

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**B E T W E E N:**

**ONTARIO SECURITIES COMMISSION**

**Applicants**

**- and -**

**1725587 ONTARIO INC., carrying on business as HEALTH AND HARMONEY  
and HARMONEY CLUB INC.**

**Respondents**

**FIRST REPORT OF BDO CANADA LIMITED, AS RECEIVER AND MANAGER OF  
1725587 ONTARIO INC. (c.o.b. HEALTH AND HARMONEY) and HARMONEY CLUB  
INC.**

**SEPTEMBER 2, 2010**

## **Table of Contents**

1. INTRODUCTION AND BACKGROUND .....	3
1.1 Introduction .....	3
1.2 Background .....	3
2. RECEIVER'S ACTIVITIES .....	6
2.1 Funds Seized .....	6
2.2 Communication with Creditors .....	7
2.3 Investigations into Investments & Future Recoveries.....	7
3. CLAIMS PROCESS .....	11
3.1 Possible Trust Claims.....	13
4. OTHER MATTERS .....	14
5. SUMMARY AND RECOMMENDATIONS .....	14

Appendix A	Receivership Order dated August 5, 2010
Appendix B	Winsome Guaranteed Joint Venture Business Agreement dated March 20, 2008
Appendix C	Capital Ventures Subscription Agreement dated November 19, 2007
Appendix D	Capital Ventures General Release
Appendix E	Investment Tracking Schedule
Appendix F	Stephen Hart Email
Appendix G	Winsome Trust Statement / Amortization Schedule
Appendix H	Robert Andres Email
Appendix I	Winsome Letter dated November 17, 2008
Appendix J	Clemons Letter dated July 13, 2009
Appendix K	Claims Package Documents
Appendix L	Notice to Creditors
Appendix M	Notice of Revision or Disallowance and Notice of Dispute
Appendix N	Harmony Investors "Trust Claims" List
Appendix O	Harmony Club Subscription Agreement
Appendix P	Affidavit of Blair Davidson sworn September 3, 2010

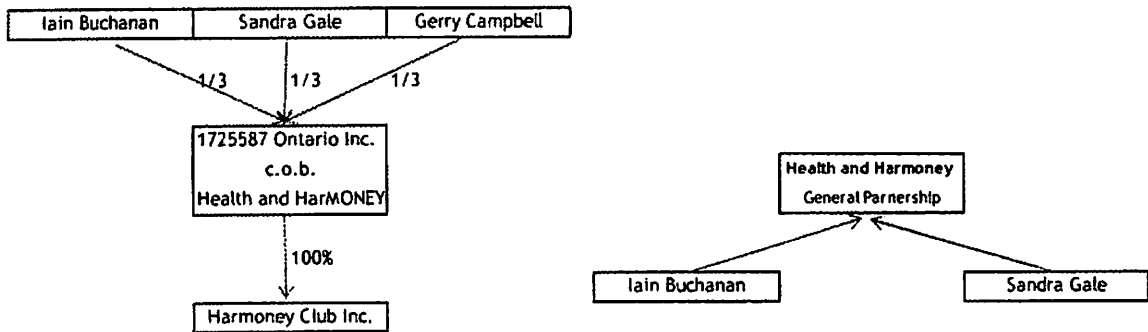
## **1. INTRODUCTION AND BACKGROUND**

### **1.1 Introduction**

- 1.1.0 Pursuant to the Order of the Honourable Madam Justice Hoy dated August 5, 2010 (the "Receivership Order"), BDO Canada Limited was appointed Receiver and Manager (the "Receiver") of all of the property, assets and undertaking of the Respondents, 1725587 Ontario Inc. (c.o.b. Health and HarMONEY) ("Health and HarMONEY") and Harmony Club Inc. ("Harmony Club") (together, the "Companies"). The application for the appointment of the Receiver was made by the Ontario Securities Commission (the "OSC") pursuant to Section 129 of the *Securities Act*, R.S.O. c. S5, as amended (the "*Securities Act*"). A true copy of the Receivership Order is attached hereto as **Appendix A.**

### **1.2 Background**

- 1.2.0 A general partnership called "Health and Harmony" (the "Partnership") was registered pursuant to the *Business Names Act* (Ontario) on November 14, 2006 with its principal place of business located at 390-1288 Ritson Road North, Oshawa, Ontario. The general partnership registration indicates that the activities being carried out by the Partnership were health and investment services. According to the *Business Names Act* search for Health and Harmony, the partners of the Partnership are Donald Iain Buchanan (a.k.a. Iain Buchanan) and Sandra Gale (a.k.a. Sandi Gale).
- 1.2.1 1725587 Ontario Inc., carrying on business as Heath and HarMONEY, was incorporated pursuant to the laws of Ontario on September 20, 2007 with the same principal place of business as the general partnership in Oshawa, Ontario. It was engaged in the provision of financial advisory and investment planning services. The shareholders of Health and HarMONEY are Iain Buchanan, Sandra Gale and Gerry Campbell. Harmony Club is the wholly owned subsidiary of Health and HarMONEY.
- 1.2.3 Harmony Club was incorporated pursuant to the *Canadian Business Corporations Act* on December 21, 2007 and also shared the same principal place of business in Oshawa, Ontario as that which is listed for the Partnership and Health and HarMONEY.



- 1.2.4 Iain Buchanan was also listed as a director of the Companies. Lisa Buchanan was an employee of Health and HarMONEY and a director of the Harmony Club. Sandra Gale was also a director of both Companies.
- 1.2.5 The OSC applied for and obtained a Cease Trade Order dated April 1, 2008 (the “Temporary Order”), which Order has been extended from time to time, in respect of among other parties, Health and HarMONEY, Donald Iain Buchanan and Lisa Buchanan, pursuant to the *Securities Act*.
- 1.2.6 During the course of its investigations, the OSC uncovered evidence of unauthorized trading of securities issued by Harmony Club. Preferred shares of Harmony Club (the “Preferred Shares”) were sold from October 2007 until July 2008 to approximately 138 Ontario residents (the “HarMONEY Investors”) by Mr. Buchanan, Ms. Buchanan, Ms. Gale and other employees, representatives and agents of Health and HarMONEY and Harmony Club. Approximately \$2.5 million worth of Preferred Shares in Harmony Club were sold to Ontario residents.
- 1.2.7 Of the approximate 138 Ontario investors that purchased Preferred Shares in Harmony Club, over half of them did so after the Temporary Order which prohibited Health and HarMONEY, Mr. Buchanan, Ms Buchanan and Ms. Gale from trading in any securities.
- 1.2.8 The funds used to purchase the Preferred Shares were deposited into accounts held at the Royal Bank of Canada (“RBC”) in the name of Health and HarMONEY. The funds were then invested in two US entities, H.Y.R., Ltd. (“H.Y.R.”) of Riverview, Florida and Winsome Investment Trust (“Winsome”) of Houston, Texas.

- 1.2.9 H.Y.R. is a Florida limited partnership. Its general partner is Capital Ventures LLC. Health and HarMONEY purchased limited partnership interests in H.Y.R. pursuant to a Subscription Agreement dated November 19, 2007 (the "H.Y.R. Agreement"). A true copy of the H.Y.R. Agreement is attached hereto as **Appendix B**.
- 1.2.10 Winsome appears to be an Investment Trust, presumably governed by the laws of Texas. Health and HarMONEY delivered funds to Winsome pursuant to a Guaranteed Joint Venture Business Agreement dated March 18, 2008 (the "Winsome Agreement"). Winsome guaranteed a monthly profit of 8% and guaranteed repayment of the amount invested. A true copy of the Winsome Agreement is attached hereto as **Appendix C**.
- 1.2.11 The Receiver understands from discussions with Mr. Buchanan that H.Y.R. was to generate investment returns from foreign currency trading/exchange rate arbitrage and Winsome was to generate returns from commodities and futures trading.
- 1.2.12 After the issuance of the Temporary Order, the OSC issued Directions on July 16, 2008 (the "OSC Directions") which directed RBC to retain all funds, securities and property held on deposit with RBC in the names of Health and HarMONEY, Mr. Buchanan and Ms. Buchanan. The OSC Directions were continued from time to time. Certain of them expired on August 5, 2010. As a result of the OSC Directions issued to RBC, USD\$231,617.84 and CDN\$7,005.88 was ultimately frozen in Health and HarMONEY's bank accounts and remained there until the Receiver seized those funds.
- 1.2.13 In and around August 2008, the OSC was contacted by the law firm of McLean & Kerr LLP ("McLean & Kerr"), who acted as counsel for Health and HarMONEY, regarding efforts to recover amounts paid by the HarMONEY Investors that had been invested with H.Y.R. and Winsome. The OSC granted permission to Health and HarMONEY to recover amounts paid by the HarMONEY Investors subject to receiving a signed undertaking that any funds recovered from H.Y.R. and Winsome would remain on deposit in McLean & Kerr's trust account.
- 1.2.14 Funds in the amount of USD\$531,313.09, out of a total remaining investment of approximately USD\$984,035, was recovered from H.Y.R. in full settlement of amounts invested by Health and HarMONEY in exchange for Health and HarMONEY's signing a release in favour of H.Y.R. and Capital Ventures and its representatives and partners

from any further liability and claims (the “H.Y.R./Capital Ventures Release”). A true copy of the H.Y.R./Capital Ventures Release is attached hereto as **Appendix D**.

- 1.2.13 Additionally, McLean & Kerr received USD\$112,000 of the approximately USD\$1.245 million invested with Winsome as partial repayment of the Health and HarMONEY investment. Additional funds may be recoverable from Winsome in the future as discussed below.

### **1.3 Purpose**

- 1.3.0 The purpose of this First Report of the Receiver is to:

- (i.) report on the activities of the Receiver to date and to seek this Honourable Court’s approval of those activities as set out herein;
- (ii.) seek approval of the Receiver’s recommended claims process and to report on possible claims of certain HarMONEY Investors that may be advanced as trust claims;
- (iii.) seek approval of the Receiver’s recommended actions in respect of further recovery efforts related to Winsome;
- (iv.) seek approval of the Receiver’s fees for the period from August 5, 2010 to September 2, 2010;
- (v.) seek approval of the Receiver’s counsel’s fees for the period from August 5, 2010 to September 2, 2010;

## **2. RECEIVER’S ACTIVITIES**

### **2.1 Funds Seized**

- 2.1.0 Following its appointment, the Receiver contacted RBC to take possession of the funds deposited in the name of Health and HarMONEY that were being held subject to the OSC Directions. Additionally, the Receiver contacted Jim Blake, counsel with McLean & Kerr, to take possession of the funds held in trust that were recovered on behalf of the HarMONEY Investors from H.Y.R. and Winsome.

- 2.1.1 The Receiver received USD\$231,617.84 and CDN\$7,005.58 from RBC on account of the funds on deposit in the Health and HarMONEY bank accounts. The Receiver also received USD\$643,313.09 from McLean & Kerr, consisting of funds in the amount of USD\$531,313.09 recovered from H.Y.R. and USD\$112,000 recovered from Winsome.

## **2.2 Communication with Creditors**

2.2.0 The Receiver reviewed all of the HarMONEY Investors' files in order to prepare the requisite Section 245(1) and 246(1) Notices and Statements (the "Notice of Receiver") under the *Bankruptcy and Insolvency Act* (Canada) and send them to the Companies' creditors. The Notice of Receiver together with a copy of the Receivership Order are posted on the Receiver's website, [www.bdo.ca/healthandharmony](http://www.bdo.ca/healthandharmony), which was created to keep the HarMONEY Investors apprised of the receivership proceedings. The Receiver intends to include copies of the Receiver's reports and further Orders of this Honourable Court, as well as any other relevant documents and communications to the HarMONEY Investors, on the Receiver's website.

2.2.1 The Receiver has also reviewed RBC bank statements obtained by the OSC during the course of its investigation for Health and HarMONEY that showed that USD\$1,334,035 of the total amount invested by the HarMONEY Investors was transferred to Capital Ventures between November 19, 2007 and February 14, 2008 and USD\$1,245,518 was transferred to Winsome between March 20, 2008 and May 16, 2008. Attached as **Appendix E**, is a tracking schedule of the deposits to Capital Ventures and Winsome and copies of the RBC wire transfers from the Health and HarMONEY US funds bank account 03622 400-244-0 evidencing the transfers to Capital Ventures and Winsome.

## **2.3 Investigations into Investments & Future Recoveries**

2.3.0 The Receiver attended meetings separately with both Mr. Buchanan and Mr. Blake to discuss the possible further recovery of the investments made by Health and HarMONEY with H.Y.R. and Winsome.

### **2.3.1 *H.Y.R., Ltd.***

The H.Y.R. Agreement provides that the subscription for Limited Partnership Interests in H.Y.R. was an investment exempt from registration under the United States *Securities Act* by virtue of Section 4(2) of that Act and was exempt from registration under any state securities laws. The terms of the H.Y.R. Agreement fully disclose the speculative nature of the investment being made with the express proviso that an investor could sustain a loss of the entire investment.

2.3.2 The Receiver has determined that USD\$350,000 of the USD\$1,334,035 that was invested with H.Y.R. was returned by wire transfer to Health and HarMONEY on April 1, 2008. Health and HarMONEY in turn reinvested the USD\$350,000 with Winsome. As mentioned earlier, Health and HarMONEY provided a release to H.Y.R. and Capital Ventures in exchange for payment in the amount of USD\$531,313.09 as full and final settlement of all amounts owing by H.Y.R. and Capital Ventures to Health and HarMONEY. The Receiver was advised by Stephen Hart, former Managing Member of Capital Ventures, in a series of emails dated August 30<sup>th</sup> and August 31<sup>st</sup>, 2010 (the "Hart Emails") that the balance of the money invested with H.Y.R. was invested in one of Capital Ventures' foreign exchange funds which lost more than 30% of the initial investment made by Capital Ventures' underlying investors, including the HarMONEY Investors. Attached as **Appendix F**, is an email from Mr. Hart describing the circumstances surrounding the significant losses sustained by Capital Ventures. However, there is insufficient information for the Receiver to determine the exact nature of the investments made by Capital Ventures and the performance of those investments other than to confirm that 66% of the Health and HarMONEY principal investment was ultimately recovered. Moreover, it is the Receiver's understanding that there is no regulatory body for the Receiver to turn to for assistance for full disclosure as Mr. Hart advised in the Hart Emails that Capital Ventures is exempt from registration under federal and state securities laws.

2.3.3 The Receiver understands from correspondence with Mr. Hart that H.Y.R. and Capital Ventures were dissolved prior to the date of the Receivership Order. In view of the release provided by Health and HarMONEY to H.Y.R. and Capital Ventures, it is the Receiver's belief that any further recovery of the amounts invested by the HarMONEY Investors in H.Y.R. is unlikely. Under the circumstances, the Receiver does not recommend taking any further steps to investigate the H.Y.R. investment.

#### 2.3.4 *Winsome Investment Trust*

The Winsome Agreement indicates that Winsome guaranteed a return of 8% per month on a minimum principal investment of USD\$1.0 million and guaranteed the safety and return of the principal investment. Winsome agreed to assume all of the risk associated with its investments. Additionally, the Winsome Agreement provides that the return



earned by Health and HarMONEY on the investment could be reinvested and also earn a return of 8% per month. The minimum term of the investment was three months, at which point Health and HarMONEY could terminate the Winsome Agreement and receive the return of its principal investment plus the income earned thereon. Given the unusual terms of the Winsome Agreement and the Receiver's understanding from discussions with the United States Securities and Exchange Commission (the "SEC") and Mr. Buchanan that Winsome is not registered with the SEC, the Receiver has serious reservations with respect to the legitimacy of the Winsome investment.

2.3.5 Health and HarMONEY received only one trust statement from Winsome which reported Health and HarMONEY's position as at May 27, 2008 (the "Winsome Trust Statement"). The Winsome Trust Statement reported an investment closing balance as at May 27, 2008 of USD\$1,411,928.02, inclusive of two months worth of income in the amount of \$166,693.02 on Health and HarMONEY's initial investment in the amount of USD\$1,245,235 made on or about March 20, 2008. A true copy of the Winsome Trust Statement is attached hereto as **Appendix G**. Appended to **Appendix G**, is the Receiver's calculation of the indebtedness owing by Winsome to Health and HarMONEY as at August 27, 2010 as calculated in accordance with the terms of the Winsome Agreement. This calculation shows that Winsome owes over \$11 million to Health and HarMONEY in respect of its investment. At this time the Receiver is not certain that anything more than the principal investment of USD\$1,245,235 will be recovered from Winsome.

2.3.6 Since the date of its appointment, the Receiver has been in contact by telephone and email with Robert J. Andres who is identified in the Winsome Agreement and the Clemons Letter (as defined herein) as the Trustee and Custodian of Funds for Winsome. The Receiver received an email communication from Mr. Andres (the "Andres Email") dated August 20, 2010, attached hereto as **Appendix H**, which states that the investment returns expected by Winsome were to be derived from licensing rights from environmental clean-up contracts in the Pacific Rim area. This came as a surprise to Mr. Buchanan who advised the Receiver that it was his understanding that Winsome had invested Health and HarMONEY's funds in commodities and futures.

- 2.3.7 Additionally, the Andres Email acknowledges that USD\$1,245,235 was paid to Winsome by Health and HarMONEY and that USD\$1,133,235 of the initial investment remains outstanding after Winsome paid USD\$112,000 to Health and HarMONEY. Furthermore, the Andres Email claims that a principal repayment of USD\$1,133,235 will be forthcoming once the underlying companies with contracts in the Pacific Rim area are taken public and the aforesaid licensing rights are made available. The Andres Email appears to contradict the Winsome Trust Statement in that the latter indicates that Health and HarMONEY had already earned a return of USD\$166,693.02 on its investment as at May 27, 2008.
- 2.3.8 The Receiver has also reviewed two earlier pieces of correspondence related to the return of the Health and HarMONEY investment with Winsome. Pursuant to a letter addressed to Health and HarMONEY and signed by Mr. Andres on behalf of Winsome dated November 17, 2008 (the "Winsome Letter"), Winsome would be able to return the Health and HarMONEY investment within twenty-four hours. Later correspondence dated July 13, 2009 which had been requested by Mr. Blake on behalf of Health and HarMONEY and which was electronically signed by Mr. Elgin Clemons, attorney at law, on the letterhead of Wright, Lindsey & Jennings LLP (the "Clemons Letter"), claimed that Mr. Clemons acted as the attorney for Winsome and that Winsome was to receive reimbursements of over \$5.0 million due to the trust during the week of July 13, 2009. This second letter was provided to Health and HarMONEY as further evidence that Winsome would be in a position to return the Health and HarMONEY investment in July 2009. True copies of the Winsome Letter and the Clemons Letter are attached hereto as **Appendices I** and **J**, respectively.
- 2.3.9 Given the limited disclosure by Winsome and the significant delay in receiving repayment of Health and HarMONEY's outstanding principal investment, the Receiver has very little confidence that Winsome will follow through with its promise of repayment. The Receiver, in all probability, will have to take further legal steps to compel Winsome to provide full disclosure and/or produce the necessary documentation for the Receiver to determine what measures should be taken to recover additional funds from Winsome. As a first step, the Receiver recommends that an examination of Mr. Andres take place as soon as possible.

### 3. CLAIMS PROCESS

3.1.0 The Receiver recommends that it be authorized to conduct a claims process (the "Claims Process"). Based on the Companies' books and records, the Receiver has been able to compile a list of the HarMONEY Investors that it believes purchased the Preferred Shares. The Claims Process will provide all of the Companies' creditors, including ordinary unsecured trade creditors (the "Ordinary Creditors", together with the HarMONEY Investors, "Creditors"), with the opportunity to prove their respective claims.

3.1.1 The following provides a description of the proposed Claims Process for the purpose of identifying and processing Creditor claims:

- i. The Receiver will send a claims package by ordinary mail on or before October 1, 2010 to each known Creditor identified by the Receiver through a review of the Companies' books and records. The claims package will include a letter to creditors, a Proof of Claim Form and related instructions describing the process (the "Claims Package"). The proposed form of documents to be included in the Claims Package is attached hereto as **Appendix K**. In the case of the HarMONEY Investors and Ordinary Creditors found in the Companies' books and record (the "Known Ordinary Creditors"), the proposed letter to creditors will set out the amount of the particular claim as determined by the Receiver based upon the Companies' books and records.
- ii. A notice to creditors will be published on or before October 1, 2010 in the *Globe and Mail* and the *Oshawa This Week*. The proposed form of notice to creditors is attached hereto as **Appendix L**.
- iii. The Claims Package will require Creditors to identify claims as either:
  - a) HarMONEY Investors' claims; or
  - b) Ordinary Creditor claims.
- iv. The Claims Package will be available on the Receiver's website at [www.bdo.ca/healthandharmony](http://www.bdo.ca/healthandharmony).

- v. If a HarMONEY Investor or Known Ordinary Creditor agrees with the Receiver's assessment of his or her claim as set out in the Notice to Creditors, then such amount will be a Proven Claim and the HarMONEY Investor or Known Ordinary Creditor will not be required to file a Proof of Claim. If a HarMONEY Investor or Known Ordinary Creditor wishes to dispute the amount assessed by the Receiver, they must complete and provide to the Receiver, by no later than November 30, 2010 (the "Claims Bar Date"), a properly completed Proof of Claim form, including satisfactory evidence establishing the different amount claimed by the HarMONEY Investor or Known Ordinary Creditor. Any HarMONEY Investor or Known Ordinary Creditor disputing the Receiver's assessment of his or her claim who does not deliver to the Receiver a completed Proof of Claim by the Claims Bar Date will have its claim deemed accepted by the Receiver at the amount assessed by the Receiver.
- vi. Unknown Ordinary Creditors (the "Unknown Ordinary Creditors") will be required to submit a properly completed Proof of Claim form, including satisfactory evidence in support of their claim by the Claims Bar Date. Any Unknown Ordinary Creditor that does not deliver to the Receiver a completed Proof of Claim, will have its claim forever extinguished and shall forever be barred from making or enforcing any claim against the Companies.
- vii. All claims received will be reviewed by the Receiver on or before the Claims Bar Date.
- viii. The Receiver will send a notice of revision or disallowance and a form of notice of dispute to each Creditor on or before December 15, 2010 in the event that a claim has been revised or disallowed (the "Notice of Dispute Deadline"). Should the Receiver not send a notice of revision or disallowance to the Creditor prior to the Notice of Dispute Deadline, then the amount of the claim of the particular Creditor shall be deemed to have been accepted by the Receiver. The proposed forms of notice of revision or disallowance and notice of dispute are attached hereto as **Appendix M**.
- ix. All Creditors will have the option to challenge the notice of revision or disallowance by delivering to the Receiver a notice of dispute on or before

December 30, 2010 (the "Notice of Dispute Deadline"). The Creditor will be required to submit a notice of dispute prior to the Notice of Dispute Deadline. If the Creditor receives a notice of revision or disallowance and fails to deliver a notice of dispute to the Receiver prior to the Notice of Dispute Deadline, the value of the claim shall be deemed to be as set out in the notice of revision or disallowance.

- x. The proposed time frame for administering the Claims Process as set out above is summarized as follows:

Process	Date
Mailing to Creditors	Week ending October 1, 2010
Newspaper Notice	Week ending October 1, 2010
Claims Bar Date	November 30, 2010
Notice of Revision or Disallowance	December 15, 2010 or as they occur
Notice of Disputes	December 30, 2010
Final Claims List	January 31, 2011

### 3.1 Possible Trust Claims

3.1.0 The Receiver has been made aware of certain claims that may be advanced by HarMONEY Investors as trust claims. Just prior to the issuance of the OSC Directions, a number of HarMONEY Investors paid the subscription price for certain Preferred Shares and the funds were deposited into the Health and HarMONEY bank account but those funds were never invested with H.Y.R. or Winsome. Approximately USD\$160,000 deposited in the Health and HarMONEY account but not invested remained on deposit in the Health and HarMONEY bank account until the Receiver seized USD\$231,617.84 in that account. A list of the HarMONEY Investors whose money remained in the RBC accounts and has been seized by the Receiver is attached hereto as **Appendix N**.

3.1.1 The Receiver has consulted with its counsel and is of the view that the claims of these HarMONEY Investors should be considered unsecured claims in the Receiver's proposed claims process as there is no evidence to support that these claims will meet the legal requirements necessary to assert a true trust. There did not appear to be any intention between the parties to create a trust once the subscription price was paid for

the Preferred Shares and there is no such provision contained in the Harmony Club Subscription Agreement, a true copy of which is attached hereto as **Appendix O**. The fact that there was no intention to create a trust is further evidenced by the treatment of the funds by Health and HarMONEY. The subscription payments of HarMONEY Investors were generally deposited into Health and HarMONEY's bank account and were comingled with the funds of other HarMONEY Investors and used to pay expenses and make investments with H.Y.R. and Winsome. It is the Receiver's position that the only argument that could be asserted by these certain HarMONEY Investors to substantiate their possible trust claims is one based on a "last-in-first-out" basis, specifically asserting that their funds were the last funds deposited into the Health and HarMONEY bank account and can be traced. Accordingly, the Receiver believes that the claims of these HarMONEY Investors should be treated in a similar manner as those of the other HarMONEY Investors and the ordinary trade creditors. This issue will be addressed in the Claims Process.

#### **4. OTHER MATTERS**

- 4.1.0 The professional fees and disbursements of BDO Canada Limited total \$34,336.92 (which includes Harmonized Sales Tax) for the period from July 26, 2010 to September 2, 2010. An affidavit regarding the Receiver's professional fees and disbursements is attached hereto as **Appendix P**.

#### **5. SUMMARY AND RECOMMENDATIONS**

- 5.1.0 The Receiver respectfully requests that the Court make an Order:
- (i) approving the Receiver's conduct and activities as described herein;
  - (ii) approving the Receiver's recommendations with respect to the Claims Process which the Receiver has outlined in this Report, including all forms and documents attached hereto;
  - (iii) authorizing and directing the Receiver to conduct an examination under oath of Mr. Robert Andres; and
  - (iv) approving the professional fees and disbursements of BDO Canada Limited as set out in this Report.

All of which is respectfully submitted this 6<sup>th</sup> day of September, 2010.

BDO CANADA LIMITED  
Receiver and Manager  
Per:

A handwritten signature in black ink, appearing to read 'B. Davidson', with a long horizontal flourish extending to the right.

Blair F. Davidson, CA•CIRP, CBV, CMC  
President