

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No: 500-11-060024-219

SUPERIOR COURT
"Commercial Division"

IN THE MATTER OF THE RECEIVERSHIP OF:

AGRO TECH VENTURES 1 INC.

and

MALINA CAPITAL INC.

and

10553034 CANADA INC. (MALINA ENERGY)

and

GREEN CBD TECHNOLOGY INC.

and

CAPE COVE FINANCIAL MANAGEMENT INC.

and

CALIXA CAPITAL PARTNERS INC.

and

DOJO KAISHI INC.

Collectively the "Defendants"

And

**RAYMOND CHABOT ADMINISTRATEUR
PROVISOIRE INC.**

The "Receiver"

FIRST REPORT OF THE RECEIVER

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE RECEIVER RESPECTFULLY SUBMITS THE FOLLOWING REPORT:

This report was prepared in connection with the receivership of the Defendants. It also supports the Receiver's Application to amend the powers granted pursuant to the order dated July 8, 2021.

October 21, 2021

RAYMOND CHABOT ADMINISTRATEUR PROVISOIRE INC.
Receiver for the Defendants

By: _____

Emmanuel Phaneuf, M.Sc., CIRP, LIT
Designated

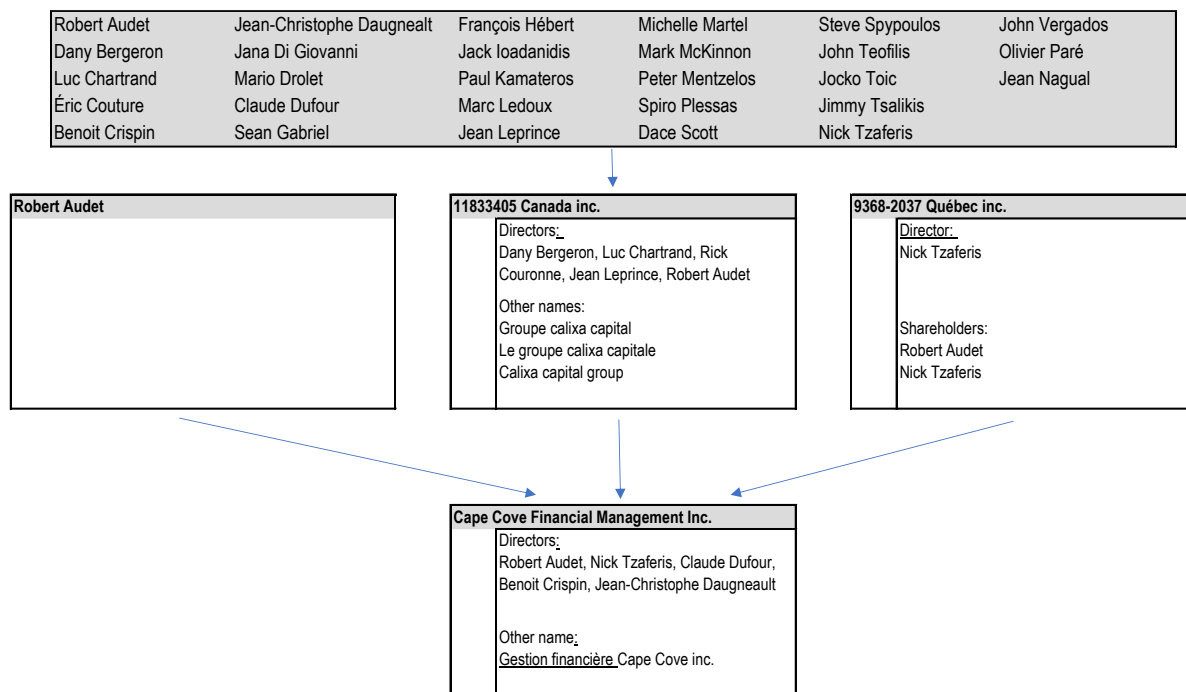
1. INTRODUCTION

- 1.1. This report (the “**Report**”) was prepared following an order made by the Honourable Chantal Corriveau, J.S.C on July 8, 2021, appointing Raymond Chabot Administrateur Provisoire Inc. as the Receiver for the Defendants (the “**Order**”).
- 1.2. This Report was prepared in order to:
 - i. Inform the Court of steps taken by the Receiver since being appointed;
 - ii. Notify the Court of the Receiver’s key findings regarding the Defendants’ situation;
 - iii. Support the merits of the Receiver’s Application to amend its powers granted pursuant to the Order (the “**Application**”); and
 - iv. Provide context for the Receiver’s Application.
- 1.3. It should be specified that one of the Receiver’s objectives is to safeguard investors’ interests, where reasonably practicable. The Receiver therefore took possession of the assets and put in place the appropriate measures to protect them immediately after the Order was issued and served to the Defendants, in the interest of investors and all stakeholders.
- 1.4. In keeping with this objective, the Receiver began its initial inquiry, which included analyzing the Defendants’ business and financial affairs, notably to identify problems and irregularities raised by the Autorité des marchés financiers (the “**Autorité**”), which resulted in the Order.
- 1.5. This report is divided into the following sections:
 - The context;
 - Action taken by the Receiver to date with regard to the Defendants;
 - Receiver’s initial findings regarding:
 - Cape Cove’s financial situation;
 - Whether the transactions executed by Cape Cove are in compliance with applicable legislation and standards;
 - The financial situation of the other Defendants;
 - The relationships between the Defendants and other stakeholders;
 - The Receiver’s proposed measures and recommendations for Cape Cove;
 - The Receiver’s proposed measures and recommendations for the other Defendants.
- 1.6. In order to simplify this Report, it should be read in conjunction with the allegations referred to in the Application presented in a closed hearing held to order the appointment of a Receiver acting on behalf of the Autorité and the orders made in connection with the Order.

2. CONTEXT

i) Cape Cove Financial Management Inc. and Calixa Partners Inc.

- 2.1. Cape Cove Financial Management Inc. (“**Cape Cove**”) is an independent portfolio management firm as well as an exempt market and mutual fund dealer that offers diversified investment services to its investors.
- 2.2. Cape Cove’s organization chart on the day of appointment of the Receiver is as follows:



- 2.3. 11833405 Canada inc. (“**118 Can**”), which owns 25% of Cape Cove shares, has approximately 25 shareholders¹.
- 2.4. The above organization chart shows that 118 Can also operates under the name Calixa Capital Group.
- 2.5. Prior to January 2020, the stake in Cape Cove currently held by 118 Can was held by another company: Calixa Partners Inc. (“**Calixa Partners**”).
- 2.6. Around January 2020, the stake in Cape Cove held by Calixa Partners was transferred to 118 Can, such that all Calixa Partners shareholders became shareholders of 118 Can in accordance with the transaction. At the same time, Mr. Nick Tzaferis (“**Tzaferis**”) became the sole shareholder and director of Calixa Partners until January 21, 2021, when he disposed of his shares.
- 2.7. According to testimony, Calixa Partners was created for the purpose of separating consulting activities from the stake in Cape Cove (i.e., the portfolio company). This restructuring not only seems illogical but also created a certain amount of confusion regarding the people involved and their respective roles.

¹ The names of shareholders of 11833404 Canada inc. in the organization chart are taken from the list of shareholders recovered from Cape Cove’s servers on April 30, 2018.

Report of the Receiver

- 2.8. Cape Cove has no shareholders' agreement despite its corporate structure and the number of stakeholders. This was confirmed by Mr. Robert Audet ("**Audet**"), Cape Cove's President.
- 2.9. Cape Cove's website presents the following management team:

Person	Current or past position
Robert Audet	President and CEO
Jean-Christophe Daigneault	Chief Compliance Officer
Claude Dufour	Executive Vice-President
Nick Tzaferis	Corporate Vice-President
Benoit Crispin	Vice-President, Business Development
Jeffrey Veilleux	Representative – Portfolio Management Advisory
Rick Couronne	Vice-President, Business Development - Western Canada
Larisa Wells	Vice-President, Western Canada

- 2.10. On August 4, 2021, Audet informed the Receiver that Tzaferis, as well as Messrs. Benoit Crispin, Claude Dufour and Jean-Christophe Daigneault ("**Daigneault**"), resigned as Cape Cove directors on July 12 and August 3, 2021 respectively.
- 2.11. On June 30, 2021, Cape Cove had 52 representatives under contract, serving nearly 2,000 clients. Assets under management totalled \$132 million, as follows:

Activities summary (unaudited)

Activity	Number of clients*	Number of accounts	Assets under management (in thousands of \$)
Portfolio management	181	2 206	25 071 \$
Mutual funds	926	4 515	54 161 \$
Exempt products ²	1 446	2 378	52 950 \$
		<u>9 099</u>	<u>132 182 \$</u>

*Number of clients is not mutually exclusive.

- 2.12. In theory, the assets of Cape Cove clients are held and managed by third parties. This means that, essentially, Cape Cove is no more than an intermediary to execute transactions to buy or sell securities (i.e. to distribute financial products). Cape Cove does not have any trust accounts. Amounts for investment purchases were/are paid directly to the ultimate recipient while sales proceeds were/are deposited directly in client accounts.
- 2.13. Contrary to theory, according to our findings and as described hereafter, amounts that clients invested in the issuers, notably Agro Tech Ventures 1 Inc. and Malina Capital Inc., were manipulated by and/or for the benefit of certain individuals who are directly or indirectly related to Cape Cove.
- 2.14. In performing its analysis, the Receiver focussed on transaction compliance as well as Cape Cove's financial situation and governance.

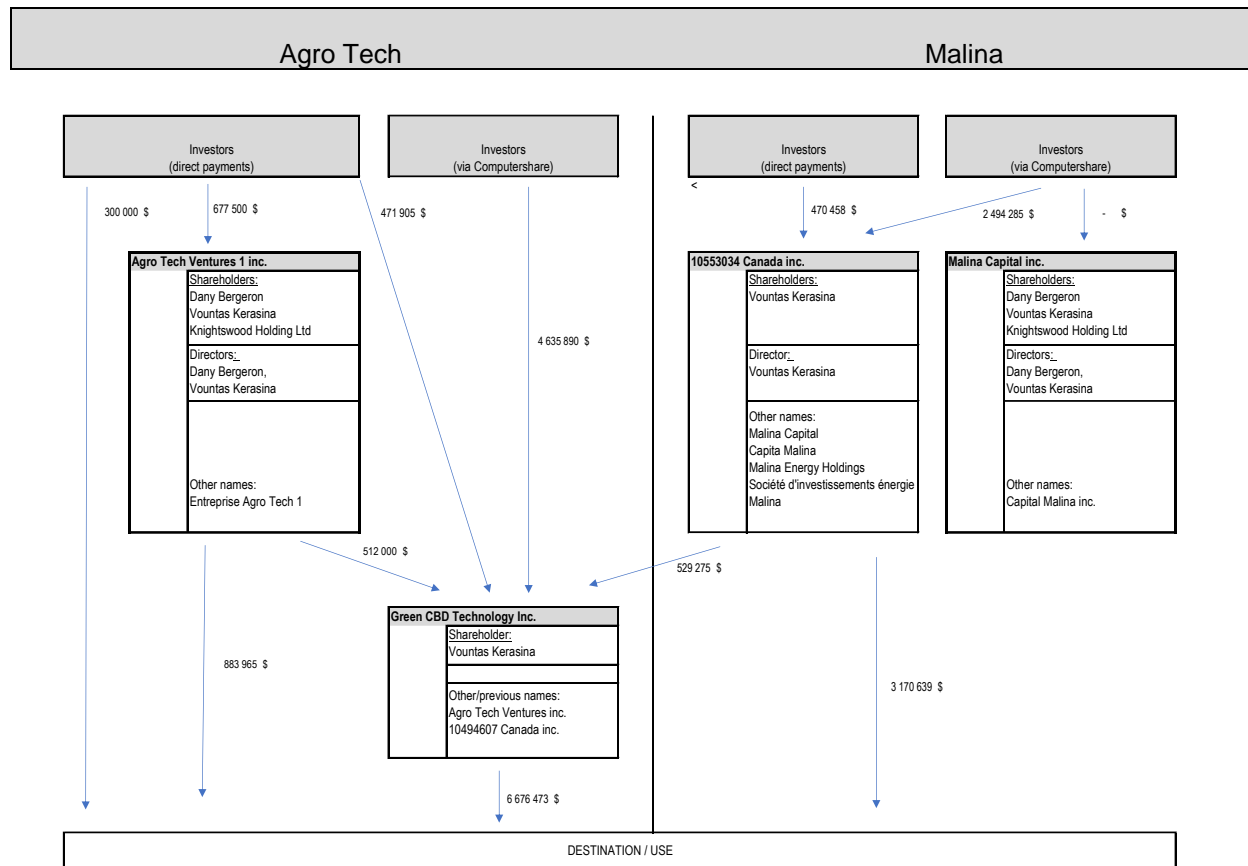
ii) Agro Tech Ventures 1 Inc. and Malina Capital Inc.

- 2.15. Agro Tech Ventures 1 Inc. and Malina Capital Inc. (the "**Issuers**") offer financial products that Cape Cove distributed exclusively² on exempt markets.
- 2.16. According to previously reviewed information, the funds provided by investors (the "**Investors**"), which were intended for these two Issuers, totalled a minimum of \$6.1 million and \$3.0 million respectively.

² Cape Cove is the only party designated to act as a selling agent in the Offering Memorandums.

Report of the Receiver

- 2.17. Nearly 453 and 288 investors made an investment in Agro Tech Ventures 1 Inc. and Malina Capital Inc. respectively—or thought that they did.
- 2.18. The actual situation for the amounts received by the companies, as compared to the information presented in the Offering Memorandums, is illustrated below³.



2.19. This chart shows that:

- 2.19.1. Most of the amounts received from Investors never reached or passed through Agro Tech Ventures 1 Inc.;
- 2.19.2. None of the amounts received from Investors reached or passed through Malina Capital Inc.
- 2.20. During the Receiver's examination of Dany Bergeron ("**Bergeron**"), shareholder, President and director for the Issuers, Bergeron tried to justify transferring the funds raised to companies that the Receiver refers to as Shell Corporations ("**Shell Corporations**"), namely Green CBD Technology Inc. and 10553034 Canada Inc., since, according to Efstratios Gavriil ("**Gavriil**"), it would have been too complicated to transfer the amounts directly to the Issuers.
- 2.20.1. This explanation makes no sense and, even more importantly, if this were true nothing would have prevented the Shell Corporations from returning the amounts to the Issuers after receiving them.

³ Company information presented above is based on information in the enterprise register as of the date of preparation of this Report.

- 2.20.2. The end-result is that the amounts received from Investors were essentially transferred to the Shell Corporations, whose sole shareholder and director was Kerasina Vountas (“**Vountas**”), Gavriil’s spouse.
- 2.20.3. This situation was clearly planned and was no coincidence since the same strategy was applied for investments involving Agro Tech as well as Malina. There is no way that this happened by chance.
- 2.20.4. There is even more confusion given the similarities between the business names of the Issuers and the Shell Corporations, i.e. Agro Tech Venture 1 Inc. versus Agro Tech Venture Inc. and Malina Capital Inc. versus Malina Capital/Capital Malina.
- 2.21. The Issuers have three shareholders respectively: Knightswood Holding Ltd (“**Knightswood**”), Bergeron and Vountas.
- 2.21.1. Knightswood is a public company and shareholder as per the service agreements. According to our current findings, this company did not interfere in the business of the Issuers.
- 2.21.2. Knightswood’s involvement was aimed at allowing the Investors to subscribe for their investments in a registered retirement savings plan and, therefore, to claim the applicable tax benefits.
- 2.21.3. In performing its analysis, the Receiver focussed particularly on Issuers’ governance practices, cash outflows and the statement of investments made by the companies.

iii) Efstratios Gavriil

- 2.22. Gavriil, alias Sean Gabriel, is a key player in all of the Defendants’ transactions, as demonstrated below.
- 2.23. Gavriil is the spouse of Vountas and the father of Georges and Alexandra Gavriil. While their roles and involvement are different, they were all involved in the operations of Cape Cove, the Issuers or companies that benefitted from amounts received from Investors.
- 2.24. Gavriil and his associates claim that Gavriil only played a secondary role, as a consultant, with regard to Cape Cove’s compliance, the management practices of the Issuers and the due diligence process regarding investments.
- 2.25. However, the preliminary investigation conducted by the Receiver quickly led to the conclusion that Gavriil is the linchpin and a key player in the Defendants’ operations and transactions.

iv) Dojo Kaishi Inc.

- 2.26. Dojo Kaishi Inc. (“**Dojo Kaishi**”) is a martial arts school. The Receiver found that Dojo Kaishi is a company managed by Gavriil whose son, Georges Gavriil, is a shareholder and director in the company.
- 2.27. Dojo Kaishi obtained loans by way of amounts received through investments made in the Issuers.
- 2.28. Until just recently, Dojo Kaishi had three other directors and shareholders who appear to be unrelated to Cape Cove and the other stakeholders. A few days after the Order was issued, these individuals informed the Receiver that they were resigning as company directors.

3. ACTION TAKEN BY THE RECEIVER

i) Where Cape Cove is concerned

- 3.1. The Receiver:

- i. Met with management and employees to inform them of the orders issued in connection with the Order and the steps enabling the Receiver to take possession of Cape Cove's property and assets, as well as the related conservatory measures.
- ii. Implemented measures to monitor Cape Cove operations. The Receiver retained professional services to assess transaction compliance and ensure that the applicable rules and standards are being followed.
- iii. Changed the signatories for bank accounts.
- iv. Reviewed expenses and prepared and updated projected changes in cash, working in collaboration with management.
- v. Met with Cape Cove's accountant and ensured that external payroll services were maintained.
- vi. Notified investors (who purchased securities from the Issuers), as well as representatives (who sold such securities) of the Order as well as the Receiver's appointment (see Notice to Investors in **Appendix I**).
- vii. Updated the information in the *enterprise register*, adding the Receiver as the administrator of the property of others and providing the Receiver's name and domicile address.
- viii. Suspended Vountas (with pay) pending an investigation given her role in ensuring transaction compliance, as well as the fact that she is (or was) a shareholder, office and director of the Issuers. Despite many requests made by Audet (copies thereof included in **Appendix II**), the Receiver did not reintegrate Vountas in her position given the current situation.
- ix. Analyzed Cape Cove's financial situation and future outlook.
- x. Took possession of and secured the company's books, records and available digital information.
- xi. Secured access to the place of business located at 5255 Henri-Bourassa Blvd. West, Suite 410, in Montréal (the "**Leased Premises**") and negotiated an agreement with the building owner in order to occupy the premises.
- xii. It should be noted that on July 9, 2021, Audet informed us that Tzaferis, Cape Cove's COO (even though there is no indication of this in the payroll records), negotiated the cancellation of Cape Cove's lease and that the company was required to leave the Leased Premises by July 19, 2021.
- xiii. After analyzing the situation, we noted that Cape Cove had no written lease for the Leased Premises. The tenant for Cape Cove's Leased Premises was Capital Partners Inc., the company in which Tzaferis was the sole shareholder and director until January 2021. The enterprise register shows that this company was dissolved in April 2021.
- xiv. Approximately \$6,000 in rent was paid monthly to 9365-3129 Québec Inc. (the company in which Tzaferis was the sole shareholder and director according to the enterprise register) to occupy the Leased Premises. The Receiver also noted that Cape Cove paid \$8,000 to 9365-3129 Québec Inc., allegedly as a lease termination penalty.
- xv. As of the date of this Report, the Receiver is in discussions with the building owner for the Leased Premises to be able to find smaller premises.

ii) Where the other Defendants are concerned

- 3.1.1. Questioned, met with and held various discussions with Bergeron to enquire into the operating and financial situation of the Issuers and to recover the documents and records in his possession.
 - 3.1.2. Met and held discussions with Gavriil to shed light on his role and involvement in the Defendants' operations and financial affairs and to recover the documents and records in his possession relating to the Defendants.
 - 3.1.3. Submitted to Gavriil's attorney a protocol for analyzing the information saved on a laptop computer voluntarily provided to the Receiver by Gavriil in order to maintain professional secrecy.
 - 3.1.4. Contacted the Issuers' external accountants .
 - 3.1.5. Reviewed the information and documents obtained from Bergeron and Gavriil.
 - 3.1.6. Analyzed the flow of funds for the Defendants in light of the above information and the bank statements obtained.
 - 3.1.7. When possible, contacted the various private companies in which funds received from the Issuers were placed to enquire into the value of the investments or the loans made/granted.
 - 3.1.8. Updated the information in the *enterprise register*, adding the Receiver as the administrator of the property of others and providing the Receiver's name and domicile address.
 - 3.1.9. Answered questions and addressed concerns raised by Cape Cove's many clients and Investors.
 - 3.1.10. Changed the signatories for the bank accounts.
 - 3.1.11. Contacted Knightswood's representatives to specify amounts owed by the Issuers in connection with the agreement reached between the parties and Knightswood's involvement with them.
- 3.2. The above steps were taken in the interest of Investors and the key stakeholders. A number of more minor conservatory measures were also taken.

4. RECEIVER'S INITIAL FINDINGS

i) Cape Cove's Financial Situation

- 4.1. The following table summarizes Cape Cove's financial results (which were not audited and/or reviewed by the Receiver) since 2017, when Cape Cove began providing brokerage services:

Summary of Results

For fiscal years ended July 31, 2018, 2019 and 2020 and the 10-month period ended May 31, 2021

(in thousands of \$, unaudited)	CUM21 (10 months)	FY20	FY19	FY18	Total (46 months)
Revenues from normal activities					
Commission revenues	1 290	1 454	1 528	352	4 624
Management fees	281	184	39	-	504
Government assistance	71	10	-	-	81
Other revenues	72	62	21	16	171
	1 714	1 710	1 588	368	5 380
Financial expenses					
Salaries and benefits, net of wage subsidies	602	328	337	195	1 462
Commissions	1 020	1 349	1 264	265	3 898
Professional services	103	106	74	43	326
IT costs	17	13	81	40	151
Rent	21	26	69	22	138
Amortization	17	81	11	7	116
Other expenses	133	63	81	96	373
	1 913	1 966	1 917	668	6 464
Loss before income taxes	(199)	(256)	(329)	(300)	(1 084)

- 4.2. Cape Cove's historical results show that it was never profitable since it began operating as an exempt market and mutual fund dealer in 2017.
- 4.3. Salaries and commissions represent nearly 85% of Cape Cove expenses and their materiality partly explains the company's inability to generate profits.
- 4.4. Cape Cove's unaudited balance sheet is summarized below:

Balance sheet summary

Fiscal years ended July 31, 2018, 2019 and 2020 and period ended May 31, 2021

(In thousands of \$, unaudited)	2021-05-31	2020-07-31	2019-07-31	2018-07-31
Assets				
Current				
Cash	21	118	197	147
Accounts receivable	193	134	103	20
Prepaid expenses and investments	-	2	1	1
	214	254	301	168
Tangible capital assets	24	22	28	24
Right-of-use assets and intangibles	47	60	10	14
	285	336	339	206
Liabilities				
Current				
Accounts payable	91	106	180	72
Current portion of lease obligations	10	20	-	-
	101	126	180	72
Shareholder adv., without interest, under sub. agreement	1 271	1 118	880	525
Long-term debt - lease obligations	82	62	-	-
	1 454	1 306	1 060	597
Negative equity				
Share capital	150	150	150	150
Retained earnings	(1 319)	(1 120)	(871)	(541)
	(1 169)	(970)	(721)	(391)
	285	336	339	206

- 4.5. The table shows that Cape Cove's balance sheet was negative year after year, a situation exacerbated by cumulative operating losses.
- 4.6. In order to remedy Cape Cove's under capitalization and comply with the liquidity regulations, Audet and 9368-2037 Québec Inc. made a substantial one-time cash injection of nearly \$1.3 million via the issuance of subordinated debt.
- 4.7. The sources of amounts that Cape Cove reported as subordinated loans are summarized as follows:

Summary of subordinated loans

(In thousands of \$, unaudited)

Period	Issuers	\$	\$
Balance as at July 31, 2018	9368-2037 Québec Inc.	100	
	Robert Audet	425	525
2018-08-01 to 2019-07-31	9368-2037 Québec Inc.		355
2019-08-01 to 2020-07-31	9368-2037 Québec Inc.		238
2019-08-01 to 2020-07-31	9368-2037 Québec Inc.		142
2019-08-01 to 2020-07-31	Robert Audet		38
Balance as at July 31, 2021			1 298

- 4.8. All in all, Cape Cove's balance sheet shows that the company is insolvent. Bergeron concurred with this finding during his examination, adding that after consulting with the shareholders of 118 Can, only 2 or 3 people were interested in lending or investing additional amounts totalling \$2,000, individually, over the next 3 months.
- 4.9. We established projected changes in cash for treasury management purposes, together with Audet. This information is presented in **Appendix III**.
- 4.9.1. These projections show that Cape Cove's shareholders need to make additional cash injections, even before the costs relating to the Receivership are paid, in order to cover the cost of bonds as they become due in accordance with related regulations.
- 4.9.2. Moreover, since the Receiver's appointment, Cape Cove's shareholders have injected \$17,500, in the form of subordinated debt, so that Cape Cove could meet its current obligations in accordance with the applicable regulations.
- 4.9.3. Audet also mentioned several times to the Receiver that Cape Cove was unable to pay its monthly rent for the Leased Premises (see email from Audet in **Appendix IV**).

ii) Compliance for Cape Cove transactions and ethical behaviour of key players

- 4.10. The Receiver retained the services of Ginette Depelteau (Éthique et conformité conseils inc.) and Guillaume Meilleur (Auray Capital inc.⁴)—and continues to do so—in order to ensure that the transactions are in compliance with applicable standards.
- 4.11. To ensure compliance for current transactions, the Receiver asked Ginette Depelteau to provide an opinion as to whether Cape Cove's past transactions and operations met the applicable standards.
- 4.12. A number of irregularities were flagged by Ms. Depelteau in performing her mandate, as presented in her memorandum included in **Appendix V** (under seal).

⁴ Entity related to the Receiver

- 4.13. In addition to the irregularities observed in assessing transaction compliance, the Receiver had to intervene to block certain non-compliant transactions and execute transactions requested by Cape Cove clients, which were never completed.
- i. For example, the Receiver disallowed investments in exempt products by an investor over 80 years of age, since these products were in no way consistent with the person's investor profile.
 - ii. The Receiver received information from various clients that they were unable to buy or sell securities due to a lack of cooperation on the part of Cape Cove. The Receiver ensured that the transactions in question were executed whenever possible (some securities were subject to a cease trade order).
- 4.14. The governance issues are also reflected in the Defendants' current activities and their dealings with Investors. Although the Receiver sent a notice providing information to the investors concerned, certain representatives sent misleading emails that masked the real circumstances resulting in the Order and the Receiver's appointment (see emails in **Appendix VI**).
- 4.15. The communications in question failed to mention all the reasons that led to the Receiver's appointment, minimized the scope of the Receiver's mandate and provided misleading information regarding investments and the underlying assets.
- 4.16. This information was shared by Bergeron, Audet and Michelle Martel, among others.
- 4.17. Conflict of interest and ethical issues become unavoidable and undeniable upon closer examination of amounts paid for no apparent reason to persons related to Cape Cove, respectively totalling more than \$1.6 million and \$493,000 for Agro Tech Venture 1 Inc. and Malina Capital Inc. and/or their Shell Corporations.
- 4.17.1. In fact, significant amounts were paid to many players that are directly or indirectly related to Cape Cove's operations and activities, including several employees, representatives and company shareholders and/or related corporations from the amounts which the Issuers received from investors.
 - 4.17.2. The tables presented under paragraphs 4.28 and 4.29 detail some of the recipients of these amounts.
- 4.18. Audet and 9368-2037 Québec Inc. received gross amounts of nearly \$524,000 out of the funds provided by investors. It is these same individuals who financed the subordinated loans to allow Cape Cove to remain afloat and continue selling Agro Tech Venture 1 Inc. and Malina Capital Inc. products.

iii) Financial findings regarding the Issuers

- 4.19. No financial statements have ever been prepared for the Issuers. Although an accounting firm was recently mandated to do so, no substantive work has been done to date. It is important to note that there are no internal accounting records. Bank statements serve as the main ledger for the Issuers.
- 4.20. Moreover, the information obtained shows that the investors never received any financial information from the Issuers since making their investments.
- 4.21. It is within this context that the Receiver began analyzing the flow of funds received from Investors in the Issuers and the other Defendants.
- 4.22. As mentioned previously, the Receiver's mandate included examining Bergeron. The table below presents Bergeron's knowledge of cash inflows and outflows for the Issuers:

Investment summary according to Dany Bergeron, in thousands of \$ (unaudited)

Reference	Agro Tech Ventures 1 inc.	Malina capital inc.
Amounts raised from investors:	5 600	2 500
Investments:		
Y Kombucha	750	
Pharmaciello	250	
Ferme Gigrow	450	50
Reva	300	
African corporations		?
Dojo		200
Management fees	60	?
	1 810	250
Unexplained amount	3 790	2 250

- 4.23. To summarize, in examining Bergeron, the Receiver saw that Bergeron had no knowledge of the Issuers' financial situation. Moreover, Bergeron was unable to provide information to the Receiver regarding investments made by the Issuers, instead referring these matters to Gavriil.
- 4.24. Bergeron did recognize that he failed to act diligently in his role as director for the Issuers. The Receiver therefore has no choice but to conclude that Bergeron was negligent and incompetent in fulfilling his duties as director—to the detriment of investors.
- 4.25. In addition to examining Bergeron, the Receiver met with Gavriil to obtain his version of the facts pertaining to the funds raised and investments made by the Issuers. While Gavriil was able to identify certain investments apparently made using the funds in question—which were essentially those referred to in the Application for Appointment of a Receiver—he was unable to state the amounts, instead referring to the documents and contents of the laptop computer provided to the Receiver.
- 4.26. The Receiver was also able to refer to the examination of the Issuers' various stakeholders conducted by the Autorité's investigators.
- 4.27. The Receiver also analyzed all of the documents received from stakeholders as well as bank statements.
- 4.28. Amounts received and disbursed by Agro Tech Ventures 1 Inc. and its Shell Corporation, Green CBD Technology Inc./Agro Tech Ventures Inc., are summarized below:

Report of the Receiver

Summary of cash inflows and outflows
In thousands of \$ - unaudited)

Issuers/recipients	Reference	Agro Tech Ventures 1 inc.	Green CBD Technology Inc.	Direct investments	Cumulative	Cumulative
RECEIPTS						
Investors	Investment	678	472	300		1 449
Computershare	Investment	-	4 636	-		4 636
Shell corporations	Transfer	64	512	-		576
Sundry	N/D	223	357	-		581
NBIN	Transfer - realized investment	432	-	-		432
Related issuers	Investments	-	-	-		
Malina Energie (10553034 Canada inc.)		-	529	-	529	
Mardi.info		-	170	-	170	699
Total		1 397	6 676	300		8 373
DISBURSEMENTS						
Account withdrawal (AMT)	N/D	-	109	-		109
Investors	Interest earned	1	645	-		646
Investors	Redemption	63	983	-		1 047
Cape Cove	Placement agent commissions	18	285	-		303
Calixa Partners	Management fees	-	106	-		106
External accountants	Accounting costs ?	-	27	-		27
BCF	Legal fees ?	-	122	-		122
Langlois	Legal fees ?	-	4	-		4
Knightswood Holding Ltd	Service costs	-	45	-		45
Related persons						
Robert Audet	N/A	-	80	-	80	
Benoit Crispin	N/A	-	44	-	44	
Claude Dufour	N/A	-	65	-	65	
Nick Tzaferis	N/A	-	12	-	12	
9368-2037 Québec inc. (Audet and Tzaferis)	N/A	-	346	-	346	
9159886 Canada inc. (Tzaferis)	N/A	-	111	-	111	
96565 Canada Ltd. (Nick Tzaferis)	N/A	-	91	-	91	
John Vergados	N/A	-	23	-	23	
9278-7381 Québec inc. (Bergeron)	N/A	-	5	-	5	
Sean Poli & Celeste Grant	N/D	250	174	-	424	
Other Cape Cove employees, dealers or shareholders*	N/A	-	428	-	428	1 628
Other related persons						
Efstratos Garvriil	N/A	-	406	-	406	
Vountas Kesarina	N/A	-	110	-	110	
Alexandra Gavril	N/A	-	11	-	11	
Georges Gavriil	N/A	-	48	-	48	575
Shell corporations	Transfer	512	64	-		576
Related issuers						
Mardi info	N/D - Investments ?	-	30	-	30	
Malina Energie (10553034 Canada inc.)	Investments ?	-	63	-	63	
Silvermount Capital and Silvermont Finance	N/D - Investments ?	-	30	-	30	
Green River Finance	N/D - Investments ?	-	100	-	100	
Livewell (Seann Poli)	Investments	-	255	-	255	478
Investments/Advances - related corporations						
Dojo Kaishi	Loans	-	5	-	5	
Ferme Gigrow / Steelfab 790	N/D - Investments	400	100	-	500	505
Investments/Advances - undetermined relationship						
Jose Bonneme	N/D - Africa	-	175	-	175	
Lazaros Papadopoulos (AGLP Vert)	Investments	-	55	-	55	
Agri-Productions Madagascar S.A.	Investments	-	60	-	60	
Y Kombucha	Investments	-	786	-	786	
Gardy Fury (Y Kombucha)	President of Y Kombucha	-	2	-	2	
Port Renfrew Management LP	Investments	-	80	-	80	
Aurora Wind Energy	Investments	-	80	-	80	
NBIN (Pharmacielo)	Investments	150	50	-	200	
Corporation Global Reiva	Investments	-	190	-	190	1 628
Various individuals/entities not related to the investment	Miscellaneous expenses (groceries, pharmacy, travel)	-	31	-	31	
Various individuals/entities - operating costs	Operating costs - media, marketing, etc.)	-	52	-	52	
Other	N/D	2	190	-	192	
Total		1 396	6 676	-		8 072

Report of the Receiver

4.29. Amounts received and disbursed by Malina Capital Inc. and its Shell Corporation, 10553034 Canada inc./Malina Capital, are summarized below:

Summary of cash inflows and outflows
(In thousands of \$ - unaudited)

Issuers / recipients	Reference	Malina Capital inc.	10553034 Canada inc. (Malina Energy)	Cumulative	Cumulative
RECEIPTS					
Investors	Investment	-	470		470
Computershare	Investment	-	2 494		2 494
Sundry	N/D	-	672		672
Related issuers	Investments ?				
Green CBD Technology Inc.		-	63		63
Total		-	3 700		3 700
DISBURSEMENTS					
Cash withdrawal (AMT)	N/D	-	30		30
Investors	Interest earned	-	96		96
Investors	Redemption	-	629		629
Cape Cove	Placement agent commissions	-	155		155
Calixa Capital	Management fees	-	4		4
External accountants	Accounting costs ?	-	-		-
BCF	Legal fees ?	-	24		24
Langlois	Legal fees ?	-	13		13
Green CBD Technology Inc.	Investments ?	-	529		529
Knightswood Holding Ltd	Service costs	-	24		24
Related persons					
Robert Audet	N/A	-	11	11	
Benoit Crispin	N/A	-	16	16	
Claude Dufour	N/A	-	19	19	
Nick Tzaferis	N/A	-	2	2	
9368-2037 Québec inc. (Audet and Tzaferis)	N/A	-	88	88	
96565 Canada Ltd. (Nick Tzaferis)	N/A	-	41	41	
John Vergados	N/A	-	48	48	
Sean Poli & Celeste Grant	N/D	-	55	55	
Other Cape Cove employees, dealers or shareholders*	N/A	-	214	214	493
Other related persons					
Efstratios Garvriil	N/A	-	170	170	
Vountas Kesarina	N/A	-	55	55	
Alexandra Gavril	N/A	-	1	1	
Georges Gavriil	N/A	-	9	9	234
Related issuers					
Green River Media	N/D - Investments ?	-	17	17	
Green River Finance	N/D - Investments ?	-	85	85	102
Investments/advances - related corporations					
Dojo Kaishi	Loans	-	100	100	
Directors - Dojo Kaishi	Advances	-	3	3	103
Investments/advances - undetermined relationship					
Jose Bonyeme	N/D - Africa	-	136	136	
9206-8501 Québec Inc. (Cliic)	Investments	-	198	198	
THETA ENTREPRISES DBA HITECHTRADER	Investments	-	109	109	
AGLP Vert inc.	Investments	-	200	200	
Y Kombucha	Investments	-	208	208	
7954689 Canada inc. (Radio Station)	President of Y Kombucha	-	99	99	
Woods LLP in trust (On behalf of Calixa)	Investments	-	15	15	
You, Greatness Academy Inc. & Charles Farag	Investments	-	21	21	
9406-3484 Quebec Inc. (Self Look)	Investments	-	9	9	
Corporation Global Reiva	Investments	-	10	10	1 005
Various persons/entities not related to the investment	Miscellaneous expenses: groceries, pharmacy, travel	-	5		5
Various persons/entities - operating costs	Operating expenses - media, marketing, etc.)	-	77		77
Other	N/D	-	177		177
Total		-	3 700		3 700

- 4.30. The key findings regarding Agro Tech Ventures Inc. and its Shell corporation (collectively “**Agro Tech**”) are as follows:
- 4.30.1. Funds totalling at least \$6.1 million were raised from Investors, to which an amount of approximately \$581,000 has been added. The nature and purpose of the latter amount have not been determined.
 - 4.30.2. Cape Cove received commissions totalling approximately \$303,000 compared to \$300,000, as originally indicated, assuming a maximum placement of securities (approximately 6%) according to the offering memorandum (**Appendix VII**).
 - 4.30.3. Amounts totalling nearly \$699,000 and \$170,000 were received from Malina Capital Inc. and its Shell Corporation (collectively “**Malina**”) while the offering memorandums of these companies provided for no such placements.
 - 4.30.4. Management fees paid to Calixa Partners under the attached management agreement total \$106,000 (**Appendix VIII**), to which external accounting and legal fees of \$27,000 and \$126,000 are added. These amounts are completely incommensurate with the amounts announced in the offering memorandum (i.e., between \$75,000 and \$100,000), especially since several other amounts were paid in this regard).
 - 4.30.5. More than \$1.6 million was paid directly to Audet, Crispin, Dufour, Tzaferis, Bergeron and other individuals related to Cape Cove, including shareholders and representatives. Of this amount, approximately \$424,000 was also paid to Sean Poli and his spouse. According to Cape Cove’s Internet, Sean Poli was the Chief Strategic Officer of Calixa Capital Partners, which is affiliated with Cape Cove (see Cape Cove’s news release dated March 22, 2019 in **Appendix IX**).
 - 4.30.6. Gavriil and his immediate family members received \$575,000 over and above the amounts received from Calixa Partners.
 - 4.30.7. Agro Tech made various investments in issuers, or other entities, related to Cape Cove and/or their shareholders or directors, totalling nearly \$983,000.
 - 4.30.8. Of the \$6.1 million received from investors, only \$1.6 million was invested or loaned/paid to individuals who, according to the Receiver, cannot be tied to the various related persons identified above as of the date of this Report.
 - 4.30.9. Disbursements that appear to be personal expenses totalling nearly \$31,000 were also identified.
 - 4.30.10. Total “management fees” were supposed to be between 1% and 2% according to Bergeron. These amounts were largely exceeded.
- 4.31. The key findings regarding Malina are as follows:
- 4.31.1. At least \$3.0 million was raised from Investors, either directly or via the trustee, Computershare Inc.
 - 4.31.2. Approximately \$155,000 in commissions were paid to Cape Cove whereas the amount of commissions according to the offering memorandum totals \$167,252 (**Appendix X**).
 - 4.31.3. Amounts paid directly to Audet, Crispin, Dufour, Tzaferis, Bergeron and other persons related to Cape Cove, including shareholders and representatives, total more than \$493,000. Of this amount, approximately \$55,000 was also paid to Sean Poli and his spouse.
 - 4.31.4. Gavriil and his immediate family members received \$234,000 over and above the amounts received from Calixa Partners.

- 4.31.5. Malina made various investments in issuers, or other entities, related to Cape Cove and/or their shareholders or directors, totalling nearly \$734,000. Of this amount, more than \$529,000 was paid to Green BDC Inc. and Dojo, two investments outside the scope of investment set out in Malina's offering memorandum.
 - 4.31.6. Of the \$3.6 million received from investors, only \$1 million was invested or loaned/paid to individuals who, according to the Receiver, cannot be tied to the various related persons identified above as of the date of this Report. Some of these are the same persons with whom which Agro Tech made placements.
 - 4.31.7. Disbursements that appear to be personal expenses totalling nearly \$5,000 were also identified.
 - 4.31.8. Total "management fees" were supposed to be between 1% and 2% according to Bergeron. These amounts were largely exceeded.
- 4.32. All in all, of the amounts raised from Investors, only \$2.6 million was actually invested in or loaned to corporations that, to date, appear to be independent from the key individuals involved in this matter. The rest of the amount was spent and/or paid to persons related to the Issuers or to Cape Cove, their officers, employees and shareholders.
- 4.33. The Receiver has little hope of recovering any substantial amounts related to the investments that were traced:
- 4.33.1. The available financial statements of companies that received funds from the Issuers are included in **Appendix XI** (under seal).
 - 4.33.2. Email correspondence with representatives of Gigrow Farm Inc., in which Bergeron is also a shareholder, is also included in **Appendix XII**.
 - 4.33.3. The Receiver received four different and contradictory explanations from Bergeron regarding the nature of this particular investment.
 - 4.33.4. Moreover, Bergeron was unable to provide any explanation for an email received from the management of Gigrow Farm Inc. indicating that the company was in no way related to, or indebted towards, the Issuers.
- 4.34. The situation involving Dojo Kaishi also shows Gavriil's control and evidence of a conflict of interest. Dojo Kaishi, a company managed in actual fact by Gavriil, is entirely financed by the people who invested in the Issuers and these companies' shareholders; Georges Gavriil made no capital contribution.
- 4.35. This investment points to inconsistencies and the incompetence of Gavriil, Bergeron and the other stakeholders, since offering this extremely risky loan to related persons would necessarily bring in less than the returns to be paid to investors according to the offering memorandum.
- 4.36. To complete the above-mentioned information, as of the date of this Report, the Issuers and other Defendants had cash of approximately \$40,000.
- 4.37. In addition to the Receivership costs, accounting costs that would be required to complete the financial statements and interest owed to investors, the Issuers currently owe \$53,000 to Knightswood under the agreements reached between the parties.
- 4.38. Maintenance of these agreements was contingent upon payment of these costs. However, Knightswood notified the Receiver of its intention to exercise its rights (i.e. dispose of shares), which could result in deregistration of the securities currently held in RRSPs, potentially triggering tax consequences for the investors.
- 4.39. Considering the financial situation and cash statement of the Issuers, the Receiver asked Bergeron whether he intended to make an additional cash injection in order to pay the amounts owed to Knightswood and accounting fees for preparing financial statements for the Issuers. Bergeron never replied to this request.

- 4.40. All in all, while the Receiver's analyses still need to be refined, and certain additional information or explanations may be provided regarding specific transactions, the Receiver is able to conclude that:
- i. There is little chance that investors will be able to recover the amounts invested in the Issuers;
 - ii. The key players involved in this deception, which looks like a scheme, "dipped into" the bank account of the Issuers and the Shell Corporations with no apparent justification, undermining the rights of investors, creditors and other stakeholders.
- 4.41. Since maintenance of Cape Cove's operations was contingent upon its ability to raise and dispose of funds, this could possibly explain the cash injections made by Cape Cove shareholders, i.e. the same people who received substantial amounts from the Issuers and the Shell Corporations.

iv) Ties between the Defendants and other stakeholders

- 4.42. In performing its work, the Receiver was able to make a number of findings regarding the Defendants' situation, as well as the manner in which the companies were operated.
- 4.43. It would appear that Gavriil was involved in Cape Cove's business and financial affairs in a number of ways. Moreover, it appears to us that he was the principal if not the sole officer of the Issuers and the other Defendants referred to as Shell Corporations by the Receiver. He is also in a conflict of interest with a number of companies that the amounts passed through.
- 4.44. All of the Defendants not only have governance issues, in our view, but also conflicts of interest that are totally disregarded. None of the investors contacted by the Receiver had heard of Gavriil, with one exception. However, this particular investor had not received information on Gavriil's similar previous dealings. Other than the offering memorandums, whose scope of content is largely questionable, Cape Cove only issued one news release to investors after Agro Tech and Malina's efforts to raise capital, which adds to the confusion, particularly regarding the role played by Calixa Partners (**Appendix XIII**).
- 4.45. The facts seem to indicate that Gavriil and several other individuals related to the Issuers and Cape Cove directly or indirectly benefitted from amounts deposited (by the Investors) in the bank accounts of the Issuers and the Shell Corporations.
- 4.46. Cape Cove, which incidentally represents a pool of potential investors for the Issuers, was maintained in operation by way of subordinated loans whereas Cape Cove's shareholders, representatives and employees, as well as certain related persons, received substantial amounts from the Issuers for no apparent reason.
- 4.47. Another example of conflicts of interest and blatant ethical issues is the fact that most of the companies referred to in this Report share the same address. Moreover, the key to Cape Cove's offices is the same as for the adjacent premises occupied by Tzaferis and his related corporations.

5. RECEIVER'S PROPOSED MEASURES AND RECOMMENDATIONS FOR CAPE COVE

- 5.1. In light of the foregoing, the Receiver is of the opinion that Cape Cove has neither the financial resources to continue operating nor the ability to ensure transaction compliance, which is vital for its operations.

- 5.2. In addition, based on the facts observed it is unrealistic and wishful thinking to believe that the interests of clients and investors could be protected if Cape Cove continued to operate with its current management team. This is especially true given that the orders to subscribe for similar products and/or involving certain related players continued to be part of transactions subject to compliance requirements, notably by Bergeron.
- 5.3. The Receiver is therefore of the opinion that a sale and investment solicitation process for Cape Cove's business should be put in place immediately for the benefit of shareholders, representatives, employees, clients, investors and other stakeholders, particularly for the purpose of preserving and realizing the value of any goodwill.
- 5.4. Audet, who is a shareholder, director as well as the President and CEO of Cape Cove, had already informed the Receiver, the day after its appointment, that Cape Cove was in discussions with a potential investor to sell the company.
- 5.5. The Receiver's recommendation is therefore in keeping with initiatives taken by Cape Cove, considering the company's insolvency and historical deficits.
- 5.6. Unless Cape Cove's goodwill is quickly realized, it could have insufficient resources to continue operations. Moreover, and more importantly, the value of its goodwill could crumble as investors learn about the current situation, the facts presented in this Report and the real value of their investments, particularly for their investments in the Issuers.
- 5.7. In addition, if Cape Cove's current management team is able to continue to serve clients and distribute financial products, any scheme, as described above, could be used again to the detriment of Cape Cove's existing clients as well as new clients.

6. RECEIVER'S PROPOSED MEASURES AND RECOMMENDATIONS FOR THE DEFENDANTS

- 6.1. Considering:
 - 6.1.1. That the Issuers have not contested the Order;
 - 6.1.2. The total lack of proper management practices on the part of officers, namely Bergeron and Vountas;
 - 6.1.3. The manner in which Gavriil and other related persons were able to benefit from amounts paid by Investors into the bank accounts of the Issuers and Shell Corporations;
 - 6.1.4. The fact that the actual value of investments made by the Issuers is highly uncertain;
 - 6.1.5. The cash position of the Issuers;
 - 6.1.6. The fact that the Issuers are insolvent;
- 6.2. The Receiver is of the opinion and recommends that the Issuers be subject to an orderly liquidation.
- 6.3. In all cases, the Receiver is of the opinion any liquidation process will have to be supervised and/or executed by a third party and not by the current incumbents.

7. CONCLUSION

- 7.1. As mentioned previously, the Receiver suggests that Cape Cove's financial situation, in addition to governance issues and interference in the Receiver's work on the part of certain company representatives, make it impossible to protect the interests of clients/investors.
- 7.2. Cape Cove is insolvent and hardly able to meet its obligations as they become due.
- 7.3. While the investments currently made in the form of subordinated loans just make it possible to meet regulatory requirements for maintaining surplus working capital, they do not meet equity requirements.
- 7.4. Moreover, our analysis of the flow of funds appears to reveal that these subordinated loans were financed by the investors themselves, probably allowing for the scheme to continue to be used and for new subscriptions to be obtained to the detriment of investors.
- 7.5. In the current situation and in ensuring that all parties involved are respected, the Receiver recommends putting in place a sale and investment solicitation process as soon as possible and eventually selling off Cape Cove's goodwill—for everyone's benefit.
- 7.6. Similarly, given the transactions that were observed and the underlying scheme, to which the value of the assets of the Issuers and other Defendants are added, the Receiver is of the opinion that the investigation into the flow of funds should be completed and that any assets should be liquidated, with the amounts being distributed to investors and other creditors.
- 7.7. Considering the lack of a stay of proceedings and the fact that the Defendants are insolvent, the Receiver is also of the opinion that the provisions of the Bankruptcy and Insolvency Act may be necessary and unavoidable, on a timely basis.
- 7.8. The Receiver is available to provide any clarification to the Court, as necessary.