additional receivership powers over seven BBIL associated entities. Certain of these entities, particularly Bannersbroker Canada, were central elements of the business of Banners Broker, arguably as or more central than BBIL. Such entities are subject to receivership proceedings in Canada alone;
- (d) with the exception of contingent litigation claims, all known BBIL assets are currently domiciled in Canada or under the current care of the Receiver. The Receiver's existing authority will allow it to effectively administer these assets together with any contingent litigation claims existing in other jurisdictions; and
- (e) looking forward, the wind-up of BBIL will have to be closely coordinated with the wind-up of Bannersbroker Canada, and perhaps certain other Canada incorporated entities, and it is only the Receiver that has jurisdiction in respect of such companion proceedings

**B. Transition of Receivership Proceedings from the Isle of Man to Canada**

37. Given the predominant and growing "Canada focus" of the BBIL receivership proceedings the Receiver and the Joint Liquidators have concluded that it is no longer

economic to administer and maintain these proceedings as a conventional cross-border foreign recognition proceeding with active insolvency representation in both Canada and the Isle of Man.

38. Moreover, there is a potential for significant cost savings should it be possible to complete the wind-up of BBIL (and associated entities such as Bannersbroker Canada), by a single insolvency jurisdiction that is appropriately positioned and empowered to realize upon and deal with residual assets and claims.

39. Accordingly, and subject to the approval of this Honourable Court and the approval of the Isle of Man High Court of Justice, the Receiver and Joint Liquidators propose that the Receiver conclude the administration of BBIL (and BBIL related entity Bannersbroker Canada).

### **C. Assignment Agreement**

40. As an Isle of Man company, BBIL's liquidation is governed by the Part V of the *Companies Act* 1931, together with the Companies (Winding Up) Rules 1934 of the Isle of Man.

41. The relevant legislation accords the Joint Liquidators broad powers that may be exercised with the sanction of either the Isle of Man court or the committee of inspection. Such powers include the ability to "sell" or "transfer" the debtor's property, to "appoint an agent" and "to do all such things as may be necessary for winding-up of the affairs of the company". The Joint Liquidators may also "apply to the court...for directions in respect of any particular matter arising under the winding-up".<sup>1</sup>

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<sup>1</sup> (*Companies Act*, 1931, s. 184 and 185.

42. To preserve the prospect of realization upon any BBIL property vested in the Joint Liquidators, the Joint Liquidators and the Receiver have concluded that it would be advantageous to enter into a transition services and Assignment Agreement whereby the Joint Liquidators will assign to the Receiver any and all residual property, assets, claims and undertakings of BBIL that have accrued to the Joint Liquidators by virtue of their appointment and activities as Joint Liquidators.

43. To this end the Court Officers are in the process of preparing the Assignment Agreement. The Court Officers are still determining what terms and conditions are necessary for the agreement. Thus, the Court Officers intend to attach the agreement as an appendix to an affidavit of the Joint Liquidators that will be filed with the Court early next week.

44. Although somewhat unique, the Assignment Agreement makes good sense in the circumstances of this case where the debtor's known remaining assets of any value are already in the hands of the Receiver, and the Receiver otherwise has the authority to receive and realize upon the debtor's property. Further, the proposed assignment is supported by the Committee of Inspection. The Receiver respectfully recommends that this Honourable Court approve the terms of the Assignment Agreement and authorize the Receiver to execute the same.

#### **D. Additional Limited Authority**

45. In the interests of international comity, and effectively coordinating these proceedings, including the transition of certain insolvency administration matters from the Joint Liquidators to the Receiver, the Receiver also seeks certain limited additional authorities sufficient to:

- (a) pursue, receive, collect, settle, extend or compromise any of the Assigned Interests;
- (b) respond to, address or otherwise deal with BBIL creditors and BBIL creditor inquiries, regardless of where such creditors reside and regardless of whether or not the inquiries are directed at the Joint Liquidators or the Receiver; and
- (c) receive and take possession of any BBIL related records, accounts or information in the possession of the Joint Liquidators as the Receiver considers necessary or desirable for the purposes of fulfilling the Receiver's mandate.

46. Pursuing claims and dealing with creditors are standard aspects of any receivership. Certainly the Supplemental Order and the Further Supplemental Order already provide the Receiver with certain of the authorities outlined above. It is primarily in recognition of the fact that the Joint Liquidators have been actively involved in this case up until now, that the Receiver considers it appropriate to seek specific revisions to its mandate and powers to address matters in the nature of a transition. This approach will also ensure that all stakeholders having an interest in this proceeding will be on notice of the intention to transition from the Joint Liquidators to the Receiver.

#### **E. Release of Joint Liquidators**

47. In the event that this motion is granted, and a companion motion brought by the Joint Liquidators in the Isle of Man is similarly allowed, the Joint Liquidators will have effectively concluded the *Companies Act*, 1931, wind-up of BBIL. It is anticipated that

the Joint Liquidators would be released and discharged from all liability pursuant to section 190(3) of the *Companies Act*, 1931.

48. The relief sought on this motion would release the Joint Liquidators from their appointment as “foreign representative” for the purposes of these proceedings. Assuming that the Transition can proceed as proposed, the conclusion of the BBIL wind-up will be administered from Canada by the Receiver, and there will be no need for the Joint Liquidators to retain an appointment as “foreign representative”.

**F. Funding of Joint Liquidators**

49. To obtain a discharge in the Isle of Man, and to transition the BBIL insolvency proceedings from the Isle of Man to Canada, the Joint Liquidators are required to bring an application before the High Court of Justice of the Isle of Man and have requested funding from the Receiver to do so. The Joint Liquidators have estimated that no more than \$100,000 will be needed to retain and instruct counsel in the Isle of Man to bring this application, and to cover the costs of their professional time.

50. The Receiver believes this is a reasonable estimate of the costs of concluding the Isle of Man Proceedings and is seeking this court’s permission to fund the necessary application to the High Court of Justice of the Isle of Man to conclude the BBIL liquidation process there.

**G. Retention of DRP and MannBenham**

51. Given the genesis and history of these proceedings, the Receiver has determined that it may be advantageous to retain DRP and MannBenham as agents

from time to time to assist with the conclusion of the wind-up of BBIL and the exercise of the Receiver's powers and duties.

52. The Receiver accordingly seeks specific authority and approval to retain DRP and/or MannBenham to assist the Receiver as may be appropriate.

#### **H. Approval of the Receiver's Fees and Disbursements**

53. Pursuant to paragraph 18 of the Supplemental Order, the Receiver and its counsel shall pass their accounts from time to time. For this purpose the accounts of the Receiver and its legal counsel are referred to a judge of the Commercial List.

54. The Receiver seeks to have its fees and disbursements, including those of its legal counsel approved by the court. The Receiver and its counsel have maintained detailed records of their professional time and costs.

55. The total fees and disbursements of the Receiver for services provided during the period of March 1, 2016 to April 30, 2016 is \$87,527.00 excluding HST. Attached as **Appendix "B"** is an affidavit of Philip H. Gennis sworn May 18, 2016 ("**Gennis Affidavit**") regarding the Receiver's fees and disbursements. Copies of the Receiver's detailed time dockets for the period March 1, 2016 to April 30, 2016 are appended as exhibits to the Gennis Affidavit.

56. Cassels has acted as the Receiver's legal counsel on all matters related to these receivership proceedings. Cassels rendered its accounts to the Receiver for the period March 1, 2016 through to and including April 30, 2016 in the amount of \$431,707.50 including disbursements and HST. Attached as **Appendix "C"** is the affidavit of Larry Ellis sworn May 18, 2016 ("**Ellis Affidavit**") regarding counsel's fees and disbursements

to the Receiver. Copies of the counsel's detailed time dockets for the period March 1, 2016 to April 30, 2016 are appended as exhibits to the Ellis Affidavit. The accounts described in the Ellis Affidavit include amounts billed to the Receiver, which were paid directly by the Receiver and approved by the Committee of Inspection in accordance with the laws governing the Isle of Man Proceedings.

57. The Receiver believes that the fees and disbursements of Cassels are fair and reasonable and justified in the circumstances. The Receiver has reviewed the accounts of Cassels in light of the novel, complex, broad ranging and multi-jurisdictional nature of this engagement. The Receiver is of the view that all work set out in the accounts was carried out and was necessary. The hourly rates of the lawyers at Cassels who worked on this matter are considered to be appropriate and reasonable in light of the services required, and the services were carried out by lawyers with the appropriate level of experience. The Receiver accordingly respectfully recommends approval of Cassels's accounts by this Honourable Court.

58. A copy of the Receiver's Interim Statement of Receipts and Disbursements, as at May 17, 2016, is attached hereto as **Appendix "D"**.

#### **IV. Recommendation**

59. Based upon the foregoing, the Receiver respectfully requests that this Honourable Court issue an order:

- (a) authorizing the Receiver to enter into and approving the terms of the Assignment Agreement, in substantially similar form and substance as is

attached to this Sixth Report, pursuant to which the Joint Liquidators will assign to the Receiver the Assigned Interests;

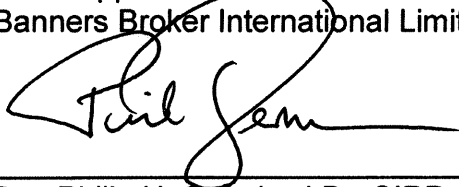
- (b) authorizing and empowering the Receiver to pursue, receive, collect, settle, extend or compromise any of the Assigned Interests;
- (c) authorizing and empowering the Receiver to respond to, address, or otherwise deal with BBIL creditors and BBIL creditor inquiries regardless of where such creditors are situate, and regardless of whether such inquiries are directed to the Joint Liquidators or the Receiver;
- (d) authorizing and empowering the Receiver to administer such creditor claims process as may be appropriate, subject to further order of this Court;
- (e) permitting the Receiver to receive and take possession of any BBIL related records, accounts or information in the possession of the Joint Liquidators as the Receiver considers necessary or desirable for the purposes of fulfilling the Receiver's mandate;
- (f) releasing the Joint Liquidators from their role as "Foreign Representatives" of BBIL for purposes of the BIA in respect of the proceedings brought in the Isle of Man under section 162(6) of the *Companies Act, 1931*;
- (g) authorizing the Receiver to pay the reasonable fees and disbursements of the Joint Liquidators incurred in relation to the Transition, without further approval of this Court, provided that such fees and disbursements do not exceed \$100,000;



- (h) authorizing and empowering the Receiver to engage DRP and MannBenham from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this order;
- (i) approving the Sixth Report and the conduct and activities of the Receiver as set out herein;
- (j) approving the Receiver's interim statement of receipts and disbursements as at May 17, 2016; and
- (k) approving the fees and disbursements of the Receiver and its counsel, Cassels, for services rendered from March 1, 2016 to April 30, 2016, as particularized in the affidavits of Philip Gennis sworn May 18, 2016, and Larry Ellis sworn May 18, 2016.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** this 19th day of May, 2016.

**msi Spergel inc.,**  
Court-appointed Receiver of  
Banners Broker International Limited



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Per: Philip H. Gennis, J.D., CIRP

**TAB H**

**SEVENTH REPORT OF MSI SPERGEL INC.,  
IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED AND STELLAR POINT  
INC.**

**May 30, 2016**

Court File No. CV-14-10663-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1992, c. 27, s.2, AS AMENDED**

**AND IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990,  
c. C-43**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE ISLE OF MAN WITH  
RESPECT TO BANNERS BROKER INTERNATIONAL LIMITED**

**AND IN THE MATTER OF THE RECEIVERSHIP OF STELLAR POINT INC.**

**APPLICATION OF MILES ANDREW BENHAM AND PAUL ROBERT APPLETON, IN THEIR  
CAPACITY AS JOINT LIQUIDATORS OF BANNERS BROKER INTERNATIONAL LIMITED,  
UNDER PART XIII OF THE *BANKRUPTCY AND INSOLVENCY ACT* (CROSS-BORDER  
INSOLVENCIES)**

**SEVENTH REPORT OF THE  
COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED  
("SEVENTH REPORT")**

**May 30, 2016**

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## I. Purpose of this Report

1. This Report is filed in support of an *Ex Parte* motion by msi Spergel inc., in its capacity as court-appointed receiver (in such capacity, the “**Receiver**”) of Banners Broker International Limited (“**BBIL**”) and Stellar Point Inc. (“**Stellar Point**”), for an interim and interlocutory *Mareva* injunction.

2. The injunction sought is in standard Model Order form. It seeks to restrain Rajiv Dixit (“**Dixit**”), Dreamscape Ventures Limited (“**Dreamscape**”), 8643989 Canada Inc. o/a Dixit Consortium Inc. (“**Dixit Consortium**”), Dixit Holdings Inc. (“**Dixit Holdings**”), collectively referred to herein, with Dixit, Dixit Consortium and Dreamscape, as the “**Dixit Defendants**”) and Kuldip Josun (“**Josun**”) from selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with any assets pending the final disposition of the Receiver’s recently issued action against those parties for recovery of funds which were fraudulently misappropriated from the insolvent corporations. Without the relief sought, the Receiver believes it is likely that assets will be dissipated or transferred abroad and that its right of recovery will be irreparably prejudiced.

## II. Overview

3. BBIL was central to a group of at least eight related companies and service providers. Together they were involved in and/or operated the “Banners Broker” online enterprise (“**Banners Broker**”). Banners Broker was a platform whereby registered members known as “affiliates” could advertise their businesses on websites within the Banners Broker network of publishers while, at the same time, earn revenues as an advertising publisher through specialized and targeted publisher sites created, designed and hosted by BBIL.

4. Banners Broker promised affiliates a doubling of their money if they could recruit others in a marketing program purportedly involving the sale of online advertising. In effect, the



Banners Broker “product”, which was described as “advertising”, offered affiliates the opportunity to double their money.

5. Now defunct, various of the corporate entities making up the Banners Broker enterprise, are currently subject to insolvency proceedings in the Isle of Man (in the case of BBIL), as well as in Canada (in the case of BBIL, Stellar Point and others).

6. Dixit, as well as former Banners Broker principal Christopher G. Smith (“**Smith**”), are also subject to ongoing criminal proceedings in Canada, in which Banners Broker is alleged to have been an illegal pyramid scheme.

7. Contemporaneous with the filing of this report, the Receiver will commence an action in the Ontario Superior Court of Justice (Commercial List) on behalf of the insolvent corporations, BBIL and Stellar Point, and their creditors. The Receiver’s action seeks the recovery of over \$100 million in damages for negligent and/or fraudulent misrepresentation, conspiracy, conversion, breach of fiduciary duties, breach of contract, negligence and oppression contrary to the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 (the “**CBCA**”), as well as punitive damages, disgorgement and restitutionary remedies arising from the alleged misappropriation of millions of dollars in affiliate funds by Dixit, Josun and certain Banners Broker associated corporations under their ownership and control. A copy of the Receiver’s Statement of Claim, to be issued, is attached as **Appendix “A”**.

8. Since its appointment in August of 2014, the Receiver has had an opportunity to conduct an extensive investigation into Banners Broker’s business, operations and financial affairs. Using the investigatory powers granted by this Court, the Receiver has collected and reviewed thousands of documents relevant to the global flow of affiliate contributed funds through the Banners Broker enterprise over the course of its operations. The Receiver has successfully recovered millions of dollars that had been taken from Banners Broker entities by management. In the course of that recovery, the Receiver determined that millions of dollars in affiliate funds

were transferred, without any legitimate business purpose, through the various Banners Broker associated entities, such as BBIL and Stellar Point, and into the possession of Dixit and Josun with no right and virtually no observation of formality.

9. Through its still ongoing investigations, the Receiver has determined that Dixit personally received, either directly or through corporate entities under his ownership and control over approximately USD\$4.8 million in affiliate funds spent by affiliates on Banners Broker advertising products. Josun similarly received over approximately USD\$3.8 million in affiliate funds. Millions more in affiliate funds remain unaccounted for. Based on the substantial amounts the Receiver now believes were misappropriated by Dixit and Josun, and their demonstrated capacity to move funds abroad or otherwise put monies beyond the reach of creditors, the Receiver seeks the *ex parte* relief sought on this motion. The Receiver believes that the grant of a *Mareva* injunction is critical to preserving rights of recovery in respect of affiliate funds.

### **III. Receiver's Previous Reports to Court**

10. This is the Receiver's Seventh Report to the Court ("**Seventh Report**"). It follows and may be read in conjunction with the following previous reports:

(a) **Receiver's First Report** (dated October 2, 2014)

This report described the Receiver's actions upon appointment, including initial inquiries and the discovery of a criminal investigation in respect of Banners Broker. The report was filed in support of a request for additional investigatory powers extending to certain specifically identified associated corporations.

A copy of the Receiver's First Report, without exhibits, is attached as **Appendix "B"**.

(b) **Receiver's Second Report** (dated January 12, 2015)

This report was filed in support of the Receiver's motion for an order restricting the disposition of certain monies and credits held by electronic payment processors, which monies were then frozen by *ex parte* Restraint Orders granted in the context of the criminal investigation.

A copy of the Receiver's Second Report, without exhibits, is attached as **Appendix "C"**.

(c) **Receiver's Third Report** (dated July 30, 2015)

This report was filed in support of the Receiver's motion for approval of a settlement agreement with a BBIL group entity, and for the grant of certain limited investigatory authority in respect of recently identified BBIL associated companies. The report also provided an update on the activities of the Receiver since its First Report.

A copy of the Receiver's Third Report, without exhibits, is attached as **Appendix "D"**.

(d) **Receiver's Fourth Report** (dated January 8, 2016)

This report was filed in support of the Receiver's motion for the production of certain banking records from the Royal Bank of Canada ("**RBC**") and the Canadian Imperial Bank of Commerce ("**CIBC**"). The Fourth Report also provides an update on the Receiver's activities since the Third Report.

A copy of the Receiver's Fourth Report, without exhibits, is attached as **Appendix "E"**.

(e) **Receiver's Fifth Report** (dated April 4, 2016)

This report was filed in support of the Receiver's motion to convert the investigatory receivership of Stellar Point into standard, possessory receivership proceedings, to declare certain funds identified by the Receiver as BBIL funds, for production of documents from certain financial institutions and for approval of the Receiver's activities and approval of its fees and its counsel's fees to date. The Fifth Report provides an update on the Receiver's activities since the Fourth Report.

A copy of the Receiver's Fifth Report, without exhibits, is attached as **Appendix "F"**.

(f) **Receiver's Sixth Report** (dated May 26, 2016)

This report was filed in support of the Receiver's motion for an order in furtherance of the transition of certain BBIL insolvency administration matters from the Joint Liquidators to the Receiver.

A copy of the Receiver's Sixth Report, without exhibits, is attached as **Appendix "G"**.

11. The Receiver relies upon the content of these previous reports to court, which describe the Receiver's activities and investigations to date, in support of the within motion. Full copies of the previous reports, with exhibits, have been filed with the court previously and will be made available at the hearing of the motion.

#### **IV. Banners Broker**

12. Banners Broker, as it was described to affiliates, was an internet marketing company structured as a “multi-level marketing” program engaged in the sale of ‘banner’ advertisements on the internet. Individual affiliates were told that their money spent on Banners Broker advertising products was contributed towards advertising space on high-traffic websites and gathering advertising revenue based on the traffic to those advertisements.

13. In reality, Banners Broker did not track website traffic, nor did it have access to high-volume websites. It did not have the infrastructure to track an affiliate’s success or lack thereof in investing in online advertising. Banners Broker did not earn revenue, and relied instead on recruitment and investment enticement for cash flow.

14. The Banners Broker enterprise was operated through a variety of entities which were used interchangeably and projected the image of being a singular entity. Creditors and third party service providers believed they were dealing with “Banners Broker” rather than BBIL, Stellar Point or any other individual entity. BBIL and the associated Banners Broker entities making up the Banners Broker enterprise were all managed and controlled by one or both of Smith and Dixit.

15. Although BBIL was legally domiciled in the Isle of Man, its operations were in fact completely controlled by Ontario residents working in Ontario who were nominally employees of Stellar Point, a non-arm’s-length service provider which in turn was majority-owned and unilaterally operated by Dixit. Stellar Point operated as the “face” of Banners Broker to creditors, providing worldwide customer support, IT services and training to Banners Broker affiliates and resellers.

## V. Receivership of BBIL and Stellar Point

16. BBIL was ordered into liquidation by the Isle of Man High Court of Justice on February 26, 2014. Miles Andrew Benham and Paul Robert Appleton were appointed as Joint Liquidators of BBIL in the Isle of Man proceedings ("**Joint Liquidators**").

17. On August 22, 2014, pursuant to an application by the Joint Liquidators, the Isle of Man proceeding was recognized by this Court under the cross-border provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("**BIA**") and msi Spergel inc. was appointed as Reciever of BBIL in Canada. A copy of the August 22, 2014 court orders recognizing the Isle of Man proceeding and appointing the Receiver as Receiver of BBIL is attached as **Appendix "H"**.

18. On October 15, 2014, the Receiver's investigatory powers were expanded to include certain other BBIL associated corporations identified in the course of the Receiver's initial investigations, namely:

- (a) Stellar Point;
- (b) Dixit Holdings;
- (c) 2087360 Ontario Incorporated o/a Local Management Services ("**LMS**");
- (d) Parrot Marketing Inc. (formerly o/a "8264554 Canada Limited") ("**Parrot**");
- (e) 2341620 Ontario Corporation ("**234**"); and
- (f) any other entity operating under the business names "Bannersbroker", "Banners Broker", "Bannersbroker Limited", "Bannersmobile", "BannersMobile" or "Banners Broker Belize".

A copy of the October 15, 2014 court order expanding the Receiver's investigatory powers is attached as **Appendix "I"**.

19. On August 7, 2015, the Receiver's investigatory powers were further expanded to include two other BBIL-associated corporations, owned and controlled by Dixit:

- (a) Dixit Consortium; and
- (b) Dreamscape.

The August 7, 2015 court order also empowered the Receiver to initiate and prosecute claims on behalf of BBIL. A copy of the August 7, 2015 court order is attached as **Appendix "J"**.

20. On April 8, 2016, the investigatory receivership in respect of Stellar Point was converted to a full, possessory receivership and msi Spergel inc. was appointed as Receiver of Stellar Point in addition to BBIL. A copy of the April 8, 2016 court order is attached as **Appendix "K"**.

21. On May 26, 2016, the Receiver sought and was granted an order approving and facilitating the transition of certain insolvency administration matters from the Joint Liquidators to the Receiver, including the administration of a global claims process. A copy of the May 26, 2016 court order is attached as **Appendix "L"**.

## **VI. Flow of Funds Analysis**

22. The Receiver and Joint Liquidators continue to prioritize the preparation of a detailed accounting or "Flow of Funds Analysis" sufficient to understand how global affiliate contributions to the Banner Broker enterprise were received and disbursed over the period of Banners Broker's operations ("**Flow of Funds Analysis**"). The Flow of Funds Analysis provides a best estimate, as at March 31, 2016, of total funds received from creditors, together with information on how such funds were utilized by Banners Broker entities and their principals, including, of particular relevance to this motion, Dixit and Josun.

23. The Flow of Funds Analysis is based primarily on third party provided financial information in addition to information obtained from BBIL and related parties and is designed to

understand how the monies that were contributed by affiliates to Banners Broker were returned to them, invested, expended, diverted or otherwise utilized. A description of the Flow of Funds Analysis, and the Receiver's most recent determinations made on the basis of its work on the Flow of Funds Analysis to date, are set out in the Receiver's Fifth Report, attached hereto as Appendix "F".

24. The Receiver's ongoing work on the Flow of Funds Analysis is intended to serve three primary purposes:

- (a) to provide an overall accounting of Banners Brokers operations to creditors and the courts in Canada and the Isle of Man;
- (b) to allow the Receiver and the Foreign Representative to identify additional BBIL assets or claims that may be appropriate for realization;
- (c) to provide evidence in respect of any claims litigation that the Receiver and/or the Foreign Representative may elect to pursue against persons believed to have benefited improperly from Banners Broker.

25. To date, the Receiver and Joint Liquidators have collected, reviewed and incorporated information obtained from approximately 100 financial institutions, 9 payment processors and 46 other third parties. The following documents, among others, have been reviewed and incorporated into the Flow of Funds Analysis:

- (a) Productions from Canadian and foreign financial institutions used by Banners Broker;
- (b) Documents produced by Stellar Point;
- (c) Transaction details produced by Payza, an electronic payment processor used by Banners Broker;

- (d) Documents produced by Macdonald Sager Manis LLP ("**MSM**"), former corporate counsel to Dixit, Stellar Point, Dixit Holdings and BBIL;
- (e) Documents produced by G Cube Media LLC ("**G Cube**"), a US-based company owned and controlled by Smith's cousin, Peter Williams, which acted as a reseller and payment processor in Banners Broker; and
- (f) Bank statements from accounts maintained by Banners Broker UK, Banners Broker's UK based reseller.

26. The Receiver's investigations supporting the Flow of Funds Analysis are also informed by interviews and examinations conducted by the Receiver of key individuals connected to the Banners Broker enterprise pursuant to its court-ordered investigatory mandate. To date, the Receiver has interviewed or examined 12 key individuals, including Smith, Dixit and Josun. Examinations were conducted under oath and before a court reporter for the following individuals:

- (a) **Lorenzo Guarini:** former Vice President of Stellar Point (Examined on April 21, 2015),
- (b) **Kelly Stinson:** Director of 8136645 Canada Limited (shareholder of Stellar Point) (Examined on April 21, 2015);
- (c) **Stephanie Schlacht:** Executive Assistant to Josun (May 2012 to July 2012); Executive Assistant to Dixit (July 2012 to August 2013), current spouse of Dixit (Examined on April 29 and June 11, 2015),
- (d) **Robert Pirie (a.k.a. "Ron Anderson"):** Executive Assistant to the Director of Human Resources and Training at Stellar Point (Examined on February 25, 2015);



- (e) **Tara Reeves (née Josun):** Customer Service Representative at BBIL and Staff Trainer at Stellar Point (Examined on February 26, 2015); and
- (f) **Maxwell Morgan:** CEO of Aramor Payments, a payment processor solutions company engaged by Stellar Point and/or BBIL (Examined on April 13 and May 29, 2015).

Copies of the transcripts from these examinations are attached hereto as **Appendix “M”**.

27. The Flow of Funds Analysis is continually being updated as better and more complete financial information becomes available. Recently, the Flow of Funds has progressed to the point which allows the Receiver to reach conclusions with respect to the receipt and disposition of funds by Dixit and Josun, including much of what is alleged in the Statement of Claim.

28. By way of overview, it appears that approximately USD\$156.44 million was received from creditors, with approximately USD\$78.93 million of the funds being returned to creditors in the form of “pay-outs”. Notable payments made to third parties include:

- (a) USD\$13.88 million paid to and/or at the direction of BBIL principals, Dixit, Josun and Smith;
- (b) USD\$9.23 million in fees paid to payment processors; and
- (c) USD\$9.71 million paid to Banners Broker resellers/independent contractors.

29. Disbursements attributable to operating expenses of the Banners Broker enterprise total approximately USD\$21.98 million.

30. The Receiver has identified at least USD\$4.06 million in unverified disbursements in respect of which the Receiver is unable to identify the recipient.

31. The Flow of Funds Analysis, in its then current state of completion, has been filed with court on a confidential basis on two prior occasions in the context of the ongoing Banners

Broker Canadian insolvency proceedings. The Flow of Funds Analysis is based, in part, on information obtained from Smith in accordance with the terms of the Confidentiality Order of Justice Newbould, granted October 23, 2014 and, in accordance with the terms of that Order, has been filed under seal with the approval of the Court.

## **VII. Criminal Proceedings in Respect of Banners Broker**

32. In September 2014, the Receiver was made aware of criminal proceedings before the Ontario Court of Justice arising from a Toronto Police Services Financial Crimes Unit investigation into Banners Broker's operations in Canada and Banners Broker principals, Smith and Dixit.

33. On December 9, 2015, Dixit and Smith were arrested in Toronto and charged with offences under the *Criminal Code* and the *Competition Act* in relation to fraud, possession of proceeds of crime and money laundering in relation to their operation of and profit from the Banners Broker enterprise, which is alleged by the Crown to have been an illegal pyramid scheme.

34. More specifically, Smith and Dixit were charged under the *Criminal Code* with (i) defrauding the public over \$5,000; (ii) possession of proceeds of crime; and (iii) laundering proceeds of crime. They were also both charged under the *Competition Act* with (i) operating a pyramid scheme; and (ii) making false or misleading statements.

35. The Toronto Police allege, among other things, that:

- (a) "between October 2010 and March 2013, a pyramid scheme known as 'Banners Broker' was operated out of a Church Street address in Toronto";
- (b) "by the end of 2012, over \$93 million US was obtained from thousands of participants, of which approximately \$45 million was paid back to participants in the scheme"; and

- (c) “the remaining funds were funneled to a number of offshore accounts in Belize, St. Lucia, Cyprus, and others.”

A copy of the Toronto Police Services press release dated December 9, 2015 is attached hereto as **Appendix “N”**.

36. The Receiver has continued to monitor developments in the criminal proceedings and has attended to observe criminal court attendances on January 14, 2016 and February 16, 2016. The two accused, including Dixit, are currently released on bail.

#### **VIII. Dixit Defendants**

37. Dixit is a former resident of Whitby, Ontario and was a principal and guiding mind of the Banners Broker enterprise generally, holding a controlling position in each of Stellar Point, Dixit Holdings, Dixit Consortium and Dreamscape.

38. The Receiver has been advised through interviews conducted pursuant to its investigatory mandate that Dixit joined Banners Broker in late 2010, initially serving primarily as a seminar host promoting investment in Banners Broker.<sup>1</sup> Over the following two years, his role expanded greatly, becoming one of the principals and guiding minds of the global Banners Broker enterprise. Dixit purported to hold numerous titles within the Banners Broker enterprise, but most often held himself out as the “Chief Operating Officer” of the business.

39. In August 2015, Dixit moved from the Toronto area to Langley, British Columbia. Upon learning that Dixit would be leaving Ontario, the Receiver requisitioned a parcel register for Dixit’s former personal residence in Oshawa. The parcel register indicates that Dixit sold his house on July 20, 2015. In response to a broad document production request (i.e. not specific to the residence) made by counsel for the Receiver, Dixit produced information relating to the sale

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<sup>1</sup> The Receiver has met with and interviewed 12 individuals involved in the Banners Broker enterprise, including Smith, Dixit and Josun. For a more detailed description of the Receiver’s interviews of key Banners Broker individuals, please see paragraphs 58-68 of the Receiver’s Third Report, attached hereto as Appendix “D”.

of the property. The sale proceeds were directed to pay down two mortgages and to satisfy a support order, with the balance of the monies (after transaction costs) paid to Dixit and his wife, Stephanie Schlacht ("**Schlacht**").

**IX. Dixit's Alleged Misappropriations from Banners Broker**

40. The Receiver alleges that, through the apparatus of Stellar Point and Dixit Holdings, Dixit was responsible for the actions of BBIL's staff, including the misrepresentations made to affiliates in respect of Banners Broker's operations and profitability and the handling of their investment funds. In his variously described roles as the *de facto* head of BBIL and controlling director/officer of Stellar Point and Dixit Holdings, Dixit redirected Affiliate funds generally as follows:

- (a) By causing Stellar Point on behalf of BBIL to make misrepresentations to Affiliates to induce them to purchase Banners Broker products;
- (b) By causing Stellar Point to bill BBIL's parent company, Monetize Group Inc. ("**MGI**"), extraordinary amounts for its "services";
- (c) By causing BBIL to pay those amounts;
- (d) By turning Stellar Point's funds to his own personal use; and
- (e) By causing Stellar Point to make misrepresentations to Banners Broker affiliates as to the status of their purchases from BBIL.

41. Using his position of authority within Banners Broker, Dixit misappropriated and/or converted to his own use millions of dollars in affiliate funds held by BBIL and Stellar Point to which he had no right. Through this misappropriation, Dixit was able to live a life of extreme luxury and affluence. The Receiver's knowledge in this regard is based on its review of bank

statements, credit card statements, receipts, invoices and other documents collected and reviewed in the course of preparing the Flow of Funds Analysis.

42. By way of example, during the course of the Receiver's review of bank accounts belonging to Stellar Point and Dixit Holdings, the Receiver identified three Visa card numbers associated with a CIBC Visa card issued to Dixit personally and held in his name ("**Dixit CIBC Visa**").

43. Through its review of documents recently produced to the Receiver from CIBC, the Receiver has determined that the Dixit CIBC Visa received over USD\$2.4 million from Banners Broker bank accounts. (Again, these bank accounts were funded by affiliate contributions). The Receiver has also determined that the Dixit CIBC Visa was frequently used by Dixit to purchase expensive personal items that could not have been for the benefit of BBIL or Stellar Point, including the following notable examples:

- (a) On December 1, 2012 Dixit purchased six watches from Weir & Sons in Dublin, Ireland: three Rolexes and three Breitlings. Two of the watches were women's watches. The total purchase price was €63,355.00 and was funded using six credit cards, including the Dixit CIBC Visa and a Stellar Point Bank of Cyprus debit card. Of the €63,355.00 purchase price, €37,700 (CDN\$50,589.63) was paid for using the Dixit CIBC Visa and €14,775 (USD\$19,971.37) was paid for using the Stellar Point Bank of Cyprus debit card. Attached as **Appendix "O"** are copies of the December 1, 2012 receipt from Weir & Sons and an excerpt from the Dixit CIBC Visa statements reflecting the purchase;
- (b) On February 26, 2013 Dixit purchased two watches, a Breitling Superocean and a Hublot Bigbang, from a Selfridges store in Manchester, England. The watches cost a total of £26,110 and were paid for using two credit cards including the Dixit CIBC Visa. Of the total purchase price, £14,910(CDN\$23,855.41) was paid for

using the Dixit CIBC Visa. Attached as **Appendix “P”** are copies of the February 26, 2013 receipt from Selfridges and an excerpt from the Dixit CIBC Visa statements reflecting the purchase;

- (c) On or about April 18, 2013 Dixit purchased a £1,800 (CDN\$2,906.10) bottle of Macallan 1824 Ltd. from a World Duty Free store at Heathrow Airport. The scotch was paid for using the Dixit CIBC Visa. Attached as **Appendix “Q”** are a copy of the April 18, 2013 receipt from World Duty Free and an excerpt from the Dixit CIBC Visa statements reflecting the purchase; and
- (d) On May 10, 2013 Dixit purchased two watch winders, a Hublot clock and a Montegrappa pen from the Château D'Ivoire store in Montreal, Quebec for \$21,954.62. This purchase was paid for using the Dixit CIBC Visa. Attached as **Appendix “R”** are a copy of the May 10, 2013 receipt from Château D'Ivoire and an excerpt from the Dixit CIBC Visa statements reflecting the purchase.

44. In the course of its Stellar Point records review, the Receiver also located receipts for several high value items that had been purchased using what appeared to be a credit card ending in “1601” (“**1601 Visa Card**”). The Receiver determined that the 1601 Visa was used to make tens, if not hundreds, of thousands of dollars of purchases of jewelry and other non-business related expenses. However, until very recently, the Receiver had been unable to determine who the 1601 Visa Card belonged to.

45. Upon recent further review of bank account records obtained by the Receiver for a Stellar Point bank account held with the Bank of Cyprus (“**Stellar Point Cyprus Account**”), it became apparent that the 1601 Visa Card is likely a Visa Debit card that was used by Dixit to withdraw funds and/or make payments from the Stellar Point Cyprus Account. Attached as **Appendix “S”** is a copy of the Stellar Point Cyprus Account statements that were produced to the Receiver.

46. For example, on December 11, 2012, the 1601 Visa Card was used to purchase a 2.02 carat diamond from Oshawa Jewellery Inc. for \$19,000. A copy of this receipt is attached as **Appendix "T"**. In reviewing the Stellar Point Cyprus Account statements, there is an entry on December 13, 2012, that states "Card 4\*\*\*1601 2012-12-11 19000.00 CAD... Visa CA OSHAWA Oshawa Jewellery Exchange." The Receiver has determined that the Stellar Point Cyprus Account was used to fund the purchase of the diamond from Oshawa Jewellery Inc.

47. Similarly, on March 2, 2013, the 1601 Visa Card was used to purchase \$19,000 in shoes, and suits from Harry Rosen. A copy of this receipt is attached as **Appendix "U"**. In reviewing the Stellar Point Cyprus Account statements, there is an entry on April 3, 2013, that states "Card 4\*\*\*1601 2013-03-02 19000.00 CAD ... VISA CA TORONTO Harry Rosen...."

48. As further described above, the 1601 Visa Card was also used to fund \$19,981.37 of the December 1, 2012 purchase of six watches from Weir & Sons in Dublin, Ireland.

49. There are dozens of other examples where the Stellar Point Cyprus Account, by means of the 1601 Visa Card, was used to fund what are evidently non-business expenses. These include:

- (a) On December 27, 2012, a \$33,677.00 purchase from Jim Coleman Automotive for Rajkumar Dixit. Jim Coleman is a auto dealership in Maryland. Rajkumar Dixit is Dixit's brother. Attached as **Appendix "V"** is an excerpt of the Stellar Point Cyprus Account statement evidencing the same;
- (b) On December 28, 2012, a \$18,556.70 private chartered flight. Attached as **Appendix "W"** is an excerpt of the Stellar Point Cyprus Account statement evidencing the same;<sup>2</sup>

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<sup>2</sup> It is possible that this expense was for a private flight to the Bahamas for Dixit, his ex-wife, and his mother. The Receiver has been advised by several witnesses that around this time Dixit took his ex-wife and mother to the Bahamas on vacation (See for example: Transcript from the Examination of Lorenzo



- (c) On January 1, 2013, a \$12,783.51 purchase from John Bull (according to its website, the store sells leather, perfume, cosmetics, jewelry, watches and photography equipment), in Paradise Island, Bahamas. Attached as **Appendix "X"** is an excerpt of the Stellar Point Cyprus Account statement evidencing the same; and
- (d) On February 28, 2013, a \$12,580.19 purchase from Tiffany & Co. Ltd. at Heathrow Airport. Attached as **Appendix "Y"** is an excerpt of the Stellar Point Cyprus Account statement evidencing the same.

50. As further detailed in the Receiver's Fifth Report, the Receiver has concluded through its Flow of Funds Analysis that Dixit personally received approximately USD\$4.8 million over a three to four year period. Such receipts were entirely funded by affiliate contributions. This includes, notably:

- (a) Dixit used funds from the bank accounts of Stellar Point, Dixit Holdings and Dixit Consortium to fund at least USD\$3.3 million in personal expenses, without ever properly accounting for or reimbursing the respective corporations. Among these, approximately USD\$2.95 million received by Stellar Point directly from Banners Broker "affiliates" was used by Dixit for predominantly personal (i.e. non-business) purposes including the purchase of clothing, designer handbags, jewelry, lingerie and personal travel.
- (b) Dixit received a share of the proceeds from the sale of the Banners Broker support centre located at 5 Carlow Court, Whitby, when it was sold in March 2014 for \$1.2 million. Of that, \$252,811.83 was directed and paid to Dixit Holdings.
- (c) At least USD\$1.28 million was transferred to Dreamscape by various Banners Broker entities. Of that, approximately USD\$240,000 remains unaccounted for on the

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Guarini, April 21, 2015, at 40:4-12, attached at **Appendix "M"**). A review of the Stellar Point Cyprus Account indicates that this account was used to fund several expenses in the Bahamas during this time.



Dreamscape bank statements from its account at the Bank of Cyprus which have been reviewed by the Receiver.

- (d) Non-cash assets were transferred between the Banners Broker entities without any discernible business or contractual reason, and little if any documentation. Dixit appears to have taken advantage of this to purchase five Mercedes-Benz vehicles using funds from Stellar Point bank accounts and later placing the vehicles in the names of Dixit Holdings and other Banners Broker entities.

51. As explained in the Fifth Report, the Receiver is currently unable to locate or account for a significant amount of affiliate funds totalling over USD\$4 million. Given the information set out above regarding Dixit's spending records and diversion of Banners Broker funds, the Receiver's reasonable belief is that Dixit, either directly or indirectly, was a likely recipient of such unverified disbursements.

52. The Receiver also believes, for reasons further detailed below, that given Dixit's history of and demonstrated capacity to dissipate assets and transfer funds beyond the reach of creditors, Dixit will take steps to put assets beyond the Receiver's reach prior to a final judgment being granted if the *Mareva* order sought by the Receiver on this motion is not granted.

#### **X. Josun**

53. Josun is a resident of Brampton, Ontario. Josun is another "founder" of the Banners Broker concept and a former management level employee of the Banners Broker enterprise.

54. As is the case with Dixit, the Receiver's interviews and investigations in respect of Josun, including extensive document review and financial analysis, has recently allowed the Receiver to reach certain conclusions with respect to the nature of Josun's involvement in the

Banners Broker business. Such information informs the allegations set out in the Statement of Claim as well as in this report.

55. Prior to Dixit joining the enterprise in 2010, Josun acted as Banners Broker's primary spokesperson both in Canada and abroad. After Dixit assumed control of much of Banners Broker's Canadian operations, Josun became Banners Broker's main representative among international affiliates, predominantly in Europe.

56. In that role, Josun would travel to meet with international affiliates, or potential affiliates, and conduct conference calls and seminars via videoconferencing. His day-to-day occupation with Banners Broker was to maximize Affiliate investment into the program, as well as to establish an international network Banners Broker Network. That is, he was responsible for encouraging the development of overseas affiliates into 'super-affiliates' (or "**Resellers**"), who would establish their own networks of affiliates.

57. In his role as Banners Broker's international representative, Josun would frequently fly to overseas locations with a significant amount of company funds. Those funds were used to advertise a lifestyle of success and luxury to potential affiliates. Josun spent existing affiliate funds lavishly in maintaining this façade, as he carried out a campaign to woo wealthy new affiliates to the Banners Broker enterprise.

#### **XI. Josun's Alleged Misappropriations From Banners Broker**

58. Josun's spending in his role as Banners Broker's international spokesperson lacked any effective oversight. No budgets were set for Josun's business trips on behalf of Banners Broker, nor was there any control over his expenses.

59. The Receiver asserts that Josun would regularly receive funds from affiliates meant to be spent on Banners Broker products. Rather than remit these funds to the company, Josun

would redirect the funds to his own personal accounts in offshore jurisdictions, intending to place them beyond the reach of creditors.

60. The Receiver believes that by in or around 2012 Josun had directly embezzled at least USD\$3.6 million of affiliate funds, which were deposited in a Swiss bank account held by the defendant, World Web Media Inc. Josun's employment was terminated by Banners Broker in or around July 2012, although the Swiss bank account funds were never recovered. The Receiver believes that Josun has since used the Swiss bank account funds for personal purposes, including the launching of his own MLM program called "KulClub".

61. As with Dixit, the Receiver is of the view that, given Josun's history and demonstrated capacity to put assets beyond the reach of creditors, it is likely that, without the relief sought on this motion, Josun will take further steps to put assets beyond the Receiver's reach prior to a final judgment being granted.

## **XII. Known Assets**

62. The Receiver is aware of a number of known assets held by the Dixit Defendants and/or Josun within the jurisdiction of this Honourable Court. These include:

- (a) Bank accounts at Canadian financial institutions including CIBC, Royal Bank of Canada ("**RBC**"), HSBC Bank Canada ("**HSBC**"), TD Canada Trust ("**TD Bank**") and President's Choice Financial Group ("**President's Choice Financial**");
- (b) Credit card accounts with Canadian financial institutions including CIBC, RBC and HSBC; and
- (c) Bank accounts at foreign financial institutions with Canadian offices, including the Bank of Cyprus.

63. Details of the known bank accounts held by the Dixit Defendants and Josun, which the Receiver is aware of from its investigations, are set out below:

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.
CIBC	Unknown	Rajiv Dixit	Chequing Account No. [REDACTED]
CIBC	Unknown	Rajiv Dixit	[REDACTED]
CIBC	Unknown	Rajiv Dixit	[REDACTED]
CIBC	Unknown	Rajiv Dixit	[REDACTED]
CIBC	Unknown	Rajiv Dixit	[REDACTED]
CIBC	Unknown	Rajiv Dixit	[REDACTED]
CIBC	Unknown	Dixit Consortium	[REDACTED]
CIBC	Unknown	Dixit Consortium	[REDACTED] 6 (USD Account)
CIBC	Unknown	Dixit Consortium	[REDACTED]
CIBC	Unknown	Dixit Holdings	[REDACTED] 1
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Kuldip Josun	Unknown
HSBC	Unknown	Rajiv Dixit	[REDACTED]
HSBC	Unknown	Stellarpoint Ltd.	Chequing Account No. [REDACTED]
RBC	Unknown	Rajiv Dixit	[REDACTED]
RBC	Unknown	Rajiv Dixit	[REDACTED]
RBC	10098 McLaughlin Road Brampton, ON L7A 2X6	Kuldip Josun	Unknown
TD Bank	Unknown	Kuldip Josun	[REDACTED]

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.
TD Bank	4 King Street W, P.O. Box 247 Oshawa, ON L1H 7L3	Rajiv Dixit (held jointly with Stephanie Schlacht)	Chequing Account No. [REDACTED]
President's Choice Financial Group	P.O. Box 603 Station, Agincourt Scarborough, ON M1S 5K9	Kuldip Josun	Unknown
Bank of Cyprus	658 Danforth Ave Toronto, ON M4J 5B9	Dreamscape Ventures Ltd.	[REDACTED]
C.I.M. Banque	Unknown	World Web Media / Kuldip Josun	[REDACTED]

64. Additionally, the Receiver has identified the following bank issued credit card accounts belonging to Dixit:

BANK	CARD HOLDER	CARD NO.
CIBC	Rajiv Dixit	[REDACTED]
CIBC	Rajiv Dixit	[REDACTED]
CIBC	Rajiv Dixit	[REDACTED]
CIBC	Rajiv Dixit	[REDACTED]
CIBC	Rajiv Dixit	[REDACTED]
RBC	Rajiv Dixit	[REDACTED]
RBC	Rajiv Dixit	[REDACTED]
HSBC	Rajiv Dixit	[REDACTED]

The Receiver has been advised by the relevant financial institutions that certain of the credit card numbers listed above relate to re-issued card numbers for the same credit card.

65. Given the magnitude of Banners Broker missing receipts and unaccounted for funds, the Receiver also believes that the Dixit Defendants and Josun may have accounts or assets, in addition to those listed above, which would be subject to the *Mareva* order sought on this motion.

### **XIII. *Ex Parte* Nature of Motion**

66. The Receiver seeks pre-judgment relief on the basis of a strong *prima facie* case of fraud and oppression (and related claims of wrong-doing) committed by the Dixit Defendants and Josun. The total amount for which the Dixit Defendants and Josun may be liable is expected to be in the many millions of dollars.

67. In all of the above circumstances, there is a clear and present threat that the assets of the Dixit Defendants will be dissipated, concealed, transferred, sold for value, or otherwise conveyed within or outside of this jurisdiction for the purposes of evading the recovery of the plaintiff unless this Honourable Court intervenes. This is demonstrated by, among other things:

- (a) The defendants' maintenance of bank accounts in foreign jurisdictions, such as Cyprus and Switzerland; and
- (b) The demonstrated capacity of the defendants to systematically transfer funds abroad, to utilize off-shore bank accounts and payment processors, and to generally structure the business and corporate affairs of the Banners Broker enterprise through entities in foreign jurisdictions (i.e. Isle of Man, Belize, British Virgin Islands, US Marshall Islands, etc.) in such a way as to insulate assets from the reach of creditors.

68. The nature of the motion and the circumstances surround the motion make service of court materials at this time impracticable. This is because it would be genuinely impossible to give notice to the defendants, who are alleged to have perpetrated a significant fraud, without defeating the purpose of the *Mareva* injunction sought.

69. Dixit stands charged of multiple criminal charges including fraud and money laundering. The Toronto Police Service has also alleged that “funds were funneled to a number of offshore accounts in Belize, St. Lucia, Cyprus and others.”

70. In these circumstances, the Receiver is concerned that if notice were provided to Josun or the Dixit Defendants of the within motion they would have motive and opportunity to move any funds remaining in Canada beyond the reach of the Receiver and outside of the jurisdiction of this court. The defendants have already demonstrated the capacity and inclination to systematically transfer funds abroad.

#### **XIV. Full Disclosure**

71. The Receiver has made full and frank disclosure of all material facts. The supporting evidence for this motion was collected by the Receiver through the cross-border insolvency proceedings in respect of Banners Broker and the receiverships of BBIL and Stellar Point granted in the context of those proceedings. Dixit and Josun were invited to participate in those proceedings and, in the case of Dixit, he was represented by counsel in those proceedings.

72. The Receiver has appended to this Seventh Report copies of all of its previous reports to the Court, which describe all of the activities and conclusions of the Receiver from its appointment in August 2014 to date. Copies of these materials have been made available to Dixit and Josun and can be publicly accessed from the Receiver’s website: <http://www.spergel.ca/banners>.

## **XV. Timing**

73. The Receiver has brought this motion as expeditiously as possible in the circumstances. This is the case considering the time and effort required to investigate and understand the complex Banners Broker enterprise, and the time required to develop a reasonably complete financial and accounting analysis. The Receiver has only recently reached a position in its investigations where it has the information to pursue the action and the relief sought on this motion.

74. Specifically, in January of 2016, the Receiver obtained a court order for the production of important banking records relevant to the claim asserted against Dixit. Those records were not received by the Receiver until February 2016. Since that time the Receiver has worked diligently to review and understand these additional Dixit banking records and incorporate them into the Flow of Funds Analysis. The review and analysis of these important Dixit banking records informs the Receiver's election to proceed with this action and the within motion.

75. Additionally, and as noted above, the Receiver only very recently determined that the 1601 Visa Card transactions noted in the Stellar Point Cyprus Account statements was very likely a Visa Debit card used by Dixit to make substantial, personal purchases using Banners Broker affiliate funds. This recent discovery further informed the Receiver's decision to proceed with its action against Dixit and the within motion.

## **XVI. Undertaking**

76. The Receiver undertakes to abide by any order concerning damages that this Honourable Court may make if it ultimately appears that granting the relief sought on the motion causes damages for which the Receiver ought to compensate the defendants.



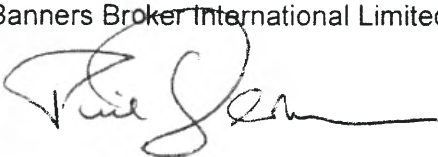
**XVII. Recommendations**

77. Based upon the foregoing, the Receiver respectfully requests that this Honourable Court issue an order:

- (a) in the form attached to the Receiver's Notice of Motion as Schedule "A" for an interim and interlocutory *Mareva* Injunction;
- (b) scheduling the return date for the continuation of the *Mareva* Injunction before it expires and appointing a judge to remain seized of these motions; and
- (c) such further and other relief as this Honourable Court may deem just.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** this 30th day of May, 2016.

**msi Spergel inc.,**  
Court-appointed Receiver of  
Banners Broker International Limited



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Per: Philip H. Gennis, J.D., CIRP, LIT

**TAB I**

**EIGHTH REPORT OF MSI SPERGEL INC.,  
IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED AND STELLAR POINT  
INC.**

**December 9, 2016**

Court File No. CV-14-10663-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1992, c. 27, s.2, AS AMENDED**

**AND IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990,  
c. C-43**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE ISLE OF MAN WITH  
RESPECT TO BANNERS BROKER INTERNATIONAL LIMITED**

**AND IN THE MATTER OF THE RECEIVERSHIP OF STELLAR POINT INC.**

**APPLICATION OF MILES ANDREW BENHAM AND PAUL ROBERT APPLETON, IN THEIR  
CAPACITY AS JOINT LIQUIDATORS OF BANNERS BROKER INTERNATIONAL LIMITED,  
UNDER PART XIII OF THE *BANKRUPTCY AND INSOLVENCY ACT* (CROSS-BORDER  
INSOLVENCIES)**

**EIGHTH REPORT OF THE  
COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED  
("EIGHTH REPORT")**

**December 9, 2016**

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## I. Purpose of this Report

1. This Report is filed in support of an *ex parte* motion by msi Spergel inc., in its capacity as court-appointed receiver (in such capacity, the “**Receiver**”) of Banners Broker International Limited (“**BBIL**”) and Stellar Point Inc. (“**Stellar Point**”), for an order freezing two bank accounts that received funds transferred in violation of a *Mareva* order granted by the Honourable Mr. Justice Newbould on May 31, 2016 (“**Mareva Order**”), as continued by this Court on June 7, 2016 (“**Mareva Continuation Order**”).

2. The *Mareva* Order restrained Kuldip Josun (“**Josun**”) from, among other actions, removing, dissipating, alienating, transferring, or dealing with any of his assets. After learning of the *Mareva* Order it appears that Josun dissipated over \$50,000 in assets in violation of the order, including by transferring \$8,850 to two bank accounts held by his daughter, and former Stellar Point employee, Tara Reeves (“**Reeves**”).

3. The Receiver accordingly seeks an order freezing the two bank accounts held by Reeves (“**Reeves Bank Accounts**”) with Canadian Imperial Bank of Commerce (“**CIBC**”) and the Toronto Dominion Bank (“**TD Bank**”), that received the dissipated funds pending the final disposition of the Receiver’s action against Josun. Without the relief sought, the Receiver believes it is likely that assets will be further dissipated or transferred abroad and that its right of recovery will be irreparably prejudiced.

4. The Receiver intends to bring a further motion, on notice to Josun, for an order declaring Josun in contempt of the *Mareva* Order.

5. This Eighth Report to Court should be read in conjunction with the Receiver’s Seventh Report to Court, dated May 30, 2016 (“**Seventh Report**”), which was filed in support of the Receiver’s motion for the *Mareva* Order.



## II. Josun's Contempt of the *Mareva* Order

6. As noted above, the *Mareva* Order was granted on May 31, 2016. The *Mareva* Order froze the assets of certain defendants to litigation commenced by the Receiver including Josun. The litigation was commenced by the Receiver on behalf of the insolvent corporations BBIL and Stellar Point and their creditors. The action seeks the recovery of over \$100 million in damages for negligent and/or fraudulent misrepresentation, conspiracy, conversion, breach of fiduciary duties, breach of contract, negligence and oppression contrary to the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 (the "**CBCA**"), as well as punitive damages, disgorgement and restitutionary remedies arising from the alleged misappropriation of millions of dollars in affiliate funds by, among others, Josun and certain Banners Broker associated corporations under his ownership and control ("**Litigation**")

7. After serving the financial institutions named in the order with a copy of the same, and ensuring that the named financial institutions had frozen the bank accounts of the subjects of the *Mareva* Order, the Receiver served the defendants, including Josun, with a copy of the *Mareva* Order and the Receiver's motion record for the same. Attached hereto as **Appendix "A"** is a copy of the *Mareva* Order.

8. Initial attempts to serve Josun personally with the *Mareva* Order and related materials were unsuccessful.

9. However, on the morning of June 2, 2016, Josun called counsel for the Receiver regarding the fact that CIBC had frozen his bank accounts. Counsel for the Receiver advised Josun of the *Mareva* Order. At Josun's request the *Mareva* Order and related motion record were sent to him via email that day.

10. On June 7, 2016, at the comeback date fixed in the *Mareva* Order, Josun appeared in person to oppose the continuation of the *Mareva* Order. Josun contended during the hearing

that he had nothing to do with Banners Broker and that he did not have any assets. Josun did not file evidence or request an adjournment to obtain counsel although this Court invited him to do so.

11. Despite Josun's protestations, the Honourable Madam Justice Swinton continued the *Mareva* Order and noted in her endorsement that there is a "strong *prima facie* case of fraud, breach of fiduciary duty and oppression by the defendants and there is a genuine risk of disappearance of assets if the *Mareva* is not continued." A copy of Justice Swinton's endorsement is attached as **Appendix "B"**.

12. Although Josun was aware of the *Mareva* Order and its effects on June 2, 2016, he did not abide by the order. Starting on June 2, 2016, there is evidence that Josun transferred, removed and otherwise dissipated at least \$50,000 in assets held by him in direct contravention of the *Mareva* Order.

13. At the time of obtaining the *Mareva* Order, the Receiver had identified bank accounts at CIBC, Royal Bank of Canada ("**RBC**"), TD Bank, President's Choice Financial Group and CIM Banque that were held by Josun. The Receiver did not have any evidence that Josun held bank accounts at any other financial institutions. As a result, the *Mareva* Order was served on the aforementioned financial institutions.

14. After conducting a detailed review and analysis of records produced by the financial institutions listed above pursuant to the *Mareva* Order, the Receiver learned that Josun may also hold bank accounts with Scotiabank and credit cards with Capital One and the Hudson's Bay Company ("**HBC**"). Upon learning this information, the Receiver served the *Mareva* Order on Scotiabank on July 25, 2016, and on Capital One on July 29, 2016 (the HBC credit card is operated by Capital One). The Receiver also served the *Mareva* Order on Bank of Montreal on July 28, 2016, as a precaution. Copies of the letters from counsel for the Receiver serving

Scotiabank, Capital One and Bank of Montreal with the *Mareva* Order are attached as **Appendices “C”, “D”, “E”, and “F”** respectively.

15. Scotiabank responded to the *Mareva* Order by letter dated August 9, 2016, and advised the Receiver that it had frozen all accounts held by Josun with Scotiabank and provided the Receiver with records for those bank accounts and credit cards held by Josun with Scotiabank. A copy of the August 9, 2016 letter from Scotiabank, without enclosures, is attached hereto as **Appendix “G”**.

16. The Receiver responded to Scotiabank by letter dated August 12, 2016, and requested supporting documents for certain of the transactions contained in the Scotiabank account statements. Scotiabank provided those supporting documents by letter dated September 7, 2016. Copies of the August 12, 2016 letter from counsel for the Receiver and the September 7, 2016 letter from Scotiabank are attached as **Appendices “H”, and “I”**, respectively.

17. The account records produced by Scotiabank indicate that Josun transferred approximately \$40,000 out of his Scotiabank account to third parties. The largest recipient of these funds is his daughter, Reeves.

18. With respect to the transfers to Reeves, it appears that after learning of the *Mareva* Order on the morning of June 2, 2016, and receiving a copy of the same via email later that day, Josun e-transferred \$2,350 to Reeves at 11:04 pm. Reeves deposited the funds in an account held with CIBC on June 3, 2016. A copy of the email money transfer is attached as **Appendix “J”**.

19. As well, on June 3, 2016, Josun purchased a \$6,500 bank draft in Reeves’s name, which was deposited into a bank account with TD Bank. A copy of the money order is attached as **Appendix “K”**.

20. Based on the timing and amount of these transfers, the Receiver believes that the transfers to the Reeves Bank Accounts were made to avoid the *Mareva* Order.

21. Other significant payments from Josun's account with Scotiabank made after the date of the *Mareva* Order include \$13,000 in credit card payments, \$7,582 in cash withdrawals, a \$5,000 bank draft made out to GM Financial, \$1,664 in loan payments, and \$1,027 for travel. Copies of Josun's Scotiabank account statements are attached as **Appendix "L"**. A chart summarizing the Scotiabank account statements is attached as **Appendix "M"**.

22. In addition to the \$39,386 Josun transferred from his Scotiabank account, Josun took \$3,000 in cash advances and made \$3,600 in purchases on his Scotiabank American Express credit card after learning of the *Mareva* Order. Copies of Josun's account statements for his Scotiabank American Express credit card are attached as **Appendix "N"**.

23. With respect to the Capital One and HBC credit cards, Capital One responded to the Receiver's July 29, 2016 letter on August 16, 2016, and confirmed that Josun's Capital One and HBC credit cards had been frozen. A copy of the August 16, 2016 letter from Capital One is attached as **Appendix "O"**.

24. Although Capital One had confirmed that it had frozen the two credit cards, it had not included account statements for the cards with its August 16, 2016 letter. The Receiver reiterated its request for account statements by letter dated August 23, 2016. A copy of the August 23, 2016 letter from counsel for the Receiver to Capital One is attached as **Appendix "P"**.

25. Capital One provided account statements for the two credit cards by letter dated September 19, 2016. A copy of the September 19, 2016 letter from Capital One, without enclosures, is attached as **Appendix “Q”**.<sup>1</sup>

26. Account statements for the Capital One credit card indicate that Josun charged \$5,662 after learning of the *Mareva*. This includes \$3,189 in hotel charges, \$1,893 in travel expenses, and \$915 in charges described as “OLG Slots Cash Advance”. Copies of Josun’s Capital One credit card statements are attached as **Appendix “R”**.

27. The Receiver notes that the terms of the *Mareva* Order permit Josun to negotiate a carve out for ordinary living expenses. Although Josun indicated that he wanted the order varied, he did not respond to the documentary requests made by the Receiver. The Receiver asked for responses to these requests before the Receiver would consider agreeing to vary the *Mareva* Order.

28. Josun has also failed to comply with the *Mareva* Order by not providing the Receiver with a sworn statement of the nature, value and location of his assets worldwide

### **III. Meetings and Correspondence with Josun**

29. This section of the Eighth Report provides a detailed synopsis of meetings and correspondence between the Receiver and its counsel and Josun and his counsel in the weeks following the grant of the *Mareva* Order. All relevant non-privileged correspondence is attached to the report. This correspondence is provided in fulfillment of the Receiver’s obligation to make full disclosure on a motion of this nature.

30. On June 16, 2016, two weeks after learning of the *Mareva* Order and nine days after the continuation hearing for the same, Josun wrote to counsel for the Receiver asking how he could

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<sup>1</sup> Capital One has not yet produced complete copies of the HBC credit card statements. The Receiver is pursuing production of the same.

release the bank accounts that were frozen pursuant to the *Mareva* Order. Attached as **Appendix “S”** is a copy of the June 16, 2016 email from Josun.

31. Counsel for the Receiver responded by letter dated June 21, 2016. Counsel for the Receiver reiterated its position that Josun should retain counsel. Further, counsel for the Receiver noted that before the Receiver would consider releasing any funds subject to the *Mareva* Order to Josun, he would first need to comply with the *Mareva* Order including by providing a sworn statement of assets and liabilities, and would need to provide additional disclosure to the Receiver including bank statements from December 1, 2015 to May 31, 2016, for all accounts listed in the *Mareva* Order. A copy of the June 21, 2016 letter from counsel for the Receiver is attached as **Appendix “T”**.

32. That same date, June 21, 2016, Balwinder Sran (**“Balwinder”**) contacted counsel for the Receiver to advise that he had been retained by Josun and would file a “Change of Representation soon”. Attached hereto and marked as **Appendix “U”** is a copy of the June 21, 2016 email.

33. As of the date of this report, Balwinder has not gone on record by serving a notice of intent to defend on the Receiver.

34. On July 4, 2016, four days after the court ordered deadline for Josun to provide a sworn statement of assets and liabilities to the Receiver, Balwinder wrote to the Receiver and requested a further 40 days to file the sworn statement and provide documentary disclosure to the Receiver. Despite the fact that Josun had not complied with the court ordered deadline and, unbeknownst to the Receiver, had transferred thousands of dollars from bank accounts subject to the *Mareva* Order, Josun requested that the Receiver agree to unfreeze \$25,376 of his assets. Attached hereto as **Appendix “V”** is a copy of the July 4, 2016 letter from Balwinder.

35. On July 8, 2016, counsel for the Receiver responded via email to the July 4, 2016 letter from Balwinder. Counsel for the Receiver requested that Balwinder confirm who he represented in the Litigation. Counsel for the Receiver also advised, once again, that Josun was in violation of the *Mareva* Order by failing to provide a sworn statement of his assets and liabilities. Counsel for the Receiver also reiterated the Receiver's request for documentary disclosure that had been made in the June 21, 2016 letter. Finally, counsel for the Receiver invited Josun and Balwinder to its offices for a meeting. Attached hereto as **Appendix "W"** is a copy of the July 8, 2016 email from counsel for the Receiver.

36. On July 11, 2016, Balwinder responded to the Receiver's invitation for a meeting and advised of Josun's availability for the same. Attached hereto as **Appendix "X"** is a copy of the July 11, 2016 email from Balwinder.

37. On July 13, 2016, counsel for the Receiver advised that the Receiver was available for a meeting on July 29, 2016. Balwinder confirmed later that day that this timing also worked for Josun. Attached hereto as **Appendix "Y"** is a copy of the July 13, 2016 email exchange between Balwinder and counsel for the Receiver.

38. On July 25, 2016, counsel for the Receiver again wrote to Balwinder and requested that Josun provide the requested documentary disclosure in advance of the July 29, 2016 meeting. Counsel for the Receiver also advised that Josun, World Web Media Inc. and Real Profit Limited, all defendants in the Litigation, were in default of their obligation to deliver a defence and that Josun remained in breach of the *Mareva* Order as Josun had not provided a sworn statement of assets and liabilities. Counsel for the Receiver advised that if Josun did not deliver a defence and a sworn statement of assets by July 29, 2016, the Receiver would note Josun in default and pursue contempt proceedings against him for violation of the *Mareva* Order. Attached hereto as **Appendix "Z"** is a copy of the July 25, 2016 email from counsel for the Receiver.

39. On July 26, 2016, Balwinder provided the Receiver with a small number of documents that effectively provided a summary of the balances of certain bank accounts held by Josun with CIBC, RBC, Scotiabank, PC Financial, Canadian Tire Bank, Capital One, HBC, and a copy of Josun's credit report. Importantly, the incomplete statement for Josun's Capital One Gold MasterCard indicated that Josun had potentially violated by the *Mareva* Order by making a \$1,700 payment towards the balance owing on the card on June 17, 2016, more than two weeks after he had learned of the order and the day after he had requested that the Receiver unfreeze his accounts. Attached hereto as **Appendix "AA"** is a copy of the July 26, 2016 email from Balwinder with attachments.

40. On July 29, 2016, the Receiver and its counsel met with Josun and Balwinder at the offices of the Receiver's counsel. The meeting was without prejudice because it involved settlement discussions. The contents of the discussion during the meeting is not otherwise relevant to the within motion.

41. On August 9, 2016, counsel for the Receiver wrote to Balwinder and requested that Josun advise of his position on the settlement discussions that occurred during the July 29, 2016 meeting. Counsel for the Receiver also again requested that Balwinder go on the record for whichever defendants in the Litigation he was retained to represent. Attached hereto as **Appendix "BB"** is a copy of the August 9, 2016 email from counsel for the Receiver.

42. On August 15, 2016, Balwinder provided the Receiver with additional banking records for Josun via email. These banking records indicate that Josun transferred approximately \$40,000 from the Scotiabank account after learning of the *Mareva* Order. Despite the fact that these banking records evidenced Josun's contempt of the *Mareva* Order, Balwinder advised that he would bring a motion to release two of Josun's bank accounts so that Josun could use the accounts for his "day to day ordinary living expenses and fees". Balwinder also advised that he had been retained by Josun for the "limited" purpose of bringing that motion and requested



the Receiver's position on the same. Balwinder considered his email "24 hours advance notice" to bring the motion and stated that he would bring a motion to vary the *Mareva* Order that week "after 24 hours from today or in next week [sic]." Attached hereto as **Appendix "CC"** is a copy of the August 15, 2016 email from Balwinder.

43. On August 16, 2016, counsel for the Receiver responded to Balwinder's August 15, 2016 email and advised that the Receiver could not provide a position on Josun's proposed motion without first seeing the materials. Counsel for the Receiver also reiterated that the Receiver would not agree to a carve out for ordinary living and legal expenses from the *Mareva* Order until Josun provided the disclosure that had first been requested by the Receiver nearly two months prior on June 21, 2016. Counsel for the Receiver also noted that Josun had breached the *Mareva* Order by transferring \$40,000 from his bank account with Scotiabank after the *Mareva* Order. Counsel for the Receiver further stated that the Receiver would raise Josun's contempt, as well as Josun's other breaches of the *Mareva* Order, on any motion brought by Josun to vary the same. Finally, counsel for the Receiver advised that the alleged notice of the motion provided by Balwinder was insufficient under the *Mareva* Order. Attached hereto as **Appendix "DD"** is a copy of August 16, 2016 email from counsel for the Receiver.

44. Later that same date Balwinder responded that he would provide motion materials to the Receiver at least four days prior to any hearing. Attached hereto as **Appendix "EE"** is a copy of the August 16, 2016 email from Balwinder.

45. As of the date of the Eighth Report, Josun has not brought a motion to vary the *Mareva* Order. Further, Josun has failed to defend the Litigation and was noted in default by the Receiver on September 9, 2016. Attached hereto as **Appendix "FF"** is a copy of the Notice of Default.

46. So as to provide full disclosure to the Court, the Receiver has reached an agreement with Dixit to vary the *Mareva* Order.

**V. Ex Parte Nature of Motion**

47. The Receiver seeks an order freezing the Reeves Bank Accounts on the basis of this Court's finding of a strong *prima facie* case of fraud and oppression (and related claims of wrong-doing) committed by Josun and his contempt of the *Mareva* Order.

48. In all of the above circumstances, the Receiver believes that Josun has dissipated, concealed, transferred and otherwise conveyed assets for the purpose of not only evading the Plaintiff's recovery, but also the reach of the *Mareva* Order. This is demonstrated by, among other things:

- (a) Josun's breach of this Court's *Mareva* Order by:
  - i. transferring \$8,850 to the Reeves Bank Accounts after learning of the order;
  - ii. transferring and/or dissipating over \$42,000 in assets after learning of the order; and
  - iii. failing to provide a sworn statement of assets and liabilities within 30 days of the grant of the order.
- (b) Josun's maintenance of bank accounts in foreign jurisdictions, such as Switzerland.

49. The nature of the motion and the circumstances surrounding the motion make service of court materials at this time impracticable because it would be genuinely impossible to give notice to Reeves and Josun, who has violated the *Mareva* Order, without defeating the purpose of the order sought.

50. In these circumstances, the Receiver is concerned that if notice were provided to Josun or Reeves of the within motion they would have motive and opportunity to move any funds remaining in the Reeves Bank Accounts beyond the reach of the Receiver and outside of the jurisdiction of this Court. Josun has already demonstrated the capacity and inclination to systematically transfer funds abroad and violate this Court's orders.

## **VI. Full Disclosure**

51. The Receiver has made full and frank disclosure of all material facts. The supporting evidence for this motion was collected by the Receiver through materials produced in response to the *Mareva Order* and the cross-border insolvency proceedings in respect of Banners Broker and the receiverships of BBIL and Stellar Point granted in the context of those proceedings. Josun was invited to participate in those proceedings.

52. The Receiver's previous reports to the Court, which describe all of the activities and conclusions of the Receiver from its appointment in August 2014 to date were attached to the Seventh Report. Copies of these materials have been made available to Josun and can be publicly accessed from the Receiver's website: <http://www.spergel.ca/banners>.

## **VII. Timing**

53. The Receiver has brought this motion as expeditiously as possible in the circumstances. The Receiver only learned of Josun's Scotiabank account in late July 2016. The Receiver did not receive the documents from Scotiabank that indicated Josun had transferred funds from the Scotiabank account to the Reeves Bank Accounts until mid-September 2016. Thus, the Receiver did not know that Josun had used the Reeves Bank Accounts to avoid and otherwise violate the *Mareva Order* until mid-September 2016.

**VIII. Undertaking**

54. The Receiver undertakes to abide by any order concerning damages that this Honourable Court may make if it ultimately appears that granting the relief sought on the motion causes damages for which the Receiver ought to compensate Josun and/or Reeves.

**IX. Recommendations**

55. Based upon the foregoing, the Receiver respectfully requests that this Honourable Court issue an order:

- (a) in the form attached to the Receiver's Notice of Motion as Schedule "A" for an order freezing the Reeves Bank Accounts;
- (b) scheduling the return date for the continuation of the order before it expires and appointing a judge to remain seized of these motions; and
- (c) such further and other relief as this Honourable Court may deem just.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** this 9th day of December, 2016.

**msi Spergel inc.,**  
Court-appointed Receiver of  
Banners Broker International Limited



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Per: Philip H. Gennis, J.D., CIRP, LIT

**TAB J**

**NINTH REPORT OF MSI SPERGEL INC.,  
IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED AND STELLAR POINT INC.**

**February 27, 2017**

Court File No. CV-14-10663-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1992, c. 27, s.2, AS AMENDED**

**AND IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*,  
R.S.O. 1990, c. C-43**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE ISLE OF MAN  
WITH RESPECT TO BANNERS BROKER INTERNATIONAL LIMITED**

**AND IN THE MATTER OF THE RECEIVERSHIP OF STELLAR POINT INC.  
APPLICATION OF MILES ANDREW BENHAM AND PAUL ROBERT APPLETON, IN  
THEIR CAPACITY AS JOINT LIQUIDATORS OF BANNERS BROKER  
INTERNATIONAL LIMITED, UNDER PART XIII OF THE *BANKRUPTCY AND  
INSOLVENCY ACT* (CROSS-BORDER INSOLVENCIES)**

**NINTH REPORT OF THE  
COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED  
("NINTH REPORT")**

**February 27, 2017**

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- R. Receiver's Seventh Report to Court, dated May 30, 2016 (without appendices)
- S. Affidavit of Philip H. Gennis, sworn February 27, 2017
- T. Affidavit of David Ward, sworn February 27, 2017
- U. Receiver's Interim Statement of Receipts and Disbursements, as at January 12, 2017

## I. Overview

1. This is a foreign recognition and cross-border insolvency proceeding involving Canada and the Isle of Man. The debtor, Banners Broker International Limited (“**BBIL**”) was one of the active companies within the Banners Broker Group (as defined below). The Banners Broker Group operated the “Banners Broker” online enterprise, a platform whereby registered members known as “affiliates” could advertise their businesses on websites within the Banners Broker Group network of publishers while, at the same time, earn revenues as an advertising publisher through specialized and targeted publisher sites created, designed and hosted by a variety of active companies within the Banners Broker Group.

2. Winding up proceedings in respect of BBIL commenced in the Isle of Man in January 2014. Six months later, on August 22, 2014, the Isle of Man proceedings were recognized in Canada as a “foreign main proceeding” for the purposes of Part XIII of the *Bankruptcy and Insolvency Act*, R.S.C. 1992, c. 27, s.2 (“**BIA**”).

3. msi Spergel inc. was appointed receiver of BBIL in Canada on August 22, 2014, and receiver of another Banners Broker Group entity called Stellar Point Inc. (“**Stellar Point**”) on April 8, 2016 (in such capacities, the “**Receiver**”). The Receiver’s mandate also includes certain investigatory authority in respect of six corporations (and six business names/styles) believed to be closely associated with the Banners Broker Group.

4. Reference is made in this Report to the “**Banners Broker Group**”, which means any and all entities that were involved in or benefited from, either directly or indirectly, the business enterprise of the online advertising and publishing platform that sold

“banners broker” to customers and shall include without limitation those entities referenced at **Appendix “A”** to this Report.

5. Reference is made in this Report to the “**Banners Broker Business**”, which means the business operations of the Banners Broker Group.

6. This is the ninth report to court (“**Ninth Report**”) of msi Spergel inc. in its capacity as Receiver. This Ninth Report is filed in support of the Receiver’s motion (“**Motion**”) for an order:

- (a) declaring that the Receiver may administer the Restrained Funds (as defined below) in accordance with the terms of the Receivership Order (as defined below);
- (b) compelling Maxwell Morgan (“**Morgan**”) to deliver to the Receiver by March 17, 2017, answers to the undertakings provided by Morgan at his examination under oath on April 13, 2015 and May 29, 2015;
- (c) declaring that the Receiver, in its capacity as Receiver of BBIL, shall in its sole discretion, be authorized to fund any and all expenses of the Receiver of Stellar Point;
- (d) approving the Receiver’s Ninth and Seventh Reports and the Receiver’s conduct and activities as described in those reports as well as the Receiver’s conduct and activities from May 1, 2016 to August 31, 2016;
- (e) approving the Receiver’s interim statement of receipts and disbursements as at January 12, 2017; and
- (f) approving the fees and disbursements of the Receiver and its counsel, Cassels Brock & Blackwell LLP (“**Cassels**”), for services rendered from

April 30, 2016 to August 31, 2016, as particularized in the affidavits of Phillip Gennis sworn February 27, 2017, and David Ward sworn February 27, 2017, (collectively, the “**Fee Affidavits**”).

7. This Ninth Report also provides an update on both the transition of certain insolvency administration activities from the Joint Liquidators (defined below) to the Receiver pursuant to the May 26, 2016 order of this Court, as well as the Receiver’s activities from May 1, 2016 to August 31, 2016. The Receiver intends to provide a further report to Court on its activities since September 1, 2016, in the next several weeks.

8. This Ninth Report follows and may be read in conjunction with the Receiver’s prior reports to court:

(a) **Receiver’s First Report** (dated October 2, 2014)

This report described the Receiver’s actions upon appointment, including initial inquiries and the discovery of a criminal investigation in respect of the Banners Broker Group. The report was filed in support of the Receiver’s request for additional investigatory powers extending to certain specifically identified associated corporations.

(b) **Receiver’s Second Report** (dated January 12, 2015)

This report was filed in support of the Receiver’s motion for an order restricting the disposition of certain monies and credits held by electronic payment processors, which monies were then frozen by *ex parte* restraint orders granted in the context of the criminal investigation.

(c) **Receiver’s Third Report** (dated July 30, 2015)

This report was filed in support of the Receiver’s motion for approval of a settlement agreement with one of the Banners Broker Group companies, and for the grant of certain limited investigatory authority in respect of certain Banners Broker Group companies. The report also provided an update on the activities of the Receiver since its First Report.

(d) **Receiver's Fourth Report** (dated January 8, 2016)

This report was filed in support of the Receiver's motion for the production of certain banking records from the Royal Bank of Canada and the Canadian Imperial Bank of Commerce ("**CIBC**").

(e) **Receiver's Fifth Report** (dated April 4, 2016)

This report was filed in support of the Receiver's motion for the conversion of the investigatory receivership of Stellar Point into a standard possessory receivership and a declaration that certain funds held by an off-shore financial institution were property of the BBIL estate. The Fifth Report also provided an update on the Receiver's activities since the Third Report.

(f) **Receiver's Sixth Report** (dated May 19, 2016)

This report was filed in support of the Receiver's motion for an order in furtherance of the transition of certain BBIL insolvency administration matters from the Joint Liquidators in the Isle of Man Proceedings (defined below) to the Receiver.

(g) **Receiver's Seventh Report** (dated May 30, 2016)

This report was filed in support of the Receiver's *ex parte* motion for an interim and interlocutory *Mareva* order restraining Banners Broker Group principals Rajiv Dixit ("**Dixit**") and Kuldip Josun ("**Josun**"), as well as BBIL-affiliated corporations Dreamscape Ventures Ltd. ("**Dreamscape**"), 8643989 Canada Inc. o/a Dixit Consortium Inc. ("**Dixit Consortium**"), and Dixit Holdings Inc. ("**Dixit Holdings**", with Dixit, Josun, Dreamscape and Dixit Consortium, collectively, the "**Defendants**") from selling, removing, dissipating, alienating, transferring, assigning encumbering, or similarly dealing with any assets pending the final disposition of the Receiver's action against those parties for recovery of funds that were fraudulently misappropriated from the Banners Broker Group.

(h) **Receiver's Eighth Report** (dated December 9, 2016)

This report was filed in support of the Receiver's *ex parte* motion for an order freezing two bank accounts that received funds transferred in violation of the *Mareva* order granted by the court on May 31, 2016, and continued on June 7, 2016.

9. All court materials filed, including previous Receiver's reports and court orders and endorsements issued in these proceedings, are available on the Receiver's websites at: [www.spergel.ca/banners](http://www.spergel.ca/banners) (for BBIL) and <http://www.spergel.ca/StellarPoint> (for Stellar Point).

## II. Background

10. BBIL is incorporated in the Isle of Man. BBIL was placed into liquidation under section 174 of the *Companies Act 1931* of the Isle of Man on February 26, 2014 pursuant to an Order of His Honour the Deemster Doyle, First Deemster and Clerk of the Rolls of the High Court of Justice of the Isle of Man ("**Isle of Man Court**"). Miles Andrew Benham and Paul Robert Appleton were appointed as joint liquidators ("**Joint Liquidators**") of BBIL ("**Isle of Man Proceedings**"). On August 22, 2014, on application of the Joint Liquidators, the Honorable Madam Justice Matheson, of the Ontario Superior Court of Justice (Commercial List) granted an order:

- (a) recognizing the Isle of Man Proceedings as a "foreign main proceeding" for the purposes of section 268 of the BIA;
- (b) recognizing the Joint Liquidators as the "foreign representatives" ("**Foreign Representatives**") of BBIL for the purposes of section 268 of the BIA; and
- (c) granting a stay of proceedings in respect of actions concerning BBIL's property, debts, liabilities or obligations.

10. Also on August 22, 2014, Justice Matheson issued a supplemental order (foreign main recognition) ("**Supplemental Order**"):

- (a) appointing msi Spergel inc. as receiver of BBIL's assets, undertakings and properties, including the proceeds thereof ("**Property**");
- (b) empowering the Receiver to identify and realize upon the Property, including taking steps to access all information relating to BBIL's accounts at any financial institution;
- (c) authorizing the Receiver to conduct examinations of the former principals of BBIL, as well as any other persons that the Receiver reasonably believes may have knowledge of BBIL's trade, dealings and Property;
- (d) authorizing the Receiver to provide such information and assistance to the Foreign Representatives in the performance of their duties as the Foreign Representatives may reasonably request; and
- (e) authorizing the Receiver to coordinate the administration and supervision of BBIL's assets and affairs with the Joint Liquidators as Foreign Representatives of the Isle of Man Proceeding.

11. The Supplemental Order provides the Receiver with the mandate to assist the Foreign Representative in the wind-up of BBIL, including the identification of and realization upon BBIL assets for the benefit of the Banners Broker Group's creditors. The Receiver's powers in respect of BBIL extend to accessing all manner of relevant information, and the taking of possession of assets.

12. The Supplemental Order was amended by the August 7, 2015 order of this Court to provide the Receiver with additional authority consistent with the Model Receivership

Order (“**Additional Authority Order**”, with the Supplemental Order, the “**Receivership Order**”).

13. A few months later, in October 2014, the Receiver was granted certain investigatory authority over several additional BBIL associated entities (“**Further Supplemental Order**”):

- (a) 2087360 Ontario Incorporated o/a Local Management Services (“**LMS**”);
- (b) Parrot Marketing Inc. (formerly o/a 8264554 Canada Limited) (“**Parrot Marketing**”);
- (c) 2341620 Ontario Corporation;
- (d) Stellar Point;
- (e) Dixit Holdings; and
- (f) any other entity operating under the business names “Bannersbroker”, “Banners Broker”, “Bannersbroker Limited”, “Bannersmobile”, “BannersMobile” or “Banners Broker Belize”

14. On August 7, 2015, the Receiver’s investigatory authority was further expanded by the Additional Authority Order to include two additional companies that had significant involvement in the Banners Broker Group: Dixit Consortium and Dreamscape.

15. On April 8, 2016, the investigatory receivership of Stellar Point was converted to a standard possessory receivership and msi Spergel inc. was appointed receiver of Stellar Point (“**Stellar Point Receivership Order**”).



### **III. Transition of Banners Broker Group Insolvency Administration Matters from the Joint Liquidators to the Receiver**

16. For grounds detailed in the Receiver's Sixth Report, the Receiver brought a motion in late May 2016 for an order, among other things, approving the transition of certain insolvency administration functions from the Joint Liquidators to the Receiver ("**Transition Motion**"). In this regard, more specifically, the Receiver and the Joint Liquidators had concluded that there would be cost savings and efficiencies to be gained if the residual insolvency administration of the BBIL estate could be completed by a single creditor representative. A copy of the Sixth Report (without appendices) is attached as **Appendix "B"**.

17. As indicated, the Joint Liquidators supported the Receiver's motion to transition residual BBIL insolvency administration functions from the Isle of Man to Canada. The Joint Liquidators' approval of this approach is evidenced by an affidavit of Joint Liquidator Paul Robert Appleton sworn May 26, 2016, and filed with this Court by way of supplementary motion record dated May 24, 2016. A copy of Mr. Appleton's affidavit sworn May 26, 2016 (without exhibits) is attached as **Appendix "C"**.

18. The relief sought on the Transition Motion was granted by Order of the Honourable Mr. Justice Newbould made May 26, 2016. A copy of the Order, which is entitled "Order – Transition of Certain Insolvency Administration Matters from the Joint Liquidators to the Receiver", is attached as **Appendix "D"**.

19. The transition proposed by the Receiver and approved by this Court in May 2016 was structured so as to be conditional upon the Isle of Man Court similarly approving the completion of the BBIL insolvency proceedings by the Receiver. Accordingly,

following the grant of the Canadian order, the Joint Liquidators prepared and filed a companion motion for approval of the transition (“**Isle of Man Motion**”) with the Isle of Man Court. In support of the Isle of Man Motion, the Receiver filed a short written report to the Isle of Man Court dated July 13, 2016. A copy of this report, titled the “Receiver’s First Report to the Isle of Man Court” (without appendices) is attached as **Appendix “E”**.

20. Due to the fact that the Isle of Man is not a signatory to the model law, and because several other aspects of the Isle of Man Motion were novel as a matter of Isle of Man law, the Joint Liquidators considered it appropriate to fully brief the motion. Creditors were also noticed by means of advertising and publication of the relief sought on the Receiver’s and the Joint Liquidators’ respective websites.

21. The Isle of Man Motion first came on for a substantive hearing on October 6, 2016. On that day, His Honour Deemster Doyle, First Deemster and Clerk of the Rolls, issued an order directing that the matter be adjourned to November 14, 2016, and that the Joint Liquidators make further written submissions by October 23, 2016. Such additional written submissions were requested as a means of assisting Deemster Doyle in determining certain jurisdictional and other issues raised by the relevant Isle of Man liquidation statute, the *Companies Act*, 1931. A copy of the Order of Deemster Doyle dated October 6, 2016 is attached as **Appendix “F”**.

22. In advance of the November 14, 2016 hearing in the Isle of Man, the Receiver was asked to file a second report with the Isle of Man Court specifically addressing the Receiver’s mandates and powers such as would be employed to complete the Banners

Broker Group wind-up in Canada. A copy of this report, titled the “Receiver's Second Report to the Isle of Man Court” (without appendices) is attached as **Appendix “G”**.

23. The Isle of Man Motion ultimately proceeded to a half day hearing before Deemster Doyle on November 14, 2016. Receiver's counsel attended the hearing and addressed the Court's questions in conjunction with counsel for the Joint Liquidators. Deemster Doyle presided. The motion was not opposed. At the conclusion of the hearing His Honour reserved.

24. On the basis of written reasons delivered on December 9, 2016, Deemster Doyle granted the Isle of Man Motion and directed, among other things, that the liquidation of BBIL in the Isle of Man be stayed and that the Joint Liquidators be released.

25. With the Receiver's consent, the December 9, 2016 order authorized the Receiver (by way of Manx advocates) to make any required filings with the Isle of Man Court, including those necessary to complete the formal winding-up of the affairs of BBIL at the conclusion of the receivership in Canada. A copy of the Reasons for Decision of Deemster Doyle are attached as **Appendix “H”**. A copy of the Order of Deemster Doyle dated December 9, 2016 is attached as **Appendix “I”**.

26. It is appropriate to draw this court's attention to the following findings and reasons of Deemster Doyle:

15. It was initially the view of the Joint Liquidators that the centre of main interests was the Isle of Man. However, as matters have progressed it has become apparent that the centre of main interests is in reality and substance Canada.

...

17. It makes a great deal of commercial and practical sense for the Receiver to progress matters in Canada and for the Joint

Liquidators in the Isle of Man to stand down. The Committee of Inspection can see this sense and did not opposing the making of the Orders. No creditor objected to the making of the Orders. Indeed, no one has opposed the making of the Orders. It is just and convenient for the Manx liquidation to be stayed and for the Canadian receivership to continue. This will avoid unnecessary duplication and should save a significant amount of time and money.

18. The Orders will cause no undue prejudice to anyone and the Orders do not offend against "commercial morality" or "the interests of the public at large". The Receiver will remain in existence and in control over the assets and affairs of BBIL until the receivership is concluded.

27. Since the date of Deemster Doyle's Order, the Joint Liquidators and the Receiver have begun the process of transiting the insolvency administration functions from the Isle of Man to Canada. Accordingly, the receivership of BBIL, an Isle of Man entity, will proceed to its conclusion in Canada, by the Receiver and under the supervision of this Court.

#### **IV. Relief Sought**

##### **A. Declaration that the Receiver may Administer the Restrained Funds**

28. As detailed in the Receiver's Fifth Report, in September 2014, the Receiver was made aware of criminal proceedings before the Ontario Court of Justice arising from a Toronto Police Services Financial Crime Unit investigation into Banners Broker Group's operations in Canada and Banners Broker Group's principals Christopher Smith ("**Smith**") and Dixit.

29. Specifically, the Receiver obtained copies of several *ex parte* restraint orders ("**Criminal Restraint Orders**") obtained by the Ministry of the Attorney General, Crown Law Office-Criminal. The orders, issued pursuant to section 462.33 of the *Criminal*

*Code*, R.S.C. 1985, c. C-46, froze funds held by third party electronic payment processors for accounts associated with the Banners Broker Group.

30. The Criminal Restraint Orders statutorily expired six months after issuance.

31. By early January 2015, the Receiver had formed the view that the source of the restrained funds held in the payment processor accounts derived from deposits/investments made by creditors of the Banners Broker Group. The Receiver further believed, and continues to believe, that there has been significant inter-company transfers of affiliate-contributed funds between the Banners Broker Group companies. Moreover, and as discussed in the Receiver's Second Report, approximately half the funds received by the Banners Broker Group of companies from creditors were not used to fund withdrawal requests by creditors, resulting in tens of thousands of individual Banners Broker Group creditors.

32. The Receiver concluded in its Second Report that the monies restrained by the Criminal Restraint Orders were properly claimable by creditors of the Banners Broker Group. The basis for the Receiver's conclusion is that the funds frozen by the Criminal Restraint Order were entirely sourced from creditors that purchased or invested in "product" from the Banners Broker Group.

33. By motion returnable January 14, 2015, the Receiver sought an order directing that all monies held pursuant to the terms of the Criminal Restraint Orders continue to be held pursuant to the terms of the orders, and not be released without the written consent of the Receiver or further order of the court on notice to the Receiver. The motion was granted by the order of the Honourable Mr. Justice Newbould made

January 14, 2015 (“**Restraint of Funds Order**”). A copy of the Restraint of Funds Order is attached as **Appendix “J”**.

34. The Restraint of Funds Order provides that, effective as of the expiry date of each underlying Criminal Restraint Order, all money or credits held pursuant to such Criminal Restraint Order(s), be transferred to msi Spergel inc., in its capacity as court officer, to be held in an interest-bearing trust account, separate and apart from the receivership of the Banners Broker Group, pending further order of this Court.

35. Pursuant to the terms of the Restraint of Funds Order, the following payment processors transferred the following funds to msi Spergel inc., in its capacity as court officer:

- (a) Beanstream Internet Commerce Inc. (“**Beanstream**”): US\$537,576.31;
- (b) SolidTrust Pay (“**STP**”): US\$104,260.51;
- (c) Mazarine Commerce Inc. o/a Payza.com (“**Payza**”): \$33,374.80; and
- (d) 6003061 Canada Inc. o/a UseMyServices (“**UMS**”): \$93,336.70.

(Beanstream, STP, Payza and UMS are collectively referred to herein as the “**Payment Processors**”)

36. msi Spergel inc. has accordingly received a total of CAD\$126,711.50 and US\$641,836.92 from the Payment Processors, which monies are held in a separate interest-bearing trust account pending further order of this court (“**Restrained Funds**”).

37. The Receiver’s investigation of the Banners Broker Group has progressed to the point that the Receiver can confirm its initial conclusion in the Second Report that the Restrained Funds are properly claimable by the creditors of the Banners Broker Group.

38. The Receiver's conclusion regarding the Restrained Funds is supported by counsel for Smith who confirms that the Restrained Funds were monies generated by the Banners Broker Business for the benefit of the Banners Broker Group creditors.

39. Accordingly, the Receiver respectfully requests that this Court make an order declaring that the Receiver may administer the Restrained Funds in accordance with the terms of the Receivership Order.

**B. Compelling Maxwell Morgan to Provide Answers to Undertakings**

40. As noted in the Receiver's Third Report to Court, the Receiver has conducted interviews and/or examinations under oath with not only the principals of the Banners Broker Group, but individuals closely associated with and believed to have knowledge of Banners Broker Business. One of the individuals that the Receiver has examined is Morgan. Morgan is the CEO of Aramor Payments, a payment processor solutions company that was engaged by certain companies within the Banners Broker Group. Aramor Payments received at least US\$3.34 million in funds from the Banners Broker Business, of which more than US\$2.95 million remains unaccounted for. These numbers are not exact because, as further explained below, Aramor Payments has not provided a complete set of Banners Broker Group account statements to the Receiver.

41. The Receiver first contacted Morgan in his capacity as CEO of Aramor Payments in or around October 2014 and requested production of documents related to the Banners Broker Group. Morgan provided certain emails and bank account statements responsive to the Receiver's request in December 2014 and January 2015, respectively.

42. After reviewing and analyzing the documents produced by Morgan, the Receiver determined that the documents were incomplete and that it required Aramor Payments' complete accounting records in connection with its provision of payment processing services to certain companies within the Banners Broker Group. The Receiver also determined that it required Morgan's evidence regarding the same.

43. The Receiver's examination of Morgan occurred on April 13, 2015 and May 29, 2015. During his examination, Morgan provided certain undertakings to the Receiver.

44. Following the examination, on January 28, 2016, counsel for the Receiver wrote to counsel for Morgan and requested responses to the undertakings given by Morgan at his examination. Neither Morgan nor his counsel responded to the letter. A copy of the January 28, 2016 letter is attached as **Appendix "K"**.

45. Counsel for the Receiver again wrote to counsel for Morgan on February 24, 2016, and requested a response to Morgan's undertakings. Neither Morgan nor his counsel responded to the letter. A copy of the February 24, 2016 letter is attached as **Appendix "L"**.

46. Despite the fact that counsel for the Receiver had sent several letters to counsel for Morgan, it was not until June 1, 2016, that counsel for Morgan advised counsel for the Receiver that he no longer acted for Morgan and had not acted for him since mid-2015. Attached as **Appendix "M"** is a copy of the email from the former counsel for Morgan confirming the same.

47. On August 30, 2016, counsel for the Receiver wrote directly to Morgan and reiterated the Receiver's request for responses to the undertakings given by Morgan at



his examination for discovery. Counsel for the Receiver advised that the Receiver intended to commence a motion to compel Morgan's answers to undertakings if he did not provide responses by September 7, 2016. Attached as **Appendix "N"** is a copy of the August 30, 2016 letter from counsel for the Receiver.

48. On September 2, 2016, Morgan called counsel for the Receiver in response to the August 30, 2016 letter and left a voicemail requesting addition time to provide answers to his undertakings. Counsel for the Receiver responded via email on September 6, 2016, and advised that the Receiver would provide Morgan with additional time to respond, but requested that Morgan provide answers to the majority of his undertakings by September 19, 2016. Morgan replied that he would attempt to comply with the Receiver's request. Attached hereto as **Appendix "O"** is a copy of the September 6, 2016 email exchange between counsel for the Receiver and Morgan.

49. On September 19, 2016, Morgan provided the Receiver with numerous emails purportedly to provide answers to his undertakings. These emails were largely duplicative of documents Morgan had provided to the Receiver in December 2014. Morgan also emailed counsel for the Receiver and advised that he would send Aramor Payments' CIBC account statements to counsel for the Receiver the following day, and that additional documents responsive to his undertakings would be forthcoming once Aramor Payments received copies of the same. The Receiver understands that the CIBC account statements would reflect either receipts of disbursements by Aramor Payments on behalf of certain companies within the Banners Broker Group. Attached hereto as **Appendix "P"** is a copy of the September 19, 2016 email from Morgan.

50. On September 21, 2016, Morgan provided the Receiver with copies of Aramor Payments' CIBC bank account statements. However, Morgan had previously provided these account statements to the Receiver in January 2015 and the statements were not responsive to Morgan's outstanding undertakings.

51. Although Morgan has provided documents to the Receiver that Morgan purports are responsive to his undertakings, the vast majority of Morgan's undertakings remain unanswered or the responses are incomplete. Attached hereto as **Appendix "Q"** is a copy of the undertakings and refusals chart from Morgan's examination that indicates which undertaking responses are incomplete or remain outstanding.

52. Given that Aramor Payments was a payment processor for certain companies within the Banners Broker Group and received US\$2.95 million in Banners Broker Business related funds that remain unaccounted for, Morgan's answers to undertakings are integral to the Receiver's ability to complete a flow of funds analysis to understand how affiliate contributions were received and disbursed over the period of the Banners Broker Group's global operations ("**Flow of Funds Analysis**"). To date, and as detailed in the Receiver's prior reports to Court, the Flow of Funds Analysis has also assisted and continues to assist the Receiver in identifying additional Banners Broker Group assets or claims that may be appropriate for realization.

53. So that the Receiver can further advance the Flow of Funds and continue to fulfill its court ordered mandate, the Receiver respectfully requests an order compelling Morgan to provide answers to the undertakings given by him at his examination by March 17, 2017.

**C. Receiver of BBIL Authorized to Fund Receiver of Stellar Point**

54. As noted above, msi Spergel inc. is the Receiver of both BBIL and Stellar Point.

55. Stellar Point is a company within the Banners Broker Group and provided customer support for Banners Broker affiliates and resellers. Further details regarding Stellar Point's operations were detailed by the Receiver in its Fifth Report.

56. Stellar Point was at all times reliant on funds received from the Banners Broker Business both directly and indirectly from creditors of the Banners Broker Group.

57. As of the date of the Ninth Report, the Receiver does not hold any Stellar Point assets.

58. The Receiver of Stellar Point is acting pursuant to the Stellar Point Receivership Order in completing its administration of Stellar Point. In this regard, the Receiver of Stellar Point is a plaintiff to the Litigation. Additionally, the Receiver has identified a number of potential recoveries that require the Receiver of Stellar Point to intervene, including litigation commenced against recipients of funds from the Banners Broker Group.

59. As previously concluded above, all of the funds generated by the Banners Broker Group were from creditors of the Banners Broker Group and the Banners Broker Business. As such, any recovery made by the Receiver of either of BBIL or Stellar Point will ultimately be for the benefit of the creditors of the Banners Broker Group.

60. Accordingly, the Receiver of BBIL respectfully recommends that it be authorized to fund the Receiver of Stellar Point for the primary reason that the costs associated

with such funding ultimately benefit the same pool of creditors, being the creditors of the Banners Broker Group.

**D. Approval of Receiver's Seventh and Ninth Reports and the Receiver's Activities from May to August 2016**

61. As noted above, the Seventh Report was filed in connection with the Receiver's motion for a *Mareva* order restraining the Defendants from selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with any assets pending the final disposition of the Receiver's action against those parties for recovery of funds that were fraudulently misappropriated from the Banners Broker Group ("**Mareva Order**"). A copy of the Seventh Report, without appendices, is attached as **Appendix "R"**. The Receiver did not seek approval of the Seventh Report and the activities described therein at the time of the motion because the motion was *ex parte*.

62. Similarly, as the Seventh Report was filed in support of a motion made without notice, the Receiver did not provide an update of its activities since the date of the Sixth Report, or seek approval of the same.

63. As this Motion is made with notice, the Receiver respectfully requests an order approving both this Ninth Report and the Seventh Report and the Receiver's activities as described in these reports as well as the Receiver's activities from May 1, 2016 to August 31, 2016. The Receiver will provide an update to the Court on its activities since September 1, 2016, in the next several weeks.

64. By way of summary, the Receiver's activities from May 1, 2016 to August 31, 2016 include:

- (a) commencing a \$100 million action against the Defendants, World Web Media Inc. and Real Profit Limited for negligent/fraudulent misrepresentation, conspiracy, conversion, breach of fiduciary duties, breach of contract, negligence and oppression contrary to the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as well as punitive damages, disgorgement and restitutionary remedies arising from their alleged misappropriation of millions of dollars in Banners Broker Group funds ("**Litigation**");
- (b) serving the Defendants, World Web Media Inc. and Real Profit Limited with the statement of claim in the Litigation;
- (c) bringing the motion for the *Mareva* Order against the Defendants;
- (d) serving the Defendants and financial institutions, both within Canada and internationally ("**Financial Institutions**"), with the *Mareva* Order;
- (e) implementing the *Mareva* Order by ensuring that the Financial Institutions freeze any and all assets held by them on behalf of the Defendants and requesting that the Financial Institutions produce to the Receiver any and all documents, papers, books or records in their possession or control that relate to the assets frozen by the *Mareva* Order ("**Records**");
- (f) reviewing and analyzing all Records received from the Financial Institutions in response to the *Mareva* Order and pursuing further

inquiries of the Financial Institutions with respect to the Records as appropriate;

- (g) meeting and negotiating with Dixit and Josun and their respective counsel regarding potential carve-outs from the *Mareva* Order and the disclosure necessary for such carve-outs, as well as settlement of the Litigation;
- (h) working with the Joint Liquidators to develop a strategy to transition certain insolvency administration activities from the Isle of Man to Canada ("**Transition**"), including the negotiation of an agreement to provide for the same;
- (i) meeting with the Committee of Inspection in the Isle of Man Proceedings via conference call to discuss the Transition and address any and all concerns raised by the committee with respect to the proposed Transition;
- (j) preparing a report to the Isle of Man Court to provide an overview of the receivership proceedings in Canada and the Receiver's court-ordered authority in these proceedings;
- (k) commencing five separate recovery actions against 18 individual and corporate defendants that received approximately US\$4 million from the Banners Broker Group;

- (l) undertaking real property, corporate profile, internet and other public record searches so as to better understand the trade, dealings and property of the Banners Broker Group companies;
- (m) identifying and considering the appropriateness of certain non-core business and investment activities undertaken by the Banners Broker Group companies and/or the former principals of the Banners Broker Group and the extent to which the former principals used Banners Broker Group funds for such investments;
- (n) corresponding with third parties that received funds from the Banners Broker Group companies in the form of loans or investments, or in exchange for various purported goods and services with a view to recovering the loans or investments and purchased goods;
- (o) meeting with Smith and his counsel regarding fulfillment of Smith's outstanding undertakings, and document production and other requests by the Receiver;
- (p) pursuing unanswered undertakings given at the examinations conducted by the Receiver to date;
- (q) preparing for and attending a meeting, not under oath, with a witness with information and documents related to the Banners Broker Business;
- (r) engaging in settlement discussions with a former Banners Broker Group employee who received significant sums of money from the Banners

Broker Group and/or significant material benefits from the Banners Broker Business;

- (s) ongoing correspondence, meetings and discussion with counsel for Smith and Dixit in relation to, among other issues, the criminal proceedings, document production matters, and undertakings;
- (t) corresponding with counsel for Dixit in relation to Dixit's notices to the Receiver and the Joint Liquidators to cease and desist;
- (u) monitoring public aspects of the ongoing Banners Broker Group criminal investigation, including attending a criminal court hearing;
- (v) corresponding with banks, trust companies, and financial institutions in an effort to locate and secure Banners Broker Group assets and financial information relevant to the Banners Broker Group to the extent permitted by the Supplemental Order, the Further Supplemental Order, and the Additional Authority Order;
- (w) assembling, reviewing and analyzing banking and accounting information, including bank statements provided by Canadian financial institutions for the Banners Broker Group companies, as well as information obtained with the assistance of Smith regarding offshore accounts, with a view of reconstructing the source, inter-company transfers and disposition of all monies contributed by Banners Broker Group' creditors;



- (x) corresponding with, and reviewing and analyzing documents received from, a third party payroll company that provided services to companies within the Banners Broker Group with a view to reconstructing the disposition of all monies contributed by Banners Broker Group affiliates;
- (y) coordinating receivership administration efforts in respect of the Banners Broker Group companies with the Joint Liquidators, including the sharing of information, accounting expertise and resources with the Joint Liquidators;
- (z) reviewing business contracts entered into by companies within the Banners Broker Group, including employment and consulting agreements, account agreements, reseller agreements and releases and indemnities;
- (aa) considering possible claims against individuals who may have received transfers of money, automobiles, gifts and/or payments for services not provided, that could potentially be attacked and set aside as fraudulent transfers;
- (bb) investigating whether or not certain persons associated with the Banners Broker Group may have established bank accounts in foreign jurisdictions in an effort to hide amounts improperly withdrawn from the company; and
- (cc) investigating whether or not persons associated with the Banners Broker Group may have converted monies improperly taken from affiliates by

means of investing, either directly or indirectly, in residential real estate including by paying off and discharging mortgage(s), and/or financing the acquisition of property for no good or valid consideration.

65. Certain of the activities and inquiries of the Receiver are sensitive in nature. This is the case where the work involved is the assembly and assessment of evidence that may be used to pursue Banners Broker Group assets in circumstances where efforts have been made to put such assets beyond the reach of creditors. For this reason, and where appropriate, the Receiver's work in this regard has been described in a more general way with particulars omitted.

**D. Approval of Receiver's Fees and Disbursements**

66. Pursuant to paragraph 18 of the Supplemental Order, the Receiver and its counsel shall pass their accounts from time to time. For this purpose the accounts of the Receiver and its legal counsel are referred to a judge of the Commercial List

67. The Receiver seeks to have its fees and disbursements, including those of its legal counsel approved by the court. The Receiver and its counsel have maintained detailed records of their professional time and costs.

68. The total fees and disbursements of the Receiver for services provided during the period of May 1, 2016 to August 31, 2016 is \$97,670 excluding HST. Attached as **Appendix "S"** is an affidavit of Philip H. Gennis sworn February 27, 2017 ("**Gennis Affidavit**") regarding the Receiver's fees and disbursements. Copies of the Receiver's detailed time dockets for the period May 1, 2016 to August 31, 2016 are appended as exhibits to the Gennis Affidavit.

69. Cassels has acted as the Receiver's legal counsel on all matters related to these receivership proceedings. Cassels rendered its accounts to the Receiver for the period April 30, 2016 through to and including August 31, 2016 in the amount of \$656,233.46 including disbursements and HST. Attached as **Appendix "T"** is the affidavit of David Ward sworn February 27, 2017 ("**Ward Affidavit**") regarding counsel's fees and disbursements to the Receiver. Copies of the counsel's detailed time dockets for the period April 30, 2016 to August 31, 2016 are appended as exhibits to the Ward Affidavit. The accounts described in the Ward Affidavit include amounts billed to the Receiver, which were paid directly by the Receiver and approved by the Committee of Inspection in accordance with the laws governing the Isle of Man Proceedings.

70. The Receiver believes that the fees and disbursements of Cassels are fair and reasonable and justified in the circumstances. The Receiver has reviewed the accounts of Cassels in light of the novel, complex, broad ranging and multi-jurisdictional nature of this engagement. The Receiver is of the view that all work set out in the accounts was carried out and was necessary. The hourly rates of the lawyers at Cassels who worked on this matter are considered to be appropriate and reasonable in light of the services required, and the services were carried out by lawyers with the appropriate level of experience. The Receiver accordingly respectfully recommends approval of Cassels' accounts by this Honourable Court.

71. A copy of the Receiver's Interim Statement of Receipts and Disbursements, as at January 12, 2017, is attached hereto as **Appendix "U"**.

**V. Recommendation**

72. Based upon the foregoing, the Receiver respectfully requests that this Honourable Court issue an order:

- (a) declaring that the Receiver may administer the Restrained Funds in accordance with the terms of the Receivership Order;
- (b) compelling Morgan to provide answers to undertakings given at his examination for discovery by March 17, 2017;
- (c) approving the Receiver's Ninth and Seventh Reports and the Receiver's conduct and activities as described in those reports as well as the Receiver's conduct and activities from May 1, 2016 to August 31, 2016;
- (d) approving the Receiver's interim statement of receipts and disbursements as at January 12, 2017;
- (e) approving the fees and disbursements of the Receiver and its counsel, Cassels, for services rendered from April 30, 2016 to August 31, 2016, as particularized in the affidavits of Phillip Gennis sworn February 27, 2017, and David Ward sworn February 27, 2017.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** this 27th day of February, 2017.

**msi Spergel inc.**,  
Court-appointed Receiver of  
Banners Broker International Limited and  
Stellar Point Inc.



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Per: Philip H. Gennis, J.D., CIRP, LIT

**TAB K**

**TENTH REPORT OF MSI SPERGEL INC.,  
IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED AND STELLAR POINT INC.**

**May 9, 2017**

Court File No. CV-14-10663-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1992, c. 27, s.2, AS AMENDED**

**AND IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*,  
R.S.O. 1990, c. C-43**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE ISLE OF MAN  
WITH RESPECT TO BANNERS BROKER INTERNATIONAL LIMITED**

**AND IN THE MATTER OF THE RECEIVERSHIP OF STELLAR POINT INC.**

**APPLICATION OF MILES ANDREW BENHAM AND PAUL ROBERT APPLETON, IN  
THEIR CAPACITY AS JOINT LIQUIDATORS OF BANNERS BROKER  
INTERNATIONAL LIMITED, UNDER PART XIII OF THE *BANKRUPTCY AND  
INSOLVENCY ACT* (CROSS-BORDER INSOLVENCIES)**

**TENTH REPORT OF THE  
COURT-APPOINTED RECEIVER OF  
BANNERS BROKER INTERNATIONAL LIMITED  
("TENTH REPORT")**

**May 9, 2017**

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L.	Receiver's Interim Statement of Receipts and Disbursements, as at May 9, 2017

## I. Overview

1. This is a foreign recognition and cross-border insolvency proceeding involving Canada and the Isle of Man. The debtors, Banners Broker International Limited (“**BBIL**”) and Stellar Point Inc. (“**Stellar Point**”) were part of the “Banners Broker” online enterprise, a platform whereby registered members known as “affiliates” could advertise their businesses on websites within the Banners Broker network of publishers while, at the same time, earn revenues as an advertising publisher through specialized and targeted publisher sites created, designed and hosted by a variety of active companies associated with Banners Broker.

2. Winding up proceedings in respect of BBIL commenced in the Isle of Man in January 2014. Six months later, on August 22, 2014, the Isle of Man proceedings were recognized in Canada as a “foreign main proceeding” for the purposes of Part XIII of the *Bankruptcy and Insolvency Act*, R.S.C. 1992, c. 27, s.2 (“**BIA**”).

3. msi Spergel inc. was appointed receiver of BBIL in Canada on August 22, 2014, and receiver of Stellar Point on April 8, 2016 (in such capacities, the “**Receiver**”). The Receiver’s mandate also includes certain investigatory authority in respect of six corporations (and six business names/styles) believed to be closely associated with the Banners Broker Group.

4. This is the tenth report to court (“**Tenth Report**”) of msi Spergel inc. in its capacity as Receiver. This Tenth Report is filed in support of the Receiver’s motion (“**Motion**”) for an order:

- (a) approving the Receiver's Eighth and Tenth Reports and the Receiver's conduct and activities as described in those reports, as well as the Receiver's conduct and activities from September 1, 2016 to May 9, 2017;
- (b) approving the Receiver's interim statement of receipts and disbursements as at May 9, 2017; and
- (c) approving the fees and disbursements of the Receiver and its counsel, Cassels Brock & Blackwell LLP ("**Cassels**"), for services rendered from September 1, 2016 to March 31, 2017, as particularized in the affidavits of Philip Gennis sworn May 9, 2017, and Larry Ellis sworn May 9, 2017, (collectively, the "**Fee Affidavits**").

5. This Tenth Report provides an overview of the Receiver's activities from September 1, 2016 to the date of this report, May 9, 2017. It may be read in conjunction with the Receiver's prior reports to court as follows:

- (a) **Receiver's First Report** (dated October 2, 2014)

This report described the Receiver's actions upon appointment, including initial inquiries and the discovery of a criminal investigation in respect of Banners Broker. The report was filed in support of the Receiver's request for additional investigatory powers extending to certain specifically identified associated corporations.

- (b) **Receiver's Second Report** (dated January 12, 2015)

This report was filed in support of the Receiver's motion for an order restricting the disposition of certain monies and credits held by electronic payment processors, which monies were then frozen by *ex parte* restraint orders granted in the context of the criminal investigation.

- (c) **Receiver's Third Report** (dated July 30, 2015)

This report was filed in support of the Receiver's motion for approval of a settlement agreement with a Banners Broker associated company, and for the grant of certain limited investigatory authority in respect of certain

Banners Broker associated companies. The report also provided an update on the activities of the Receiver since its First Report.

(d) **Receiver's Fourth Report** (dated January 8, 2016)

This report was filed in support of the Receiver's motion for the production of certain banking records from the Royal Bank of Canada and the Canadian Imperial Bank of Commerce ("**CIBC**").

(e) **Receiver's Fifth Report** (dated April 4, 2016)

This report was filed in support of the Receiver's motion for the conversion of the investigatory receivership of Stellar Point into a standard possessory receivership and a declaration that certain funds held by an off-shore financial institution were property of the BBIL estate. The Fifth Report also provided an update on the Receiver's activities since the Third Report.

(f) **Receiver's Sixth Report** (dated May 19, 2016)

This report was filed in support of the Receiver's motion for an order in furtherance of the transition of certain BBIL insolvency administration matters from the Joint Liquidators in the Isle of Man Proceedings (defined below) to the Receiver.

(g) **Receiver's Seventh Report** (dated May 30, 2016)

This report was filed in support of the Receiver's *ex parte* motion for an interim and interlocutory *Mareva* order restraining Banners Broker principals Rajiv Dixit ("**Dixit**") and Kuldip Josun ("**Josun**"), as well as BBIL-affiliated corporations Dreamscape Ventures Ltd. ("**Dreamscape**"), 8643989 Canada Inc. o/a Dixit Consortium Inc. ("**Dixit Consortium**"), and Dixit Holdings Inc. ("**Dixit Holdings**") from selling, removing, dissipating, alienating, transferring, assigning encumbering, or similarly dealing with any assets pending the final disposition of the Receiver's action against those parties for recovery of funds that were fraudulently misappropriated from Banners Broker.

(h) **Receiver's Eighth Report** (dated December 9, 2016)

This report was filed in support of the Receiver's *ex parte* motion for an order freezing two bank accounts that received funds transferred in violation of the *Mareva* order granted by the court on May 31, 2016, and continued on June 7, 2016 ("**Mareva Order**").

(i) **Receiver's Ninth Report** (dated February 27, 2017)

This report was filed in support of the Receiver's motion for an order declaring that the Receiver could administer the restrained funds in accordance with the terms of the Receivership Order (defined below), and authorizing the Receiver, in its capacity as Receiver of BBIL, to fund any and all expenses of the Receiver of Stellar Point. The Ninth Report also provided an update on the Receiver's activities from May 1, 2016 to August 31, 2016.

6. Prior Receiver's reports filed and court orders and endorsements issued in these proceedings are available on the Receiver's websites at: [www.spergel.ca/banners](http://www.spergel.ca/banners) (for BBIL) and <http://www.spergel.ca/StellarPoint> (for Stellar Point).

## **II. Background**

7. BBIL is incorporated in the Isle of Man. The company was placed into liquidation pursuant to section 174 of the *Companies Act 1931* of the Isle of Man on February 26, 2014 by Order of His Honour the Deemster Doyle, First Deemster and Clerk of the Rolls of the High Court of Justice of the Isle of Man ("**Isle of Man Court**"). Miles Andrew Benham and Paul Robert Appleton were appointed as joint liquidators ("**Joint Liquidators**") of BBIL ("**Isle of Man Proceedings**").

8. On August 22, 2014, on application of the Joint Liquidators, the Honorable Madam Justice Matheson, of the Ontario Superior Court of Justice (Commercial List) granted an order:

- (a) recognizing the Isle of Man Proceedings as a "foreign main proceeding" for the purposes of section 268 of the BIA;

- (b) recognizing the Joint Liquidators as the “foreign representatives” (**“Foreign Representatives”**) of BBIL for the purposes of section 268 of the BIA; and
- (c) granting a stay of proceedings in respect of actions concerning BBIL’s property, debts, liabilities or obligations.

10. Also on August 22, 2014, Justice Matheson issued a supplemental order (foreign main recognition) (**“Supplemental Order”**):

- (a) appointing msi Spergel inc. as receiver of BBIL’s assets, undertakings and properties, including the proceeds thereof (**“Property”**);
- (b) empowering the Receiver to identify and realize upon the Property, including taking steps to access all information relating to BBIL’s accounts at any financial institution;
- (c) authorizing the Receiver to conduct examinations of the former principals of BBIL, as well as any other persons that the Receiver reasonably believes may have knowledge of BBIL’s trade, dealings and Property;
- (d) authorizing the Receiver to provide such information and assistance to the Foreign Representatives in the performance of their duties as the Foreign Representatives may reasonably request; and
- (e) authorizing the Receiver to coordinate the administration and supervision of BBIL’s assets and affairs with the Joint Liquidators as Foreign Representatives of the Isle of Man Proceeding.

11. The Supplemental Order provides the Receiver with the mandate to assist the Foreign Representative in the wind-up of BBIL, including the identification of and realization upon BBIL assets for the benefit of Banners Broker creditors. The Receiver's powers in respect of BBIL extend to accessing all manner of relevant information, and the taking of possession of assets.

12. The Supplemental Order was amended by the August 7, 2015 order of this Court to provide the Receiver with additional authority consistent with the Model Receivership Order ("**Additional Authority Order**", with the Supplemental Order, the "**Receivership Order**").

13. A few months later, in October 2014, the Receiver was granted investigatory authority over several additional BBIL associated entities ("**Further Supplemental Order**"):

- (a) 2087360 Ontario Incorporated o/a Local Management Services;
- (b) Parrot Marketing Inc. (formerly o/a 8264554 Canada Limited) ("**Parrot Marketing**");
- (c) 2341620 Ontario Corporation;
- (d) Stellar Point;
- (e) Dixit Holdings; and
- (f) any other entity operating under the business names "Bannersbroker", "Banners Broker", "Bannersbroker Limited", "Bannersmobile", "BannersMobile" or "Banners Broker Belize".

14. On August 7, 2015, the Receiver's investigatory authority was further expanded by the Additional Authority Order to include two additional companies that had significant involvement in Banners Broker: Dixit Consortium and Dreamscape.

15. On April 8, 2016, the investigatory receivership of Stellar Point was converted to a standard possessory receivership and msi Spergel inc. was appointed receiver of Stellar Point ("**Stellar Point Receivership Order**").

16. Approximately a month later, on May 26, 2016, this Court issued an order transitioning BBIL insolvency administration functions from the Joint Liquidators in the Isle of Man to the Receiver in Canada.

17. On December 9, 2016, the Deemster Doyle in the Isle of Man Court similarly approved the transition of BBIL insolvency administration functions to the Receiver in Canada.

18. Since the date of Deemster Doyle's Order, and as is further detailed below, the Joint Liquidators and the Receiver have worked to transition insolvency administration functions from the Isle of Man to Canada.

### **III. Developments Since September 2016**

19. By way of overview, the Receiver's activities from September 1, 2016 to May 9, 2017 include:

- (a) reviewing and analyzing a significant volume of banking and financial records received from financial institutions in Canada in response to the May 31, 2016 *Mareva* order, and pursuing follow-up inquiries of the financial institutions as appropriate;



- (b) Working with the Joint Liquidators and reporting in writing and by way of oral hearing to the Isle of Man Court in furtherance of the transition of insolvency administration functions from Canada to the Isle of Man;
- (c) undertaking real property, corporate profile, internet and other public record searches so as to better understand the trade, dealings and property of Banners Broker;
- (d) identifying and considering the appropriateness of certain non-core business and investment activities undertaken by Banners Broker and/or the former principals of Banners Broker, and considering issues relating to locating and recovering improperly diverted funds;
- (e) pursuing the legal files and trust account records of counsel for BBIL and Banners Broker principal Christopher Smith ("**Smith**"), while respecting the appropriate bounds of privilege and confidentiality;
- (f) corresponding with third parties who received material payments from Banners Broker in the form of loans, investments and/or gifts, or who received payments in exchange for the purported provision of goods and services, with a view to obtaining a reconciliation of accounts and recovering any improper advances;
- (g) corresponding with former Banners Broker employees and service providers regarding their involvement with the Banners Broker enterprise and their willingness to provide documents and other evidence to the Receiver;

- (h) pursuing outstanding undertakings and questions taken under advisement at the examinations conducted by the Receiver to date;
- (i) ongoing correspondence and discussion with counsel for Smith and Dixit in relation to, among other issues, the criminal proceedings, document production matters, and undertakings;
- (j) monitoring public aspects of the ongoing Banners Broker criminal investigation and prosecution;
- (k) corresponding with Canadian and off-shore banks, trust companies, and financial institutions in an effort to locate and secure Banners Broker assets and financial information relevant to Banners Broker and Stellar Point;
- (l) assembling, reviewing and analyzing banking and accounting information, including bank statements provided by financial institutions for Banners Broker, as well as information obtained with the assistance of Smith regarding offshore accounts, with a view of reconstructing the source, inter-company transfers and disposition of all monies contributed by Banners Broker affiliates;
- (m) coordinating receivership administration efforts in respect of the Banners Broker with the Joint Liquidators, including the sharing of information, accounting expertise and resources with the Joint Liquidators;

- (n) reviewing business contracts entered into by companies with Banners Broker, including employment and consulting agreements, account agreements, reseller agreements and releases and indemnities;
- (o) considering possible claims against individuals who may have received transfers of money, automobiles, gifts and/or payments for services not provided, which transfers could potentially be attacked as fraudulent transfers;
- (p) investigating whether or not certain persons associated with Banners Broker may have established bank accounts in foreign jurisdictions in an effort to hide amounts improperly withdrawn from the company; and
- (q) investigating whether or not persons associated with Banners Broker may have converted monies improperly taken from affiliates by means of investing, either directly or indirectly, in residential real estate including by paying off and discharging mortgage(s), and/or financing the acquisition of property for no good or valid consideration.

20. Certain of the Receiver's work is sensitive in nature and has been accorded appropriate protection by sealing and confidentiality provisions in court orders obtained. This is the case where the work involved relates to obtaining and assessing evidence that may be used to pursue Banners Broker assets in circumstances where efforts have been made to put such assets beyond the reach of creditors. Recognizing the public nature of this report, the Receiver's work in this regard is described in more general terms with particulars omitted.

**A. Criminal Proceedings Against Dixit and Smith**

21. As detailed in the Receiver's Fifth Report, in September 2014, the Receiver was made aware of criminal proceedings before the Ontario Court of Justice arising from a Toronto Police Services Financial Crime Unit investigation into Banners Broker's operations in Canada and Banners Broker principals Smith and Dixit.

22. Several months later, on February 24, 2015, search warrants were executed at the properties of Smith and Dixit, including personal automobiles, residences and places of business.

23. On December 9, 2015, Dixit and Smith were arrested in Toronto and charged with violations of the *Criminal Code*, R.S.C. 1985, c. C-46, as amended ("**Criminal Code**") and the *Competition Act*, R.S.C. 1985, c. C-34, as amended ("**Competition Act**"). More specifically, they were charged under the Criminal Code with (i) defrauding the public over \$5,000; (ii) possession of proceeds of crime; and (iii) laundering proceeds of crime. They were also both charged under the Competition Act with (i) operating a pyramid scheme; and (ii) making false or misleading statements.

24. The Receiver attended to monitor a "show cause" hearing held immediately after Dixit and Smith were arrested and charged. The accused were released on bail. The show cause hearing is otherwise subject to a publication ban.

25. On April 27, 2017, Smith and Dixit pleaded guilty to operating a pyramid scheme under the Competition Act. The two principals have received conditional sentences whereby they will serve two years less a day in the community and will be required to pay a \$50,000 fine within two years.

**B. Dixit and Schlacht's Co-Operation with the Receiver**

26. As detailed in the Receiver's Ninth Report, on May 31, 2016, the Receiver obtained the *Mareva* Order against, among other defendants, Dixit.

27. After being served with the *Mareva* Order, Dixit, through his counsel, worked cooperatively with the Receiver to ensure compliance with the *Mareva* Order. Dixit provided the Receiver with copies of his bank accounts statements for the accounts frozen by the *Mareva* Order and provided the Receiver with a sworn declaration of assets. At the request of the Receiver, Dixit also produced records sufficient for the Receiver to consider whether to agree to an "ordinary living expenses" carve out to the *Mareva* Order.

28. As a result of Dixit's cooperation with the Receiver, and by agreement signed September 14, 2016, the Receiver and Dixit settled, among other things, the *Mareva* Order, and the litigation commenced by the Receiver against, among other defendants, Dixit, Dixit Holdings and Dixit Consortium ("**Dixit Settlement Agreement**").

29. Pursuant to the terms of the Dixit Settlement Agreement, Dixit turned over several items of personal property to the Receiver including home furnishings and high end liquor bottles that the Receiver had asserted were purchased with Banners Broker funds. These assets were sold by the Receiver resulting in a realization of approximately \$5,950 for the benefit of the BBIL receivership estate. Dixit has also turned over some jewelry that the Receiver also intends to sell.

30. Additionally, Dixit met with the Receiver and its counsel for two full days in late September, 2016. The purpose of these meetings was for Dixit to make full and complete disclosure of everything that he knew about Banners Broker. Although the

contents of the discussions are subject to confidentiality terms, the Receiver believes that Dixit made full disclosure in respect of the matters discussed. Since that time, Dixit has continued to cooperate with the Receiver and to assist the Receiver in its efforts to investigate, locate, and realize upon residual Banners Broker and Stellar Point assets.

31. Dixit's wife, Stephanie Schlacht, has also cooperated with the Receiver. The Receiver does not anticipate advancing any claims as against Ms. Schlacht at this time.

**C. Receiver's Pursuit of Outstanding Undertakings from and Inquiries of Smith**

32. The Receiver continues to pursue outstanding undertakings from Smith.

33. To date, Smith has provided the Receiver with a total of 244 undertakings (collectively, the "**Smith Undertakings**"). Approximately 50 of these undertakings, many of them requiring significant work, remain outstanding.

34. The Smith Undertakings relate primarily to: (a) unexplained pre-receivership payments made to non-Banners Broker related parties, which payments are the subject of litigation brought by the Receiver; and (b) post-receivership transfers made by Smith to Banners Broker-related entities that are subject to the Receiver's investigatory powers.

35. Certain of the Smith Undertakings also include requests for the production of banking records. One undertaking in this regard has been outstanding for more than two years, despite regular follow up. The particular undertaking involves the production of banking records for an entity controlled by Smith, 2341619 Canada Corporation, that

received a significant sum of Banners Broker funds during the January 2013 to January 2014 period.

36. The Receiver has been advised by Smith's counsel that the delay in responding to undertakings is a result of Smith prioritizing negotiations with the Crown in respect of the parallel criminal proceedings. Now that the criminal proceedings appear to be resolved, the Receiver expects that Smith will focus on providing complete answers to his remaining undertakings.

**D. Josun's Non-Compliance with *Mareva* Order**

37. As further detailed in the Receiver's Seventh and Eighth Reports, Banners Broker principal Josun was subject to the *Mareva* Order.

38. Although Josun was made aware of the requirements of the *Mareva* Order on June 2, 2016, he made no effort to comply. Commencing on the evening of June 2, 2016, there is evidence that Josun transferred, removed and otherwise dissipated at least \$50,000 in assets held by him in contravention of the *Mareva* Order. The largest recipient of these funds was his daughter, Tara Reeves ("**Reeves**"). (It is Reeves' evidence that she did not know of the *Mareva* order at the time.)

39. More particularly, after learning of the *Mareva* Order on the morning of June 2, 2016, and receiving a copy of the order by email later that day, Josun e-transferred \$2,350 to Reeves.

40. The next day, on June 3, 2016, Josun purchased a \$6,500 bank draft in Reeves's name, which was deposited by Reeves into a bank account with TD Bank.

41. Based on the nature and timing of these transfers, the Receiver believes that the transfers to Reeves were made with the intent of defying the *Mareva* Order.

42. Other significant payments made by Josun after he learned of the *Mareva* Order include:

- (a) \$13,000 in credit card payments;
- (b) \$10,582 in cash withdrawals and advances;
- (c) \$5,000 bank draft made out to GM Financial;
- (d) \$3,189 in hotel charges;
- (e) \$1,664 in loan payments;
- (f) \$2,920 for travel; and
- (g) \$915 in OLG Slots Cash Advance.

43. In addition to making transfers from his bank account in violation of the *Mareva* Order, Josun failed to comply with the *Mareva* Order by not providing the Receiver with a sworn statement of the nature, value and location of his assets worldwide.

44. On December 15, 2016, in view of Josun's non-compliance with the *Mareva* Order, the Receiver sought and obtained an order freezing two bank accounts into which Reeves had deposited payments from her father ("**Freezing Order**").

45. Five days later, on December 20, 2016, the Receiver and Reeves returned to court for the comeback hearing in respect of the Freezing Order. The Honourable Mr. Justice Newould continued the Freezing Order pending further order of the Court ("**Continuation Order**").



46. On December 22, 2016, counsel for the Receiver returned to Court to address the issue of ordinary living expense carve-outs to the Freezing Order. Counsel advised the Court that the carve out issue had been settled as between the Receiver and Reeves directly. Such resolution was noted in the Court's endorsement made that day.

47. In connection with the Freezing Order, Reeves submitted to an examination under oath by the Receiver regarding the contents of the Ninth Report. (Reeves had earlier been examined by the Receiver regarding her role in and knowledge of the Banners Broker business more generally).

48. During her examination Reeves provided four undertakings, two of which involved the production of additional banking records. The Receiver pursued these undertakings. The undertakings were answered approximately a month after Reeves's examination. The Receiver continues to review and assess financial information provided by Reeves in response to her undertakings.

#### **E. Claims Commenced Against Third Parties**

49. In August 2016, the Receiver commenced five actions against 18 individual and corporate defendants. In aggregate, the defendants appear to have received about US\$4 million from the Banners Broker business. Notably, the defendants are not employees of, or recognizable service contractors to, Banners Broker. The defendants all appear, however, to have received significant sums of Banners Broker funds without adequate documentation, appropriate accounting, or any apparent business purpose.

50. The particulars of each action are further described in the following paragraphs of this report. It is important to note that the proceedings remain at an early stage and the allegations pleaded in the statements of claim and defences are not proven.

*i. Banners Broker International Limited v. Araya et al*, Court File No. 16-11495-00CL (“**Best Action**”)

51. The Receiver commenced a claim against Francis Best (“**Best**”), Paulos Araya (“**Araya**”), 2350842 Ontario Limited (o/a Commtrade Services), 2196898 Ontario Limited, 2251586 Ontario Inc. and Bella Moda Inc. (collectively, the “**Best Defendants**”) for conversion, breach of contract, and an accounting/tracing of the more than \$1 million received by the Best Defendants. Attached as **Appendix “A”** is a copy of the statement of claim in the Best Action.

52. As further detailed in the statement of claim, it is the Receiver’s position that between January 2013 and November 2014, Best and Araya, and/or the companies controlled by them, improperly received over a million dollars in Banners Broker funds. Of the \$1 million dollars transferred to the Best Defendants, USD\$330,421 was transferred subsequent to the Receiver’s appointment and without the Receiver’s knowledge.

53. Best and his counsel met with the Receiver to discuss the Best Defendants’ role in the Banners Broker business on December 1, 2016. The meeting was conducted on a without prejudice basis.

54. The Best Defendants have as yet to deliver a statement of defence in the Best Action and they are in default of their obligation to do so. The Receiver will accordingly proceed to note default.

ii. *Banners Broker International Limited v. World eWallet Inc. et al*, Court File No. CV-16-11496-00CL (“**World eWallet Action**”)

55. An action was commenced against World eWallet Inc., Commercial Bridge Group, My Finance Dept. Inc., Michael Kraemer (“**Kraemer**”) and Andreas Geladaris (collectively, the “**World eWallet Defendants**”) for breach of contract, negligence, conversion and unjust enrichment. The total damages claimed by the Receiver against the World eWallet Defendants are \$847,304. A copy of the statement of claim in the World eWallet Action is attached as **Appendix “B”**.

56. The facts underlying this claim relate to Banners Broker’s attempts to develop their own “in-house” electronic payment processing solution. The payment processor was apparently to be called “World eWallet”. Development efforts in respect of World eWallet were undertaken by a loosely-connected joint venture of corporate entities including the defendants World eWallet Inc., Commercial Bridge Group, and 2389711 Ontario Corporation, a corporation owned and controlled by Smith.

57. Kraemer was the owner and principal of World eWallet Inc. and Commercial Bridge Group and acted as the president and chief executive officer of the World eWallet enterprise. Kraemer was named personally because there is evidence he received a loan from Parrot Marketing that remains unpaid.

58. Kraemer filed a statement of defence and has denied any liability. The balance of the defendants have retained counsel and have undertaken to defend shortly. Attached as **Appendix “C”** is a copy of Kraemer’s statement of defence.

iii. *Banners Broker International Limited v. Glenroy Browne Funkional Fitness Inc. et al*, Court File No. CV-16-11497-00CL ("**Glenroy Browne Action**")

59. The Receiver commenced a claim against Glenroy Browne Funkional Fitness and Glenroy Browne ("**Browne**") for disgorgement and restitution of monies unlawfully received or profits unlawfully derived from BBIL funds. Attached as **Appendix "D"** is a copy of the statement of claim in the Glenroy Browne Action.

60. Glenroy Browne Funkional Fitness at one time operated a mixed martial arts gymnasium in Oshawa, Ontario. The gym was launched with startup capital advanced by Dixit and Smith through several Banners Broker companies over which the Receiver has investigatory authority. The funds were ostensibly advanced to Glenroy Browne Funkional Fitness as a business loan in exchange for a promissory note. The investment was poorly documented and no monies were ever repaid or accounted for.

61. The defendants to the Glenroy Browne Action were granted a waiver of defence in order to facilitate settlement discussions. Browne, acting in person, has been cooperating with the Receiver to resolve the matter. On February 8, 2017, he met with counsel for the Receiver to answer questions and discuss the claims. Settlement discussions are ongoing.

iv. *Banners Broker International Limited v. DonRiver Inc.*, Court File No. CV-16-11498-00CL ("**DonRiver Action**")

62. The Receiver also commenced a claim against DonRiver Inc. ("**DonRiver**") for USD\$1,375,429 in damages for breach of contract. Attached as **Appendix "E"** is a copy of the statement of claim in the DonRiver Action.

63. As indicated, Banners Broker management determined to create its own in-house payment processor. To that end, they engaged DonRiver to develop the

necessary software for an online payment processor through which Banners Broker affiliates could invest in Banners Broker.

64. Although Banners Broker retained DonRiver and paid the company more than USD\$1.3 million to develop software for World eWallet, the business relationship is otherwise unclear. The relevant invoicing raises questions as to what exactly was provided by DonRiver. The Receiver has not been able to understand or account for many aspects of the business relationship.

65. DonRiver delivered a statement of defence on March 17, 2017, denying any liability to the Receiver. Attached as **Appendix “F”** is a copy of DonRiver’s statement of defence.

66. The Receiver sought and obtained relevant documentary production from Don River in March and April 2017. The information obtained is under review by the Receiver and counsel. The Receiver will re-assess the merits of the claim with the benefit of this discovery.

v. *Banners Broker International Limited et al v. 1587803 Ontario Limited o/a Aramor et al*, Court File No. CV-16-11499-00CL (“**Aramor Action**”)

67. The Receiver commenced a claim against payment processor “solutions company” 1587803 Ontario Limited (o/a Aramor), 2319636 Ontario Inc., Maxwell Morgan and 2338119 Ontario Inc. for USD\$372,249 in damages for, among other causes of action, conversion and negligent misrepresentation. An accounting and restitutionary relief was also sought. Attached as **Appendix “G”** is a copy of the statement of claim in the Aramor Action.

68. The defendants in the Aramor Action served the Receiver with a statement of defence in mid-March 2017, denying any liability. The statement of defence is under review and the action remains at the pleadings stage. Attached as **Appendix “H”** is a copy of the statement of defence in the Aramor Action.

#### **F. Interviews and Examinations of Key Witnesses**

69. The Receiver continues to meet with and examine witnesses believed to have material information regarding the Banners Broker enterprise. In certain case the examinations are conducted under oath before an Official Examiner. In other case the decision is made to begin less formally, with a meeting or series of meetings that proceed as interviews, with or without counsel present.

70. On November 13, 2016, the Receiver attended meetings in London, England with the Joint Liquidators. The primary purpose of the meeting was to prepare for the court officers' attendance in the Isle of Man Court for the November 14 motion to transition certain insolvency administration functions from the Isle of Man to Canada. However, the attendance in London was also used to obtain relevant evidence from Committee of Inspection Member Ian Driscoll (“**Driscoll**”), a former Banners Broker reseller, and Lyndon Farrington (“**Farrington**”), a former Banners Broker super affiliate. These meetings were productive with both Driscoll and Farrington turning over records to the Receiver and, as well, agreeing to provide affidavit evidence as may be requested. Their evidence is particularly relevant to the activities of the Banners Broker principals while they worked and travelled in Europe.

71. On January 26, 2017, the Receiver examined Brea Hardowa (“**Hardowa**”), former executive assistant to Smith and office manager of the Banners Broker associated corporation, Parrot Marketing. Hardowa attended the examination without counsel. The examination could not be completed on that day and was adjourned to early March, 2017.

72. Hardowa re-attended to continue her examination, with counsel, at the offices of the lawyers for the Receiver on March 2, 2017. Her examination was completed on that day, subject to the delivery of certain answers to undertakings provided by Hardowa during her examination.

73. One of the consequences of the commencement of the litigation discussed earlier in this report is that certain persons having knowledge of Banners Broker’s business and affairs will likely be examined in a discovery context, as opposed to examinations and interviews outside of such proceeding.

74. There are three former Banners Broker employees, including an Office Manager and a bookkeeper, who the Receiver has attempted to contact for the purposes of determining whether a formal examination under oath is something that could potentially add value to the estate. Efforts in this regard continue.

#### **G. Receiver’s Flow of Funds Analysis**

75. The Receiver, with the Joint Liquidators, has prepared and continues to update a detailed accounting or “Flow of Funds Analysis” sufficient to understand how global affiliate contributions to the Banners Broker enterprise were received and disbursed over the period of Banners Broker’s operations (“**Flow of Funds Analysis**”).

76. The Flow of Funds Analysis provides a best estimate of total funds received from creditors, together with information on how such funds were utilized by Banners Broker entities and their principals.

77. The Flow of Funds Analysis has been the subject of multiple reports to the Court in the course of these proceeding.

78. Since the last submission of the analysis on March 31, 2016, the Receiver has been provided with additional banking information that the Receiver is in the process of incorporating into the Flow of Funds Analysis including but not limited to:

- (a) additional banking records from BBIL principals;
- (b) records from a third party payroll services provider;
- (c) Parrot Marketing banking records dated after the Receiver's appointment on August 22, 2014;
- (d) documents from Aramor and Maxwell Morgan;
- (e) additional documents from BBIL-affiliated entities; and
- (f) additional records from financial institutions.

79. Although the Receiver continues to update the Flow of Funds Analysis with the financial records in its possession, certain material financial documents, including 2341619 Canada Corporation's banking record, have yet to be obtained. The Receiver continues to pursue relevant financial records so as to complete a Flow of Funds Analysis.



## **H. Transition of BBIL Insolvency Responsibilities**

80. As noted above, on December 9, 2016 the Isle of Man Court granted an order providing for the transition of residual BBIL insolvency administration matters from the Isle of Man to Canada ("Transition Order"). The rationale for and details of the transition are presented in the Receiver's Ninth Report.

81. The Receiver and Joint Liquidators have cooperated in transitioning insolvency administration matters from the Isle of Man to Canada in accordance with the terms of the Transition Order. To this end, upwards of 2,500 creditor proofs of claims have been turned over to the Receiver ("**Creditor Claims**"). The Receiver is now reviewing the Creditor Claims and will provide its assessment and recommendations to the Court in the coming months.

82. The Receiver and Joint Liquidators are directing all Banners Broker creditor inquiries to the Receiver. The Receiver has responded to approximately 115 creditor inquiries between January 1, 2017 and April 30, 2017.

## **IV. Relief Sought**

### **A. Approval of Receiver's Eighth and Tenth Reports and the Receiver's Activities from September 2016 to May 2017**

83. As indicated, the Eighth Report was filed in connection with an *ex parte* motion for an order freezing bank accounts that received funds transferred in violation of the *Mareva* Order. A copy of the Eighth Report, without appendices, is attached as **Appendix "I"**.

84. The Receiver did not seek approval of the Eighth Report and the activities described therein at the time of the motion due to the *ex parte* nature of the attendance.

For the same reason, the Receiver did not provide an update on its activities at such time as the Eighth Report was put forward.

85. As the within motion is on notice to the Service List, the Receiver respectfully requests an order approving both the Eighth Report and this Tenth Report, and the Receiver's activities as described in these reports. Approval is accordingly now sought in relation to the Receiver's activities from September 1, 2016 to May 9, 2017.

**B. Approval of Receiver's Fees and Activities**

86. Pursuant to paragraph 18 of the Supplemental Order, the Receiver and its counsel are to pass their accounts from time to time. For this purpose, the accounts of the Receiver and its legal counsel are referred to a judge of the Commercial List

87. The Receiver seeks to have its fees and disbursements, including those of its legal counsel approved by the court. The Receiver and its counsel have maintained detailed records of their professional time and costs.

88. The total fees and disbursements of the Receiver for services provided during the period of September 1, 2016 to March 31, 2017 is \$191,988.75 excluding HST. Attached as **Appendix "J"** is an affidavit of Philip H. Gennis sworn May 9, 2017 ("**Gennis Affidavit**") regarding the Receiver's fees and disbursements. Copies of the Receiver's detailed time dockets for the period September 1, 2016 to March 31, 2017 are appended as exhibits to the Gennis Affidavit.

89. Cassels has acted as the Receiver's legal counsel on all matters related to these receivership proceedings. Cassels rendered its accounts to the Receiver for the period September 1, 2016 through to and including March 31, 2017 in the amount of

\$842,351.50 excluding HST. Attached as **Appendix “K”** is the affidavit of Larry Ellis sworn May 9, 2017 (“**Ellis Affidavit**”) regarding counsel’s fees and disbursements to the Receiver. Copies of the counsel’s detailed time dockets for the period September 1, 2016 to March 31, 2016 are appended as exhibits to the Ellis Affidavit.

90. The Receiver believes that the fees and disbursements of Cassels are fair and reasonable and justified in the circumstances. The Receiver has reviewed the accounts of Cassels in light of the novel, complex, broad ranging and multi-jurisdictional nature of this engagement. The Receiver is of the view that all work set out in the accounts was carried out and was necessary. The hourly rates of the lawyers at Cassels who worked on this matter are considered to be appropriate and reasonable in light of the services required, and the services were carried out by lawyers with the appropriate level of experience. The Receiver accordingly respectfully recommends approval of Cassels’ accounts by this Honourable Court.

91. A copy of the Receiver’s Interim Statement of Receipts and Disbursements, as at May 9, 2017, is attached hereto as **Appendix “L”**.

## **V. Recommendation**

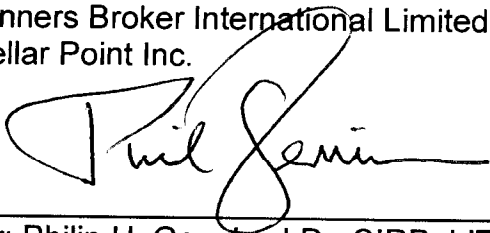
92. Based upon the foregoing, the Receiver respectfully requests that this Honourable Court issue an order:

- (a) approving the Receiver’s Eighth and Tenth Reports and the Receiver’s conduct and activities as described in those reports as well as the Receiver’s conduct and activities from September 1, 2016 to May 9, 2017;

- (b) approving the Receiver's interim statement of receipts and disbursements as at May 9, 2017;
- (c) approving the fees and disbursements of the Receiver and its counsel, Cassels, for services rendered from September 1, 2016 to March 31, 2017, as particularized in the affidavits of Phillip Gennis sworn May 9, 2017, and Larry Ellis sworn May 9, 2017.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED** this 9th day of May, 2017.

**msi Spergel inc.,**  
Court-appointed Receiver of  
Banners Broker International Limited and  
Stellar Point Inc.

A handwritten signature in black ink, appearing to read "Philip H. Gennis", written over a horizontal line.

Per: Philip H. Gennis, J.D., CIRP, LIT

**TAB L**

L. Guarini - 14

1 for Canada, from some guy in Germany. And he bought  
2 into it.

3 When we had all gone to Portugal and had  
4 the big hoopla that was going on, John Rock and Kul  
5 Josun tried to do a major takeover of Banners  
6 Broker. And what they did was they called all the  
7 big leaders who had big downlines into a private  
8 meeting there at the hotel and told them all that  
9 they were going to take this company and join it  
10 together with Banners Broker, right. And they  
11 figured that if they had all these leaders that were  
12 onboard, Kul was now going to Chris and saying, "You  
13 have no choice", right, "We are going to meld these  
14 two companies together whether you like it or not.  
15 We'll just take it over, because all these people  
16 will just follow us."

17 39. Q. Yes.

18 A. And there was a big hoopla there  
19 where Chris was being threatened or blackmailed.  
20 And I can't remember the guy's name, but it was an  
21 Indian fellow from the U.K., at the time. This is  
22 where you will see Kul Josun and Chris split, okay.  
23 Whereas Chris said, basically, "I'm the principal  
24 owner of BB", and they booted Kul Josun out. Online  
25 they put down, "We wish him well. He's going in a

L. Guarini - 16

1 and everything else. And we went to Ottawa  
2 together. We went to some places...we went to  
3 Florida together. Like, a good guy. A good-hearted  
4 guy, very charming. But I don't understand why he  
5 did what he did. Because the way the company was  
6 growing and everything was going well, I am sure  
7 that the company was making profits and why would  
8 you basically try to screw things up. And  
9 unfortunate, that's what happened in Portugal, of  
10 whichever time it was. I am not really good with  
11 dates, guys, okay, but I will do the best that I  
12 can.

13 45. Q. So, just, let's talk about Josun a  
14 bit more, because...I mean, we are at the point  
15 where he leaves Banners Broker.

16 A. Sure.

17 46. Q. So, when you went to Portugal, what  
18 was your responsibility? What were you doing at  
19 Banners Broker? Was it still customer support?

20 A. Yes, customer support. I mean, they  
21 brought me along, that I didn't really need to be  
22 there. But they brought me along and that was  
23 awesome, I mean, it was great. But basically, I was  
24 always there helping anybody, everybody that needed  
25 help or needed any type of support.

L. Guarini - 15

1 different direction, wish him well", whatever.

2 And so, I mean, I saw some crap going on,  
3 but from what I saw, I didn't understand why Kul  
4 would do that. Kul was travelling to Europe, he was  
5 going everywhere. Then, and I can't prove it, but  
6 through hearsay and hearsay from Raj Dixit and even  
7 Chris, that Kul made off with \$3 or \$4 million of  
8 the company's money. I can't prove it, but I...

9 40. Q. Okay, I just want to stop there.  
10 The Portugal convention was in July of 2012.

11 A. Okay.

12 41. Q. Because we know when it was.

13 A. Okay.

14 42. Q. So, that's when Josun left or was  
15 fired?

16 A. Yes.

17 43. Q. Now, were you personally part of the  
18 decision to fire Josun?

19 A. No, I had no authorities or...I had  
20 no authorities at all.

21 44. Q. How well did you know Josun prior to  
22 that?

23 A. Well, I had only met Kul from the  
24 office when I first had gone to the office. He  
25 seemed like a really good guy. You know, nice guy

L. Guarini - 17

1 47. Q. So, you were working with Josun  
2 then, before he was fired? Did you deal with him on  
3 a day-to-day basis?

4 A. No, because Kul was always...at that  
5 time, at the beginning, Kul came with me to Ottawa,  
6 we went to Ottawa. We went to New York together.  
7 We went to Florida together.

8 48. Q. Anywhere else?

9 A. And I think Vancouver.

10 49. Q. Vancouver. Anywhere else you guys  
11 travelled together?

12 A. Not to the best of my knowledge, no.  
13 Okay, and then Kul started going to Europe. So, I  
14 didn't really see Kul unless he had come back from  
15 Europe. Once in a while, I would see Kul.

16 50. Q. Did you ever go to his house?

17 A. No.

18 51. Q. Or meet his family?

19 A. Never. In Portugal, I knew he had  
20 two sisters, but...and his daughter.

21 52. Q. Tara?

22 A. Yes, and his son, in Portugal.

23 53. Q. Okay.

24 A. Nice kids.

25 54. Q. You didn't meet them before

**TAB M**

S. R. Schlacht - 90

- 1 A. No. I didn't deal with any banks.  
 2 527. Q. So, who...I mean you were there for  
 3 two...almost two years. Do you know who dealt with  
 4 banks at Stellar Point?  
 5 A. The only bank account I had  
 6 knowledge was the CIBC Stellar Point account. Any  
 7 other accounts I don't have any knowledge about.  
 8 528. Q. Did you know that there were other  
 9 accounts apart from the CIBC bank account?  
 10 A. Are you talking about  
 11 Banners...Chris Smith and Banners Broker  
 12 International? Are you talking about Stellar Point?  
 13 529. Q. Well let's start with Stellar Point?  
 14 A. No.  
 15 530. Q. What about Banners Broker  
 16 International?  
 17 A. I know Chris...through word...you  
 18 know people talk...I know that he had some offshore  
 19 accounts, but I wouldn't be able to tell you which  
 20 bank or...actually I do know one.  
 21 531. Q. Tell me about that.  
 22 A. The one that's in Isle of Man but  
 23 that's just because it's public knowledge.  
 24 532. Q. Right. So, in terms of Stellar  
 25 Point, you are aware of an account at CIBC, correct?

S. R. Schlacht - 91

- 1 A. That's the only one that I'm aware  
 2 of.  
 3 533. Q. So, just to be clear, at no point...  
 4 A. You guys snooped my Facebook, eh?  
 5 534. Q. So, apart from the CIBC...  
 6 A. Hold on...  
 7 535. Q. Yes, we'll get to...  
 8 A. Sorry.  
 9 536. Q. ...we may or may not get to that  
 10 Stephanie. We may or may not get to that after.  
 11 A. Crazy. I'm gonna take myself off  
 12 Facebook. Sorry, go on.  
 13 537. Q. Just to be completely clear, you  
 14 weren't aware of Stellar Point having any...  
 15 A. No.  
 16 538. Q. ...offshore bank accounts?  
 17 A. No, just the CIBC one as I stated  
 18 three times.  
 19 539. Q. How about Mr. Josun?  
 20 A. Honestly I didn't know anything  
 21 about his banking. I know he...through heresay, but  
 22 I didn't deal with it directly.  
 23 540. Q. Right.  
 24 A. I know he had an offshore in  
 25 Switzerland or something.

S. R. Schlacht - 92

- 1 541. Q. Right.  
 2 A. But I never had access to it, never  
 3 knew details.  
 4 542. Q. So, just while we are on that point,  
 5 because you'll appreciate it's an important point  
 6 from a Receiver's perspective.  
 7 A. No, I know.  
 8 543. Q. It has nothing to do with you.  
 9 A. No, I know.  
 10 544. Q. It does have to do with Mr. Josun.  
 11 What did you hear about the account in Switzerland?  
 12 A. I just heard that...when he  
 13 separated ways that he took off with three, four  
 14 million dollars.  
 15 545. Q. Okay. And who did you hear that  
 16 from?  
 17 A. I can't remember. It wasn't an  
 18 executive or anything. It was just an employee, I  
 19 don't remember though.  
 20 546. Q. Like when...it's pretty big news.  
 21 Because it was your former boss, right. You would  
 22 probably remember...  
 23 A. It was probably...  
 24 547. Q. ...how you heard?  
 25 A. It was probably around the time just

S. R. Schlacht - 93

- 1 right after Portugal.  
 2 548. Q. Okay, but you don't recall anything  
 3 more about...  
 4 A. No.  
 5 549. Q. ...learning that he may have had an  
 6 account in Switzerland with three or four million  
 7 dollars? In terms of who or when, or how?  
 8 A. I didn't really ask any questions.  
 9 550. Q. But you were surprised?  
 10 A. A little bit, yes. That's a lot of  
 11 money.  
 12 551. Q. Okay. And when was the last time  
 13 that you spoke with Mr. Josun?  
 14 A. Ah, the last...  
 15 552. Q. Or had any contact with him of any  
 16 kind?  
 17 A. It would have been in Portugal.  
 18 553. Q. Okay. And how about Christopher  
 19 Smith. When was the last time you had any contact  
 20 with him of any kind?  
 21 A. Probably in August 2013, when I was  
 22 let go.  
 23 554. Q. And how about Mary Febbrini?  
 24 A. I don't have any contact with her,  
 25 probably since my...well she had my personal taxes



**TAB N**



To: File – AABBI-R – Banners Broker International Limited (“**BBIL**”)  
From: Gillian Goldblatt  
Date: July 28, 2017  
Re: Josun Flow of Funds Analysis

---

## I. Introduction

1. The purpose of this memo is to detail the various monies received by Kuldip Josun (“**Josun**”) from entities and individuals associated with Banners Broker.
2. This memo is submitted with the Receiver’s Eleventh Report to Court, dated July 28, 2017, and has been produced using financial information received from Banners Broker<sup>1</sup> principals, financial institutions, and other third parties. This memo should be read in conjunction with prior reports to court of msi Spergel inc., in its capacity as court-appointed receiver (“**Receiver**”) of Banners Broker International Limited and Stellar Point Inc. (“**Stellar Point**”).
3. All amounts are in U.S. dollars and have been converted from Canadian dollars or Pound Sterling using the Bank of Canada’s daily noon rate on the day of each transaction when transactional history was provided, or otherwise the yearly average.<sup>2</sup>
4. The Receiver has reviewed a voluminous amount of records in arriving at the conclusions set out in this report. There are over 1,000 transactions that support the Josun Flow of Funds Analysis and hundreds of pages of documents. While that transaction listing and the documents have not been included with this report, they are in the Receiver’s possession and can be made available at the request of the Court.

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<sup>1</sup> Capitalized terms not otherwise described here in shall have the meaning ascribed to them in the Eleventh Report.

<sup>2</sup> Amounts have been converted to U.S. dollars because the majority of the Banners Broker online collections were in U.S. dollars.

## II. Overview

5. Based on the records produced to the Receiver to date, the Receiver has determined that Josun has received at least USD\$6,070,790 in Banners Broker affiliate funds. These funds include money Josun received directly from resellers or Banners Broker affiliates, funds transferred to Josun from payment processors, and funds transferred to Josun from Banners Broker entities.
6. The Receiver notes that the total amount of Banners Broker affiliate funds received by Josun is likely higher than USD\$6,070,790, although the total amount is unknown to the Receiver. The Receiver can only determine the minimum amount received by Josun because Josun has failed to provide any documentation to the Receiver in accordance with the Supplemental Order, Further Supplemental Order and Stellar Point Receivership Order, including banking records for the Swiss Account (defined below).

## III. Funds from Resellers and Affiliates: USD\$5,904,697

### A. *Banners Broker UK ("BBUK"):* USD\$2,256,388.96

7. According to the additional banking records produced to the Receiver from BBUK, the Banners Broker reseller in the U.K., BBUK wired US\$2,256,388.96 to a Swiss bank account held by World Web Media Inc. ("**Swiss Account**"), an entity controlled by Josun. BBUK transferred funds to the Swiss Account at the sole direction of Josun. Attached has **Appendix "1"** is a summary of the transfers from the BBUK bank account to the Swiss Account from November 4, 2011 to February 7, 2012.

### B. *Cash Collections:* USD\$3,468,308

8. In addition to the transfers to the Swiss Account from BBUK, Josun received USD\$3,468,308 in cash directly from affiliates or resellers.
9. Banners Broker maintained funding logs wherein Banners Broker resellers and Josun would send Banners Broker employees in Toronto excel logs of all cash received by Banners Broker representatives at meetings with resellers and affiliates ("**Funding Logs**"). As noted in the Eleventh



Report, Josun was the primary spokesperson for Banners Broker and therefore was the primary recipient of this cash.

10. In essence Josun, or Banners Broker resellers at his direction, would receive cash from affiliates at meetings abroad. After receiving the cash, Josun, or Banners Broker employees or resellers, at his direction, would report to the Banners Broker office in Toronto the total amount of cash collected and the affiliates from whom it was collected so that the amounts could be credited to the affiliate's Banners Broker account.
11. Based on the Receiver's review of the Funding Logs and its discussions with former Banners Broker employees, the Receiver has identified those transactions in the Funding Logs that indicate funds received by Josun. The Receiver has attributed all transactions that list Josun's name next to the transaction as funds received by Josun.
12. The Receiver has also attributed all line items noted as "Dixit" to Josun as well. The Receiver determined that these entries evidence funds received by Josun based on its discussions with former Banners Broker employees. These employees have advised the Receiver that Dixit always attended affiliate meetings with Josun, and therefore Josun would have overseen these cash collections as well.
13. The Receiver has attempted to trace a sample of 25 transactions listed in the BBUK bank statements, to those entries in the Funding Logs associated with Josun and Dixit. However, the Receiver was unable to do so. Accordingly, the Receiver has determined that these amounts are mutually exclusive of one another.

**IV. PAYMENT PROCESSORS: USD\$66,823**

**A. Vector Card Services: USD\$50,950**

14. Vector Card Services provided Banners Broker with a debit card service that Banners Broker used to fund payouts to affiliates and employee expenses, as well as provided prepaid Vector Mastercards to employees and the principals of Banners Broker. Banners Broker would transfer funds to an

individual affiliate's Vector Debit Card to effect a payout from the affiliate's Banners Broker -wallet, or to a Prepaid Vector Mastercard to reimburse employees for business expenses.

15. Based on the Receiver's review of records from Vector Card Services, USD\$50,950 was loaded on Prepaid Vector Mastercards for Josun.

*B. G Cube Media LLC ("G Cube"): USD\$15,873*

16. G Cube was the U.S. reseller for Banners Broker, and a Banners Broker payment processor, that collected and disbursed payments to affiliates in the U.S. The G Cube bank statements indicate that G Cube disbursed USD\$15,873 to Josun.

**V. Banners Broker Entities: USD\$95,924**

*A. Stellar Point*

17. Based on the Receiver's review of Stellar Point's bank records received to date, the Receiver has determined that Stellar Point transferred USD\$79,247 to Josun.

*B. Local Management Services ("LMS")*

18. The Receiver has determined that LMS sent Josun USD\$16,677.

**VI. Conclusion**

19. Based on the above amounts identified by the Receiver through its review of the various financial information it has gathered over the course of its mandate, the Receiver has determined that Josun received at least \$6,070,790 over the course of his tenure with Banners Broker.



Table 1. The mean (SD) age, height, weight, and body mass index (BMI) of the 100 children in the study

Measure	Mean (SD)
Age (years)	10.2 (0.5)
Height (cm)	145.2 (10.1)
Weight (kg)	38.5 (10.2)
BMI (kg m <sup>-2</sup> )	18.6 (3.2)

the children were asked to perform a series of 10 trials of the task. The first trial was a practice trial and the remaining 9 trials were recorded. The mean of the last 9 trials was used for analysis. The children were then asked to perform the task again, this time with their eyes closed. The same procedure was followed for the eyes closed condition.

The children were then asked to perform the task again, this time with their eyes open and their feet on the ground. The same procedure was followed for the eyes open condition. The children were then asked to perform the task again, this time with their eyes closed and their feet on the ground. The same procedure was followed for the eyes closed condition.

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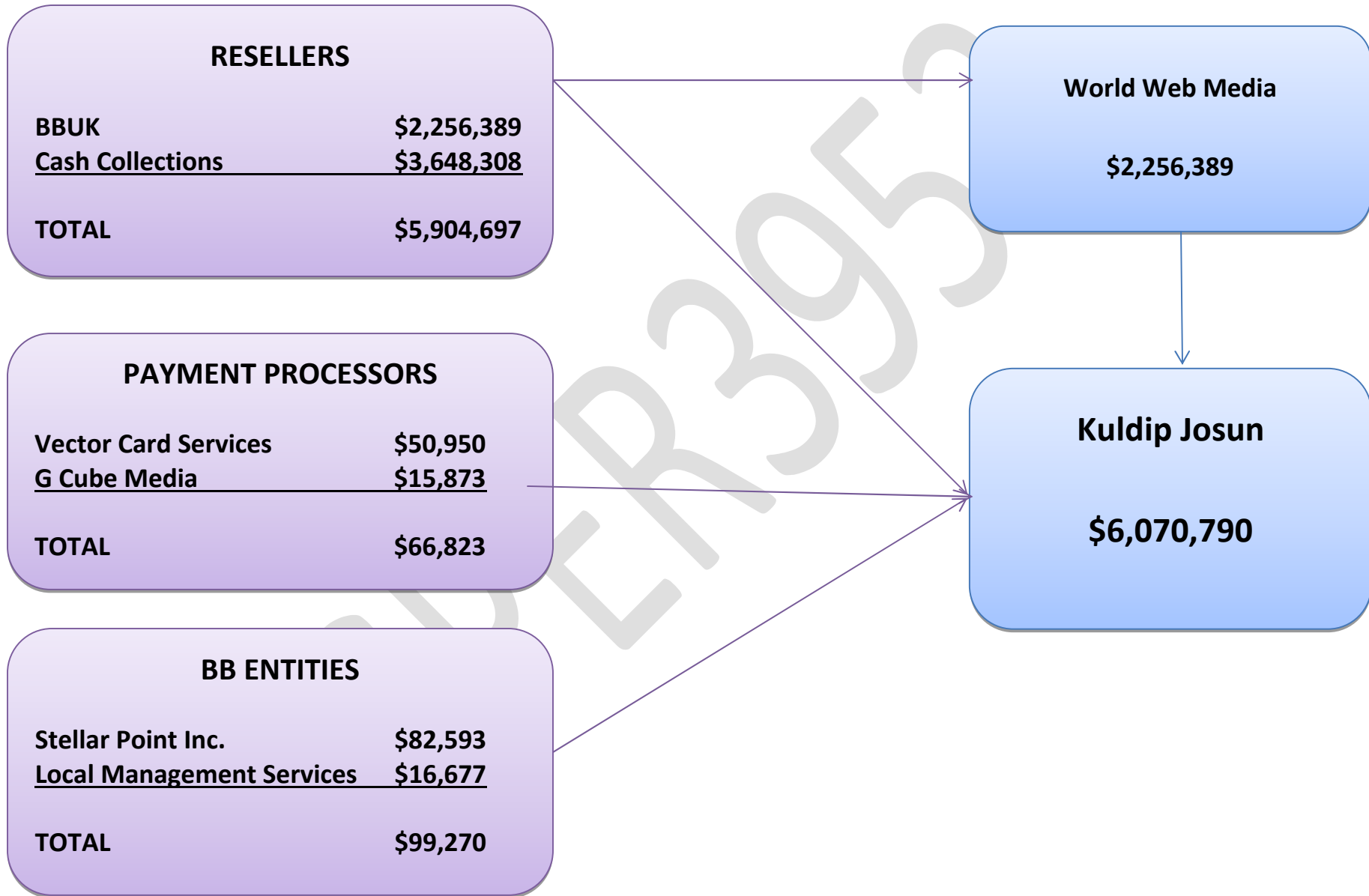
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### KULDIP JOSUN –FLOW OF FUNDS ANALYSIS



\*all funds are in USD

Table 1. The mean (SD) age, height, weight, and body mass index (BMI) of the participants in the study

Measure	Mean (SD)
Age (years)	12.5 (0.5)
Height (cm)	152.5 (6.5)
Weight (kg)	45.5 (10.5)
BMI (kg m <sup>-2</sup> )	19.5 (3.5)

the study. The mean (SD) age, height, weight, and BMI of the participants in the study are shown in Table 1. The participants were divided into two groups based on their BMI. The first group was the 'normal weight' group, and the second group was the 'overweight' group. The normal weight group had a mean BMI of 19.5 (SD 3.5), and the overweight group had a mean BMI of 25.5 (SD 3.5).

The participants were recruited from a local primary school. The school was contacted by the researchers, and the parents of the children were informed of the study. The parents gave their consent for their children to participate in the study. The children also gave their assent to participate in the study.

The study was approved by the local research ethics committee. The participants were given a verbal explanation of the study and were asked to sign a consent form. The consent form was signed by the parents of the children and by the children themselves.

The participants were then divided into two groups based on their BMI. The first group was the 'normal weight' group, and the second group was the 'overweight' group. The normal weight group had a mean BMI of 19.5 (SD 3.5), and the overweight group had a mean BMI of 25.5 (SD 3.5).

The participants were then asked to perform a series of physical activity tasks. The tasks were designed to measure the participants' physical activity levels. The tasks were performed over a period of 10 minutes.

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**APPENDIX “1”****Transfers from Banners Broker UK to World Web Media**

<b>Account</b>	<b>Date Transaction</b>	<b>Payment/USD</b>	<b>Payee/Recipient</b>
██████████	November 4, 2011	\$465,246.00	World Web Media
██████████	November 15, 2011	\$158,323.94	World Web Media
██████████	November 21, 2011	\$103,880.09	World Web Media
██████████	November 30, 2011	\$165,554.50	World Web Media
██████████	December 5, 2011	\$235,523.47	World Web Media
██████████	December 13, 2011	\$273,439.81	World Web Media
██████████	December 20, 2011	\$235,496.51	World Web Media
██████████	January 16, 2012	\$111,876.01	World Web Media
██████████	January 30, 2012	\$290,106.34	World Web Media
██████████	February 7, 2012	\$216,942.29	World Web Media

**TAB O**

Court File No.

CV-10-11413-0002

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

THE HONOURABLE MR )  
JUSTICE NEWBOLD )

TUESDAY, THE  
31st DAY OF MAY, 2016

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants

**ORDER****(Mareva Injunction)****NOTICE**

If you, the Defendant, disobey this order you may be held to be in contempt of court and may be imprisoned, fined or have your assets seized. You are entitled to apply on at least twenty-four (24) hours notice to the Plaintiff, for an order granting you sufficient funds for ordinary living expenses and legal advice and representation.

Any other person who knows of this order and does anything which helps or permits the Defendant to breach the terms of this Order may also be held to be in contempt of court and may be imprisoned, fined or have their assets seized.

**THIS MOTION**, made without notice by the Plaintiff, msi Spergel inc. ("**Spergel**") in its capacity as receiver (in such capacity, the "**Receiver**") of Banners Broker International Limited ("**BBIL**") and Stellar Point Inc. ("**Stellar Point**"), for an interim Order in the form of a *Mareva* injunction restraining the defendants, Rajiv Dixit ("**Dixit**"), Dreamscape Ventures Limited

("Dreamscape"), Dixit Consortium Inc. ("**Dixit Consortium**"), Dixit Holdings Inc. ("**Dixit Holdings**") and collectively referred to herein with Dixit, Dixit Consortium and Dreamscape as the "**Dixit Defendants**") and Kuldip Josun ("**Josun**"), from dissipating their assets and other relief, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the plaintiff, on hearing the submissions of counsel for the plaintiff, and on noting the undertaking of the plaintiff to abide by any Order this Court may make concerning damages arising from the granting and enforcement of this Order:

### **Mareva Injunction**

1. **THIS COURT ORDERS** that Josun and the Dixit Defendants, and their servants, employees, agents, assigns, officers, directors and anyone else acting on their behalf or in conjunction with them, or any of them, and any and all persons with notice of this injunction, are restrained from directly or indirectly, by any means whatsoever:

- (a) selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with any assets of Josun or the Dixit Defendants, wherever situated, including but not limited to the assets and accounts listed in **Schedule "A"** hereto;
- (b) instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
- (c) facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

2. **THIS COURT ORDERS** that paragraph 1 applies to all of Josun's and the Dixit Defendants' assets whether or not they are in their own name and whether they are solely or

jointly owned. For the purpose of this order, the assets of Josun and the Dixit Defendants include any asset which Josun or the Dixit Defendants, or any of them, have the power, directly or indirectly, to dispose of or deal with as if it were their own. Josun and the Dixit Defendants, or any of them, are to be regarded as having such power if a third party holds or controls the assets in accordance with the direct or indirect instructions of any of Josun or the Dixit Defendants.

### **Ordinary Living Expenses**

3. **THIS COURT ORDERS** that Josun and the Dixit Defendants, or any of them, may apply for an order, on at least twenty-four (24) hours notice to the plaintiff, specifying the amount of funds which Josun or the Dixit Defendants, or any of them, are entitled to spend on ordinary living expenses and legal advice and representation.

### **Disclosure of Information**

4. **THIS COURT ORDERS** that each of Josun and the Dixit Defendants prepare and provide to the Plaintiff within 30 days of the date of service of this Order, a sworn statement describing the nature, value, and location of their assets worldwide, whether in their own name or not and whether solely or jointly owned.

5. **THIS COURT ORDERS** that if the provision of any of this information is likely to incriminate Josun or the Dixit Defendants, or any of them, they may be entitled to refuse to provide it, but are recommended to take legal advice before refusing to provide the information. Wrongful refusal to provide the information referred to in paragraph 4 herein is contempt of court and may render Josun or the Dixit Defendants, or any of them, liable to be imprisoned, fined, or have their assets seized.

**Third Parties**

6. **THIS COURT ORDERS** Canadian Imperial Bank of Commerce ("**CIBC**"), HSBC Bank Canada ("**HSBC**"), Royal Bank of Canada ("**RBC**"), President's Choice Financial Group, C.I.M. Banque, the Bank of Cyprus and any other financial institution holding monies or assets in any account or on credit on behalf of Josun or the Dixit Defendants, or any of them (collectively, the "**Banks**"), to forthwith freeze and prevent any removal or transfer of monies or assets of the Dixit Defendants held in any account or on credit on behalf of Josun or the Dixit Defendants, or any of them, with the Banks, until further Order of the Court, including but not limited to the accounts listed in **Schedule "A"** hereto.

7. **THIS COURT ORDERS** that the Banks forthwith disclose and deliver up to the Plaintiff any and all records held by the Banks concerning the Dixit Defendants' assets and accounts, including the existence, nature, value and location of any monies or assets or credit, wherever situate, held on behalf of the Dixit Defendants, or any of them, by the Banks.

**Variation, Discharge or Extension of Order**

8. **THIS COURT ORDERS** that anyone served with or notified of this Order may apply to the Court at any time to vary or discharge this order, on four (4) days notice to the Plaintiff.

9. **THIS COURT ORDERS** that the parties shall attend before this Court on Jan 7, 2016 at 10:00 AM for the hearing of a motion by the plaintiff for the continuation of this Order, failing which this Order will terminate.

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

MAY 3 1 2016

PER / PAR: FW

Don J.

### SCHEDULE "A"

**Bank Accounts:**

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.
CIBC	Unknown	Rajiv Dixit	Chequing Account No. [REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Consortium	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Consortium	[REDACTED] (USD Account)
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Consortium	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Holdings	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Kuldip Josun	Unknown
HSBC	Unknown	Rajiv Dixit	[REDACTED]
HSBC	Unknown	Stellarpoint Ltd.	Chequing Account No. [REDACTED]
RBC	800 Taunton Rd E,	Rajiv Dixit	[REDACTED]

- 6 -

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.
	Oshawa, ON L1H 7K5		
RBC	27 Simcoe St N Oshawa, ON, L1G 4R7	Rajiv Dixit	██████████
RBC	10098 McLaughlin Road Brampton, ON L7A 2X6	Kuldip Josun	Unknown
TD Bank	Unknown	Kuldip Josun	██████████
TD Bank	4 King Street W, P.O. Box 247 Oshawa, ON L1H 7L3	Rajiv Dixit (held jointly with Stephanie Schlacht)	Chequing Account No. ██████████
President's Choice Financial Group	P.O. Box 603 Station, Agincourt Scarborough, ON M1S 5K9	Kuldip Josun	Unknown
Bank of Cyprus	658 Danforth Ave Toronto, ON M4J 5B9	Dreamscape Ventures Ltd.	██████████
C.I.M. Banque	Unknown	World Web Media / Kuldip Josun	████████████████████

**Credit Cards:**

BANK	CARD HOLDER	CARD NO.
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
RBC	Rajiv Dixit	██████████



RBC	Rajiv Dixit	
HSBC	Rajiv Dixit	

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.  
Defendants

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**ORDER**

**Cassels Brock & Blackwell LLP**  
2100 Scotia Plaza  
40 King Street West  
Toronto, ON M5H 3C2

**David S. Ward LSUC#: 33541W**  
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**Christopher Horkins LSUC #: 61880R**  
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Fax: 416.642.7129  
chorkins@casselsbrock.com

Lawyers for the Plaintiffs

**TAB P**

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al  
Defendants

June 7, 2016

Court File No. CV-16-11413-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT  
TORONTO

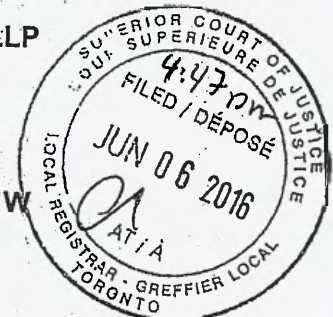
MOTION RECORD

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Toronto, ON M5H 3C2

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Fax: 416.642.7129  
chorkins@casselsbrock.com

Lawyers for the Plaintiff



~~June 7/16~~ June 7/16  
Mr. Josun appeared today, but  
filed no material. He asks that his  
bank accounts be unfrozen. The  
other defendants do not oppose this  
motion, although served.

I am satisfied that the moving  
party has made out a strong prima  
facie case of fraud, breach of  
fiduciary duty & oppression by the  
defendants & there is a genuine risk  
of disappearance of assets if the  
Mareva is not continued.

The proposed draft order  
provides for discussion & hopefully,  
agreement by the parties on a carve out  
for living & legal expenses. If there is  
no agreement, a defendant like Mr. Josun  
has the ability to return to court for an  
order under Newbold J.'s order of May 31/16.  
Order to so in for on draft deposited.

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

THE HONOURABLE *Madam*

)

TUESDAY, THE

JUSTICE *Swinton*

)

7th DAY OF JUNE, 2016

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants



**ORDER**

**(Continuation of *Mareva* Injunction)**

**THIS MOTION** by the Plaintiff, msi Spergel inc. ("**Spergel**") in its capacity as receiver (in such capacity, the "**Receiver**") of Banners Broker International Limited ("**BBIL**") and Stellar Point Inc. ("**Stellar Point**"), for an order continuing the *Mareva* injunction granted by the Honourable Mr. Justice Newbould on May 31, 2016, restraining the defendants, Rajiv Dixit ("**Dixit**"), Dreamscape Ventures Limited ("**Dreamscape**"), Dixit Consortium Inc. ("**Dixit Consortium**"), Dixit Holdings Inc. ("**Dixit Holdings**" and collectively referred to herein with Dixit, Dixit Consortium and Dreamscape as the "**Dixit Defendants**") and Kuldip Josun ("**Josun**"), from dissipating their assets and other relief, pending further order of this Honourable Court, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the plaintiff, on hearing the submissions of counsel for the plaintiff: *and of Kuldip Josun, no one else appearing,* <sup>✓</sup> *ye*

1. **THIS COURT ORDERS** that the Order of the Honourable Mr. Justice Newbould (the "**Mareva Order**"), as attached hereto as **Schedule "A"**, be and is hereby continued in full and effect on and after June 7, 2016, pending further Order of the Court.

2. **THIS COURT ORDERS** that the parties shall be authorized to agree in writing on (a) the amounts which Josun or the Dixit Defendants, or any of them, are entitled to spend on ordinary living expenses and/or legal advice and representation, and (b) the exemption of certain assets or accounts from the *Mareva Order*, and that such written agreement shall have the same effect as an Order of this Court made following an application brought by Josun or the Dixit Defendants, or any of them, pursuant to paragraph 3 of the *Mareva Order*.

3. **THIS COURT ORDERS** that the costs of obtaining and enforcing the *Mareva Injunction*, as well as the motion to continue and vary the *Mareva Injunction*, be reserved until further order of the Court.

*K. S. Josun*

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

JUN 07 2016

PER / PAR:

*A*



## SCHEDULE "A"

Court File No.

CV-16-11413-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)

THE HONOURABLE MR.  
JUSTICE NEWBOULD

)  
)  
)

TUESDAY, THE  
31st DAY OF MAY, 2016

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants

**ORDER****(Mareva Injunction)****NOTICE**

If you, the Defendant, disobey this order you may be held to be in contempt of court and may be imprisoned, fined or have your assets seized. You are entitled to apply on at least twenty-four (24) hours notice to the Plaintiff, for an order granting you sufficient funds for ordinary living expenses and legal advice and representation.

Any other person who knows of this order and does anything which helps or permits the Defendant to breach the terms of this Order may also be held to be in contempt of court and may be imprisoned, fined or have their assets seized.

**THIS MOTION**, made without notice by the Plaintiff, msi Spergel inc. ("**Spergel**") in its capacity as receiver (in such capacity, the "**Receiver**") of Banners Broker International Limited ("**BBIL**") and Stellar Point Inc. ("**Stellar Point**"), for an interim Order in the form of a *Mareva* injunction restraining the defendants, Rajiv Dixit ("**Dixit**"), Dreamscape Ventures Limited

- 2 -

("Dreamscape"), Dixit Consortium Inc. ("**Dixit Consortium**"), Dixit Holdings Inc. ("**Dixit Holdings**" and collectively referred to herein with Dixit, Dixit Consortium and Dreamscape as the "**Dixit Defendants**") and Kuldip Josun ("**Josun**"), from dissipating their assets and other relief, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the plaintiff, on hearing the submissions of counsel for the plaintiff, and on noting the undertaking of the plaintiff to abide by any Order this Court may make concerning damages arising from the granting and enforcement of this Order:

**Mareva Injunction**

1. **THIS COURT ORDERS** that Josun and the Dixit Defendants, and their servants, employees, agents, assigns, officers, directors and anyone else acting on their behalf or in conjunction with them, or any of them, and any and all persons with notice of this Injunction, are restrained from directly or indirectly, by any means whatsoever:

- (a) selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with any assets of Josun or the Dixit Defendants, wherever situated, including but not limited to the assets and accounts listed in **Schedule "A"** hereto;
- (b) instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
- (c) facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

2. **THIS COURT ORDERS** that paragraph 1 applies to all of Josun's and the Dixit Defendants' assets whether or not they are in their own name and whether they are solely or



- 3 -

jointly owned. For the purpose of this order, the assets of Josun and the Dixit Defendants include any asset which Josun or the Dixit Defendants, or any of them, have the power, directly or indirectly, to dispose of or deal with as if it were their own. Josun and the Dixit Defendants, or any of them, are to be regarded as having such power if a third party holds or controls the assets in accordance with the direct or indirect instructions of any of Josun or the Dixit Defendants.

#### **Ordinary Living Expenses**

3. **THIS COURT ORDERS** that Josun and the Dixit Defendants, or any of them, may apply for an order, on at least twenty-four (24) hours notice to the plaintiff, specifying the amount of funds which Josun or the Dixit Defendants, or any of them, are entitled to spend on ordinary living expenses and legal advice and representation.

#### **Disclosure of Information**

4. **THIS COURT ORDERS** that each of Josun and the Dixit Defendants prepare and provide to the Plaintiff within 30 days of the date of service of this Order, a sworn statement describing the nature, value, and location of their assets worldwide, whether in their own name or not and whether solely or jointly owned.

5. **THIS COURT ORDERS** that if the provision of any of this information is likely to incriminate Josun or the Dixit Defendants, or any of them, they may be entitled to refuse to provide it, but are recommended to take legal advice before refusing to provide the information. Wrongful refusal to provide the information referred to in paragraph 4 herein is contempt of court and may render Josun or the Dixit Defendants, or any of them, liable to be imprisoned, fined, or have their assets seized.

- 4 -

**Third Parties**

6. **THIS COURT ORDERS** Canadian Imperial Bank of Commerce ("**CIBC**"), HSBC Bank Canada ("**HSBC**"), Royal Bank of Canada ("**RBC**"), President's Choice Financial Group, C.I.M. Banque, the Bank of Cyprus and any other financial institution holding monies or assets in any account or on credit on behalf of Josun or the Dixit Defendants, or any of them (collectively, the "**Banks**"), to forthwith freeze and prevent any removal or transfer of monies or assets of the Dixit Defendants held in any account or on credit on behalf of Josun or the Dixit Defendants, or any of them, with the Banks, until further Order of the Court, including but not limited to the accounts listed in **Schedule "A"** hereto.

7. **THIS COURT ORDERS** that the Banks forthwith disclose and deliver up to the Plaintiff any and all records held by the Banks concerning the Dixit Defendants' assets and accounts, including the existence, nature, value and location of any monies or assets or credit, wherever situate, held on behalf of the Dixit Defendants, or any of them, by the Banks.

**Variation, Discharge or Extension of Order**

8. **THIS COURT ORDERS** that anyone served with or notified of this Order may apply to the Court at any time to vary or discharge this order, on four (4) days notice to the Plaintiff.

9. **THIS COURT ORDERS** that the parties shall attend before this Court on Jan 7,, 2016 at 10:00 AM for the hearing of a motion by the plaintiff for the continuation of this Order, failing which this Order will terminate.

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

MAY 31 2016

PER / PAR: EW

Don J.

## SCHEDULE "A"

### Bank Accounts:

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.
CIBC	Unknown	Rajiv Dixit	Chequing Account No. [REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Rajiv Dixit	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Consortium	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Consortium	[REDACTED] (USD Account)
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Consortium	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Dixit Holdings	[REDACTED]
CIBC	540 Laval Drive Oshawa, ON L1J 0B5	Kuldip Josun	Unknown
HSBC	Unknown	Rajiv Dixit	[REDACTED]
HSBC	Unknown	Stellarpoint Ltd.	Chequing Account No. [REDACTED]
RBC	800 Taunton Rd E,	Rajiv Dixit	[REDACTED]

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.
	Oshawa, ON L1H 7K5		
RBC	27 Simcoe St N Oshawa, ON, L1G 4R7	Rajiv Dixit	██████████B
RBC	10098 McLaughlin Road Brampton, ON L7A 2X6	Kuldip Josun	Unknown
TD Bank	Unknown	Kuldip Josun	██████████
TD Bank	4 King Street W, P.O. Box 247 Oshawa, ON L1H 7L3	Rajiv Dixit (held jointly with Stephanie Schlacht)	Chequing Account No. ██████████
President's Choice Financial Group	P.O. Box 603 Stallion, Agincourt Scarborough, ON M1S 5K9	Kuldip Josun	Unknown
Bank of Cyprus	658 Danforth Ave Toronto, ON M4J 6B9	Dreamscape Ventures Ltd.	██████████
C.I.M. Banque	Unknown	World Web Media / Kuldip Josun	████████████████████

**Credit Cards:**

BANK	CARD HOLDER	CARD NO.
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
CIBC	Rajiv Dixit	██████████
RBC	Rajiv Dixit	██████████

RBC	Rajiv Dixit	[REDACTED]
HSBC	Rajiv Dixit	[REDACTED]

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.  
Defendants

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**ORDER**

**Cassels Brock & Blackwell LLP**  
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**Christopher Horkins LSUC #: 61880R**  
Tel: 416.815.4351  
Fax: 416.642.7129  
chorkins@casselsbrock.com

Lawyers for the Plaintiffs

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.

Defendants

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**ORDER**

**Cassels Brock & Blackwell LLP**

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**Christopher Horkins LSUC #: 61880R**

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chorkins@casselsbrock.com

Lawyers for the Plaintiffs

**TAB Q**



Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

THE HONOURABLE

JUSTICE

*NEWMAN*

)

)

)

*THURSDAY*, THE*15TH* DAY OF DECEMBER, 2016

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants

**ORDER****(Freezing Bank Accounts)****NOTICE**

If you, the Defendant, disobey this order you may be held to be in contempt of court and may be imprisoned, fined or have your assets seized. You are entitled to apply on at least twenty-four (24) hours notice to the Plaintiff, for an order granting you sufficient funds for ordinary living expenses and legal advice and representation.

Any other person who knows of this order and does anything which helps or permits the Defendant to breach the terms of this Order may also be held to be in contempt of court and may be imprisoned, fined or have their assets seized.

**THIS MOTION**, made without notice by the Plaintiff, msi Spergel inc. in its capacity as receiver (in such capacity, the "**Receiver**") of Banners Broker International Limited ("**BBIL**") and Stellar Point Inc. ("**Stellar Point**"), for an interim Order in the form of a *Mareva* injunction restraining the defendant, Kuldip Josun ("**Josun**"), and Tara Reeves ("**Reeves**") from dissipating

certain of their assets and other relief, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the Receiver, on hearing the submissions of counsel for the Receiver, and on noting the undertaking of the Receiver to abide by any Order this Court may make concerning damages arising from the granting and enforcement of this Order:

**Freezing Order: Specific Accounts**

1. **THIS COURT ORDERS** that Josun and Reeves, and their servants, employees, agents, assigns, officers, directors and anyone else acting on their behalf or in conjunction with them, or any of them, and any and all persons with notice of this injunction, are restrained from directly or indirectly, by any means whatsoever:

- (a) selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with the assets and accounts listed and/or referenced in **Schedule "A"** hereto ("**Reeves Bank Accounts**");
- (b) instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
- (c) facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

2. **THIS COURT ORDERS** that paragraph 1 applies to the Reeves Bank Accounts regardless of whether or not the Reeves Bank Accounts are held in Josun or Reeves's own names or whether they are solely or jointly owned.

**Ordinary Living Expenses**

3. **THIS COURT ORDERS** that Josun or Reeves may apply for an order, on at least twenty-four (24) hours notice to the Receiver, specifying the amount of funds which Josun or Reeves are entitled to spend on ordinary living expenses and legal advice and representation.

**Third Parties**

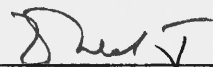
4. **THIS COURT ORDERS** Canadian Imperial Bank of Commerce ("**CIBC**") and the Toronto-Dominion Bank ("**TD Bank**") to forthwith freeze and prevent any removal or transfer of monies or assets from the Reeves Bank Accounts until further Order of the Court

5. **THIS COURT ORDERS** that CIBC and TD Bank forthwith disclose and deliver up to the Receiver any and all records held by them concerning the Reeves Bank Accounts.

**Variation, Discharge or Extension of Order**

6. **THIS COURT ORDERS** that anyone served with or notified of this Order may apply to the Court at any time to vary or discharge this order, on four (4) days notice to the Receiver.

7. **THIS COURT ORDERS** that the parties shall attend before this Court on December 20, 2016 at 10:00 AM for the hearing of a motion by the Receiver for the continuation of this Order, failing which this Order will terminate.



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

DEC 15 2016

PER / PAR:



## SCHEDULE "A"

## Reeves Bank Accounts:

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.	ADDITIONAL DETAILS
CIBC	Unknown	Tara Josun	Unknown	Bank account relating to FI Reference [REDACTED]
TD Bank	1585 Mississauga Valley Blvd. Mississauga, ON L5A 3W9	Unknown	[REDACTED] [REDACTED]	

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.  
Defendants

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**FREEZING ORDER**

**Cassels Brock & Blackwell LLP**  
2100 Scotia Plaza  
40 King Street West  
Toronto, ON M5H 3C2

**David S. Ward LSUC#: 33541W**  
Tel: 416.869.5960  
Fax: 416.640.3154  
dward@casselsbrock.com

**Erin Craddock LSUC#: 62828J**  
Tel: 416.860.6480  
Fax: 416.642.71294.9324  
ecraddock@casselsbrock.com

Lawyers for msi Spergel inc., in its capacity as Receiver of  
Banner Broker International Limited and Stellar Point Inc.

**TAB R**

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

THE HONOURABLE

)

TUESDAY, THE

JUSTICE

*NEWBOULD*

)

20th DAY OF DECEMBER, 2016

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants

**ORDER**

**(Continuation of Order Freezing Bank Accounts)**

**THIS MOTION** by the Plaintiff, msi Spergel inc. ("**Spergel**") in its capacity as receiver (in such capacity, the "**Receiver**") of Banners Broker International Limited ("**BBIL**") and Stellar Point Inc. ("**Stellar Point**"), for an order continuing the freezing order granted by the Honourable Mr. Justice Newbould on December 15, 2016, restraining Kuldip Josun ("**Josun**") and Tara Reeves ("**Reeves**"), from dissipating assets from two bank accounts and other relief, pending further order of this Honourable Court, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the plaintiffs and on hearing the submissions of counsel for the plaintiffs and of Reeves:

*as the court - J.T.*

- 2 -

1. **THIS COURT ORDERS** that the Order of the Honourable Mr. Justice Newbould (the "Freezing Order"), as attached hereto as **Schedule "A"**, be and is hereby continued in full effect on and after December 20, 2016, pending further Order of the Court.
2. **THIS COURT ORDERS** that the parties shall be authorized to agree in writing on (a) the amounts which Josun or Reeves, or any of them, are entitled to spend on ordinary living expenses and/or legal advice and representation, and (b) the exemption of certain assets or accounts from the Freezing Order, and that such written agreement shall have the same effect as an Order of this Court made following an application brought by Josun or Reeves, or any of them, pursuant to paragraph 3 of the Freezing Order.
3. **THIS COURT ORDERS** that the costs of obtaining and enforcing the Freezing Order, as well as the motion to continue and vary the Freezing Order, be reserved until further order of the Court.



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ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

DEC 20 2016

PER / PAR:





Schedule "A"

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

THE HONOURABLE

)

THURSDAY, THE

JUSTICE

NEUBOLD

)

15<sup>TH</sup> DAY OF DECEMBER, 2016

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants

**ORDER****(Freezing Bank Accounts)****NOTICE**

If you, the Defendant, disobey this order you may be held to be in contempt of court and may be imprisoned, fined or have your assets seized. You are entitled to apply on at least twenty-four (24) hours notice to the Plaintiff, for an order granting you sufficient funds for ordinary living expenses and legal advice and representation.

Any other person who knows of this order and does anything which helps or permits the Defendant to breach the terms of this Order may also be held to be in contempt of court and may be imprisoned, fined or have their assets seized.

**THIS MOTION**, made without notice by the Plaintiff, msi Spergel inc. in its capacity as receiver (in such capacity, the "**Receiver**") of Banners Broker International Limited ("**BBIL**") and Stellar Point Inc. ("**Stellar Point**"), for an interim Order in the form of a *Mareva* injunction restraining the defendant, Kuldip Josun ("**Josun**"), and Tara Reeves ("**Reeves**") from dissipating

- 2 -

certain of their assets and other relief, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the Receiver, on hearing the submissions of counsel for the Receiver, and on noting the undertaking of the Receiver to abide by any Order this Court may make concerning damages arising from the granting and enforcement of this Order:

**Freezing Order: Specific Accounts**

1. **THIS COURT ORDERS** that Josun and Reeves, and their servants, employees, agents, assigns, officers, directors and anyone else acting on their behalf or in conjunction with them, or any of them, and any and all persons with notice of this injunction, are restrained from directly or indirectly, by any means whatsoever:

- (a) selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with the assets and accounts listed and/or referenced in **Schedule "A"** hereto ("**Reeves Bank Accounts**");
- (b) instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
- (c) facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

2. **THIS COURT ORDERS** that paragraph 1 applies to the Reeves Bank Accounts regardless of whether or not the Reeves Bank Accounts are held in Josun or Reeves's own names or whether they are solely or jointly owned.

**Ordinary Living Expenses**

3. **THIS COURT ORDERS** that Josun or Reeves may apply for an order, on at least twenty-four (24) hours notice to the Receiver, specifying the amount of funds which Josun or Reeves are entitled to spend on ordinary living expenses and legal advice and representation.

**Third Parties**


4. **THIS COURT ORDERS** Canadian Imperial Bank of Commerce ("**CIBC**") and the Toronto-Dominion Bank ("**TD Bank**") to forthwith freeze and prevent any removal or transfer of monies or assets from the Reeves Bank Accounts until further Order of the Court

5. **THIS COURT ORDERS** that CIBC and TD Bank forthwith disclose and deliver up to the Receiver any and all records held by them concerning the Reeves Bank Accounts.

**Variation, Discharge or Extension of Order**

6. **THIS COURT ORDERS** that anyone served with or notified of this Order may apply to the Court at any time to vary or discharge this order, on four (4) days notice to the Receiver.

7. **THIS COURT ORDERS** that the parties shall attend before this Court on December 20, 2016 at 10:00 AM for the hearing of a motion by the Receiver for the continuation of this Order, failing which this Order will terminate.



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## SCHEDULE "A"

## Reeves Bank Accounts:

BANK	BRANCH ADDRESS	ACCOUNT HOLDER	ACCOUNT NO.	ADDITIONAL DETAILS
CIBC	Unknown	Tara Josun	Unknown	Bank account relating to FI Reference [REDACTED]
TD Bank	1585 Mississauga Valley Blvd. Mississauga, ON L5A 3W9	Unknown	[REDACTED] [REDACTED]	

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.  
Defendants

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**PROCEEDING COMMENCED AT  
TORONTO**

**FREEZING ORDER**

**Cassels Brock & Blackwell LLP**

2100 Scotia Plaza  
40 King Street West  
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**David S. Ward LSUC#: 33541W**

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**Erin Craddock LSUC#: 62828J**

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ecraddock@casselsbrock.com

Lawyers for msi Spergel inc., in its capacity as Receiver of  
Banner Broker International Limited and Stellar Point Inc.

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.  
Defendants

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**ORDER**

**Cassels Brock & Blackwell LLP**  
2100 Scotia Plaza  
40 King Street West  
Toronto, ON M5H 3C2

**David S. Ward LSUC#: 33541W**  
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**Erin Craddock LSUC #: 62828J**  
Tel: 416.860.6480  
Fax: 416.644.9324  
ecraddock@casselsbrock.com

Lawyers for the Plaintiffs

December 20, 2016

Ms News has attended today. She  
agrees to the continuation of the  
order of December 15, 2016 freezing  
two bank accounts.

The parties are to re-attend at  
9:30 a.m. on December 22, 2016  
to deal with a requested amount  
of funds for living expenses.

DWT

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

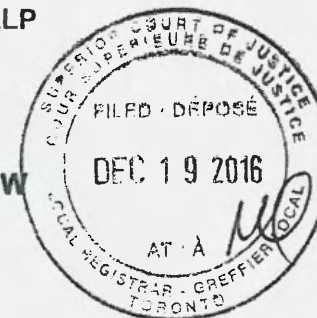
**MOTION RECORD  
(Motion for Continuation of Order Freezing Bank  
Accounts)**

**Cassels Brock & Blackwell LLP**  
2100 Scotia Plaza  
40 King Street West  
Toronto, ON M5H 3C2

**David S. Ward LSUC#: 33541W**  
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**Christopher Horkins LSUC #: 61880R**  
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chorkins@casselsbrock.com

Lawyers for the Plaintiff



**TAB S**





January 6, 2017

**By Email**

Sran Law Office  
285 Steeles Avenue West  
Brampton, ON L6Y 0B5

ecraddock@casselsbrock.com

tel: 416.860.6480

fax: 416.644.9324

file # 45803-2

Attention: Balwinder Sran

Dear Mr. Sran:

**Re: Banners Broker International Limited et al v. Dixit et al**  
**Court File No. CV-16-11413-00CL**

We write further to our correspondence to you dated December 16 and 19, 2016.

**Status of Tara Josun Mareva**

On December 20, 2016, msi Spergel inc., in its capacity as court-appointed receiver of Banners Broker International Limited and Stellar Point Inc. ("**Receiver**"), returned to court for continuation of the freezing order granted by the Honourable Mr. Justice Newbould on December 13, 2016 ("**Freezing Order**").

The Freezing Order was continued by order of the court dated December 20, 2016 ("**Continuation Order**"). Enclosed herewith please find a copy of the Continuation Order and the related endorsement of the Honourable Mr. Justice Newbould.

Further to His Honour's endorsement, the parties returned to Court on December 22, 2016 to address carve out issues related to the Freezing Order. Issues relating to carve outs to the Freezing Order were resolved. A copy of the December 22, 2016 endorsement of the Honourable Mr. Justice Newbould is also enclosed.

**Kuldip Josun Contempt Motion**

As noted in the Receiver's Eighth Report to Court dated December 9, 2016, we have instructions to pursue a contempt motion as against your client, Kuldip Josun, ("**Contempt Motion**") for violating the *Mareva* order granted by the Court on May 31, 2016, as continued on June 7, 2016 (collectively, "**Mareva Order**").

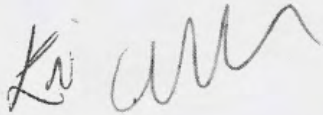
Accordingly, kindly advise by return correspondence as to the earliest possible return date that Mr. Josun can be present in Court for the return of the Contempt Motion. We anticipate that the

Page 2

Court will want to hear from Mr. Josun personally regarding the extent of his compliance with the Mareva Order.

Yours truly,

Cassels Brock & Blackwell LLP

A handwritten signature in dark ink, appearing to read 'Erin Craddock', with a stylized, flowing script.

Erin Craddock

EC/  
Enclosures (3)

**TAB T**



COURT FILE NO.: CV-16-11413-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)

BETWEEN:

BANNERS BROKER INTERNATIONAL LIMITED and STELLAR  
POINT, INC., by their receiver MSI SPERGEL INC.,

PLAINTIFFS,

AND

RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC., DIXIT  
CONSORTIUM INC., DREAMSCAPE VENTURES LTD., WORLD WEB  
MEDIA INC., and REAL PROFIT LIMITED,

DEFENDANTS,

CORPORATE  
**NORTH YORK**  
802-4950 Yonge Street  
North York, Ontario  
M2N 6K1

**TORONTO**  
1 University Avenue  
Suite 401  
Toronto, Ontario  
M5J 2P1

**MISSISSAUGA**  
401-50 Burnhamthorpe Rd W  
Mississauga, Ontario  
L5B 3C2

**MARKHAM**  
101-8500 Leslie Street  
Markham, Ontario  
L3T 7M8

TELEPHONE  
**416.512.2662**

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**416.512.2664**

WWW.COURTREPORTERS.CA  
PCR@COURTREPORTERS.CA

EXAMINATION UNDER OATH OF  
TARA REEVES

WEDNESDAY, JANUARY 25, 2017  
4:05 P.M.

**APPEARANCES**

**ON BEHALF OF THE PLAINTIFFS,  
BANNERS BROKER INTERNATIONAL LIMITED and STELLAR  
POINT, INC., by their receiver MSI SPERGEL INC.:**

DAVID WARD, MR.

ERIN CRADDOCK, MS.

**CASSELS BROCK & BLACKWELL LLP**

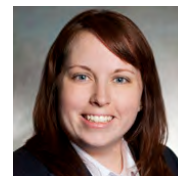
40 KING STREET WEST, SUITE 2100

TORONTO, ONTARIO M5H 3C2

TELEPHONE: 416.860.6480

FACSIMILE: 416.644.9324

EMAIL: ecraddock@casselsbrock.com



**ON BEHALF OF THE DEPONENT,**

**TARA REEVES:**

TARA REEVES, MS.

**PRO SE**

**ALSO APPEARING:**

GILLIAN GOLDBLATT, MS. - OBSERVER

## INDEX

Page

EXAMINATION UNDER OATH OF TARA REEVES

4

EXAMINATION BY MR. WARD:

4

## EXHIBITS

Exhibit

Page

1

COPY OF EIGHTH REPORT OF MSI  
SPERGEL INC.

5

**EXAMINATION UNDER OATH OF TARA REEVES****WEDNESDAY, JANUARY 25, 2017****4:05 P.M.**

TARA REEVES, sworn,

EXAMINATION BY MR. WARD:

COURT REPORTER: My name is Athavan.

I'm the court reporter with the firm of Professional Court Reporters who will be taking today's testimony in the matter of Banners Broker International Limited et al versus Dixit Holdings Inc., pending in the Superior Court of Ontario, Court File No. CV-16-11413-00CL.

We are at the office of Professional Court Reporters, North York location.

Today is the 25th day of January, 2017 and the time is 4:03 p.m. And now we will place the deponent under oath.

If you could place your hand on the bible, Ma'am. Do you solemnly swear that the evidence that you shall give in this examination is the truth, the whole truth and nothing but the truth, so help you God?

1 THE DEPONENT: I do.

2 COURT REPORTER: We're now on the  
3 record and the time is 4:04 p.m. Counsel you may  
4 proceed.

5 BY MR. WARD:

6 1. Q. Thank you. Good afternoon, Ms. Reeves. I  
7 just -- a few housekeeping matters. Can you tell me  
8 your current address, please?

9 A. It is [REDACTED]

10 2. Q. Okay.

11 A. [REDACTED]  
[REDACTED]

13 3. Q. And you were examined in this proceeding at  
14 the offices of Cassels, Brock a little over a year  
15 ago, correct?

16 A. Yeah. Closer to almost two years ago.

17 MR. WARD: Okay. And I'd like  
18 to mark this as an exhibit because I'll be referring  
19 to it today, the Eighth Report of MSI Spergel Inc., as  
20 the Receiver of Banners Broker. So, we'll just mark  
21 that as Exhibit 1 and you have a copy in front of you  
22 as well and I'll be getting to that in a minute.

23 (Whereupon EXHIBIT NO. 1 : Copy of Eighth Report of  
24 MSI Spergel Inc.)

25



1 BY MR. WARD:

2 4. Q. And you've seen this before?

3 A. Yes. Just briefly.

4 5. Q. Right.

5 A. Yeah.

6 6. Q. Because you were served with this just  
7 before the Order was obtained attaining -- freezing  
8 two bank accounts?

9 A. Correct. I believe it was like the 19th or  
10 20th of December I was served with the documents.

11 7. Q. Okay.

12 MS. GOLDBLATT: Hi there.

13 MR. WARD: Oh, hey.

14 MS. GOLDBLATT: Sorry, I'm late.

15 MR. WARD: Okay.

16 MS. GOLDBLATT: Hi Tara.

17 BY MR. WARD:

18 8. Q. And can you just describe for me your  
19 current relationship, if any, with Kuldip Josun and --  
20 and by that I mean first of all you're Mr. Josun's  
21 daughter, correct?

22 A. Biological daughter, yes.

23 9. Q. Okay. And in terms of frequency of contact,  
24 when was the last time that you saw or spoke with Mr.  
25 Josun?

1 A. Do you want -- saw and spoke?

2 10. Q. Yes.

3 A. Last time I spoke with him was maybe eight  
4 to ten weeks ago, and the last time I saw him was  
5 September.

6 11. Q. Okay. And that was September in Portugal,  
7 correct?

8 A. Correct.

9 12. Q. Okay. And are you in email or other contact  
10 with Mr. Josun ---

11 A. No.

12 13. Q. --- within the last eight to ten weeks?

13 A. No.

14 14. Q. Has -- has your father ever mentioned the  
15 litigation that was commenced against him by the  
16 Receiver in May of 2016?

17 A. No.

18 15. Q. And when I say ever, I mean I -- I would  
19 have thought that might have come up after the  
20 freezing of your bank accounts in the Mareva as  
21 against your father. Did -- did -- was it -- just to  
22 be clear, did he mention any litigation with the  
23 Receiver ---

24 A. No.

25 16. Q. --- at that point?

1 A. No.

2 17. Q. Have you, more broadly -- have you ever  
3 discussed Banners Broker with him since you left the  
4 company? I know you were there for a while?

5 A. Since I left the company?

6 18. Q. Since you left Banners Broker? When was  
7 that -- maybe I could ask this.

8 A. Oh, my gosh --

9 19. Q. When was the last time that you discussed  
10 anything to do with Banners Broker with Mr. Josun?

11 A. Nothing real -- I mean, other than my just  
12 curiosity to see what has happened. Other than that,  
13 in regards to Mr. Dixit and Mr. Smith just asking if  
14 he knew what's happened with them and he just said no.

15 20. Q. Okay. And approximately when was that  
16 conversation?

17 A. Oh, my goodness. I want to say a while  
18 back, I can't -- I can't give you a specific ---

19 21. Q. Okay. Would it be prior to September of  
20 last year? Prior to Portugal?

21 A. Oh, yes.

22 22. Q. Did you raise with him the fact that you had  
23 two bank accounts that were frozen over in relation to  
24 the Mareva?

25 A. No.

1 23. Q. Injunction? And I take it you've had no  
2 contact with Mr. Smith or Mr. Dixit?

3 A. Oh, no.

4 24. Q. No. No recent contact?

5 A. None at all.

6 25. Q. And can you tell us where your father is  
7 living, now?

8 A. Last, I know of was in September, that was  
9 it.

10 26. Q. Okay. And where was he living in September?

11 A. It was on the south coast in the Algarve in  
12 Portugal.

13 27. Q. Do you have an address for him that you  
14 could share with the Receiver?

15 A. Not off by heart. No, I don't.

16 28. Q. Okay. But ---

17 A. It's a rented unit. It's like a ---

18 29. Q. Unit? What sort of unit? Like a ---

19 A. Just one-storey, just a different condo  
20 style but just like three levels high. To units per  
21 floor type of a thing.

22 30. Q. Okay. So, look -- and you have no -- so  
23 presumably, is it your understanding that he's still  
24 there?

25 A. Yeah. Because again, I haven't spoken to

1 him since.

2 31. Q. Right.

3 A. Right? So, I'm not sure.

4 32. Q. But and -- and that's where you went to  
5 visit him in September?

6 A. Yeah. That was a vacation ---

7 33. Q. So, you would have an address for it then?

8 A. Not necessarily. He picked us up from the  
9 airport and we took a shuttle, rented a car and just  
10 drove down.

11 34. Q. How long were you there for?

12 A. One week. It was vacation. I went with my  
13 husband and my son.

14 35. Q. Okay. We would -- I mean we'd like to find  
15 out from you where that was as best as you can recall?  
16 Whether that's a street, a neighbourhood, an address?

17 A. [REDACTED]  
[REDACTED]

19 36. Q. Okay.

20 A. [REDACTED]  
[REDACTED]

22 37. Q. Why don't we just take it -- maybe if you  
23 could just give us an undertaking to -- to think about  
24 that and let us know what you can provide by way of  
25 where he's living in Portugal?

1 A. For what -- the specific address?

2 38. Q. Well, or -- or like the name -- the full  
3 name of [REDACTED] the street, the suburb. Like,  
4 unless you can tell me off the top of your head, maybe  
5 you could just go away and like Google it and let us  
6 know?

7 A. Sure.

8 39. Q. Yeah, okay. Thank you.

9 (Whereupon UNDERTAKING NO. 1: To provide the last  
10 known address, street name, [REDACTED] suburb where Kuldip  
11 Josun lives in Portugal.)

12 THE DEPONENT: The two -- if that's

13 [REDACTED]  
[REDACTED]

15 MS. CRADDOCK: Yeah.

16 MR. WARD: Oh, I see. Okay, so,  
17 that's helpful.

18 BY MR. WARD:

19 40. Q. And where's -- where was he in relation to

20 [REDACTED]

21 A. M'hmm, visually - so, [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

25 41. Q. So, he's right in front of [REDACTED]

1 it sounds like?

2 A. Not the first set, the second set I believe,  
3 yeah.

4 42. Q. Okay. And that's some sort of a residential  
5 rental ---

6 A. M'hmm.

7 43. Q. --- complex? Thank you. And in -- in  
8 Portugal does he -- what was he doing in Portugal?

9 A. For -- like just ---

10 44. Q. Was he working?

11 A. Not -- again, I don't know.

12 45. Q. But when ---

13 A. I went down for vacation.

14 46. Q. Right. But when you -- but you were living  
15 with him when you were there on vacation?

16 A. We were in the -- yeah.

17 47. Q. Staying in the same unit with him?

18 A. Yes.

19 48. Q. Okay.

20 A. It's a two-bedroom unit.

21 49. Q. Right. And during that time was he -- do  
22 you know if you can tell us -- was he working? Was he  
23 on holiday? Was he -- doing marketing? We know ---

24 A. I was on vacation so I wasn't in the unit  
25 the whole time. My husband and I went and did sight

1 seeing and he babysat my ---

2 50. Q. Right.

3 A. --- my infant son for me. So, I didn't pay  
4 any attention ---

5 51. Q. Well, what was your understanding as to what  
6 he was doing in Portugal?

7 A. I -- honestly, I don't know.

8 52. Q. You didn't ask him what he was doing in  
9 Portugal?

10 A. No. He's gone so many times that I don't --  
11 I don't know about his businesses. I don't know  
12 anything like that. He's on the computer, he's on the  
13 phone. I don't pay attention to his conversations or  
14 anything like that.

15 53. Q. And you never asked him what he was doing in  
16 Portugal when you were staying with him for one week?

17 A. No.

18 54. Q. Is -- was there anyone else living in that  
19 unit apart from your father?

20 A. No. Not -- no. Not that week that we were  
21 there. The only thing I did ask him was when he's  
22 planning on coming back. That's about it. And even  
23 then, he would say I don't know, I don't know.

24 55. Q. Right. And do you know -- is he married or  
25 in any common-law relationship with anyone?



1 A. Again, not that I know of.

2 MS. CRADDOCK: Did anyone live in  
3 the unit when you weren't there because you said there  
4 was no one there the week you were there?

5 THE DEPONENT: Again, I wouldn't  
6 know if somebody was there prior. Nobody stopped by  
7 while we were there. Were there -- is that what  
8 you're asking, like ---

9 MS. CRADDOCK: Well, I mean, I guess  
10 is there any evidence? Like was there bath products  
11 or ---

12 THE DEPONENT: No.

13 BY MR. WARD:

14 56. Q. Okay. So, the Mareva Order that we're here  
15 to discuss was made on May 31, 2016 by Justice  
16 Newbould and do you recall when you first became aware  
17 that the Mareva Order was made as against your father?

18 A. When I was on -- I believe it was my  
19 birthday actually, December 14th, the accounts were  
20 frozen. My accounts were frozen.

21 57. Q. December 14th?

22 A. December 14th, that was my birthday.

23 58. Q. Right, right.

24 A. It was either the 14th or the 15th that I  
25 found out. I was trying to transfer money for my

1 husband so he could get gas for his drive home. It  
2 wasn't working. Called TD online. That's why I  
3 called TD on the phone, checked online. Then the next  
4 day went to the bank and then they said ---

5 59. Q. Okay. So, so there would have been about  
6 seven-and-a-half months that passed between the end of  
7 May and mid December when -- end of May being when  
8 your father was enjoined ---

9 A. M'hmm.

10 60. Q. --- from dealing with his assets and mid  
11 December being when you were enjoined from dealing  
12 with those bank accounts. So, is it your evidence  
13 that during that seven-and-a-half-month period that --  
14 that he didn't tell you about the Mareva and you  
15 didn't learn about it from anyone else?

16 A. I had no idea.

17 61. Q. Okay.

18 A. Not until I went to the bank. My husband  
19 and I both went to the bank and the manager was like  
20 give me a minute. I have to find out the information  
21 for you. And then he came back with Erin's name and  
22 the firm and I was like, oh my God.

23 62. Q. Okay.

24 A. This again ---

25 63. Q. So, have a look at Tab 1 then if you would.

1 Sorry, Tab J of Exhibit 1. This is evidence of an  
2 email money transfer for \$2,350.00 that -- it was  
3 processed or transacted at 11:04 p.m. on June 2nd.

4 A. M'hmm.

5 64. Q. Which was two days after the injunction.  
6 Can you just describe for us and it was a payment from  
7 your father to yourself?

8 A. M'hmm.

9 65. Q. For \$2,350.00. Can you describe for us the  
10 circumstances in which this was received?

11 A. There were discussions prior. I had just  
12 gone on maternity leave and my husband was working and  
13 I had no vehicle at that time. We only had the one  
14 vehicle between the two of us. So, we were just  
15 saying how we need to try and figure something out.  
16 How are we going to make this work? And then when my  
17 dad was in town he said I can help you guys out with a  
18 vehicle and that was what it was. The -- we purchased  
19 -- I don't even know what year it is - it's like a  
20 little beater car. A Volkswagen.

21 66. Q. Okay. Now - so, you received the money on  
22 June 2nd. Would you -- did -- did your father go out  
23 shopping for the car with you?

24 A. No.

25 67. Q. Did -- did -- how did you -- are there --

1 was he living in Toronto at the time? Where was he at  
2 the time?

3 A. He was in a hotel at the time.

4 68. Q. In a hotel where?

5 A. Mississauga, close to us.

6 69. Q. Okay. He -- he ---

7 A. No -- not, sorry, not Mississauga. Off  
8 of ---

9 MS. CRADDOCK: Is it Quality Hotels  
10 and Suites.

11 THE DEPONENT: That sounds familiar  
12 off of Islington -- Airportish area.

13 MR. WARD: Okay.

14 BY MR. WARD:

15 70. Q. And what -- where does your father when he's  
16 in Toronto -- where does he stay apart from the hotel  
17 because there's -- we know that there's a -- an  
18 address that's associated with him?

19 MS. CRADDOCK: [REDACTED]

20 THE DEPONENT: Sorry?

21 MS. CRADDOCK: [REDACTED]

22 BY MR. WARD:

23 71. Q. [REDACTED]

24 A. [REDACTED] That would be my aunt's house,  
25 his sister. I'm not sure, I can't remember the last

1 time he's been there. I don't know. Other than the  
2 hotel, I mean he's crashed on my couch the odd time  
3 here and there but that was it.

4 72. Q. Okay. So, I -- the -- did you -- are there  
5 emails that you exchanged -- exchanged with him  
6 relating to the car purchase?

7 A. With him, no.

8 73. Q. So ---

9 A. Emails, no.

10 74. Q. Yeah.

11 A. It was -- my husband was the one that was  
12 shopping for the vehicles. So, essentially, it was  
13 supposed to be his car to just run down and drive to  
14 and from work.

15 75. Q. Okay. When was the car purchased? Before  
16 or after June 2nd?

17 A. It would have been -- that money was used --  
18 like that was for the vehicle. So, it would have been  
19 after I received --

20 76. Q. And it the vehicle registered in -- do you  
21 still have it?

22 A. Yes.

23 77. Q. Is it registered in your name or your  
24 husband's name?

25 A. It's my husbands. That was his gift to us.

1 78. Q. And was it -- was it purchased like the --  
2 when was it purchased in relation to that payment  
3 being made? Was it purchased the next day? The next  
4 week? The next month?

5 A. Oh, it was definitely was in the month.

6 79. Q. Okay. And had he ever transferred money to  
7 you by e-transfer online prior to June 2nd, 2016?

8 A. Prior to?

9 80. Q. Yeah.

10 A. Not that I know of. We went through all of  
11 our bank transactions.

12 81. Q. Well, I mean, do you -- do you -- I  
13 appreciate that but -- but do you -- do you recall him  
14 ever transferring money to you of --in an amount over  
15 say five hundred dollars prior to May 31, 2016?

16 A. Prior to?

17 82. Q. Yeah.

18 A. This being --

19 83. Q. Yeah.

20 A. Like this happening to him? Yeah ---

21 84. Q. Yeah. Between say 2013 and 2016. Were  
22 there -- how many -- tell us about the money transfers  
23 from your father to yourself?

24 A. There would have been like just to help us  
25 pay rent or for bills but I can't tell exact amounts,

1 dates, all that stuff. I don't --

2 85. Q. Well, how frequently did it happen?

3 A. Not that frequent, no.

4 86. Q. Well does -- well, tell me how -- you tell  
5 me how frequently it happened or how many times, more  
6 than a hundred, less than a hundred?

7 A. Less than a hundred.

8 87. Q. Okay. More than two. Think about it and  
9 let me know, right?

10 A. I just -- I just don't know what your look -  
11 like what is it that you're ---

12 88. Q. How many times did your father transfer  
13 money to you between beginning of 2013 and this  
14 payment that we're looking at right now?  
15 Approximately?

16 A. I have no idea, honestly. I can't even ball  
17 park it for you.

18 89. Q. It either must have been happening a lot or  
19 did it just happen so -- so rarely?

20 A. Rarely, it was like to the point where I was  
21 desperate and I needed like for rent or just to pay a  
22 bill. Most of the time my mom has helped me out with  
23 rent.

24 90. Q. No, we're just talking about your father  
25 now.

1 A. No, I understand that. I understand.

2 91. Q. And -- and so, approximately, we're not  
3 going to ---

4 A. But prior to the mare -- why does that --  
5 like how is that fall in the scope of this discussion,  
6 before the Mareva?

7 92. Q. I'll ask the questions, right? You can  
8 refuse to answer it.

9 A. Okay. Then I'm refusing to answer this one.

10 93. Q. Okay, okay.

11 (Whereupon REFUSAL NO. 1: To advise how many money  
12 transfers were made to her by her father between 2013  
13 and 2016.)

14 BY MR. WARD:

15 94. Q. Okay. You appreciate there's \$50,000,000  
16 that's missing from the Banners Broker?

17 A. No, I understand that.

18 95. Q. Okay. So we're gonna, we're gonna ---

19 A. I was told that the questions would be based  
20 on this report solely - and you're going outside the  
21 scope of the report.

22 96. Q. If there's things that you don't want to  
23 share with us during this examination. I'm sure the  
24 Receiver will have other ways of pursuing ---

25 A. That's no problem.



1 97. Q. And we'll probably have to have you back  
2 again to address this.

3 A. That is no problem.

4 98. Q. Okay. Let's just take a break.

5 COURT REPORTER: We're now off the  
6 record and the time is 4:21 p.m.

7 OFF THE RECORD

8 (WHEREUPON, A BRIEF RECESS WAS TAKEN)

9 ON THE RECORD

10 COURT REPORTER: We're now back on  
11 the record and the time is 4:24 p.m. Counsel, you may  
12 proceed.

13 TARA REEVES, resumed,

14 CONTINUED EXAMINATION BY MR. WARD:

15 99. Q. So, Tara to give you some -- a date range,  
16 the receivership commenced on August the twenty ---

17 A. Second.

18 100. Q. --- second, 2014 and between August the  
19 22nd, 2014 and this transfer from your father to  
20 yourself that we're looking at right now. Roughly how  
21 many times did your father transfer money to you and  
22 in approximately what amounts? We're not going to  
23 hold you to it, we just need to have some sense of  
24 that.

25 A. And I understand that. Oh, my gosh. Less

1 than a hundred. Like -- I can't.

2 101. Q. Okay. And ---

3 A. Less than fifty -- like no more than fifty,  
4 less than a hundred.

5 102. Q. No. So, between fifty and a hundred times?  
6 Is that what you're saying?

7 A. No, no, no. Sorry, like less than fifty --  
8 less than fifty.

9 103. Q. So, between zero and fifty times?

10 A. Yes, correct. Thank you.

11 104. Q. Okay. And just -- what did --  
12 approximately, what did the amounts range from? A low  
13 figure to a high figure?

14 A. From three hundred to no more than a  
15 thousand.

16 105. Q. Okay. And -- and how were those -- how were  
17 those gifts or gifts to yourself -- how did he -- how  
18 did do them? Were they -- were they transacted  
19 through these e-transfers or were they cash or were  
20 they some of both?

21 A. Some of both.

22 106. Q. Or were they by cheque?

23 A. No. Some of both. Cash and e-transfer.

24 107. Q. Cash and e-transfers, okay. So, this e-  
25 transfer, is it fair to say that it wasn't unusual?

1 A. In this amount, it was unusual---

2 108. Q. Right.

3 A. --- but that was for purchasing.

4 109. Q. Right.

5 A. The product or the cost of the product  
6 obviously.

7 110. Q. So, this amount was higher than the  
8 normal ---

9 A. Yes.

10 111. Q. --- e-transfers that he'd make to yourself?

11 A. Yes.

12 MR. WARD: Which -- Erin, which bank  
13 is this e-transfer coming from? Do we know?

14 MS. CRADDOCK: Scotia.

15 MR. WARD: Okay. Just off the  
16 record for a second.

17 COURT REPORTER: We are now off the  
18 record.

19 OFF THE RECORD AT 4:27 p.m.

20 (WHEREUPON, A BRIEF RECESS WAS TAKEN)

21 ON THE RECORD AT 4:27 p.m.

22 COURT REPORTER: We're back on the  
23 record and the time is 4:27 p.m. Counsel you may  
24 proceed.

25

1 TARA REEVES, resumed,

2 CONTINUED EXAMINATION BY MR. WARD:

3 112. Q. Okay. So, then Tab K please. We'll just  
4 move to the next one. Tab K to Exhibit 1. The next  
5 day we've identified this \$6,500.00 bank draft payable  
6 to yourself.

7 A. M'hmm.

8 113. Q. Tell us -- just describe for us please how  
9 it is that you came to receive this amount on this  
10 day?

11 A. He came over to my place to babysit my son  
12 for me. I went to the gym and he handed it to me. I  
13 didn't ask for it. He handed this to me and he said  
14 here's some funds for you. If there's ever anything  
15 that -- like just keep it safe. If you need for bills  
16 or anything because my husband took a few weeks off  
17 work to help me with the baby. For rent, all that --  
18 like all the upcoming bills and stuff like that.

19 114. Q. So, you didn't ask him for this money?

20 A. No, I did not.

21 115. Q. Was this the single -- to your recollection,  
22 was this the single largest payment that you ever  
23 received from your father?

24 A. This, yes.

25 116. Q. And the one that we looked at a minute ago,

1 the one for \$2,350, was that the second single largest  
2 payment?

3 A. Yes, yes, sorry.

4 117. Q. That you ever received from your father?

5 A. Correct.

6 118. Q. Do you know, how it was that he decided to  
7 give you \$6,500 opposed to some other amount? Was  
8 there some -- was there a connection between \$6,500  
9 and some amount that you needed, or ---

10 A. No. That's like such a random number.  
11 Random amount. No bills like equate to something like  
12 that, no.

13 119. Q. And what did -- and where did you -- we --  
14 we know that you deposited into your TD account on  
15 that day, correct?

16 A. Correct.

17 120. Q. Okay. And then what did -- where did the  
18 money go from there? What happened to it?

19 A. Obviously, I was surprised. It was like  
20 wow, thanks dad. Appreciate that. That'll help us  
21 out a lot getting started and all that kind of stuff.  
22 Then, honestly, I can't remember specific times,  
23 dates. It was soon after he had come over again to  
24 babysit the baby for me and he had said, when you're  
25 on your way home can you just stop by the bank. I

1 need to pay my hotel fee. I just need about \$2,000  
2 cash. It was like, okay, no problem. I didn't think  
3 anything of it. It was his money essentially that you  
4 know, he gave me. And so, I withdrew \$2,000 cash and  
5 handed it to him.

6 121. Q. That was the next day?

7 A. Soon after from the deposit.

8 122. Q. Right. Within the week, say?

9 A. Yes. Yes.

10 MS. CRADDOCK: You told us June  
11 14th, is that ---

12 THE DEPONENT: I was with --

13 MR. WARD: Okay. We have -- we  
14 would have the answer for it. So, the date was June  
15 14th?

16 THE DEPONENT: Yeah. So, within the  
17 -- correct.

18 BY MR. WARD:

19 123. Q. And then moving forward in time. I  
20 understand that in September 2016, you travelled to  
21 Portugal?

22 A. M'hmm.

23 124. Q. And, who accompanied you on that trip?

24 A. It was my husband.

25 125. Q. Okay.

1 A. And our infant son.

2 126. Q. Okay. And who purchased the tickets for  
3 that trip?

4 A. It was our cash that -- but my credit card  
5 limit was only so high so my mom had bought the  
6 tickets for me and I gave her the cash.

7 127. Q. Okay. And -- and you stayed at that rental  
8 apartment near [REDACTED] that you described for  
9 us?

10 A. Correct.

11 128. Q. It was a two-bedroom apartment and your  
12 family was in one room and your father was in the  
13 other?

14 A. Correct.

15 129. Q. And just -- while you were in Portugal, did  
16 your father give you any money?

17 A. Yes, he did.

18 130. Q. And tell us about that?

19 A. We were just out. We were on our way to  
20 lunch. He had asked my -- my husband was driving, I  
21 was in the passenger seat. He was sitting in the back  
22 with the baby and he had asked my husband. He just --  
23 go this way -- go that way -- pull into the parking  
24 spot. He's like I'll be back in five minutes.  
25 Stepped out. Came back and had -- he handed us cash

1 and said here.

2 131. Q. How much cash? Approximately?

3 A. In Canadian, no more than I think it's like  
4 2000 -- 2500 at the most.

5 132. Q. What was it in the Portuguese currency?

6 A. When -- it was Euro when he ---

7 133. Q. Right.

8 A. --- handed it over.

9 134. Q. How many Euro was it?

10 A. Whatever the exchange rate is.

11 135. Q. Well, just in terms of the -- in Euro, how  
12 many was it? How many Euros?

13 A. Probably 2,000 Euro.

14 136. Q. Did you count it? I mean, to me it's an  
15 unusual enough occurrence that if that -- if I was in  
16 your shoes and that happened to me, I'd -- I'd count  
17 it and I'd probably remember it. Unless every day  
18 people got out of their cars and came back and handed  
19 me cash.

20 A. No, no. I understand. I understand ---

21 137. Q. --- right.

22 A. --- the situation is

23 138. Q. --- right.

24 A. --- wow. But, I didn't sit there and count  
25 it myself. No. Like not sit there and -- it was just



1 used to pay for bills. Like that was it. He  
2 hadn't ---

3 139. Q. Well, did you ever count it? Did you ever  
4 determine how much money it was that he gave you?

5 A. It was -- about 2,000 Euro.

6 140. Q. My question -- did you ever count the money  
7 and see what it was he gave to you?

8 A. No. It was mostly for emergency cases or  
9 for bills as I needed it.

10 141. Q. I'm not asking what it was for. I'm just  
11 trying to determine the amount because I can't ---

12 A. No. I understand that.

13 142. Q. It strikes me as unusual that if someone  
14 comes and hands you a lot of cash.

15 A. M'hmm.

16 143. Q. That you'd want to determine how much it was  
17 or else the person would tell you here is this much.

18 A. I'm ---

19 144. Q. But you just accepted it. You didn't count  
20 it at the time and you never counted it after. Is  
21 that your evidence?

22 A. No. It was non-existent to me. It was used  
23 -- supposed to be used for bills and I know you don't  
24 want to hear what it was used for, but it was just ---

25 145. Q. Well, we'll get to what it was used for but

1 I want to know how much it was. Like do you have any  
2 -- why do you think it was around -- you told us a  
3 minute ago, it was no more than 2,000. Is that just a  
4 wild guess?

5 A. No more than 2,000 Canadian so with the  
6 exchange rate, I'm going off the top of my head here.

7 146. Q. Well, why do you think it was -- first of  
8 all, the currency wasn't Canadian so why don't we --  
9 let's -- let's -- it was Euros you told us, right?

10 A. Correct.

11 147. Q. And -- and approximately how much Euros was  
12 it?

13 A. Two thousand.

14 148. Q. Two thousand ---

15 A. That's my ball park figure.

16 149. Q. --- two thousand Euros?

17 A. Yes.

18 150. Q. Okay. And again, did you -- did you -- how  
19 did you determine that it was approximately two  
20 thousand?

21 A. I'm ball parking. You keep putting me  
22 on ---

23 MS. GOLDBLATT: Can I ask a  
24 question?

25 THE DEPONENT: --- like ---

1 MR. WARD: Yes.

2 MS. GOLDBLATT: You brought it back  
3 to Canada?

4 THE DEPONENT: Yes.

5 MS. GOLDBLATT: You would have had  
6 to convert it.

7 THE DEPONENT: Yeah. As I need it.  
8 To pay a bill.

9 MS. GOLDBLATT: So you were  
10 converting it ---

11 THE DEPONENT: Just to pay a bill  
12 here.

13 MS. GOLDBLATT: --- and paying the  
14 exchange rate ---

15 THE DEPONENT: Correct.

16 MS. GOLDBLATT: --- every time to  
17 convert a small amount?

18 THE DEPONENT: Correct.

19 BY MR. WARD:

20 151. Q. Do you have a record of what you used it for  
21 or where you converted it?

22 A. You guys have my bank statements and we went  
23 through all the transactions.

24 152. Q. Well which bank did you convert the money  
25 at?

1 A. It would have been TD is my main bank.

2 153. Q. Okay.

3 MR. WARD: And, Erin, do we have  
4 bank statements for TD?

5 MS. CRADDOCK: Yeah.

6 MR. WARD: And do we see foreign  
7 exchange transactions?

8 MS. CRADDOCK: No, we just see  
9 deposits.

10 BY MR. WARD:

11 154. Q. While you were in Portugal, did your father  
12 give you any other money?

13 A. No.

14 155. Q. And -- and did he pay for meals or clothes,  
15 or personal expenses of any kind?

16 A. Just ---

17 156. Q. For you or your family?

18 A. Just dinners out when we were all together.

19 157. Q. Okay.

20 A. The odd here and there and my husband and I  
21 would also pitch in and we'd pay it from our own.

22 158. Q. And did he pay you with a credit card or  
23 with cash?

24 A. I think it was all cash that I -- that I can  
25 remember.

1 159. Q. Between May 31, 2016 and today, did your  
2 father transfer any other money to you, apart from  
3 what we have discussed?

4 A. No.

5 160. Q. And did you transfer any money to him apart  
6 from what we have discussed?

7 A. No.

8 161. Q. Did he provide you -- during the same time  
9 period -- did he provide you with any gifts or any --  
10 any -- any gifts of any kind?

11 A. Monetary or just anything?

12 162. Q. Anything. Any gifts?

13 A. No.

14

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

2

3

4

5

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8

9 169. Q. And does he, did he have any connection to

10 Banners Broker?

11 A. Not that ---

12 170. Q. To your knowledge?

13 A. --- I'm aware of.

14 171. Q. And did -- did -- was he -- does he or did  
15 he ever spend time in Portugal with your father?

16 A. Again, I -- I -- not that I'm aware of.

17 172. Q. Do you know if he ever travelled with your  
18 father, anywhere?

19 A. Internationally?

20 173. Q. Yes?

21 A. Not that I'm aware of.

22 174. Q. Can you -- do you know whether anyone else  
23 in your family was given money by your father, for  
24 instance, your brother?

25 A. During what time?

1 175. Q. Since, the -- since the commencement of this  
2 Receivership in August of 2014 and today?

3 A. I don't ask my brother anything but I'm --  
4 he's like my dad -- gifted and helped me out here and  
5 there. I'm assuming he would have done the same for  
6 him.

7 176. Q. Okay. And then just in terms of the bank  
8 records that we have from your father, we know that he  
9 issued a -- paid \$5,000 to General Motors in June of  
10 2016, which was after the Mareva. Do you have any  
11 idea as to why he might have done that?

12 A. To General Motors? I have an Equinox but I  
13 wasn't aware that payment was made in that amount.

14 177. Q. Okay. Does -- does ---

15 A. I make my own monthly payments. It's under  
16 my ownership, everything.

17 178. Q. Does -- does -- does your dad have a -- a --  
18 do you know your dad to have a car?

19 A. He did.

20 179. Q. In June of 2016?

21 A. Oh, my gosh. Sorry, I'm just trying to  
22 remember back. Again, I'm not sure of the time line  
23 but he did have his own vehicle. A truck -- a pick-  
24 up truck.

25 180. Q. And what -- are we talking Toronto or

1 Portugal?

2 A. Here, in Toronto. Sorry.

3 MS. CRADDOCK: How did he get to  
4 your condo when he came to visit you?

5 THE DEPONENT: He would -- it was  
6 just -- either my husband would pick him up to and  
7 from because my husband worked in Markham. He had --  
8 my aunt has a vehicle; an extra one he could have  
9 used. I -- because it's in the underground right and  
10 I don't see the vehicle, so he parks. He parks but  
11 I'm on a completely different level so, as I come up  
12 and I don't see him coming and going in my  
13 condominium.

14 BY MR. WARD:

15 181. Q. Tell us about the truck then. What was --  
16 did you mention he had a truck?

17 A. Oh, what about it? Tell me what do you want  
18 to know?

19 182. Q. Well, why don't you just tell me about it.  
20 Like, was it -- when -- what period -- when did he  
21 have this truck that you're telling me about?

22 A. Again, I -- I don't know the time line.

23 183. Q. Approximately. Let's start with the year  
24 and then we'll try to narrow it down.

25 A. It was before my son was born, so before



1 April 2016.

2 184. Q. Yes.

3 A. But I don't know.

4 185. Q. So, it was some time in 2015 or 2016?

5 A. Majority, yeah, 2015.

6 186. Q. Yeah. So, you knew that he owned a truck in  
7 -- while he was in Toronto.

8 A. Correct.

9 187. Q. Okay. And what kind of truck was it? Did  
10 you ever see it?

11 A. It was a pick-up, newer. I believe there  
12 were two, there was one that was grey with tan  
13 interior and then there was one that was a white.

14 188. Q. Okay.

15 A. With black interior.

16 189. Q. And, so, he had -- it was -- so, we're  
17 talking about two separate vehicles?

18 A. Two separate vehicles.

19 190. Q. Okay.

20 A. Two different times. I think one was -- the  
21 grey one was first and then next thing I knew he had a  
22 white one. I didn't know.

23 191. Q. Okay. And do you know the make or the  
24 model?

25 A. Oh, my gosh. The grey one I believe was a

1 Dodge. The white, I'm not sure.

2 192. Q. Okay. And do you know whether they were GM,  
3 General Motors?

4 A. The grey one ---

5 193. Q. Vehicles?

6 A. --- was Dodge. The white one, I can't -- I  
7 don't know off by heart, like.

8 194. Q. Okay. Did he make a \$5,000 payment towards  
9 your Equinox in June of 2016?

10 A. Not that I'm aware of. I make my monthly  
11 payments. I -- it still comes automatically out of my  
12 account. My lease is up in October.

13 195. Q. Okay, just off the record for a sec.

14 COURT REPORTER: We are now off the  
15 record. The time is 4:43 p.m.

16 OFF THE RECORD

17 (WHEREUPON, A BRIEF RECESS WAS TAKEN)

18 ON THE RECORD

19 COURT REPORTER: We're now back on  
20 the record and the time is 4:43 p.m. Counsel, you may  
21 proceed.

22 TARA REEVES, resumed,

23 CONTINUED EXAMINATION BY MR. WARD:

24 196. Q. Okay. And do you still have the Equinox?

25 A. Yeah. I've had it for four years.

1 197. Q. Okay. And how was it that you came to lease  
2 the Equinox?

3 A. It was a trade in. We discussed this the  
4 last interview ---

5 198. Q. Right.

6 A. --- I did with you guys.

7 MS. CRADDOCK: For the Audi.

8 THE DEPONENT: Correct.

9 BY MR. WARD:

10 199. Q. But what was your father's involvement in  
11 setting up the lease for the Equinox?

12 A. Honestly, I was told -- because I wanted to  
13 get rid of the Equinox -- sorry, the Audi. I can't  
14 afford to the maintenance ---

15 200. Q. Right.

16 A. --- on that thing or anything like that. I  
17 said listen, I'm getting married soon. We're going to  
18 have kids. We have dogs. I want a bigger vehicle.  
19 How do I get rid of this? He's like leave it with me  
20 and I'll deal with it. One day after work he said  
21 come to this dealership. Meet me here. So, I'm  
22 assuming that he is secondary on it.

23 201. Q. So, he guaranteed it?

24 A. My credit is not that good.

25 202. Q. Right.

1 A. So, I think in order for it to have gone ---

2 203. Q. Okay.

3 A. --- like my payments ---

4 204. Q. So, he was involved in co-signing the  
5 application?

6 A. That's -- yeah, probably, yeah. But the  
7 ownership of the vehicle is mine. The payments come  
8 out of my account. I make the payments, everything  
9 like that.

10 205. Q. Okay. And I -- I -- I think we'll probably  
11 make a request to the dealer for the credit  
12 application?

13 A. M'hmm.

14 206. Q. And do we have your consent to request a  
15 copy of the credit application for that vehicle?

16 A. Sure.

17 (Whereupon UNDERTAKING NO. 2: To provide consent to  
18 obtain a copy of the credit application for the  
19 Equinox.)

20 BY MR. WARD:

21 207. Q. Thank you. And then just going through some  
22 other transactions that we've connected to your father  
23 after the date of Justice Newbould's order.

24 A. M'hmm.

25 208. Q. There's -- there seem to be monies on a

1 regular basis going to the Quality Hotel and Suites in  
2 Toronto and as well, to a hotel Ibis Lisboa in  
3 Portugal. First of all, with respect to the Quality  
4 Hotel and Suites in Toronto.

5 A. M'hmm.

6 209. Q. Do you -- did you know -- was that his hotel  
7 of choice to your knowledge?

8 A. That was his hotel of choice, yeah. Because  
9 he said it was always close to the airport and it's  
10 right off the highway.

11 210. Q. Okay. And -- and -- and I assume he wanted  
12 to be close to the airport because he'd be travelling  
13 back and forth to Portugal?

14 A. Assuming so, yes.

15 211. Q. And -- and -- and do you know how frequently  
16 like throughout last year for instance, 2016, he might  
17 have come and gone from Portugal? Do you have any  
18 sense of that based on ---

19 A. He was gone before my son was born in April  
20 and then he left -- I don't know the specific date you  
21 have. Erin, you mentioned the purchase of the  
22 Portugal ticket?

23 MS. CRADDOCK: Yes.

24 THE DEPONENT: In his bank records,  
25 right?

1 MS. CRADDOCK: Yes.

2 THE DEPONENT: So, I don't know the  
3 date that he left exactly so, it's one, two in 2016  
4 that I know of, that I can remember off the top of my  
5 head.

6 BY MR. WARD:

7 212. Q. Okay. Does he have Portuguese citizenship  
8 or anything to your knowledge?

9 A. No, not that I know of.

10 213. Q. And there's again, there was some money that  
11 went to this hotel in Portugal as well. It was  
12 Lisboa. Have you ever heard of that hotel?

13 A. I've never heard of that. I'm assuming  
14 Lisboa is in Lisbon.

15 214. Q. Right.

16 A. Depending on maybe when his flight came in  
17 or something like that but I've never heard of it.

18 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

25 217. Q. And do you know what your dad's current

1 business is?

2 A. I've asked and all I get is don't worry  
3 about it.

4 218. Q. Okay.

5 A. Don't worry, don't worry about it, don't  
6 worry about it.

7 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

10 220. Q. Or Cool Branding and Promotions?

11 A. Not until Erin mentioned it to me in Court.  
12 We were just looking at it and she just wanted to  
13 confirm because my address kind of triggered a memory  
14 for her and I don't know how or -- that's a rental  
15 unit so, I have no idea how he was able to put it.

16 221. Q. Okay. And does your dad -- do you know if  
17 he has a mailing address in Toronto? Or Mississauga,  
18 like in the -- in Ontario?

19 A. There's some mail that gets forwarded to my  
20 place but that's just the credit cards that -- like --  
21 they're all collection letter now -- letters now but  
22 other than that, they're being forwarded from 11  
23 Lanebrook in Brampton.

24 222. Q. [REDACTED] -- is your sister's -- his  
25 sister's place?

1 A. Not my -- my aunt's place. It's his  
2 sister's place.

3 223. Q. Okay. And so, she's now forwarding the mail  
4 to your condo?

5 A. It's being forwarded, how it -- I'm not --

6 224. Q. Okay.

7 A. I haven't talked to my --

8 225. Q. Aunt?

9 A. Aunt in a -- easily -- how old's my son --  
10 ten months -- wait a second -- nineteen months.

11 226. Q. And -- and approximately how long has your  
12 father been receiving mail at your address?

13 A. I believe just after -- I believe it was  
14 just after my grandmother had passed away. He had a  
15 falling out with the family as did I so, I want to say  
16 -- like a year, no more than a year.

17 227. Q. Okay. And the -- did your father ever  
18 discuss his -- like when I say ever, I mean within the  
19 last two years. Did he ever discuss his sources of  
20 income with you?

21 A. No.

22 228. Q. Do you know -- does he have any -- in terms  
23 of those vehicles that we talked about, the -- there's  
24 one that was replaced by the other, the truck. Do you  
25 know what happened to that?



1 A. To which?

2 229. Q. The second truck that he had?

3 A. On ---

4 230. Q. Is it parked at your place?

5 A. No -- no, no, no.

6 231. Q. Do you know if it's at your aunt's place?

7 A. Again, I don't know. I haven't been there  
8 or talked to her. Off the top -- oh my God, I can't  
9 remember? I don't know.

10 232. Q. What's your aunt's name?

11 A. The [REDACTED]

12 233. Q. Yeah.

13 A. [REDACTED]

14 234. Q. Okay. [REDACTED] Do you have that spelling,  
15 Erin?

16 MS. CRADDOCK: M'hmm.

17 MR. WARD: Yeah.

18 THE DEPONENT: I guess I'm sorry.

19 Why I hesitated was I wasn't sure if she took her  
20 husband's last name or not.

21 BY MR. WARD:

22 235. Q. Do you know whether you're -- did you father  
23 -- did you see him driving any cars in Portugal when  
24 you were there?

25 A. No. We rented a vehicle, that's the only

1 way that we were able to get around.

2 236. Q. Okay.

3 A. Because we did some sight-seeing on our own  
4 time and all that kind of stuff.

5 MS. CRADDOCK: So, you don't know if  
6 he has a car in Portugal or not?

7 THE DEPONENT: Not that I know of.  
8 We had a -- there was a parking spot in the  
9 underground and there was nothing there.

10 BY MR. WARD:

11 237. Q. And then we understand that your father,  
12 through a company, had or has a bank account in  
13 Switzerland. Do you know anything about that?

14 A. No.

15 238. Q. Have you ever -- has he ever mentioned that  
16 to you.

17 A. No.

18 239. Q. Or do you know if he's ever been to  
19 Switzerland?

20 A. No. I have no idea.

21 240. Q. You don't know one way or the other?

22 A. No.

23 241. Q. And when you were working at Banners Broker  
24 did you ever provide wire transfer instructions to  
25 investors, affiliates, resellers?

1 A. Sorry, could you just?

2 242. Q. We canvassed -- when you were working at  
3 Banners Broker?

4 A. M'hmm.

5 243. Q. Were you ever involved in transferring money  
6 between anyone?

7 A. No. I was strictly just a trainer. I just  
8 did customer support, trained on customer support and  
9 I was like an executive assistant.

10 244. Q. Okay. Just give us one minute. I think  
11 we're almost done. Oh yeah. Have you ever heard of  
12 an individual by the name of Steven Hafer or Hafer?

13 A. No. Never heard of a Steven.

14 245. Q. Or an Ian Driscoll?

15 A. Ian was one of the, oh my God, I can't  
16 remember the terminology?

17 246. Q. Reseller?

18 A. Yes.

19 247. Q. Okay.

20 A. When I was working at Banners Broker he was  
21 there.

22 248. Q. And did you -- so have you met Mr. Driscoll  
23 before?

24 A. Yes.

25 249. Q. And just -- can you describe for us like the

1 when and where, a little bit about the circumstances  
2 of that meeting as best as you remember.

3 A. When, I can't tell you where it was in  
4 England, he was our host at that time. I had joined  
5 on some of the trips just again ---

6 250. Q. M'hmm.

7 A. --- just to take notes for customer service  
8 to relay back to the Toronto office. If there were  
9 any technical issues or anything like that. He picked  
10 us up from the airport. He took us to the hotel.

11 251. Q. Was it just that one occasion that you met  
12 the gentlemen?

13 A. I bel -- oh, my gosh, sorry, you've got to  
14 give me a minute here to remember.

15 252. Q. No, take your time.

16 A. When I was in employed with Banners Broker,  
17 I went to England two or three times, I believe. One  
18 out of the two -- one out of the two or three times I  
19 was there for sure Ian was like front man center, the  
20 guy we reported to, our host. After that, I don't  
21 remember. There was another gentleman, an Indian guy,  
22 I can't -- oh God -- I can't remember his name. He  
23 was the one that picked us up from the airport,  
24 dropped us off.

25 MS. CRADDOCK: Linden Ferrington?

1 THE DEPONENT: Pardon?

2 MS. CRADDOCK: Linden Ferrington?

3 THE DEPONENT: That doesn't sound  
4 familiar to me at all.

5 BY MR. WARD:

6 253. Q. Okay. What about Paul McCarthy? Did -- did  
7 you -- did that ---

8 A. I met him, yeah.

9 254. Q. Okay. And -- and where did you meet him?

10 A. Again, he was our host in Ireland. He was  
11 the one that requested that we or management or  
12 whatever I guess, they go and to do the meetings there  
13 and all that kind of stuff.

14 255. Q. Okay. And -- and how many occasions did you  
15 meet Mr. McCarthy, more than once, approximately?

16 A. Oh, my gosh, sorry. Can you give me a  
17 second? One -- I want to say again two or three  
18 times.

19 256. Q. Okay. And on these two or three times, are  
20 they separate from your two or three trips to England  
21 or are they part of the same travels?

22 A. It was all like for the -- for Banner --  
23 like it was all ---

24 257. Q. And I appreciate that but would you -- were  
25 there six trips to England and Ireland or ---

1 A. Oh, you're saying separate or was it ---

2 258. Q. --- yeah.

3 A. There was one -- oh, my gosh -- there was a  
4 lot of back and forth. Like one week then home for  
5 three days, then back out again for three days, back  
6 home for a week. And then I.

7 259. Q. So, you travelled a lot, right?

8 A. Yes.

9 260. Q. And to Ireland and England?

10 A. M'hmm.

11 261. Q. And what other countries sitting here today  
12 can you remember travelling to?

13 A. Ireland, England, Portugal, Cyprus, Poland,  
14 Germany. Just trying -- I can only remember like the  
15 -- I'm trying to go by like the people I remember  
16 meeting us there. Sorry.

17 262. Q. Okay. No fair enough. Take your time.

18 A. They were all like the main leaders, sorry.  
19 I'm just talking out loud. So, there's Paul, Ireland,  
20 England, Portugal, Cyprus. It was mostly Europe. Oh,  
21 my gosh, I'm sorry I can't -- for sure those I know  
22 because I can remember the people that we met.

23 263. Q. Okay. So, the counties that you mentioned,  
24 and you think there was some other countries as well,  
25 but you can remember them.

1 A. Oh no, not off the top of my head. I'm  
2 sorry. I just --

3 264. Q. And Brea Hardowa, do you know Brea?

4 A. That name does not sound familiar?

5 265. Q. Okay.

6 MR. WARD: Did I say that right,  
7 Erin? Brea Hardowa?

8 MS. CRADDOCK: I think so. She was  
9 submit since I came in the system. She joined in June  
10 2012.

11 BY MR. WARD:

12 266. Q. You don't know Brea?

13 A. The only ones I know of that were like  
14 assistants when I was there, it was me first, then  
15 Stephanie, again I don't know the last name, but you  
16 know. You probably know which one I'm talking about  
17 and then Kyra. She was the only other one that I  
18 remember being associated at all with Mr. Smith.

19 267. Q. Okay. Just give us a minute.

20 COURT REPORTER: We're off the  
21 record and the time is 4:58 p.m.

22 OFF THE RECORD

23 (WHEREUPON, A BRIEF RECESS WAS TAKEN)

24 ON THE RECORD

25 COURT REPORTER: We're back on the

1 record and the time is 4:58 p.m. Counsel, you may  
2 proceed.

3 TARA REEVES, resumed,

4 CONTINUED EXAMINATION BY MR. WARD:

5 268. Q. I think we just have a couple more questions  
6 for you, Tara.

7 A. M'hmm.

8 [REDACTED]  
[REDACTED]

11 BY MR. WARD:

12 [REDACTED]

13 A. I don't -- I didn't know him. I never met  
14 him or spoken to him, it's just in passing or  
15 discussion or --

16 271. Q. In passing discussion with who, with your  
17 father?

18 A. Like, I've heard the name come from my  
19 father.

20 272. Q. Okay. Okay. And ---

21 A. But I've never like pursued or asked or  
22 anything. Like I don't have ---

23 MS. CRADDOCK: What context was it  
24 in coming at?

25 [REDACTED]



1

3

MR. WARD: I see.

4

6

10 BY MR. WARD:

11 273. Q. And then finally, we just want to go back to  
12 the \$5,000 that your father paid to GM after the date  
13 of the freezing order.

14 A. M'hmm.

15 274. Q. Can you check with your Equinox dealer to  
16 see if there was a \$5,000 lease payment or made  
17 towards that vehicle?

18 A. Yeah, I can follow up with them and report.

19 275. Q. Okay. If you could please do that and let  
20 us know.

21 A. Yeah. Do you have a -- is there a pen I can  
22 use?

23 (Whereupon UNDERTAKING NO. 3: To provide follow up  
24 information confirming the \$5,000 lease payment from  
25 the Equinox dealership.)

1 BY MR. WARD:

2 276. Q. We'll make a note.

3 A. I'm just letting you know.

4 277. Q. And then I think Erin had one other thing  
5 she wanted to ask you?

6 MS. CRADDOCK: There's two. Have  
7 you heard of World Web Media?

8 THE DEPONENT: No.

9

[REDACTED]

[REDACTED]

[REDACTED]

13 THE DEPONENT: Yeah. It was ---

14

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1

8

BY MR. WARD:

9

16

A. M'hmm.

19

A. M'hmm.

22

A. Okay.

23

281. Q. Okay. Can you do that for us?

24

A. Yeah.

25

1

4 282. Q. Thank you. Okay I ---

5

MS. CRADDOCK: And ideally if you

6

have the ---

7

MR. WARD: Yeah.

8

22 BY MR. WARD:

23

1

15 288. Q. Okay. Yeah.

16 MS. GOLDBLATT: And Tara, I just --  
17 clarify for me.

18 THE DEPONENT: Of course.

19 MS. GOLDBLATT: Because you were one  
20 of the few people that is working with us who were at  
21 these meetings over in Europe.

22 THE DEPONENT: Okay.

23 MS. GOLDBLATT: So, remind me,  
24 you're at these meetings. Is it just yourself and  
25 your father or were there other Banners Brokers?

1 THE DEPONENT: Oh, it was like full  
2 blown conference not conference style. Sorry, what's  
3 the word, it was like an actual meeting. They would  
4 book a room in a hotel and they would invite --

5 MS. GOLDBLATT: Right. But aside  
6 from the people who were looking to invest.

7 THE DEPONENT: M'hmm.

8 MS. GOLDBLATT: Banners Broker  
9 management or, I won't call it management but someone  
10 working for Banners Broker.

11 THE DEPONENT: Right.

12 MS. GOLDBLATT: Was it just you and  
13 your father coming from the ---

14 THE DEPONENT: The majority of the  
15 trips, yes.

16 MS. GOLDBLATT: Okay, so it was just  
17 the two of you?

18 THE DEPONENT: Correct.

19 MS. GOLDBLATT: So, he was  
20 presenting?

21 THE DEPONENT: Well, it would be, it  
22 was like that person that was hosting us that had  
23 asked him or ---

24 MS. GOLDBLATT: Right.

25 THE DEPONENT: --- you know, whoever

1 to go down. They would be the ones presenting and he  
2 was more just -- like I'm a real person. I guess and  
3 -- the face.

4 MS. GOLDBLATT: He's the face.

5 Okay. And so, you were taking notes?

6 THE DEPONENT: I was just taking  
7 notes.

8 MS. GOLDBLATT: M'hmm.

9 THE DEPONENT: I was sitting like at  
10 the back of the room. And after the presentation  
11 they'd say this is Tara. She's tech support. If  
12 there's any issues, please let her know. And then I'd  
13 be going back to the hotel and then emailing.

14 MS. GOLDBLATT: So, were you taking  
15 notes by hand or what?

16 THE DEPONENT: It was all by hand.

17 MS. GOLDBLATT: By hand.

18 THE DEPONENT: Yeah.

19 MS. GOLDBLATT: Okay. And how did  
20 whoever it was Ian, or whoever was making the  
21 presentation. How did they instruct the affiliates  
22 that they could invest? Like did people ---

23 THE DEPONENT: You have to give me a  
24 moment here to remember. Oh, my gosh. I don't even  
25 remember how -- oh, my gosh.

1 MS. GOLDBLATT: I'm not looking for  
2 technical details.

3 THE DEPONENT: No, I understand.

4 MS. GOLDBLATT: I'm just -- I assume  
5 part of the presentation people would say, hey this  
6 sounds great, how do I -- how do I invest?

7 THE DEPONENT: Of course. It would  
8 be -- it was to go and speak with somebody that they  
9 knew was already part of the company. To help them  
10 sign up or to speak with him directly after if they  
11 were still interested. Because a lot of the  
12 affiliates would bring in people.

13 MS. GOLDBLATT: Okay. To the  
14 meetings.

15 THE DEPONENT: Just to see and like  
16 look, it's this or it's that, or whatever.

17 MS. GOLDBLATT: Was there any cash  
18 ever collected at the meetings?

19 THE DEPONENT: Not that I'm aware  
20 of. I wasn't with him all the time. I -- not that  
21 I ---

22 MS. GOLDBLATT: We're just asking  
23 about the meetings that you were at.

24 THE DEPONENT: Yeah, no. Of course,  
25 not that I'm aware of, no.



1 MS. GOLDBLATT: That's it for me.

2 MR. WARD: Okay. Thanks for your  
3 time.

4 THE DEPONENT: No problem.

5 COURT REPORTER: We're now off the  
6 record. The time is 5:05 p.m.

7

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I hereby certify the foregoing to be the Examination  
Under Oath of TARA REEVES, taken before me on the  
25th day of January, 2017.

**CERTIFIED CORRECT:** PROFESSIONAL COURT REPORTERS INC.



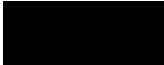

Athavan Jeyaratnam

Court Reporter

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1990.

<u>\$</u>	<b>109</b> 24:4	<b>136</b> 29:14	<b>160</b> 34:5
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<b>\$2,350</b> 26:1	<b>11:04</b> 16:3	<b>139</b> 30:3	<b>163</b> 34:14
<b>\$2,350.00</b>	<b>110</b> 24:7	<b>14</b> 7:14	<b>164</b> 34:18
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<b>\$50,000,000</b>	<b>115</b> 25:21	<b>144</b> 30:19	<b>169</b> 35:9
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<b>\$6,500</b> 26:7	<b>117</b> 26:4	<b>146</b> 31:7	<b>170</b> 35:12
26:8	<b>118</b> 26:6	<b>147</b> 31:11	<b>171</b> 35:14
<b>\$6,500.00</b>	<b>119</b> 26:13	<b>148</b> 31:14	<b>172</b> 35:17
25:5	<b>12</b> 7:9	<b>149</b> 31:16	<b>173</b> 35:20
<u>0</u>	<b>120</b> 26:17	<b>14th</b> 14:19	<b>174</b> 35:22
<b>00CL</b> 4:15	<b>121</b> 27:6	14:21 14:22	<b>175</b> 36:1
<b>0A9</b> 5:12	<b>122</b> 27:8	14:24 27:11	<b>176</b> 36:7
<u>1</u>	<b>123</b> 27:19	27:15	<b>177</b> 36:14
<b>1</b> 5:6 5:23	<b>124</b> 27:23	<b>15</b> 7:18	<b>178</b> 36:17
11:9 15:25	<b>125</b> 27:25	<b>150</b> 31:18	<b>179</b> 36:20
16:1 21:11	<b>126</b> 28:2	<b>151</b> 32:20	<b>18</b> 8:6
25:4	<b>127</b> 28:7	<b>152</b> 32:24	<b>180</b> 36:25
<b>10</b> 7:2	<b>128</b> 28:11	<b>153</b> 33:2	<b>181</b> 37:15
<b>100</b> 22:18	<b>129</b> 28:15	<b>154</b> 33:11	<b>182</b> 37:19
<b>101</b> 23:2	<b>13</b> 7:12	<b>155</b> 33:14	<b>183</b> 37:23
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

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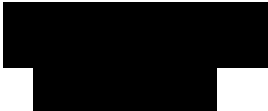
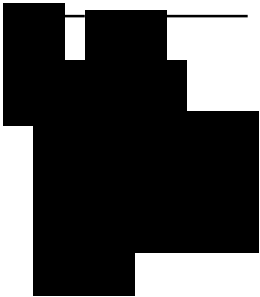

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**TAB U**

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants

**AFFIDAVIT OF CHRISTOPHER HORKINS**

**(Sworn September 9, 2016)**

I, Christopher Horkins, of the City of Toronto, in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am a lawyer with the law firm of Cassels Brock & Blackwell LLP, counsel to the plaintiff in this matter. As such, I have knowledge of the following matters.
2. I served the defendant, Kuldip Josun, with a copy of the Statement of Claim, issued May 30, 2016, by providing a copy by hand to Kuldip Josun, who identified himself to me, on June 7, 2016 at approximately 10:00 a.m., at 330 University Avenue, Toronto, Ontario.

SWORN BEFORE ME at the City of  
Toronto, on September 9, 2016

Commissioner for Taking Affidavits

**Jeremy Martin**  
**LSUC #61610K**

Christopher Horkins

BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.  
Defendants

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**AFFIDAVIT**

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Lawyers for the Plaintiff

**TAB V**



Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

BETWEEN:

**BANNERS BROKER INTERNATIONAL LIMITED and  
STELLAR POINT, INC., by their receiver MSI SPERGEL INC.**

Plaintiffs

- and -

**RAJIV DIXIT, KULDIP JOSUN, DIXIT HOLDINGS INC.,  
DIXIT CONSORTIUM INC., DREAMSCAPE VENTURES LTD.,  
WORLD WEB MEDIA INC., and REAL PROFIT LIMITED**

Defendants

**REQUISITION**

TO THE LOCAL REGISTRAR at Toronto

I REQUIRE you pursuant to Rule 19.01(1) of the *Rules of Civil Procedure* to note the defendant, Kuldip Josun, in default in this action on the grounds that the defendant, Kuldip Josun, has failed to deliver a Statement of Defence within the time required by Rule 18.01(a) of the *Rules of Civil Procedure*.

Date: September 9, 2016



Christopher Horkins

Kuldip Josun

NOTING DEFAULT  
DEFENDANT(S) / RESPONDENT(S)  
NOTED IN DEFAULT

CONSTATATION DE DÉFAUT  
DÉFENDEUR(S) / INTIMÉ(S)  
CONSTATÉ EN DÉFAUT

THIS 9th DAY OF Sept. 20 16  
LE 9th JOUR DE Sept. 20 16

REGISTRAR  
SUPERIOR COURT OF JUSTICE

GREFFIER  
COUR SUPÉRIEURE DE JUSTICE



BANNERS BROKER INTERNATIONAL LTD. by its receiver,  
MSI SPERGEL INC., et al  
Plaintiffs

and RAJIV DIXIT et al.  
Defendants

Court File No. CV-16-11413-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT  
TORONTO

**MOTION RECORD OF THE PLAINTIFFS**

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