

Non official translation

CANADA
PROVINCE OF QUEBEC
DISTRICT DE LAVAL
NO: 540-11-012245-249

S U P E R I O R C O U R T
"Commercial Division"

**IN THE CASE OF THE PROVISIONAL
ADMINISTRATION OF:**

**WHITEHAVEN SECURITIES INC.
WHITEHAVEN ASSET MANAGEMENT INC.
WHITEHAVEN HOLDINGS INC.
WHITEHAVEN VENTURE INC.
WHITEHAVEN CAPITAL INC.
SOLSTAR PHARMA INC.
SOLSTAR CAPITAL INC.
SOLSTAR CAPITAL FUND
MVMT CAPITAL FUND
MVMT CAPITAL LIMITED PARTNERSHIP
MVMT CAPITAL TRUST FUND
MVMT GENERAL PARTNER INC.
MVMT CAPITAL LIMITED PARTNERSHIP 1**

Collectively, the "**Defendants**"

And

FTI CONSULTING CANADA INC.

The "**Provisional Administrator**"

SECOND REPORT OF THE PROVISIONAL ADMINISTRATOR
(November 12, 2024)

**TO THE HONOURABLE CHRISTIAN IMMER, J.C.S., SITTING IN THE COMMERCIAL
DIVISION FOR THE DISTRICT OF LAVAL AND ACTING AS MANAGING JUDGE, THE
PROVISIONAL ADMINISTRATOR SUBMITS THE FOLLOWING:**

This report (the "**Second Report**") is part of the Defendants' provisional administration and is intended to provide the Court with:

- i. A report on the work performed by the Provisional Administrator since October 11, 2024; and
- ii. A report of the findings made by the Provisional Administrator since his appointment.

1. INTRODUCTION

- 1.1. By order dated September 12, 2024, the Honourable Christian Immer, J.C.S. appointed FTI Consulting Canada Inc. as Provisional Administrator of the following companies and made various orders concerning, among other things, the powers granted to the latter (the "**Order**"):
 - Whitehaven Securities Inc., Whitehaven Asset Management Inc., Whitehaven Holdings Inc., Whitehaven Venture Inc. and Whitehaven Capital Inc. (the "**WH Entities**");
 - Solstar Pharma Inc., Solstar Capital Inc. and Solstar Capital Fund (the "**Solstar Entities**");
 - MVMT Capital Fund, MVMT Capital Limited Partnership, MVMT Capital Trust Fund, MVMT Capital, MVMT General Partner Inc. and MVMT Capital Limited Partnership 1 (the "**MVMT Entities**").
- 1.2. On or about October 11, 2024, the Provisional Administrator filed its first report dated October 11, 2024 (the "**First Report**"), which was also published on the Provisional Administrator's website.
- 1.3. The Defendants did not challenge the Order.
- 1.4. That said, the Solstar Entities filed in the Court record on or about October 16, 2024 an *Application to Terminate the Provisional Administration or to Make an Assignment of Property for the Benefit of Creditors and to Appoint a Trustee, Instructions as to the Use of Funds and Provision for Costs* (the "**Solstar Application**").
- 1.5. In the context of the bankruptcy of the Solstar Entities, it should be noted that investors who only hold units, including those whose debentures have been converted into units, will not be considered creditors and will therefore not be able to receive any dividend.
- 1.6. The MVMT Entities filed in the Court record on or about October 16, 2024, an *Application to Terminate the Provisional Administration, or Modify the Powers of the Provisional Administrator, Instructions as to the Use of Moneys, Provision for Costs and Sanction as to the Enforcement of Orders* (the "**MVMT Application**").
- 1.7. Under the terms of a management session presided over by the Honourable Christian Immer, J.C.S., on October 23, 2024, the Court suspended, inter alia, the Solstar Application and the MVMT Application, but took note of MVMT's commitment to notify an *Application for a declaration of disqualification* (the "**Disqualification Application**").
- 1.8. The Disqualification Application was heard on November 7, 2024 and the hearing is continued to November 20, 2024.

- 1.9. The objective of this Second Report is to:
- i. Inform the Court of the steps taken by the Provisional Administrator since his First Report of October 11, 2024;
 - ii. Inform the Court of the findings made by the Provisional Administrator since his appointment under the Order;
 - iii. Inform the Court of the fees incurred in connection with the Provisional Administrator's mandate.
- 1.10. The Second Report is divided into the following sections:
- Approaches, findings and next steps related to the WH Entities **(Section 2)**;
 - Approaches, findings and next steps in relation to the MVMT Entities **(Section 3)**;
 - Approches, findings and next steps in relation to the Solstar Entities **(Section 4)**;
 - Approches and findings related to issuers related to the WH Entities **(Section 5)**;
 - Status of the Provisional Administrator's fees and disbursements **(Section 6)**;
 - Conclusions and recommendations **(Section 7)**.
- 1.11. For the sake of lightening the content of the Second Report, it should be read in conjunction with the allegations in the *ex parte in camera* application to order the appointment of a provisional administrator of the Authority (the " Application"), the Order and the First Report.
- 1.12. Except as otherwise noted in the Second Report, the Provisional Administrator has not audited, examined or otherwise attempted to verify the accuracy or completeness of the information in a manner that would be consistent with generally accepted assurance standards, nor has it reviewed or revised the financial information referred to in this Report under the Handbook of Chartered Professional Accountants of Canada.
- 1.13. Unless otherwise indicated in the Second Report, all amounts are in Canadian dollars. Capitalized terms not otherwise defined in the Second Report have the meanings given to them in the First Report or in the Application.

2. APPROACHES, FINDINGS AND NEXT STEPS IN RELATION TO WH ENTITIES

a) Steps taken since the First Report was issued

- 2.1. As indicated in the First Report, Investigation Informatique HDD inc. ("IIHDD") and Garda were mandated to mirror the computer items recovered in the context of the taking possession and preservation of the evidence (the "**Mirror Copies**").
- 2.2. Considering that the attorneys of the WH Entities have raised privileges related to solicitor-client privilege and accountant/auditor privilege, the Provisional Administrator had his attorneys prepare and submit to the attorneys of the WH Entities a protocol for the treatment of the liens on September 26.
- 2.3. Following various communications between the Provisional Administrator's solicitors and the (former and current) prosecutors of the WH Entities, the parties signed on November 4, 2024 a protocol (the "**Protocol**") with keywords targeting law firms, **Appendix A.** (in French only)
- 2.4. The Provisional Administrator is of the view that the decision in *Ontario Securities Commission v. Go-To Developments Holdings Inc.*, et al., [2023 ONSC 5921](#) confirms that the Defendants' liens are not enforceable against it insofar as they are liens belonging to companies under provisional administration and not liens belonging to a third party.
- 2.5. That said, as a precautionary measure and in order to advance its work, the Provisional Administrator has deemed it prudent to establish such a Protocol and not to access or have in its possession the Mirror Copies made on the Defendants' computer items, which are in possession of IIHDD and kept in a secure location.
- 2.6. The steps mentioned in the Protocol can therefore be carried out.
- 2.7. In order to be able to make its own findings in relation to the very worrying facts identified in the Order in connection with the actions and omissions of the WH Entities and the "symptoms of conflicts of interest that plague" the relations between the WH Entities and the related issuers, the Provisional Administrator conducted the following examinations.
- 2.8. On October 21, 2024, Mr. Richard Bernard ("**R. Bernard**") was interviewed. The latter wears several hats, including the following:
 - Chief Compliance Officer for WHS;
 - Member of the WHS Product Review Committee, which ceased to exist in 2020;
 - *Chief Investment Officer* for WHAM and WHS;
 - Chief Compliance Officer for WHAM;
 - Counsel for WHAM;
 - Portfolio manager for WHAM (discretionary management);
 - Shareholder of WHAM (20%);
 - Director of WHAM.

- 2.9. On 21 October 2024, Mr Tommy Baltzis ("**T.Baltzis**") was interviewed. The latter wears several hats, including the following:
- President and Chief Operating Officer of WHS;
 - Majority shareholder of the WH Entities;
 - President of the WH Entities;
 - Business development of the WH Entities;
 - Director of the WH Entities;
 - Designated Person Responsible for WHS and WHAM;
 - Member of WMWH's Product Review Committee, which ceased in 2020;
 - Representative for WHS (mutual fund and exempt market);
 - Portfolio managers for WHAM;
 - Indirect shareholder of operating companies or of the General Partner (GP) of related issuers;
 - Director and Chairman of the Board of Directors of operating companies related to related issuers;
 - Establishing trusts for related issuers that are investment funds.
- 2.10. On October 22, 2024, Ms. Caroline Bernier, President of BWS TV Productions Inc. ("**BWS**") was interviewed.
- 2.11. On October 29, 2024, the Provisional Administrator, in the presence of Mr. Depelteau, met with Dimitri Kufedjian ("**D.Kufedjian**"), acting as WHS's Chief Compliance Officer.
- 2.12. Since the interviews, the Provisional Administrator has carried out several follow-ups in order to obtain the commitments made by the interviewees. These follow-ups are continuing given that several commitments are still missing.
- 2.13. On November 12, 2024, the Provisional Administrator became aware of the fact that certain responses to the commitments made by T.Baltzis were added on the *Google Drive* platform on November 11, 2024. In view of the deadline for the submission of the Second Report, the Interim Administrator was not in a position to analyze in detail all of these new responses.
- 2.14. The receipt of missing commitments is essential for the work of the Interim Administrator, who has made targeted requests to obtain information from witnesses, with a view to efficiency, proportionality and cost minimization.
- 2.15. In parallel with the examinations, the follow-up of the receipt of commitments and the review of those received, the Provisional Administrator, in collaboration with Raymond Chabot, advanced its work in connection with the valuations of the units of certain related issuers that are distributed exclusively by the WH Entities and whose valuation and information given to investors appeared, for some of them, a priori, misleading.
- 2.16. In addition, the Provisional Administrator, in collaboration with Éthique et Conformité conseils inc. (Me Ginette Depelteau) advanced its work on the governance and compliance issues of the WH Entities.

2.17. The Interim Administrator wishes to reiterate that its work is directed towards the material deficiencies of the WH Entities in its activities related to the exempt market area identified in the Application and in the Order. That said, in the course of his work, the Provisional Administrator has discovered other concerns that he must disclose to the Court, being the eyes and ears of the Court.

b) The secret involvement of Efstratios (Stratos) Gavriil in some of the companies of the WH Entities and the involvement of the latter and Massimiliano Arella in the Solstar Entities

2.18. WHS has been registered with the AMF as an exempt market dealer since January 22, 2014.

2.19. The interrogations of T.Baltzis and R.Bernard revealed troubling facts relating to the involvement of Efstratios (Stratos) Gavriil ("**Gavriil**") in the WH Entities and the Solstar Entities.

2.20. Indeed, the presence of Gavriil, whose pseudonym is Sean Gabriel, is a concern, as reported in *Autorité des marchés financiers v. Finance Silvermont inc.*, 2022 QCCS 28:

"27.1 In 2004, his certificate with the Chambre de la sécurité financière was first provisionally struck off the roll by the Discipline Committee [20]. The charges relate to three clients, for whom Gavriil was mandated to invest approximately USD 700,000, CAD 93,000 and CAD 46,000 in specific investments agreed upon with the clients. He amends or causes to be modified the instructions of these clients and uses the funds for the operations of his firm or the companies related to it. In addition, he proceeds without a mandate to redeem the shares of a fourth client without authorization for an amount of approximately \$40,000 and uses this amount for the operations of his firm or related companies. The striking off the roll is made permanent, in the context of a hearing at which he does not appear [21].

27.2. In 2004, he pleaded guilty to a criminal charge of defrauding an investor in 2003 of \$700,000. He was sentenced to a 20-month suspended prison sentence with three months' probation [22].

27.3. In 2012, he pleaded guilty to 13 counts, including eight counts of illegally carrying on activities as a dealer and five of making a distribution without a prospectus [23]. He was sentenced to \$90,000. »

2.21. However, the interrogation of T. Baltzis revealed to the Provisional Administrator the following disturbing facts with regard to Gavriil:

- i. Gavriil was involved with WHS from 2014 to 2017, when WHS was registered as an exempt market dealer;
- ii. He was involved in the implementation of WHS's compliance standards and business plan;
- iii. This period corresponds to the appearance of BWS and Solstar products, and thus to the preparation of the initial valuation of the shares of these products;
- iv. As early as 2014, T.Baltzis became aware of Gavriil's troubled past;

- v. Despite this, T. Baltzis decided to "pay him out of his own pocket" since "it is dangerous that he is officially associated" with WHS, even going so far as to pay his rent;
 - vi. From 2014 to 2017, Gavriil was paid personally by T.Baltzis for his services at WHS.
- 2.22. During this interrogation on October 21, 2024, T.Baltzis undertook to provide the Provisional Administrator with any written documents related to the services rendered by Gavriil and/or Paul Kameteros, and to provide invoices and proof of payment. However, despite numerous follow-ups, T. Baltzis still omits or neglects to transmit the commitment made.
- 2.23. As for the questioning of R. Bernard, Chief Compliance Officer, he indicated the following in his examination in relation to Solstar and the involvement of Gavriil and Massimiliano Arella ("**Arella**"), who was convicted on September 24, 2014 by the United States District Court for the District of Massachusetts following a complaint from the Securities Exchange Commission in connection with a pump-and-dump scheme on Spencer's stock Pharmaceutical Inc. :
- "A. Solstar was created in 2015. Solstar is a project that was recommended to us...
Q. By whom?
R. By Sean Gabriel and Max Arella.
- (...)
- R. Sean Gabriel, who doesn't exist, is Efstratios Gavriil.
A. He is a criminal. He came to us as an advisor with the recommendation of Gilles Séguin from BCF. »
- 2.24. R. Bernard then adds the following:
- i. Gavriil promised people that WhiteHaven would raise capital for them and they charged them a fee;
 - ii. Gavriil has offered other products to the exempt market to WHS.
- 2.25. Although R. Bernard was aware of Gavriil's background, he clearly decided to turn a blind eye to the situation:
- "A. I think Tommy was paying him like a consultant. I don't know exactly the details there.
Q. You don't know the details of how he was paid?
A. Well, no.
Q. [240] O.K. Then Mr. Baltzis told us that Sean Gabriel was in compliance as well?
R. He worked on the documentation.
(...)
- R. On the manual, on account openings, on politics, precisely, here, disclosure form, stuff like that, there. Everything, everything, the whole series of documents that we started with. So, he worked on that with Dimitri Kufedjian. »

2.26. With respect to WHS's approval and distribution of Solstar investments, Bernard's questioning is even more troubling:

- i. Gavriil has proposed approval of the product "Solstar";
- ii. Dennis Baltzis (T.Baltzis' brother) created Solstar;

"Q. And Dennis was also involved with Solstar? That is what Mr. Baltzis told us earlier.
A. Yes, but he was the one who created Solstar. »

iii. Despite creating Solstar, it was Dennis Baltzis, for WHS, who did the scientific due diligence of Solstar Pharma:

"Q. But at the scientific level, it's Dennis?

A. Yes.

Q. Who did the due dil. scientific for that product?

A. Exactly.

(...)

Q. Why did Dennis, in the end, do the due diligence for the entire product?

A. Well, technically...

Q. [135] Including its sustainability?

A. Exactly. »

iv. As if that were not enough, R. Bernard told the Provisional Administrator that the valuation was made by one of the WH Entities and not the issuer:

"A. No, well, after that, we made the financial projections and so on. But again, it's a company with zero cash flow.

(...)

Q. We'd like to... We would like to know who established the values, the value of Solstar, the entities of the Solstar Group.

R. That's for sure Tommy Baltzis was involved in that. »

2.27. It is worth remembering that more than \$10.5 million has been raised from investors in connection with the Solstar Entities and that the latter currently hold only about \$139K in liquidity.

2.28. In addition, the substantial funds were transferred by the Solstar Entities to GF Mille Co. Ltd. ("**GF Mille**"), whose Chief Scientific Officer is Arella, are of great concern. Indeed, Arella and Gavriil are the ones who recommended the Solstar product to WHS and Arella is the co-founder of SPI, was a director from October 2019 to December 2022 according to the company register and is an indirect shareholder of the latter to the tune of 50%.

2.29. As is apparent from the Application, the Application indicates that the Solstar Entities provided false information in the Offering Memorandum (P17 and P18) by failing to disclose Arella's status, role and background, and that it appears that WHS was aware of this omission.

- 2.30. It is worth recalling that the Solstar and GF Mille Entities have signed an agreement by which SPI has committed to pay 1 M USD per year for 3 years to GF Mille. This agreement was disclosed in the April 17 and April 20, 2020 offering memorandums, but the conflict of interest situation surrounding Arella's status and role in the two companies involved in the agreement was not disclosed.
- 2.31. As for T.Baltzis, he told the Provisional Administrator that he was aware of Arella's troubled past, who also received a remuneration of \$500k from SPI:
- "Q. Arella, Maximilian, you know that he had...
A. Yes.
Q. Some problems in the United States?
A. Yes.
Q. As you know, he has a troubled past?
A. Yes.
Q. Good. So that's why I wonder what his role was. He still received half a million. It's investors' money that you've raised.
A. Yes, yes, it's about 100,000, for five years. »
- 2.32. However, the above already foreshadowed the worst as soon as this fund was formed, but these concerns were not disclosed to investors, despite the fact that the WH Entities and the Solstar Entities were fully aware of them.
- 2.33. However, the WH Entities and the Solstar Entities now recognize that the value of each of FSI's investors is small.

c) The questioning of Richard Bernard in connection with the governance and compliance of the WH Entities and the relationship with related issuers

- 2.34. R.Bernard's questioning brought to light other troubling elements that seriously cast doubt on his ability to act as Chief Compliance Officer of the WH Entities.
- 2.35. To contextualize the importance of R.Bernard's role as Chief Compliance Officer of the WH Entities and the enhanced intensity of his role in the exempt market, it is worth recalling the following:
- i. In a decision of the Financial Markets Administrative Tribunal (the "**Tribunal**"), the specialized tribunal established under the *Act respecting the regulation of the financial sector*, CQLR c. E-6.1 (the "**FSA**"), in a decision affecting the parties in this case:

"All participants in the exempt market must vigorously comply with legislative and regulatory obligations to ensure that the public is adequately protected and to maintain public confidence in the capital markets."
 - ii. As stated in the Order:

"[4] WHAM's representatives have close to \$250 million in assets under management, of which approximately \$54 million is placed in the exempt market. As WHAM admits, "of that CAD54M, CAD35M is invested in products for which the firm has a conflict of interest"³. It therefore provides its services in a minefield. (...)

[6] As admitted by WHS and WHAM, there are conflicts of interest between WHS, WHAM or other entities of the Whitehaven umbrella, Solstar Group and MVMT Group. Indeed, people occupy positions within several entities; some hold shares of others; Large sums of money pass from one to the other in the form of fees or fees.

[41] The Tribunal is of the opinion that these appear to be symptoms of the conflicts of interest that plague the relationships between WHS/WHAM, WHI, PCR, Solstar Capital, Solstar Funds and Pharma. »

2.36. R.Bernard's interview highlighted the governance and compliance issues of the WH Entities:

- i. He is the Chief Compliance Officer of WHS and WHAM;
- ii. He has been sanctioned twice by the Tribunal:
 - a. July 8, 2024, significant breaches related to BWS and \$20,000 administrative penalty; <https://canlii.ca/t/k62h0>
 - b. February 25, 2022, an order prohibiting him from acting as a supervisor for a period of five (5) years and an administrative penalty of \$5,000; <https://canlii.ca/t/jmsg1>
- iii. There have been several WHS representatives under supervision over the past three years: Vladislav Adoniev, Alexandre Galasso, Youri Bourdon, Keven Rivard and Youri Chagnon and a new representative who has been under supervision since October 2024 whose name he does not know;
- iv. T.Baltzis and D.Kufedjian are actively involved in all aspects of the WH Entities' business, including operations and compliance;
- v. D.Kufedjian holds the title of WHS's Chief Compliance Officer;
- vi. WHAM manages approximately \$100-120 million in assets and WHS nearly \$1 billion in assets;
- vii. 30% of WHAM's assets are exempt market products, which are limited to the 5 or 6 issuers related to the WH Entities;
- viii. 90% of WHAM's customers have products in the exempt market;
- ix. The only exempt products available are issuers connected to WHS:

Q. [91] Is ... I understand from the document that you have that all of the exempt market products that you offer are related issuers. Is that correct?
A. Yes.
- x. "Most of my customers have all of them [transmitters connected to WH]."

2.37. Still at the level of governance, R.Bernard admitted that he had not been super diligent in terms of reporting to the Board of Directors of the WH Entities:

"Q. Do you report to the board of directors on compliance?
R. We are supposed to make reports. Unfortunately, we weren't super diligent on that side, but again, I'm still comfortable with the situation because we're a very small team. »

2.38. Moreover, the Provisional Administrator only had access to the compliance reports prior to 2017.

- 2.39. Similarly, R. Bernard admitted that there is no relationship as to the approval of the products distributed by the WH Entities in the exempt market.
- 2.40. Worse still, despite the AMF's requirement to set up a product approval committee, R. Bernard decided to put an end to it:
- "A. So we stopped it and we said... The committee is... The committee is mostly me and Tommy. »
Q. [268] But actually, the committee is informal, is that my understanding?
A. Exactly. »
- 2.41. While he admits that it is a good practice for a chief compliance officer to provide training to representatives, he does not.
- 2.42. Asked about the reasons justifying the presence of T. Baltzis as chairman of the board of directors of the related issuers, R. Bernard indicated that it was at his request so that "we have a seat on the board because I have seen disasters, historically."
- 2.43. However, despite the fact that the WH Entities claim that they have interests in "common" with the investors and that the fact that T. Baltzis sits on the board of the operating companies related to the related issuers in order to have "visibility" for the benefit of investors, this situation does not seem to have been in the interest of the investors who, by way of example, are not limited to:
- i. Were not informed of the failure to file audited financial statements on time;
 - ii. Have not been informed of the CTO;
 - iii. Were not informed of the drastic drop in the value of FSI's shares, except for a few clients who would have received preferential treatment.
- 2.44. When asked about the establishment of a formal process to manage conflict of interest situations and the presence of an independent person, R. Bernard's answer is as follows:
- "Q. [390] So, then, you don't really have a formal process for dealing with conflict of interest situations? Is that what I understand?
R. Well, there's no process...
(...)
Q. O.K. Have you... For conflicts of interest, there are three of you, but do you have anyone independent looking at that? You...
A. No. »
- 2.45. In relation to the Court's concerns regarding the issuance of debentures by SPI when the fund was under a CTO, the response of R. Bernard, as Chief Compliance Officer of the WH Entities, is totally flippant:
- "Q. But during the CTO were debentures issued for Solstar?
A. Yes. These are over-the-counter transactions, but they have nothing to do with WhiteHaven.
Q. [301] Did it involve WhiteHaven customers?
A. Yes, we have facilitated transactions. These are over-the-counter transactions...
Q. [302] By knowing...
R. Two individuals who are making a transaction.
Q. [303] Knowing that there was a CTO, were the clients informed of the CTO?
A. Yes.
Q. But you informed him in writing that there was a CTO?

R. Well, the customer tells us: "I want to buy Solstar"...

Q. That's not what I'm asking you. The question is: Did you inform them that there was a ban on the title?

R. There are, there are... It's on our website, it's in the documentation. Did I personally inform the person? No. »

2.46. Although R. Bernard indicated that "this has nothing to do with WhiteHaven" in the context of his questioning, a sum of \$391k was raised from WHAM clients and therefore in discretionary management through debentures issued by SPI.

2.47. In addition, as part of the responses to the commitments sent on November 11, 2024, the Provisional Administrator also noted that WHS obtained a commission of 4% in relation to the issuance of these debentures.

2.48. As for the drastic drop in the value of FSI's shares, which the investors' account statements did not mention at all, R. Bernard's testimony is astounding and totally irreconcilable with his legal obligations:

"A. Well, I knew there was a revision there. I didn't know what the value was going to be.

Q. O.K., but were any investors informed that the value had dropped drastically?

R. I told them that it was possible that there would be a serious devaluation of Solstar. »

2.49. R. Bernard also confirmed to the Provisional Administrator that he has, in discretionary management for WHAM, converted 100% of his clients who held debentures for FSI units, thus moving from creditors to unitholders.

2.50. In total, nearly \$3 million was converted and the WH Entities also earned a commission on these conversions of 2% for a total of \$66,760.

2.51. Worryingly, while R. Bernard is the one who makes the discretionary decisions for his clients, most of whom have had Solstar investments in the portfolio, it appears that he does not seem to be adequately familiar with this product:

"Q. What were they... What were the milestones in 2020?

R. Well, Solstar, that's changed completely...

Q. No, but what are milestones in 2020?

A. Uh, well, in 2020, I don't know, right now.

Q. In 2021, what were they?

R. Well, we were completely in COVID research.

Q. [579] So what are milestones?

R. Well, it has... Everything went off the rails. Uh. The milestones were on H. pylori. I expected it to take about ten years. Uh. And, well, then, COVID happened, they started studying. They thought there was a cure for COVID, so it completely turned uSPIde down would have been an extra.

Q. [582] So, what are milestones in 2022? After COVID, there's no cure left?

A. Well, there...

Q. [583] What are milestones?

R. It continues with H. pylori.

Q. Research on what? Specifically, what are milestones?

A. Ask Solstar, I'm not a scientist here.

Q. Well, say you don't know it, first.

R. But I'm not a scientist. I don't know how H. pylori works. Do you know that? I don't know. »

- 2.52. That said, in a candid way, R. Bernard says the following about the value of FSI's shares: "Well, Solstar, right now, it's worth zero. It's going to be a write-off. That's it, there. ».
- 2.53. As noted in the First Report, the Provisional Administrator found that the WH Entities made a loan of \$505K to Eggpress and a loan of \$250K to BWS, which were not disclosed in any way, either in the Offering Memorandum or in the Conflict of Interest Disclosure Statement.
- 2.54. When questioned on this subject, R. Bernard first denied that the fact that the WH Entities were creditors of a related issuer/operating company was a conflict of interest, but finally resolved to admit that it was a conflict that should have been disclosed:

"Q. O.K. And why was it not disclosed, WhiteHaven Investments' position as a creditor to BWS and Eggpress?

A. Uh. Good question, there. These are loans that were made during COVID, there, to save these companies. I don't have the details of that.

Q. So if it's done in COVID, we don't disclose the conflict?

R. No, that's not it.

Q. Why wasn't it disclosed?

A. Uh, I'd have to check.

Q. Don't you know?

R. No, I don't.

Q. You are the chief compliance officer, you are involved in the conflict situation, you know that there were these loans. I'm not telling you anything new today?

A. No, no.

Q. And you don't know why it wasn't disclosed?

R. I would have to check.

A. Uh. Again, it remains debatable, if it is a conflict between a corporation that lends money to another corporation.

Q. But in your opinion, it's not clear that it's a conflict of interest? Is that what we remember?

A. Uh. Is that... These are situations that happen regularly.

Q. Do you know the terms of the loan?

A. No.

Q. Don't you know?

A. No.

Q. Is it also that you can't know how to analyze this conflict because you don't know the modalities?

A. No.

Q. Did you ask any questions?

A. No.

Q. But I'm asking you today. You don't have to look at your notes, you're in front of me. Is it a conflict or not?

A. Potentially, yes.

Q. So, that, at the very least, is an apparent conflict of interest?

A. Yes.

Q. And who should have been disclosed?

A. Yes. »

- 2.55. As indicated below with regard to the register of complaints, the Provisional Administrator has received a copy of it, but does not appear to be complete, considering the absence of complaints received by the Provisional Administrator that refer to previous complaints that are not recorded in the WH Entities' register of complaints.
- 2.56. In addition, the Provisional Administrator noted that R. Bernard, Chief Compliance Officer, is not involved in the processing and management of complaints. In the same way, T. Baltzis indicated that he is not really aware of the content of this register, which really takes care of the follow-up of complaints stating: "I am just not involved in complaints".

d) Findings related to governance and compliance

- 2.57. In addition to the troubling findings made by the Provisional Administrator in connection with the questioning of R. Bernard, as Chief Compliance Officer, the Provisional Administrator mandated Me Ginette Depelteau to draw up findings regarding the governance and compliance of the WH Entities.
- 2.58. Mr. Depelteau's findings are damning with respect to the deficiencies in the governance and compliance rules of the WH Entities (the "**Compliance Report**"), **Appendix B.**(in French only)
- 2.59. In his report, Mr. Delpelteau made the following observations that need to be addressed and corrected:
- i. In terms of the governance of the WH Entities, the team is made up of three people who together manage the group's entities. These same three people make up the board of directors. Their proximity means that they are intimately linked in all aspects of the organization, including compliance.
 - ii. A compliance structure is in place to cover WHS and WHAM activities, but is not appropriate. Both the Chief Compliance Officer and the Chief Compliance Officer are shareholders and directors of either WHS or WHAM entity, to which they are accountable and chaired by the person at the center of all conflicts of interest, T.Baltzis. Moreover, given the sanctions imposed by the Financial Markets Administrative Tribunal on the Chief Compliance Officer, it is questionable whether he is really able to fully assume his role and responsibilities. Finally, the dual role of discretionary portfolio manager and chief compliance officer in WHAM raises minimal discomfort and questions about his ability to act as chief compliance officer in the best interests of clients;
 - iii. Compliance processes for the selection and monitoring of exempt market products are not structured or documented. In addition, the active role of the Chief Compliance Officer in the development of the WH Entities' business model leads us to question his or her ability to be independent insofar as conflicts of interest must be managed or even avoided in the interest of the client.
 - iv. There are no effective measures or formal process to identify, address and avoid existing and foreseeable material conflicts of interest. There is no independent structure to review and refer these issues (other than the validations requested from an external law firm for disclosure to clients). The pervasiveness of conflicts of interest at WhiteHaven requires real measures to be in place. Finally, all of the issues raised in this report on this subject are not adequately overseen or

- managed by the Chief Compliance Officer and it is questionable whether many of these conflicts should have been avoided in the best interests of clients.
- v. Complaint management is documented, but there is little involvement by the Chief Compliance Officer. In addition, there is minimal appearance of conflicts of interest in the handling of complaints since the chief compliance officer acts as a portfolio manager. The client may question the rigorous and appropriate handling of his complaint by the Chief Compliance Officer.
 - vi. The role and responsibilities for compliance are well defined in the Compliance Manual, but the Chief Compliance Officer is not fulfilling his or her role. In addition, the reporting structure of compliance and the fact that the Chief reports to the President when the President is in a conflict of interest is inappropriate. There is no independent mechanism in place for the Chief Compliance Officer to act and fully assume his or her role independently.
- 2.60. The Provisional Administrator believes that there is a high risk that the governance and compliance issue will materially impact the recommendations or decisions of the WH Entities and their representatives to their clients/investors.
- 2.61. Indeed, WHI is a shareholder of the operating/target company and benefits from rights under the shareholders' agreement, T.Baltzis is the chairman of the board of directors protected by the shareholders' agreement, WHS is the exclusive placement agent, authorizes/approves the product, WHAM includes related issuers in the products placed under discretionary management, the WH Entities may charge fees in addition to collecting commissions on investments, T.Baltzis is the settlor of the investment trusts, is involved in the valuation of the initial value of the units, would render paid consulting services and WHI is a creditor of certain operating companies related to issuers.
- 2.62. Moreover, it is clear that there is no *segregation of duties* despite the AMF's repeated requests in this regard.
- 2.63. The fact that WHI is a shareholder of related issuers/operating companies creates significant issues in terms of conflicts of interest and the ability of the WH Entities to make recommendations or decisions in the exclusive interest of clients.
- 2.64. Indeed, WHI becomes a shareholder at the time of the creation of the company or after, but always before the company becomes an issuer and therefore before the first round of fundraising, for which the WH Entities are the sole placement agents and are involved in the initial assessment of the value of the company.
- 2.65. T.Baltzis sums up the initial situation as follows: "Hey, I'm interested in raising money". And then, we see this, we say, sometimes, "Look, I'll help you, but at the same time, we want to take a little skin in the game that's in the Shareholder Agreement, we put a drag along, then a tag along, that we can't sell our shares before our shareholders, Before the fund we go, we will go up. »
- 2.66. This started with BWS and SCI, when Gavrill was an advisor.

e) Tommy Baltzis Interrogation

- 2.67. As previously indicated, the Provisional Administrator conducted the examination of T. Baltzis in connection with the concerns raised in the Order.
- 2.68. The Compliance Report and the interview of T.Baltzis highlights the governance and compliance issues of the WH Entities and related issuers/operating companies.

Amounts paid to the WH Entities in excess of commissions

- 2.69. According to the documentation submitted by T.Baltzis on November 11, 2024, WHS would have received commissions totaling \$1,172,608 in connection with the Solstar Entities based on the following commission percentages :
- 10% on the Debentures issued by SCI;
 - 2% on the conversion of the Debentures into Units of the SIF;
 - 10% on the shares issued by FSI;
 - 4% on the debentures issued by SPI.
- 2.70. In addition to the commissions received by the WH Entities from the Solstar Entities, the Provisional Administrator has noted that a total of \$225K was paid by SPI between 2020 and 2021 as an "advisory service".
- 2.71. When questioned on this subject during his questioning on October 21, 2024, T. Baltzis was only able to provide a vague and general answer regarding the services that would have actually been performed in exchange for the sum of \$225K.
- 2.72. Also worryingly, considering the situation of conflict of interest between the WH Entities and the Solstar Entities, when asked about "consulting services", T.Baltzis indicated the following:
- A. It's, it's an amount that we set per year to help when they, anything, whatever they need. Whether it's to help with marketing, their pitch deck, whether it's to negotiate something, whether it's strategic, whether it's to go and do what they need.
- 2.73. This situation is concerning, considering that this involvement as an advisor/consultant and this conflict of interest are not disclosed in the Solstar Entities' offering memorandum.
- 2.74. When asked about the calculation of the amounts invoiced, T.Baltzis' answer is also troubling:
- "Q. But how are you paid? On time?
R. No, it was one, an amount.
Q. Then, it was determined that, when?
A. Yes, at the beginning of the year.
Q. They say, "Well, well, this year, at the beginning of the year, you're going to pay me 75,000. I'm at your disposal if you need me," and then you get paid, no matter what is done?
A. It's, "For the year, this is what you need, but you can... It was, it was done like a monthly average. Then we said, "Well, you can, you can cut it whenever you want." It's a bit like the way we do it.
Q. [992] O.K. And is there a contract for that?
R. No, it's an invoice that we make, and then we have services. We, we... We're not here to document every hour, otherwise, otherwise we'll never end up. »
- 2.75. On November 11, 2024, the day before this report, T.Baltzis sent certain documents and information related to the sums received by the WH Entities from SPI.

- 2.76. Based on the documents received on November 11, 2024, the Provisional Administrator has found that an amount of \$488K was invoiced to SPI by WHS or WVI between September 18, 2018 and January 30, 2021 as a "consulting fee":

WH entity that issued the invoice	Date of invoice	Description on the invoice	Invoice amount (before taxes)
WHS	18 September 2018	"Consulting fees re: exit strategy"	\$100,000.00
WCIP	January 21, 2019	"No Description"	\$50,000.00
WCIP	July 1, 2019	"No Description"	\$50,000.00
WCIP	July 1, 2020	"Consulting Fees"	\$150,000.00
WCIP	January 30, 2021	"Consulting Fees"	CA\$ 75,000.00
Total:			CA\$ 425,000.00

- 2.77. On November 11, 2024, the new explanations given by T.Baltzis regarding these "consultation fees" are to the effect that the consulting services would be as follows:

- i. Consulting services based on the company's objectives, in close collaboration with the management team;
- ii. Strategic plan for possible exit and financing strategies;
- iii. Participation in strategic analysis and decisions, such as investments in new technologies or products;
- iv. Participation in scientific meetings;
- v. Follow-up on financial planning;
- vi. Provide support on accounting and governance aspects, including audits under IFRS;
- vii. Review and negotiation of contracts between the parties;
- viii. Any other ad hoc request.

- 2.78. At this stage, the documentation submitted on November 11, 2024 does not support the amount paid by SPI of \$425K in consulting fees.

- 2.79. That said, to the extent that the aforementioned services have actually been rendered, it is concerning that such involvement of the WH Entities in the Solstar Entities is not disclosed in the Solstar Entities' offering memorandum, nor is it disclosed that WHS and WVI would have provided paid consulting services.

- 2.80. The only mention in the 2020 and 2022 Offering Memorandum is that WVI received \$50K in 2019 and \$50K in 2020 for the "not applicable" feature, which is incorrect.

- 2.81. Also according to the information received on November 11, 2024, it appears that WHS invoiced and received a sum of approximately \$40K from SPI in relation to the following elements, but the invoices were not sent by WHS:

Date	Description	Invoice Amount
10/31/2018	<i>Annual Party</i>	\$5,000.00
11/9/2018	<i>Kris Letang charity Hockey Tournament</i>	\$10,000.00
6/13/2018	<i>Due Diligence Fee</i>	\$6,898.50
6/30/2018	<i>Due diligence Q2</i>	\$2,874.38
9/27/2018	<i>Due diligence Q3</i>	\$2,874.38
10/7/2019	<i>Event sponsorship</i>	\$10,000.00
11/15/2022	<i>Annual party sponsorship</i>	\$2,500.00
		\$40,147.26

- 2.82. WHI allegedly invoiced SPI in the amount of \$13,125 in 2017 as an "Exempt Experts Reimbursement", but this invoice was not sent to the Provisional Administrator. It is possible to believe that WHI paid fees related to the implementation of SCI.
- 2.83. Also according to the documents received on November 11, 2024, it appears that other issuers related to the WH Entities are also paying amounts to the WH Entities in addition to commissions.
- 2.84. However, WHS's disclosure of conflicts merely states that: 'in addition to the remuneration it receives as a sales agent in connection with the issuance of units of the Fund, WHS, its subsidiaries and affiliates may also provide other services to WBW, for which they receive remuneration'.
- 2.85. However, to the extent that there are actually consulting services that are rendered, which are billed monthly, this disclosure is at least misleading.
- 2.86. In addition, the Provisional Administrator is of the opinion that the offering memorandum of the related issuers do not properly disclose this conflict of interest by mentioning only that "FCWH may provide corporate finance consulting services for which it would receive compensation" and for certain memorandum by not disclosing the amounts paid or to be paid to the WH Entities, including Whitehaven Corporate Finance Inc. ("**FCWH**").
- 2.87. In this regard, the Provisional Administrator has not received any copy of a service agreement in connection with the consulting fees charged to issuers related to the WH Entities.

WattbyWatt Inc.

- 2.88. With respect to WattbyWatt, it appears that WVI initially charged a consulting fee of \$100K per year (2021) and that subsequently, it was FCWH that continued the annual billing at an increased amount of \$120K per year (2022 to 2024). This company, which was originally the subject of the Application, is not subject to the Order:

WH Entity	Date	Description on the invoice	Amount
WVI	January 5, 2022	"Consulting Fees"	\$100,000
FCWH	October 1, 2022	"Corporate finance services jan to sep"	\$90,000
FCWH	October 1, 2022	"Corporate finance services"	\$10,000
FCWH	November 1, 2022	"Corporate finance services"	\$10,000
FCWH	December 1, 2022	"Corporate finance services"	\$10,000
FCWH	2023	"Corporate finance, Consulting"	\$120,000
FCWH	2024 (until September 30, 2024)	« Corporate finance, Consulting » Jan-Sept	\$90,000
Total:			\$420,000

- 2.89. According to the information of the company registry, the sole shareholder of FCWH is WHI and its directors are T.Baltzis and D. Kufedjian.

NewOak

- 2.90. With respect to NewOak, FCWH allegedly invoiced NewOak Finance Inc. (operating company), Futurepay Holdings Inc. (acquisition of stake) and Orbis Financial Technologies inc. (acquisition of stake) on January 5, 2022, with invoices indicating "Consulting fees".

FoodCourt

- 2.91. With respect to FoodCourt, it appears that a monthly sum of \$6,000 was invoiced by FCWH in 2024, totaling \$54K, with the invoices indicating "Consulting" as the only description.

Immex

- 2.92. With respect to Immex, it appears that a monthly sum of \$5,000 has been invoiced by FCWH since November 2023, with the invoices indicating "Consulting" as the only description.
- 2.93. In view of the above information relating to the costs of consultations, the Administrator of the Administrator recommends that light be shed on these substantial transfers of funds.

Loans made by WHI to certain related issuers

- 2.94. As disclosed in the Provisional Administrator's First Report, the Provisional Administrator found that the WH Entities made advances or loans totaling \$755K to BWS's operating company and Eggpress.
- 2.95. As previously mentioned, these loans were not disclosed to investors, in the conflicts of interest disclosure statements and in the offering memorandum.
- 2.96. T.Baltzis has provided certain documents to the Provisional Administrator in connection with the \$505K advance or loan to Eggpress and \$250K to BWS, but some documents are still missing.
- 2.97. As such, T.Baltzis provided the Provisional Administrator with an email dated January 11, 2022 that states the following in relation to the \$250K amount sent to BWS:
- "This will be repaid within 60 days with other money raising. It's not a long-term loan with interest and I don't want to associate it with income. As soon as he has a surplus of cash, I have to get paid again. It's cash that I'm keeping for an acquisition that I don't want to miss out on in the next 90 days
- Please keep no fixed repayment, date just put on demand within 60 days. Otherwise, I have to ask to subordinate to the investors and put an interest on it and it didn't start well."
- 2.98. Despite this email, T.Baltzis told the Provisional Administrator that the WH Entities "first sought to structure this advance in the form of a loan repayable on demand within 60 days (see e-mail). However, due to the economic uncertainties related to the pandemic and to avoid any conflict of interest when going before our investors, we agreed with Beauty World Search that the repayment would be made after all other creditors had been repaid. It is important to note that we have not received any profit against the loan issued, and that the loan is subordinated to investors' positions since it is uncollateral."
- 2.99. That said, there is no written evidence to support this element after the email of January 11, 2022.
- 2.100. In addition, BWS's management of the movable hypothec in favour of the attorney for BWS's bondholders was sanctioned by the Tribunal and an administrative penalty of \$60K was imposed on BWS <https://canlii.ca/t/k5mq0>
- 2.101. With respect to the \$505K loan to Eggpress, T.Baltzis advised the Provisional Administrator on November 11, 2024 that \$220K would have been paid "due to administrative delays related to the filing of the first offering memorandum" and an amount of \$285K during Covid-19. Despite the commitment made by T.Baltzis, no documents have been sent in connection with these loans totaling \$505K

- 2.102. With regard to MVMT, T. Baltzis indicated that WHI had participated in the launch of the MVMT fund, in return for the return of the profits generated by the MVMT fund to WHI, to the detriment of the client investors:
- i. Élisabeth Fortin "had committed to integrating MVMT Capital's PM into WhiteHaven Capital, so that any future profits would be redirected to WhiteHaven Capital.";
 - ii. WHI advanced 50% of the estimated costs at \$70K for the implementation of MVMT Capital;
 - iii. WHI paid \$3,500 in legal fees for MVMT Capital;
 - iv. WHI's payments were made to Groupe Élisabeth Fortin Inc. and were not refunded.
- 2.103. In fact, a *management agreement* was signed between the MVMT and WCI Entities aimed at redirecting profits to the latter, but according to T.Baltzis there was never any profit beyond the 10% distribution to investors and therefore, no amount paid to WCI.
- 2.104. The Provisional Administrator has asked T.Baltzis to indicate any amounts that the WH Entity(ies) may have received from BWS/Fashion Hero, MVMT, Solstar, NewOak, Trinity Hotels, Express, FoodCourt, WattbyWatt, IMMEX entities that are not commissions, but has still not received the full response to this commitment entered into on October 21, 2024.
- 2.105. However, it appears from the testimony of T. Baltzis that there were payments received for the position of *general partner* or shareholder in the related issuers.

The fall in the value of Solstar's shares not disclosed to investors

- 2.106. T. Baltzis informed the Provisional Administrator that SPI had four items of value and indicated the following in relation to them:
- i. Solubility platform (H. pylori): "There is no longer any value, it's worth nothing";
 - ii. RNAi Project: They have been in litigation since 2022 with GF Mille and then it's worth nothing;
 - iii. The Linear Therapies license: Solstar wants to end it;
 - iv. The 49% stake in Linear Therapies;
 - v. It confirms that the solubility and RNAi platforms are worthless since 2022;
 - vi. The only residual value is the 49% stake in Linear Therapies, which is trying to develop the anti-viral biodefense program.
- 2.107. At the time of the Order, the holders of FSI units were still under the impression that the value of their units was \$113.59.
- 2.108. However, the WH Entities had access in February and June 2024, respectively, to the audited financial statements of the Solstar Entities for the 2022 and 2023 year-ends

and acknowledge that it was clear at that time that the value was no longer \$113.59 as of the end of 2022, but \$3.60 at the NAV level.

- 2.109. The explanation given by the WH Entities for not declaring the real value or for justifying the lack of action to correct the situation is as follows:

"A. Because Tom Rossi wanted to update an offering memorandum and then remove the cease trade. And that's what we... That's what he was planning. So, usually, when we update the values, well, we don't, the value is updated, but the custodian updates the value, which is, in practice, it's when you offer a new offering. If she said: "Look, we're not going to offer, we're not going to go and get the new offering, we're going to wait for Linear Therapies", well, that would be changed... The trustees would have changed with the value. »

- 2.110. That said, T. Baltzis' inaction as Chairman of SPI's Board of Directors remains unexplained to this day.

- 2.111. T.Baltzis was involved in the communications aimed at lifting the CTO and acknowledges that the clients/investors still thought when looking at their statement that the share was still worth \$113.59.

"Q. [1139] And what I'm telling you is why you didn't inform them that this was no longer the situation? You had two audited financial statements in your hand that clearly showed, we agree, that it was not the value of 113?

A. Yes. »

- 2.112. It appears that some clients of the WH Entities have been informed of the drastic drop, but the Provisional Administrator does not know the proportion of these, or why all the client investors were not informed.

"A. Yes, there are. OKAY.? It's that you have to understand, it's not that we send this to all the customers of a shot, there, then say, then arrive at a panic to explain to people. We're not going to be able to handle that. So, what we're doing, or what we've been doing since March, is that we've started talking to customers. We started informing our representatives, then saying, "Hey, this guy who is a doctor, who put in \$100,000, can you..." Can you... Can we do a special meeting for him, to tell him what is going on, so that he understands what is going on? »

Q. So, if I understand, there are some investors who would have been informed, but others who would not?

R. We were starting the process of informing investors. »

- 2.113. It is therefore understandable that in order to avoid a panic movement by investor clients, the WH Entities have prioritized their interests to the detriment of the interests of their clients. Not only is this a conflict of interest, but it also runs counter to the WH Entities' obligations under, among other things, National Instrument 31-103, which requires a dealer to ensure that the securities it intends to offer to clients are assessed and approved, and that once offered to clients, they are monitored on an ongoing basis for significant changes.

- 2.114. In addition, T.Baltzis told the Provisional Administrator that the custodian (Olympia Trust) had been informed of the fall in value to \$3.60 in February or March 2024.

- 2.115. On October 21, 2024, T.Baltzis entered into a commitment to provide communications with Olympia Trust in relation to the value of all listed issuers, including Solstar, regarding the drastic fall in securities that has occurred or will be achieved.

- 2.116. However, the emails received in response to this undertaking on November 11, 2024 show that since March 2024 and until the day before the Order, the custodian has been following up with WHS (T.Baltzis) several times to obtain news regarding the update of the value of the Solstar Entities' units and T.Baltzis' responses are essentially as follows:

"Working on it... keep u posted!". "Hoping to give you some news early next week. ", "Will give u amount before June 13 (next Thursday)", "We are working on removing cease trade and updating offering memorandum with new valuation"

- 2.117. Thus, despite the fact that the WH Entities and the Solstar Entities have in their possession the audited financial statements of the Solstar Entities for 2022 since February 2024 and for 2023 since July 2024, it appears that no update was given to the custodian prior to the Order.

- 2.118. Still, Baltzis is very aware of the significant impacts on investors who mistakenly believed that their initial \$10 investment was still at \$113:

Q. But they were still thinking, at the time, September 13, they still thought it was worth \$113.59, their share, there...

A. Yes.

Q. Which they had paid \$10, was worth \$113.59. For someone who is an investor, who says, "This investment is fantastic, I made more than ten times my investment."

A. Yes.

Q. When in fact, since February 2024, we knew the value, which was at \$3.60. Today, as of December 31, 2023, it's \$2.12. And if we go a little closer, there...

A. Yes.

Q. The last value, there, we are no more... We're not even in the dollar business anymore, we're down to money.

A. Yes, I know.

Q. Well, Mr. Baltzis, it's investors, there are savers, there are retirees in there.

A. I understand.

Q. There are some who thought they could retire with this. There are some who thought they would be able to live once the investment was going to mature, with that, who spent money they thought they had based on the information in their RRSP.

A. Yes.

Q. [1195] While you, you had the clear information that it wasn't worth it. So why didn't you say it? Was it to avoid panic? Was that why?

R. No, it's for... For... There's no rule to say that an investment, that you don't raise money on the WhiteHaven side, to be able to say, OK, you have to do it right away in 30 days. »

- 2.119. In a manner that is difficult to reconcile with the above, the WH Entities continued to provide investors with the Solstar Entities' quarterly communications, misleadingly reassuring investors and failing to disclose the previous relevant facts of which the WH Entities and the Solstar Entities were aware, **Appendix C.** (in French only)

- 2.120. Notwithstanding all of the above, WHAM raised funds for SPI, through convertible debentures, from more than 20 WHAM clients, under discretionary management, for a total of \$391k between June 28, 2023 and April 29, 2024 and WHS earned a 4% commission.

Difficulty in obtaining the collaboration of the WH Entities in connection with the transmission of the commitments entered into on 21 October 2024

- 2.121. The Provisional Administrator confirms that the WH Entities are collaborating with the Provisional Administrator in the exercise of its powers, with the exception of the transmission of the commitments made during the examination of October 21, 2024.
- 2.122. Indeed, despite the numerous follow-ups carried out by the Provisional Administrator and his attorneys, certain commitments have still not been transmitted and are at the heart of the concerns raised in the Application and the Order.

f) Communications with WHS customers

- 2.123. Since his appointment, several WHS customers have contacted the Interim Administrator to complain about situations surrounding the exempt market products distributed by WHS.
- 2.124. The communications received by the WHS Provisional Customer Administrator include, inter alia, the following:
- i. A lack of communication and follow-up on the part of WHS and the managers of the various funds when they are questioned about the financial results of the funds;
 - ii. A lack of communication and follow-up from WHS when client-investors request the redemption of fund units on the exempt market. The Provisional Administrator noted that several client investors have requested the redemption of their shares when their investments mature, but that these requests are not processed;
 - iii. A lack of transparency on the part of WHS regarding the terms and conditions associated with investments in the funds. Many customers are surprised by the responses they receive from WHS when they question certain responses received from WHS that are not consistent with the representations made at the time of the investment.
- 2.125. Since the beginning of the Provisional Administration, the Provisional Administrator has received just over 50 calls from client investors and about fifteen emails of complaints about the WH Entities.
- 2.126. The table below shows the annual number of complaints registered by the WH Entities in its Complaints Register.

Année	Nombre de plaintes
2015	1
2017	1
2018	2
2019	2
2020	2
2021	4
2022	4
2023	1
2024	6
Total	23

- 2.127. The Provisional Administrator noted inconsistencies between the register of complaints submitted by the WH Entities and the complaints it received directly from customers.
- 2.128. For example, one of the complaints mentioned in the complaint register is identified as resolved, while the Provisional Administrator has received communications from the same client that indicate the opposite.
- 2.129. In addition, the register of complaints submitted by WHS does not identify certain complaints that the Provisional Administrator has received and which refer to previous complaints that would have been submitted to WHS.

g) Liability and Surety Insurance

- 2.130. On October 29, 2024, the damage insurance broker, Octave Assurances, notified T.Baltzis that the insurer would wait for the publication of the Second Report before making a decision on the renewal of WHS and WCI's liability insurance, which expires on December 31, 2024.
- 2.131. On October 29, 2024, the damage insurance broker, Essor Assurances, notified T.Baltzis that the insurer will not renew WHS's surety insurance policy (3D Crime), which also expires on December 31, 2024.
- 2.132. Insofar as the liability and surety insurance are not renewed or replaced by 31 December 2024, WHS will no longer be able to operate as of 1 January 2025.
- 2.133. The Provisional Administrator intends to discuss with the current liability insurer or another insurer in order to obtain, as far as possible, insurance covering mutual fund activities.

h) Financial Update

Entités WH	Pour la période débutant le 13 septembre 2024 et terminée le 9 novembre 2024					
	GAWH	PWH	VMWH	WHC	WHCR	TOTAL
Encaissements						
Commissions	4,683	-	1,032,887	-	-	1,037,570
Revenus sous-location	-	11,498	-	-	-	11,498
Frais de gestion	138,785	-	2,677	-	-	141,462
Autres	47	-	6,982	-	36,484	43,513
Transfert entre compte	-	17,292	-	-	-	17,292
Encaissements totaux	143,515	28,790	1,042,546	-	36,484	1,251,335
Décaissements						
Salaires et charges sociales	44,974	-	191,074	-	-	236,048
Commissions versées aux représentants	-	-	495,891	-	-	495,891
Sous-traitants	21,286	-	43,004	-	-	64,290
Loyer	-	22,146	-	-	-	22,146
Assurances	-	-	1,792	-	-	1,792
Location d'autos	-	-	7,075	-	-	7,075
Frais de transactions	5,183	-	-	-	-	5,183
Frais de bureau	87	-	433	-	-	520
Pénalité AMF	-	-	7,500	-	-	7,500
Frais financiers	-	-	555	-	-	555
Frais bancaires	16	2	1,141	-	-	1,159
Remboursement prêt BDC	899	-	-	-	5,282	6,181
Transfert entre compte	14,395	-	2,897	-	-	17,292
Autres	53,668	-	7,500	-	-	61,168
Décaissements totaux	140,508	22,148	758,862	-	5,282	926,800
Variation de l'encaisse	3,007	6,642	283,684	-	31,202	324,535
Encaisse au début	648,322	3,284	512,578	696	587	1,165,467
Encaisse à la fin	651,329	9,926	796,262	696	31,789	1,490,002

i) Next steps

- 2.134. In order to correct the deficiencies, concerns and issues identified to date in relation to the governance and compliance of the WH Entities and related issuers, the Provisional Administrator intends to put in place an action plan (the "**Action Plan**").
- 2.135. The Provisional Administrator intends to present this Action Plan to the Authority, the WH Entities and T.Baltzis in order to obtain their comments.
- 2.136. Following the comments of the stakeholders, the Provisional Administrator intends to implement the Action Plan, as it may be amended as a result of the comments received.
- 2.137. The Provisional Administrator will apply to the Court to the extent that certain elements of the Action Plan are beyond the scope or scope of the Order.
- 2.138. The following is a non-exhaustive list of elements that could be contained in the Action Plan:
- i. The implementation of Mr. Depelteau's upcoming recommendations regarding the governance and compliance of the WH Entities;
 - ii. The cessation of WHS operations in the exempt market;
 - iii. The implementation of a transition plan for WHS and WHAM following the early termination of WHS's exempt market operations;
 - iv. Changing WHAM's organizational structure;
 - v. The modification of the roles and functions of T.Baltzis;
 - vi. The removal of R. Bernard as Chief Compliance Officer of WHS and WHAM and the appointment of a new independent Chief Compliance Officer;
 - vii. Restrictions on T.Baltzis, D.Kufedjian and R.Bernard for any compliance tasks with the WH Entities;
 - viii. Implementing any other measures necessary to ensure that the WH Entities comply with securities laws and regulations.
- 2.139. In addition, the Provisional Administrator intends to continue its investigation into the sums that have been transacted between the WH Entities and the related issuers/operating companies in order to proceed, if necessary, to the reimbursement of any sums received without right or without reasonable consideration, in order to ultimately create a fund for the benefit of aggrieved investors.

3. APPROACHES, FINDINGS AND NEXT STEPS IN RELATION TO MVMT ENTITIES

a) Steps taken since the First Report

- 3.1. As noted in the First Report, IIHDD and Garda were mandated to perform the Mirror Copies.
- 3.2. The Provisional Administrator is of the view that the decision in *Ontario Securities Commission v. Go-To Developments Holdings Inc., et al.*, 2023 ONSC 5921 confirms that the Defendants' liens are not enforceable against it insofar as they are liens belonging to companies under provisional administration and not liens belonging to a third party.
- 3.3. That said, as a precautionary measure, considering that the Mirror Copies could contain documents that did not belong to the MVMT Entities and in order to advance its work, the Provisional Administrator deemed it prudent not to access or have in its possession the Mirror Copies made on the computer items of the MVMT Entities, which were in the possession of IIHDD, which kept them in a secure location.
- 3.4. Thus, the data used by the Provisional Administrator since his appointment come from the following sources:
 - i. The *Google Drive* of MVMT entities;
 - ii. Documents received from the MVMT Entities following the requests for documents, in particular, those of September 24, 2024 and October 17, 18, 21, 22, 23 and 29, 2024 and the summons dated October 30, 2024 sent by the Provisional Administrator to Élizabeth Fortin;
 - iii. Data available on The Mortgage Office (hereinafter "**TMO**"), the loan management software used by MVMT Entities. The data used represents the status of the loan portfolio as of November 6, 2024;
 - iv. The Quebec Land Register; and
 - v. Bank statements of MVMT Entities.
- 3.5. Since the First Report, the Administrator has:
 - i. Monitored the revenues and disbursements of MVMT Entities;
 - ii. Analyzed the requests for releases received from Ms. Élizabeth Fortin;
 - iii. Sent summonses to Ms. Élizabeth Fortin and Mr. Mitch Fogel of PSB Boisjoli, auditor of the MVMT Entities;
 - iv. Reviewed certain elements of the MVMT Entities' audit file for the year ended December 31, 2023;
 - v. Conducted an analysis of the loans made by MVMT Capital Limited Partnership ("**MCSC** ") as well as the security to secure the repayment of the loans.

b) Addendum to the First Report

- 3.6. The Provisional Administrator wishes to provide an update based on the progress of its work on the description of the activities of some of the MVMT Entities.
- 3.7. MVMT General Partner Inc. ("**MGP**"): Contrary to what was stated in the First Report, MGP is not the company that underwrites the mortgage loans. A Management Agreement was entered into on July 4, 2018 between the MVMT Entities and WCI, the latter to act as manager. However, the examinations conducted by the Provisional Administrator and his review of the relevant documentation confirm that WCI is not acting as manager and that it is rather Gestion GEF-SF inc. ("**Gestion EF**"), a company related to Élizab th Fortin, that is acting as manager of MCLP's mortgage loans.
- 3.8. CSMC: No description was provided in the First Report. MCLP is the company that makes the loans to the borrowers.
- 3.9. Loan values: The First Report presented a loan value as of October 4, 2024 of \$39.4 million (before any loss allowances). This value was overstated by \$6.3 million as this amount was included in two loan registers. The amount should have been \$33.1 million.

c) The May 28, 2024 Offering Memorandum of MVMT Capital Funds ("**CMF**")

- 3.10. As the Honourable Christian Immer, J.S.C., recalled in a decision rendered on January 7, 2024 in the matter of the provisional administration of Finance Silvermont et al.

"An offering memorandum is not a document prepared for the sake of form. It is the detailed document on the basis of which the investor makes his decision to invest".

- 3.11. In [the Aitkens](#) case, the Alberta Court of Justice stated:

[58] The Offering Memorandum is the window that the potential investor looks through before deciding whether to place their money into the project. The Regulations prescribing their form, and the forms themselves, are precise and specific. »

- 3.12. Whether it is an exempt market exemption offering memorandum or a prospectus, the information contained must be made by a frank and complete disclosure and must not contain any information that is false or misleading.
- 3.13. The Interim Administrator has reviewed MCF's most recent offering memorandum, dated May 28, 2024 (the "**Offering Memorandum**"). The Offering Memorandum sets out, among other things, the following terms and conditions:

- 3.13.1. The Conflict of Interest section states, among other things, the following:

The Fund has retained WhiteHaven Securities Inc., a registered exempt market dealer, to act as lead sales agent for the offering and sale of the Units, and the Fund is free to retain the services of additional sales agents. WhiteHaven Investments Inc. owns 50% of the issued and outstanding shares of the manager, WhiteHaven Capital Inc., which is the majority shareholder of MVMT Capital General Partnership. In addition, WhiteHaven Investments Inc. is the majority shareholder of WhiteHaven Securities Inc. For these reasons, the Fund may be considered a "connected issuer" of WhiteHaven Securities Inc. under Canadian securities laws. In addition, Elizabeth Fortin is a shareholder of WhiteHaven Capital Inc. through Vega Solutions Inc. and Hyperia Capital Inc., two companies owned and controlled by Elizabeth Fortin."

"The Fonds makes co-investments with related parties, more specifically with Groupe Elizabeth Fortin ("**GEF**"), which is another lending entity managed by Elizabeth Fortin. GEF may occasionally co-invest as a lender in the same loan as the Fund. Please note that **all borrowers are arm's length third-party borrowers** and all loan terms rank equally for all lenders. »

[emphasis added]

3.13.2. The glossary defines the following:

"Management Agreement: means the ownership and asset management agreement entered into between the Fund, MVMT Capital Operating Trust, MVMT General Partner Inc., MVMT Capital LP, MVMT Capital Limited Partnership 1 and the Manager dated July 4, 2018 pursuant to which the Manager provides asset, administrative and other management services to the Fund and its subsidiaries, including the services of certain management professionals."

"Manager: means the manager of the Fund in accordance with the terms of the management agreement, which is Whitehaven Capital Inc."

[emphasis added]

3.13.3. Article 2.2.1. of the Offering Memorandum entitled "Activities Related to Mortgage-Secured Lending states, among other things:

The Fonds provides loans to borrowers that the Fonds considers to be solvent despite credit histories that limit their access to traditional sources of consumer credit, to borrowers who have plans to purchase and resell buildings over the short term or construction or renovation projects and who meet the eligibility criteria of the Fund manager.

[emphasis added]

3.13.4. Section 2.8.2 of the Offering Memorandum entitled "Management Agreement" states the following:

"The business and affairs of the Fund and its subsidiaries will be administered externally by the Manager. In accordance with the Management Agreement, the Manager will provide officers and employees as well as management advice and administrative services to the Fund. »

[emphasis added]

3.13.5. The "Residential and Commercial Mortgages" section shows:

"The Fonds uses its resources primarily to finance residential mortgages, and commercial mortgages secured by **first and second mortgages**. The mortgage is secured by the property and/or other property in which the borrower has an interest, **all at the discretion of the Fund Manager**. The Fonds lends a minimum amount of \$25,000 and a maximum amount of \$7,000,000, with the loan-to-value ratio up to a maximum value of 75% of the appraised value of the property as determined by a qualified third-party appraiser. Depending on the loan-to-value ratio and the amount of the loan, the Fonds charges an interest rate of a minimum of 12% and 18%. Mortgages in this category have a minimum term of three (3) months and a maximum term of one (1) year renewable.

Borrowers can make monthly payments to the Fund equal only to the amount of interest. Borrowers can choose to provide post-dated cheques, proceed with pre-authorized payments, request that interest payments be deducted from the net advance, or repay the principal with interest at maturity. Borrowers must repay the

loan on its maturity date, including interest and all other costs and fees related to the loan. [

emphasis added]

3.13.6. However, Appendix C of the Offering Memorandum indicates that 3rd ranking collateral may be accepted from time to time.

3.13.7. Appendix C of the Offering Memorandum provides the following additional information:

- 100% is the percentage of the total principal amount of the mortgages maturing in less than one year after the date of the preview under section d(i);
- 20 clients have mortgages that are more than 90 days past due, the principal amount of these mortgages is \$15,396,832 and their percentage of the total mortgage principal amount is 50.14%;
- There are no depreciated mortgages;
- There are no impaired or defaulted mortgages for which MVMT Capital LP has provided accommodations to alleviate the borrower's financial difficulties;
- The average credit score of borrowers, weighted by mortgage capital, is unknown to SEC MVMT Capital;
- No mortgage claim represents at least 10% of the total principal amount of the mortgages.

3.13.8. Appendix C of the Offering Memorandum sets out the following in relation to the return paid to investors:

"Since its inception in 2019, the Fund has achieved an annualized return of 10% compared to the previous year. Returns are calculated after deduction of all expenses and are calculated as follows: "Annual Return = Total Distributions / Unit Value"

d) The discrepancies identified by the Provisional Administrator in relation to the Offering Memorandum

3.14. In the course of its work, the Provisional Administrator has found that certain information contained in the Offering Memorandum is false, misleading or incomplete, as set out below.

3.15. The misrepresentations contained in the Offering Memorandum are not only of concern, but are also detrimental to the interests of investors and target situations of conflicts of interest related to extremely sensitive elements of the loans granted by MCLP, namely:

- i. Management of CMCC loans by one or more companies related to Élizab eth Fortin;
- ii. Loans granted by MCLP with co-lenders related to Élizab eth Fortin;

- iii. The collection of payments from CMCC borrowers by one or more companies related to Élizab eth Fortin; and
 - iv. Loans granted by MCLP of several million dollars to companies linked to Élizab eth Fortin.
- 3.16. These problematic elements were identified following the Order and discovered in the course of the work of the Provisional Administrator, with the exception of a loan to a related person (Strawberry) which was known to the Authority.

e) Failure to disclose the actual manager(s) of the loans granted by MCLP

- 3.17. The Offering Memorandum indicates that the manager would be WCI. However, once again, this information is false or misleading. Indeed, WCI is not the loan manager and is a company without operations according to T.Baltzis.
- 3.18. Indeed, the documents and information consulted by the Provisional Administrator tend to show that the real manager is GEF and/or Gestion EF, which was not disclosed in the Offer Memorandum.
- 3.19. However, given the manager's broad power, it is inconceivable that this element was not disclosed in the Offering Memorandum.
- 3.20. In addition, in response to the subpoena sent to the MVMT Entities, the latter confirmed that there is no agreement between the MVMT Entities and GEF or Gestion EF, which is of great concern given the role of the MVMT Entities with respect to the loans granted by MCLP and the fact that they are related companies.
- 3.21. This situation inevitably leads to conflicts of interest. For example, Élizab eth Fortin indicated that for Loan 175-MVMT, Gestion EF, as co-lender, was repaid, partially or totally, before MCLP.
- 3.22. Similarly, another co-lender (Skyfall Capital Ltd., based in Nassau, Bahamas) was fully repaid in priority from MCLP in Loan 155-MVMT, while a capital balance of \$325K is still owed to MCLP and MCLP and GEF have consented to this repayment and partial discharge.
- 3.23. Also in connection with conflicts of interest, the Provisional Administrator noted that MCLP has granted assignments of rank to GEF or Gestion EF, in particular, in Loans 112, 151 and 155-MVMT.
- 3.24. In closing, the broad powers of the Manager referred to in the OM inhibit the role of the MCF Trustee(s). In this case, Élizab eth Fortin wears the hat of trustee of MCF and, indirectly through Gestion EF or GEF, of loan manager.

f) The collection (receipts and remedies) of payments associated with MCLP loans not by MVMT Entities, but by GEF or EF Management

- 3.25. The Offering Memorandum states that "Borrowers may make monthly payments to the Fund."
- 3.26. However, the Provisional Administrator has found that this information is false or misleading.

- 3.27. Indeed, the review of the bank statements of the MVMT Entities and the registers of the MVMT Entities contained on TMO shows that the borrowers do not pay MCLP directly, but rather GEF or Gestion EF. However, this information is not disclosed in the Offering Memorandum.
- 3.28. Thus, GEF or Gestion EF (depending on the loan) controls the collection of loans (principal, interest and management fees) granted by MCLP and it is GEF or Gestion EF, as the case may be, that redistributes the sums received from the borrowers.
- 3.29. GEF's shareholders are: Élizabeth Fortin and Mourad Amal.
- 3.30. GEF's Directors: Élizabeth Fortin.
- 3.31. EF Management's shareholders are: GEF and La Quinte Flush Royale Inc. (Philippe Thibodeau and Clayton Desautels).
- 3.32. The directors of EF Management are: Elizabeth Fortin and Philippe Thibodeau.
- 3.33. However, Clayton Desautels and Philippe Thibodeau were trustees of MCF until March 2023 and EF Management's involvement as co-lender and loan "manager" was not disclosed in the Offering Memorandum.
- 3.34. This way of doing things, which has been concealed from investors, is worrying for the Provisional Administrator.
- 3.35. Indeed, this approach prevents the Provisional Administrator from controlling the revenues arising from the loans granted by CMCC and the fact that one or more companies related to Élizabeth Fortin has/have control over the payments received from borrowers, the management of loans, loan approvals and disbursements is certainly not in the interest of MCF and therefore ultimately of investors.
- 3.36. In addition, pursuant to the subpoena, the Provisional Administrator has requested the MVMT Entities to provide a list of pending remedies in connection with the MCLP loans. The answer given was that there are no legal proceedings in progress.
- 3.37. However, this response is worrying, considering that the Provisional Administrator has consulted the docket which indicates that several legal actions are underway that involve MCLP and GEF/Gestion EF as applicants. The Provisional Administrator has informed the MVMT Entities of this fact, but has still not received the requested information in connection with the legal remedies initiated by MCLP and GEF/Gestion EF.
- 3.38. Thus, the Provisional Administrator has no visibility on the legal remedies of MCLP, which is represented by the same prosecutor as GEF/Gestion EF.

g) Loans made by MCF that are not "on occasion" with other lenders and the failure to disclose the conflict of interest to EF Management

- 3.39. The Offering Memorandum states that loans may, on occasion, be made with a co-lender, GEF. However, the Provisional Administrator has found that this information is false or misleading.

- 3.40. Indeed, the analysis of the seventy-two (72) active loans secured by a security interest shows that:
- i. 97% of MCLP's active loans are made with co-lenders;
 - ii. 44% of active loans are made with GEF or Gestion EF as co-lender;
 - iii. 35% of active loans are made with GEF and a third-party co-lender(s);
 - iv. 17% of active loans are made with EF Management and a third-party co-lender(s);
- 3.41. In addition, EF Management's presence as a co-lender was not disclosed in the Offering Memorandum.
- 3.42. In addition, the Provisional Administrator noted that at least one active loan made on June 17, 2024 involves La Quinte Flush Inc. as co-lender (Philippe Thibodeau and Clayton Desautels, MCF trustees until March 2023).
- 3.43. In addition, the Offering Memorandum does not indicate that loans may be made with co-lenders other than GEF.
- 3.44. In the presence of more than one lender, good practices militate towards the signing of a "banking syndicate" or management agreement between lenders in order to establish the rules for managing the loan. However, according to the information provided by the MVMT Entities, there is no agreement between the lenders.
- 3.45. Again, this is a concern and is certainly not in the best interests of MCF and ultimately investors.

h) Loans to related borrowers, despite the fact that the Offering Memorandum indicates that no loan is made to related borrowers

- 3.46. The Offering Memorandum, in the Conflict of Interest section, states the following:
- "Please note that all borrowers are arm's length third-party borrowers"
- 3.47. However, the analysis of the active loans granted prior to the Offering Memorandum shows that at least two (2) loans granted by MCLP were made to related borrowers.
- 3.48. During the analysis of the loans, we have identified two active loans that have been granted to companies related to Elizabeth Fortin.

Loan 061-MVMT

- 3.49. This \$4.1 million loan granted by MCLP, with a current balance of \$1.7 million, was granted to 9427-9759 Québec Inc. The borrower's shareholders include Hyperia Capital Inc. (Elizabeth Fortin) and La Quinte Flush Inc. (Philippe Thibodeau and Clayton Desautels).
- 3.50. It is therefore a loan to a related borrower that has not been disclosed and is contrary to the Offering Memorandum.

- 3.51. This loan was to be secured by a mortgage in favour of MCLP encumbering lots 5,092,270 to 5,092,278. However, no mortgage was created in favour of MCLP in respect of this loan.
- 3.52. Rather, the hypothec was granted to PHILUC inc., GEF and MVMT General Partner. MVMT General Partner's shareholder is WCI, a company owned by WHI and Hyperia Capital Inc. (Élizabeth Fortin). This situation appears to be unique to this loan to a related borrower and is to the detriment of the interests of the investors, who do not hold a share in MVMT General Partnership.
- 3.53. In terms of the mortgage, Élizabeth Fortin signed for the borrower and she and her spouse Mourad Amal are personal guarantors.

162-MVMT Ready

- 3.54. This loan, with a balance of \$4.1 million, was granted to a company doing business under the name of Strawberry Properties Inc. ("**Strawberry**"). Again, the shareholders of this borrower are, among others, Hyperia Capital Inc. (Elizabeth Fortin) and La Quinte Flush Inc. (Philippe Thibodeau and Clayton Desautels).
- 3.55. It is therefore a loan to a related borrower that has not been disclosed and is contrary to the Offering Memorandum.
- 3.56. This undisclosed conflict of interest situation appears to have had a direct impact on the management of this loan granted by MCLP.
- 3.57. In fact, according to the analysis of the land register, two mortgages were granted to MCLP and two co-lenders, including Gestion EF on lot 5,581,297. The first published on February 10, 2021 for an amount of \$227K and the second published on April 20, 2022 for an amount of \$5.5 million (the "**Securities**").
- 3.58. However, these two securities were written off on May 1, 2023. This delisting occurred following a financing obtained by Strawberry in April 2023 from Laurentian Bank of Canada ("**LBC**") in the amount of \$7.245 million.
- 3.59. We are of the opinion that in a context where this type of transaction would have been entered into between arm's length parties, the proceeds of the LBC loan would have been used to repay the \$2.7 million CMCC loan that was due on that date, which was not the case.
- 3.60. Also in the context of an arm's length transaction, if additional funds had been required to proceed with the project, a loan request would have been made and MCLP would have analyzed the application and taken security based on the risks and value of the loan.
- 3.61. However, the Provisional Administrator has noted that MCLP has obtained a mortgage from Strawberry on lots 5,581,315 and 5,581,312 as of April 17, 2023. It is possible that this new mortgage was granted prior to the cancellation that occurred on May 1, 2023 to replace it. That said, the Provisional Administrator is not in a position to confirm this situation given that the MVMT Entities have still not sent the Provisional Administrator the "client file" for this loan, despite its requests.

- 3.62. However, the newly granted mortgage in favour of MCLP includes three co-lenders, including EF Management. The mortgage is in the amount of \$6.0 million and the portion of MCLP is \$1.7 million plus future progressive disbursements in the amount of \$1.9 million.
- 3.63. Assuming that the progressive disbursements would be made by MCLP, the maximum amount of MCLP's mortgage would be \$3.6 million. However, as of November 6, 2024, the balance of the loan granted by MCLP to Strawberry is \$4.1 million and the balance owed to other lenders amounts to \$2.3 million for a total of \$6.4 million.
- 3.64. The consequence of this transaction is that the amount of the \$4.1 million advances granted by MCLP is greater than the amount of the \$500K mortgage held by the latter.
- 3.65. It is surprising that MCLP made disbursements when the amount of the loan exceeded the amount of the mortgage granted by Strawberry.

i) Loan terms that do not reflect what is disclosed in the Offering Memorandum

- 3.66. The Provisional Administrator has also noted that the terms of certain loans granted by MCLP are not in accordance with what is disclosed in the Offering Memorandum.
- 3.67. Indeed, the Offering Memorandum provides that loans issued by MCLP have a minimum term of 3 months and a maximum of 1 year. However, as reflected in the following table, the analysis of loans as of November 6, 2024 shows that eight (8) loans representing \$8.7 million have a term of more than one year.

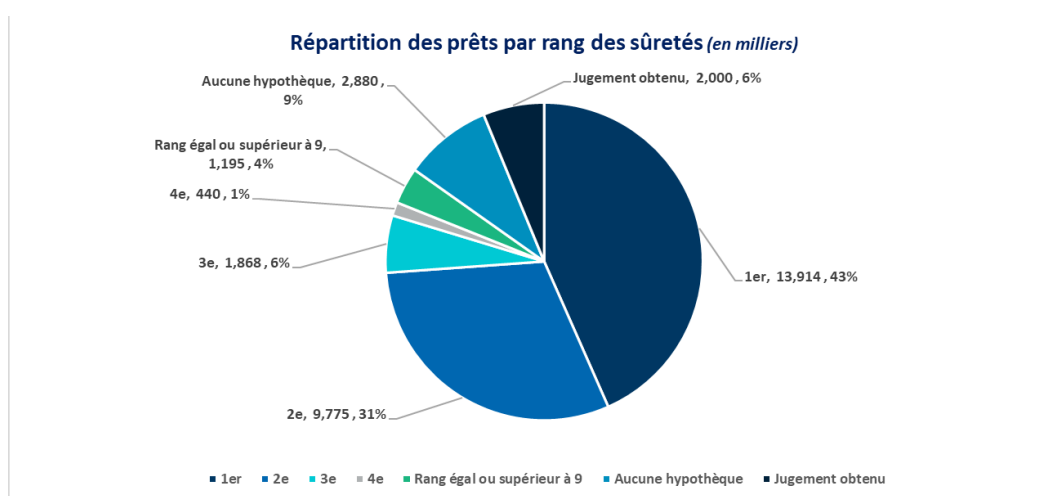
Terme (en année)	TOTAL	
	\$ (en milliers)	Nombre
<1	9,152	29
1	14,199	39
2	6,937	5
3	750	1
4	-	-
5	1,034	2
TOTAL	32,072	76

j) Subordinate Ranking of Mortgages to What Is Disclosed in the Offering Memorandum

- 3.68. The Provisional Administrator also conducted an analysis of the ranking of the security rights granted to MCLP for the issuance of the various active loans.
- 3.69. According to the Offering Memorandum, the loans are secured by first and second mortgages.

- 3.70. However, the analysis presented below allows us to conclude that 10 loans, representing \$3.5 million, would rank 3 or higher. We also note that 4 loans, representing \$2.9 million, are not secure.

Rang de la sûreté	TOTAL	
	\$ (en milliers)	Nombre
1er	13,914	32
2e	9,775	28
3e	1,868	7
4e	440	1
Rang égal ou supérieur à 9	1,195	2
Aucune hypothèque	2,880	4
Jugement obtenu	2,000	2
TOTAL	32,072	76



k) Analysis of CMC's loan portfolio in relation to MCF's business model

- 3.71. The Order notes that concerns about CME are focused on the following four areas and that concerns are bound to intensify:
- i. The shortfall in cash flows from farms relative to distributions paid.
 - Element that has been established and is confirmed by the Provisional Administrator;
 - ii. The use of new capital raised to support distributions and not to make new loans.
 - Element that has been established and is confirmed by the Provisional Administrator;
 - iii. The payment of distributions while the operations of the MVMT Funds are in deficit in 2023.
 - Element that has been established and is confirmed by the Provisional Administrator;
 - iv. A business model that will not allow the value of \$10 per unit to be paid in the long term.

- 3.72. In order to analyze the viability of the business model, the Interim Administrator conducted an analysis of the quality of the security granted to MCLP.
- 3.73. In response to the AMF's concerns about the business model, the MVMT Entities' response is essentially that although several loans are in arrears, the collateral that MCLP benefits from essentially inhibits the risks and negative effects on the business model.
- 3.74. It should be noted that the auditors of MVMT Entities do not analyze the validity and third-party effectiveness of the collateral granted.
- 3.75. According to TMO, as of November 6, 2024, MCLP also has 76 active loans (the "**Loans**"). These loans represent a principal amount receivable from borrowers of \$32.1 million.

I) Delinquent loans (default)

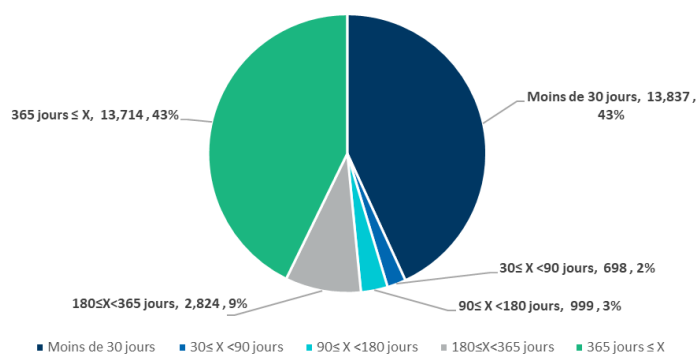
- 3.76. The Provisional Administrator has analyzed the TMO Loans to identify those that involve an outstanding interest and/or principal payment.
- 3.77. It is our understanding that a loan is delinquent if the last interest payment due has not been made by the borrower. We used the date of the last payment due according to TMO to perform this analysis, considering that the borrowers' payments are not made directly to MCLP.
- 3.78. As presented in MCF's audited consolidated financial statements as at December 31, 2023 (the "**Financial Statements**"), the expected credit loss model consists of the following three steps:
- Step 1:** includes so-called *performing loans*;
- Step 2:** includes loans that are said to be *underperforming* and have shown a significant increase in credit risk since origination (**+30 days**);
- Step 3:** Includes *non-performing* (delinquent) loans that are classified as impaired (**+90 days**).
- 3.79. According to MCF's accounting policies, as described in the Financial Statements, a loan is transferred from performing to underperforming when a loan is past due for more than 30 days and from underperforming to nonperforming when the loan is past due for more than 90 days.
- 3.80. Our analysis was conducted based on the following categories, which was based on the number of days since the last interest payment due recorded in TMO:
- Loan less than 30 days past due.
 - Loan that is 30 days past due but less than 90 days past due.
 - Loan that is 90 days past due but less than 180 days.
 - Loan past due for 180 days or more, but less than 365 days.
 - Loan past due for 365 days or more.

3.81. The following table provides a summary of the results. It can therefore be seen that

- 12 loans, representing \$2.8 million or 9% of the Loans portfolio, are more than 180 days past due, but less than 365 days long, for which \$296K in interest has not been cashed;
- 25 loans, representing \$13.7 million or 43% of the Loans portfolio, have been in arrears for more than 365 days for which \$3.1 million in interest has not been cashed;
- As a result, 37 loans, representing \$16.5 million or 52% of the Loans portfolio, have been in arrears for more than 180 days for which \$3.4 million in interest has not been received.

Nombre de jours en souffrance	TOTAL		
	Capital (\$)	Intérêts (\$)	Nombre
Moins de 30 jours	13,837	163	33
30 jours et plus mais moins de 90 jours	698	21	3
90 jours et plus mais moins de 180 jours	999	62	3
180 jours et plus mais moins de 365 jours	2,824	296	12
365 jours et plus	13,714	3,100	25
TOTAL	32,072	3,642	76

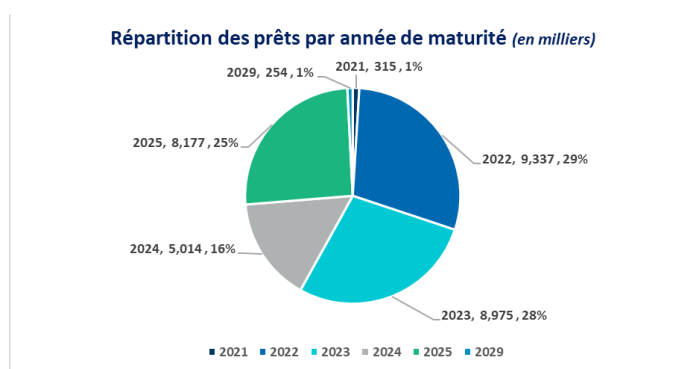
Répartition des prêts en fonction du nombre de jour en souffrance (en milliers)



m) Loans due (term has expired)

3.82. The Provisional Administrator also analyzed the Loans according to the maturity date of the Loans as recorded in TMO.

Année de maturité	TOTAL	
	\$ (en milliers)	Nombre
2021	315	2
2022	9,337	18
2023	8,975	18
2024	5,014	23
2025	8,177	14
2029	254	1
TOTAL	32,072	76



3.83. The following table shows the number of Loans that have matured, the value of these and the average number of days of delay. The analysis shows that more than 56 loans, representing \$22.6 million or 71% of the loan portfolio, are matured loans. The table also shows the number of loans that are more than 90 days past due and the value.

Sommaire des prêts échus en milliers de \$	Nombre	Valeur	Nombre de jours moyen	% du portefeuille	En souffrance depuis plus de 90 jours	
					Nombre	Valeur
Depuis moins de 90 jours	9	1,509	45	14.27%	3	472
Depuis plus de 90 jours mais moins que 365 jours	13	4,574	227	43.24%	7	3,153
Depuis plus de 365 jours	34	16,486	741	51.40%	28	13,276
TOTAL	56	22,569			38	16,901

3.84. It can be seen that more than 51% of the loan portfolio has been in arrears for more than 741 days on average and that more than 81% of these are in arrears for more than 90 days.

3.85. In conclusion, the Provisional Administrator can only conclude that the portfolio of Loans granted by MCLP is in a precarious situation and that in such a case, it is essential that the quality of the securities granted in return for these Loans be exemplary.

n) Quality of security granted to MCLP

- 3.86. The Provisional Administrator has carried out an analysis of the collateral in connection with the Active Loans. Several worrying elements were revealed during this analysis, which allows the Provisional Administrator to conclude that the management of loans and securities is deficient. Among these elements, we find the following:
- i. A legal construction hypothec that confers on its author a first ranking mortgage on the immovable for the capital gain contributed;
 - ii. Notice of sale under judicial supervision;
 - iii. Notice of default in payment of municipal taxes which constitutes a priority debt;
 - iv. Mortgage that has been written off or not published;
 - v. Encumbered building has been sold;
 - vi. Error in ranking or transfer of rank granted to a related company (GEF or Gestion FRE);
 - vii. Judgment obtained, but the loan has still not been repaid.
- 3.87. Here are some examples, but not limited to:
- i. Loans 059 and 059B-MVMT: The principal balance of these loans is \$2 million and MCLP and the other co-lenders obtained two default judgments on May 26, 2023 and June 14, 2023, but the balance of these loans is still unpaid to date according to TMO.
 - ii. Loan 28-MVMT: No mortgage is published to secure this loan with a principal balance of \$750K. The Receiver has received the "client record" for this loan, but it does not include any mortgage, security or proof of publication of a security interest in Ontario.
 - iii. Loan 115-MVMT: The Mortgage was written off on April 29, 2024, but according to TMO, this loan has a principal balance of \$307K and has been delinquent since December 3, 2023. The Provisional Administrator did not receive the "client file" for this loan, despite his requests to the MVMT Entities.
 - iv. Loans 092, 112, 151, 162 and 178-MVMT: These loans totaling a principal balance of \$6.3 million are subject to legal construction hypothecs totaling \$881 k. The Provisional Administrator did not receive some of the "client files" for these loans, despite its requests to the MVMT Entities.
 - v. Loan 091-MVMT: The property subject to the security granted to MCLP was sold following a property tax default on April 16, 2024. According to the deed of sale, the CMCC loan was to be paid by the seller and the mortgage was to be discharged. However, as of November 6, 2024, the principal balance of this loan is still \$600K according to TMO. The Provisional Administrator did not receive the "client file" for this loan, despite his requests to the MVMT Entities.

- vi. Loan 163-MVMT: This loan with a principal balance of \$85K was extended without security to MCLP, but security was extended to GEF and another co-lender on March 16, 2024 in the amount of \$550K. The Provisional Administrator did not receive the "client file" for this loan, despite his requests to the MVMT Entities.
- vii. Loans 015, 069, 112, 119, 133, 141, 151, 154 and 168-MVMT: These loans have a total principal balance of \$4.8 million and are all subject to property tax default notices published between August 8, 2024 and September 18, 2024. Sales were scheduled between October 9, 2024 and November 4, 2024. The Provisional Administrator did not receive some of the "client files" for these loans, despite its requests to the MVMT Entities.
- viii. Loans 092, 105, 115, 121, 125, 129, 130, 133 and 177-MVMT: These loans, totaling a principal balance of \$3.9 million, are all subject to notice for sale under judicial supervision. Four of these notifications are recorded by MCLP for loans with a balance of \$2.3 million. The Provisional Administrator did not receive almost all of the "client files" for these loans, despite its requests to the MVMT Entities.
- ix. Loans 112 and 151 -MVMT: These two loans, totaling a principal balance of \$1.9 million, were the subject of a transfer of priority by MCLP to EF Management and its co-lenders. The Provisional Administrator received the "client files" for these loans, however, no deed of assignment was included in them.
- x. Loans 143 and 155 – MVMT: These two loans totaling a principal balance of \$1.2 million are subject to multiple legal construction hypothecs totaling \$2.8 million. In addition, a assignment of rank was granted to Michel Constantin, also a beneficiary of legal construction hypothecs, in respect of a mortgage in the amount of \$3.5 million. Finally, a co-lender of MVMT, Skyfall Capital LTD (Bahamas), released \$1 million from the cash, only this lender was fully reimbursed.

État des sûretés	TOTAL	
	\$ (en milliers)	Nombre
Dégradation du rang de MVMT au profit de GEF	1,940	2
Avis de VSCJ (rang supérieur)	950	1
Préavis VSCJ (rang supérieur)	110	1
Préavis pour défaut de paiement d'impôt foncier	2,882	7
Hypothèque légale de construction	1,345	3
Propriété vendue - prêt impayé	600	1
Jugement par défaut	2,000	2
TOTAL	9,827	17

- 3.88. Despite the overwhelming and clear situation with respect to the Defaulted Loans, the quarterly communications prepared by the MVMT Entities and sent by the WH Entities to the client investors contain false or misleading representations that have the effect of unduly reassuring them.
- 3.89. For example, the communication dated August 11, 2024, approximately 1 month before the Order, indicated that 0% of the portfolio was delinquent:
- 3.90. However, the result of the Interim Administrator's analyses presented in this report shows that 40 loans totaling \$17.5 million are more than 90 days in arrears, or 54.7% of the portfolio.

- 3.91. The offering memorandum (Appendix C) dated May 28, 2024 indicated that 20 loans totaling \$15.4 million or 50.14% of the portfolio were more than 90 days past due.
- 3.92. However, when sending the communication of 11 August 2024 to investors, they were necessarily under the impression that the situation surrounding the delinquent loans had been resolved, given that it mentioned that 0% of the loans were delinquent.

o) Gestures of MVMT Entities despite Order

- 3.93. Despite the Order issued on September 12, 2014, which was served on the MVMT Entities on September 13, 2019, the Provisional Administrator was informed that the MVMT Entities have granted three releases in respect of loans totaling \$317K and have granted, at least, one additional loan of \$130K, without the approval of the Provisional Administrator.
- 3.94. Despite the Provisional Administrator's request, Élisabeth Fortin has still not sent him the following documents requested with respect to two of the three releases granted without authorization:
- Statement of account;
 - Loan Agreement;
 - Proof of payment;
 - Release and/or release; and
 - Any other documents relating to the loan.

p) Financial Update

Entités MVMT	Pour la période débutant le 13 septembre 2024 au 9 novembre 2024			
	SCMC	SCMC 1	MVMT GP	TOTAL
Encaissements				
Remboursement prêts (capital et intérêts)	1,286,553	-	-	1,286,553
Encaissements totaux	1,286,553	-	-	1,286,553
Décaissements				
Frais bancaires	45	45	320	410
Décaissements totaux	45	45	320	410
Variation de l'encaisse	1,286,508	(45)	(320)	1,286,143
Encaisse au début	327,484	77	911	328,472
Encaisse à la fin	1,613,992	32	591	1,614,615

- 3.95. Since the appointment of the Provisional Administrator, the MVMT Entities have received approximately \$1.3 million in repayment of principal and interest loans delivered mainly by GEF and EF Management. Of this amount, \$500K was received as principal repayment of the Strawberry loan.

- 3.96. The balance owing in principal and interest for all loans of the MVMT Entities currently totals, according to TMO, an amount of \$35.7 million, the current cash position is \$1.6 million, representing a total of \$37.3 million. However, as of November 6, 2024, the capital owed to investors, according to TMO, is \$40.1 million. In addition, the Provisional Administrator is not in a position to determine precisely the amounts owed to suppliers, as the accounts are not up to date.

q) Next steps in relation to MVMT Entities

- 3.97. The next steps in relation to MVMT Entities are as follows:
- i. Hearing on November 20 in connection with the Application for Disqualification;
 - ii. Follow-up with MVMT Entities in connection with documents that have still not been submitted following the subpoena. The Provisional Administrator submits to the Court that the collaboration of the MVMT Entities is mixed and notes a lack of collaboration with regard to obtaining the documents and information requested to advance its work and analysis of the situation that led to the Order.
 - iii. Interrogation of Élizab eth Fortin.
- 3.98. In order to correct the shortcomings, concerns and problems identified to date in connection with the governance of the MVMT Entities and the involvement of companies related to Élizab eth Fortin that act as loan manager, the Provisional Administrator intends to implement a corrective action plan (the "**Corrective Action Plan**").
- 3.99. The Provisional Administrator intends to submit this Corrective Action Plan to the AMF, the MVMT Entities and Élizab eth Fortin for their comments.
- 3.100. Following the comments of the stakeholders, the Provisional Administrator intends to implement the Corrective Action Plan, as it may be amended following the comments received.
- 3.101. The Provisional Administrator will apply to the Court to the extent that certain elements of the Remedial Action Plan are beyond the scope or scope of the Order.
- 3.102. The following is a non-exhaustive list of items that may be included in the Corrective Action Plan:
- i. The continued suspension of any additional fundraising;
 - ii. The continuation of the suspension of monthly distribution;
 - iii. The establishment of an independent manager or supervisory measure with respect to the current manager;
 - iv. The implementation of restrictions and controls on loans with a co-lender(s);
 - v. The implementation of measures to reduce delinquent loans;
 - vi. Putting in place restrictions and controls on loans made to non-arm's length persons;
 - vii. Putting in place accountability measures related to the collection and collection of existing loans;

- viii. Changing the method of collecting loan payments so that CMCC collects payments directly from the borrower;
- ix. The implementation of any future recommendations by Mr. Depelteau regarding the governance and compliance of the MVMT Entities;
- x. The implementation of a structure for the repayment of capital owed to investors in order to limit the risk of loss of investors and to avoid a negative tax impact on MCLP;
- xi. Providing communications to investors that reflect the actual situation surrounding the loan portfolio;
- xii. The issuance of audited financial statements for the year 2024;
- xiii. The appointment of two new independent trustees;
- xiv. The modification of the roles and functions of Élizabéth Fortin;
- xv. The implementation of any other measures necessary to ensure compliance by the MVMT Entities with securities laws and regulations.

4. APPROCHES, FINDINGS AND NEXT STEPS IN RELATION TO SOLSTAR ENTITIES

a) Steps taken since the First Report

- 4.1. Since the issuance of his First Report, the Administrator Interim Administrator has:
 - 4.1.1.1. Tracked the revenues and disbursements of the Solstar Entities that were discontinued;
 - 4.1.1.2. Had some discussions with Mr. Tom Rossi and Mr. Dionossios Baltzis assisted by Mr. Patrick Ouimet of RCGT, as part of the mandate granted to RCGT to establish the value of the shares held in the Solstar Entities.

b) Findings related to the value of the shares held in the Solstar Entities

- 4.2. Following the management of October 23, 2024 chaired by the Honourable Christian Immer, J.C.S., the Provisional Administrator has suspended the mandate of RCGT in connection with the establishment of the value of the shares held by investors in the Solstar Entities.
- 4.3. That said, the fact that unrealistic valuations remain with respect to certain related issuers is of great concern to the AMF and the Provisional Administrator, since certain unit value valuations seem, at first glance, to deceive some investors and this could have a major impact on them and future investors.
- 4.4. With respect to the Solstar Entities, Tom Rossi's affidavit indicates that the value of SPI would be "low" as of the date hereof.
- 4.5. In addition, the Solstar Application states in paragraph 23 that the Solstar Entities wish to make an assignment of their assets for the benefit of its creditors.

- 4.6. At this time, the Provisional Administrator does not recommend filing a voluntary transfer of SPI's assets, considering that in such a scenario, investors who have invested significant amounts in the Solstar Entities in the form of an FSI unit or who have been led to convert the debentures they held in SCI into a FSI unit would not be considered creditors and therefore would not be eligible to receive a dividend.
- 4.7. Considering that the RCGT report produced in support of the Application, the latest audited financial statements of the Solstar Entities, Tom Rossi's statement and the examinations of T. Baltzis and R. Bernard, it appears that there could indeed remain a certain value in SPI's assets, which, obviously, is far from that represented to investors.
- 4.8. The Provisional Administrator, who was appointed under the *Act respecting the regulation of the financial sector*, must act in the interest of investors, and the filing of an early voluntary assignment would likely be contrary to the interests of a large majority of investors who do not have creditor status.
- 4.9. In light of the above, the Provisional Administrator considers that it would be more appropriate at this time to maintain the provisional administration of the Solstar Entities in order to allow it to determine the impact if an assignment under the *Bankruptcy and Insolvency Act* were authorized by the Court.

c) Solstar Entities Financial Update

- 4.10. As shown in the table below, since the appointment of the Provisional Administrator, the liquidity of the Solstar Entities has increased by approximately \$34K. This variation is mainly due to the receipt of research and development credits. The Solstar Entities' liquidity as of November 10, 2024 is approximately \$139K.

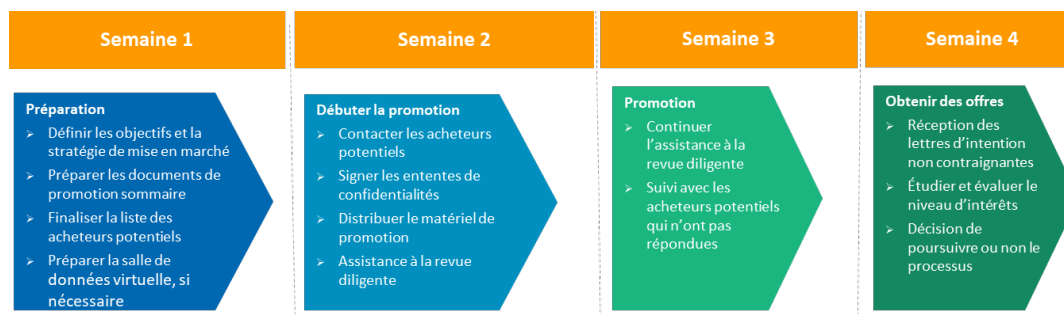
Entités Solstar	Pour la période débutant le 13 septembre 2024 au 9 novembre 2024		
	CSI	PSI	TOTAL
Encaissements			
Crédit R&D	-	29,797	29,797
Autres	-	6,540	6,540
Encaissements totaux	-	36,337	36,337
Décaissements			
Salaires et charges sociales	-	2,394	2,394
Frais bancaires	12	317	329
Décaissements totaux	12	2,711	2,723
Variation de l'encaisse	(12)	33,626	33,614
Encaisse au début	500	105,094	105,594
Encaisse à la fin	488	138,720	139,208

d) Recommendation of the Provisional Administrator in relation to the Solstar Entities

- 4.11. Since there is insufficient liquidity to maintain research and development activities and in order to determine whether there is an alternative to maximize the market value of the assets of the Solstar Entities for the benefit of investors who are not creditors, the Provisional Administrator proposes the following options.

Option 1

- 4.12. The Provisional Administrator has asked its M&A team FTI Capital Advisors, a subsidiary of FTI Consulting Canada Inc., to propose a solicitation plan to determine the proposed timeline and estimated costs to implement such a process.
- 4.13. The proposed process, which would take place over a period of 4 weeks ("**Phase 1**"), would aim to obtain non-binding letters of interest under this first phase:



- 4.14. The initial budget for Phase 1 is approximately \$25K per week, for a total of approximately \$100K, plus applicable taxes.
- 4.15. In order to set up such a process, the Provisional Administrator will have to obtain the collaboration of the management of the Solstar Entities allowing the preparation of the necessary documentation. No discussion has taken place with management at the time of this report.
- 4.16. In addition, the initiation of such a solicitation process will have to be approved by the Tribunal, as the Provisional Administrator does not have such authority under the Order. Similarly, the approval of a transaction involving the assets of the Solstar Entities will require court approval.
- 4.17. To the extent that a non-binding offer(s) were received in Phase 1 and the proposed purchase price(s) justify proceeding to the next stage, the Provisional Administrator should at that time determine how to finance the next phase to obtain binding offers.
- 4.18. One solution would be to solicit the interest of investors in order to assume the costs related to Phase 2 of the process, considering that they could benefit directly.
- 4.19. This option, although more expensive, is the option that in practice will maximize the value of the assets, outside of a formal bankruptcy process that could greatly affect the market value of the assets, to the detriment of investors' interests.

Option 2

- 4.20. Another option available is to set up a public tender sales process. This process would be publicized, inter alia, in certain newspapers and on the website of the Provisional Administrator. The latter estimates the costs of this type of process at around \$25K. Obviously, the costs are lower, but this option would likely not maximize the value of the assets at the level of Option 1.

Option 3

- 4.21. Finally, the Provisional Administrator believes that it could also solicit the involvement of the Solstar Entities' management in order to obtain a purchase offer, by mutual agreement, from unrelated third parties from their network of contacts, suppliers, strategic/competing acquirers, or business partners of SPI.

- 4.22. This option would probably be the least expensive, but would not allow for a real test of the market.

5. APPROCHES AND FINDINGS RELATED TO CERTAIN ISSUERS RELATED TO WH ENTITIES

- 5.1. One of the concerns raised by the AMF, and also denounced in communications between the Provisional Administrator and customers of the WH Entities, is the misleading value of certain units of issuers related to the WH Entities.
- 5.2. Paragraph 8(m) of the Order provides for the suspension of any new sale of products in the exempt markets in order to allow the Provisional Administrator to ensure that the products offered to customers of WHS and WHAM are properly valued, including, but not limited to, the value of the units.
- 5.3. In addition, the Companion Policy to NI 31-103 provides as follows:

"To comply with paragraph 1 of section 13.2.1, firms should establish a KYC process to ensure that the securities they intend to offer to clients are assessed and approved, and that once offered to clients, they are monitored on an ongoing basis for significant changes.

The KYP process may vary depending on the business model of the company implementing it, the types of securities offered, the competence of its registrants, and the nature of the relationship it and its registrants have with customers. For example, in the case of a portfolio manager who authorizes its registered advising representatives to select securities from among all securities rather than from a list of products, the process put in place may take into account the fact that the latter are responsible for valuing those securities on behalf of the portfolio manager. In the case of a company that maintains a product list, its process may take into account the fact that it is responsible for evaluating the securities on the list.

In addition, the extent of the review, approval and oversight processes required may vary depending on the structure, characteristics and risks of the securities that the firm intends to offer or is already offering to clients. Companies can tailor their processes to the types of securities being considered, their complexity and the risks associated with them, and their policies and procedures should set out the various levels of assessment, approval and oversight for different types of securities, as appropriate. A process specific to each title will not be required in all cases.

For example, the know-your-product process for simple, lower-risk securities may be less extensive than that required for more complex and riskier securities, including those that are new, have a non-transparent structure, or involve leverage, options or other derivatives."

- 5.4. The RCGT report entitled "Preliminary Indication of the Fair Market Value of All of the Issued and Outstanding Shares of Beauty World Search Productions Inc. is filed in support of this report as **Appendix D** (under seal).
- 5.5. The RCGT report entitled "Preliminary Findings on the Fair Value of Certain WhiteHaven Investments Private Equity Funds" is produced in support of this report as **Appendix E** (under seal)
- 5.6. The following sections report on the findings of the two RCGT reports.

BWS

- 5.7. BWS develops, produces and licenses the distribution of television series.
- 5.8. As disclosed in the First Report, the valuation used in BWS's most recent offering memorandum dated May 29, 2024 was approximately \$58 million, representing a unit value per unit of approximately \$20.
- 5.9. In its valuation report, RCGT's preliminary conclusion is that the market value of all of the issued and outstanding shares of BWS as at September 30, 2024 would be between \$10.1 million and \$13.7 million compared to a fair value established by WHS of approximately \$58 million, i.e. a difference ranging from \$44.3 million (-76%) to \$47.9 million (-83%).
- 5.10. Although this is a preliminary report, it is clear that the preliminary market value of BWS appears to be greatly overvalued when compared to the value mentioned in the last offering memorandum.
- 5.11. What is of concern is the fact that it is normally the issuer that conducts the assessment. However, the examination of BWS's representative confirmed that it was the WH Entities that conducted the initial and subsequent assessments.
- 5.12. Based on RCGT's preliminary valuation, the value of the Units would range from approximately \$3.42 to \$4.64 compared to a value of \$19.64 under the most recent Offering Memorandum.

IMMEX

- 5.13. For your information, IMMEX is a company that develops, creates and produces cinematographic films, as well as immersive and acrobatic events.
- 5.14. RCGT indicates in its report that the valuation transmitted by the WH Entities in order to support the valuation of IMMEX at the time of the 2023 issuance does not provide any support in terms of the financial forecasts used and the various valuation assumptions such as the discount rate and the exit multiple.
- 5.15. As the valuation of IMMEX is based on these financial forecasts, RCGT will need to obtain documentation supporting each of the assumptions in order to establish the market value of IMMEX.
- 5.16. However, RCGT points out in its report that according to the May 2024 offering memorandum, the price per share had remained stable, even though there was a significant change in IMMEX's activities, namely the end of a partnership with Cirque du Soleil.
- 5.17. Given the change in the business model, the delay in the company's growth and the lack of a financial model supporting the valuation, they are of the opinion that the information obtained to date is insufficient to judge the reasonableness of the price per share chosen for the 2024 issue.

FOODCOURT

- 5.18. For your information, Foodcourt owns and operates a restaurant (Chances R) and is the franchisor of the Eggspress restaurant brand.
- 5.19. Following the preliminary review of the initial valuation carried out by the WH Entities, RCGT has found a calculation error that significantly impacts the value of Foodcourt's shares. The WH Entities considered the acquisition of intangible assets to be an

inflow of \$4.5 million, which is inaccurate as Foodcourt must instead pay this amount in order to proceed with the acquisitions of the restaurants.

- 5.20. Correcting this error, the original value should have been \$373K instead of the \$7.6M that was disclosed in the 2020 issuance.
- 5.21. RCGT has noted certain inaccuracies in the valuation models supporting the valuations used in the 2021 and 2024 issues as well as certain issues that in its opinion merit further analysis in order to judge the reasonableness of the valuations used in each of the equity issues.
- 5.22. A meeting with Foodcourt's independent auditors will be necessary to better understand the validation work done on the audit of the fair market value of the "B" shares as of December 31, 2023.
- 5.23. That said, the preliminary conclusion is that the valuation is overvalued.

NEWOAK

- 5.24. For informational purposes, NewOak specializes in developing technology-based financing solutions and provides investors with access to untapped opportunities in e-commerce and lending as well as the advance of cash on salaries already earned. NewOak is based in Delaware, USA.
- 5.25. NewOak holds stakes in a few companies, including:
 - Orbis Financial Technologies Inc.;
 - FinPlusTech Inc.;
 - FuturePay Holdings Inc.
- 5.26. Following the preliminary analysis of NewOak's valuation, RCGT has identified certain issues that raise questions about NewOak's value and that will require further analysis and understanding in order to judge the reasonableness of NewOak's valuation during the share offerings.
- 5.27. RCGT is not in a position to conclude on the value of NewOak as of the date of this report.

6. STATUS OF PROFESSIONAL FEES AND DISBURSEMENTS

- 6.1. As provided for in the Order, the Provisional Administrator must file a summary of the fees incurred in connection with the mandate entrusted to him.
- 6.2. Below is a summary of the fees incurred by the Provisional Administrator, its legal counsel and subcontractors for the period beginning on August 27 and ending on November 8, 2024.

Firme	du 7 octobre au		Total
	du 27 août au 6 octobre 2024	8 novembre 2024	
	\$	\$	
FTI Consulting Canada inc.	120,539	178,730	299,269
Gowling WLG	93,600	126,730	220,330
Investigation Informatique HDD inc.	75,247	-	75,247
Paquettes et Associés inc.	16,090	-	16,090
Jules Pelletier	-	3,145	3,145
Éthique et Conformité conseils inc.	-	25,600	25,600
Raymond Chabot Grant Thornton	-	80,530	80,530
	305,476	414,735	720,211

- 6.3. The above-mentioned fees and disbursements cover the work carried out by all professionals in the context of taking possession, preserving evidence, investigating, questioning, analyzing documents and information received from companies under provisional administration, monitoring the daily operations of companies, managing clients, hearings before the Court, etc. the preparation of the Provisional Administrator's reports, the analysis of the situation surrounding the concerns identified in the Ordinance, and the other matters referred to in this Report.
- 6.4. Considering that the Ordinance provides for a progress report within 30 days and a report of findings within 60 days, the Provisional Administrator had to incur significant fees and disbursements over a short period of time.
- 6.5. This interim administration case is complex and the relationships between the various related companies and individuals are complex.
- 6.6. As indicated by Judge Dumais, J.S.C., in the Lacroix provisional administration case, one of the missions of the provisional administrator is to: "protect the public, know what happened and verify the status of the assets entrusted to him."
- 6.7. It should be noted that this is a summary of fees and that the Provisional Administrator will see to it that the distribution among the various Defendant companies is made in the context of a future application to the Tribunal to have its fees and disbursements approved, in accordance with the FSA.

7. CONCLUSIONS AND RECOMMENDATIONS

- 7.1. The Provisional Administrator has taken note of the concerns raised by the AMF and accepted by the Court.
- 7.2. However, following the work carried out by the Provisional Administrator and the findings mentioned in this report, the latter recommends that the Provisional Administration and its powers be maintained.
- 7.3. The work and findings carried out by the Provisional Administrator tend to show that the concerns raised by the AMF are well founded.
- 7.4. It is fundamental for the Provisional Administrator to implement and execute the action plans referred to in this report in order to correct and resolve the governance, compliance and significant money issues that have passed through the WH Entities and related issuers, for the benefit of investors and the protection of the public at large.
- 7.5. The findings of the Provisional Administrator raise serious concerns that cannot be ignored or tolerated and that must be corrected.
- 7.6. In addition, the Provisional Administrator's mandate and its process of analyzing the concerns raised are greatly slowed down by the Application for Disqualification presented by the MVMT Entities and delays in the communication of the documents and information requested by the Provisional Administrator to the Defendants.

November 12, 2024

FTI CONSULTING CANADA INC
Provisional administrator of the Defendants

By: Martin Franco, CPA, CIRP, LAI
Designated Person

By: Patrick Fillion, CPA, CF