

December 27, 2018

DELIVERED VIA EMAIL

To Attached Service List

Counsel,

**Re: Firepower Debt GP Inc., As Agent v. TheRedPin, Inc. et al.
Our File No. 51012
Court File No. CV-18-59964400CL**

Please find enclosed:

1. The Appellants' Notice of Appeal; and
2. The Appellants' Certificate Respecting Evidence,

all of which is served on you pursuant to the *Rules of Civil Procedure*.

Yours very truly,



Jordan Goldblatt

JG/mpe

cc. Clients
Alex Fidler-Wener, Adair Goldblatt Bieber LLP
Jeffrey Klein, Klein & Schonblum Associates

SERVICE LIST

(Current as of September 13, 2018)

TO: **CHAITONS LLP**
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

Harvey Chaiton
Tel: 416.218.1119
Fax: 416.218.1849
Email: harvey@chaitons.com

*Lawyers for FirePower Debt GP Inc., as Agent
FirePower GAP Debt LP, by its general partner FirePower Debt GP Inc.
FirePower Asset Management Inc.*

AND TO: **AIRD & BERLIS LLP**
Brookfield Place
Suite 1800, 181 Bay Street
Toronto, ON M5J 2T9

Harry Fogul
Tel: 416.865.7773
Fax : 416.863.1515
Email: hfogul@airdberlis.com

Sam Babe
Tel : 416.865.7718
Fax : 416.863.1515
Email : sbabe@airdberlis.com

*Lawyers for MNP Ltd., Court Appointed Receiver of
TheRedPin, Inc. and TheRedPin.com Realty Inc.*

AND TO: **FASKEN MARTINEAU DuMOULIN LLP**
2400 - 333 Bay Street
Toronto, ON M5H 2T6

Aubrey E. Kauffman
Tel: 416.868.3538
Fax: 416.364.7813
Email: akauffman@fasken.com

*Lawyers for Trilogy Growth Fund LP, by its general partner,
Trilogy Growth Inc.*

AND TO: ADAIR GOLDBLATT BIEBER LLP
1830 - 95 Wellington Street West
Toronto, ON M5J 2N7

Jordan Goldblatt
Tel: 416.920.9777
Fax: 647.689.2059
Email: jgoldblatt@agblp.com

*Lawyers for Dennise Paccione, Amut Muthreja, Kayla Donato and
Michael Sotoadeh*

AND TO: KLEIN & SCHONBLUM ASSOCIATES
Yonge-Eglinton Centre
2901 - 2300 Yonge Street
Toronto, ON M4P 1E4

Jeffrey S. Klein
Tel: 416.480.0221 x311
Fax: 416.480.0017
Email: jklein@ksalaw.com

Lawyers for Underwriters of Lloyds

AND TO: DEPARTMENT OF JUSTICE
400 - 120 Adelaide Street West
Toronto, ON M5H 1T1

Diane Winters
Tel: 647.256.7459
Email: diane.winters@justice.gc.ca

**AND TO: HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE**
Legal Services Branch
777 Bay Street, 11th Floor
Toronto, ON M5G 2C8

Kevin O'Hara
Tel: 416.327.8463
Fax: 416.325.1460
Email: kevin.ohara@ontario.ca

AND TO: BIALSON, BERGEN & SCHWAB
a Professional Corporation
633 Menlo Avenue, Suite 100
Menlo Park CA 94025
USA

Tom Gaa
Tel: 650.857.9500
Fax: 650.494.2738
Email: tgaa@bbslaw.com

Yessenia Rojas, Paralegal
Email: yessenia@bbslaw.com

Lawyers for salesforce.com, inc.

AND TO: EASYACCESSFUNDS LIMITED
60 Granton Drive, Suite #104
Richmond Hill, ON L4B 2N6

Darren Weltman
Tel: 1-888-386-3710 ext.25
Email: darren@accesseasyfunds.com

AND TO: AGENT'S EQUITY COMMISSION FINANCING
505 Consumers Road, Suite 205
Toronto, Ontario, M2J 4V8

Mike Trainor
Tel: 416-483-0483
Email: mike@agentsequity.com

COURT OF APPEAL FOR ONTARIO

B E T W E E N:

FIREPOWER DEBT GP INC., AS AGENT

Applicant (Respondent)

and

THEREDPIN, INC. and THEREDPIN.COM REALTY INC.

Respondents

NOTICE OF APPEAL

The Appellants, the former real estate agents of the respondent The RedPin.com Realty Inc. (the “TRP Agents”) and Certain Underwriters of Lloyds of London, appeal to the Court of Appeal from the Order of the Honourable Justice M. Penny (the “Motion Judge”) dated November 30, 2018, made at Toronto.

THE APPELLANTS ASK that the Order be set aside and that an Order be granted as follows:

- a. declaring that commissions earned and payable to the TRP Agents are impressed with a trust in their favour, and do not form part of the assets of the TRP Realty that are subject to any security interest;
- b. awarding the appellants their costs of the appeal; and
- c. such further and other relief as counsel may advise and this Honourable Court may permit.

THE GROUNDS OF APPEAL are as follows:

The Parties

- a. on June 14, 2018, by Order of the Honourable Justice Hainey, MNP Ltd. (the “Receiver”) was appointed as receiver over the assets, undertakings and properties of TheRedPin Inc. and The RedPin.com Realty Inc. (“TRP Realty”);
- b. TRP Realty was a real estate brokerage until the appointment of the Receiver;
- c. the appellants, the TRP Agents, are the former real estate agents of TRP Realty who contracted with TRP Realty to provide it with real estate services;
- d. the appellant, Certain Underwrites of Lloyds of London, insures portions of the TRP Agents’ commissions;
- e. the respondents, Firepower Debt GP Inc. and Trilogy Growth Fund LP, are the secured creditors of TRP Realty (the “Secured Creditors”);

The Issue

- f. the *Real Estate and Business Brokers Act, 2002* (“REBBA”) requires that real estate agents conduct their business through licensed real estate brokerages. Accordingly, while it is the real estate agents who perform the listing and selling activities that generate real estate transactions, those transactions are carried out through the brokerage, in this case, TRP Realty;
- g. commissions owed to real estate agents are therefore first paid to the agent’s brokerage, who then is obliged to pay the commission to the agent;

- h. at the time of the receivership order, the TRP Agents were owed approximately \$3.7 million in commissions;
- i. a dispute emerged between the TRP Agents and the Secured Creditors regarding whether the commissions were impressed with a trust in favour of the TRP Agents, or, were part of the general property of TRP Realty subject to the Secured Creditors' security;
- j. the Receiver brought a motion for direction that was heard by the Motion Judge on October 22, 2018, a decision reserved to November 18, 2018. The Motion Judge determined that the TRP Agents had established that they were the beneficiaries of a trust over the commissions;

The Motion Judge's Errors

- k. the Motion Judge made a number of reviewable errors in finding as he did. In particular, the Motion Judge:
 - a. erred in law by conflating the indicia of an express trust with evidence supporting an implied trust. In particular, the Motion Judge held that the absence of a trust clause in the TRP Agents' contracts with TRP Realty significantly undermined the TRP Agents' trust claim. A trust clause in the contracts would have created an express trust, which was not the TRP Agents' submissions;
 - b. erred in law and in fact by disregarding evidence from TRP Realty's founder regarding his intention in setting up the brokerage. Specifically, TRP Realty's

founder swore that he set up a specific banking structure to segregate agents' commissions from TRP Realty's other assets, precisely because he recognized that the commissions did not belong to TRP Realty;

- c. erred in law and in fact by permitting the Secured Creditors to secure their advances over assets that TRP Realty considered as not belonging to it prior to the receivership;
- d. erred in fact and in law in respect of the import, evidentiary value, and weight to be given to TRP Realty's 2016 audited financial statements. The Motion Judge made the following errors in this regard:
 - i. while finding as a fact that "balances on deposit in TRP Realty's.... commission account are included as cash and cash equivalents in the audited financial statements", and, that the restrictions on cash included "only the amounts representing buyer deposits", he ignored that there were amounts in the commission account that were admittedly impressed with a trust in favour of co-operating brokerages. Accordingly, the audited financial statements necessarily included as revenue moneys that were impressed with a trust;
 - ii. failed to consider that even if the 2016 audited financials did pledge the commissions as security, that TRP Realty could not revoke a trust that it had already constituted;

- iii. failed to consider that the 2016 audited financials could only speak to the state of affairs in 2016, and provided no evidence regarding TRP Realty's practice and operations at any point prior;
- iv. erred in regard to the weight he afforded to the financial statements, especially as compared to other documents and processes put in place by TRP Realty's management;
- e. erred in finding there was an "absence of evidence that the commission account at TD/Comerica/RBC was, in fact a trust account". The Motion Judge reached this conclusion in spite of finding as a fact that the commission account had the word "trust" as part of its nomenclature, and that this was "most likely" "requested by the client, TRP Realty, since the bank does not normally assign nomenclature of this kind to any account";
- f. erred in finding that the commission account could be a trust account for certain purposes but not with respect to other purposes; and

Other

- l. such further and other grounds as counsel may advise and this Honourable Court may permit.

THE BASIS OF THE APPELLATE COURT'S JURISDICTION IS:

- (a) section 6(1)(b) of the *Courts of Justice Act*;
- (b) the Order appealed from is final; and

(c) leave to appeal is not required.

December 27, 2018

ADAIR GOLDBLATT BIEBER LLP

95 Wellington Street West
Suite 1830, P.O. Box 14
Toronto ON M5J 2N7

Jordan Goldblatt (50755H)

Tel: 416.920.9777
Email: jgoldblatt@agblp.com

Tel: 416.499.9940
Fax: 647.689.2059

Lawyers for the TRP Agents

KLEIN & SCHONBLUM ASSOCIATES

Yonge-Eglinton Centre
2901 - 2300 Yonge Street
Toronto, ON M4P 1E4

Jeffrey S. Klein

Tel: 416.480.0221 x311
Fax: 416.480.0017
Email: jklein@ksalaw.com

Lawyers for Underwriters of Lloyds

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Firepower Debt GP Inc.
Applicant
(Respondent)

-and- The RedPin Inc.
Respondent
(Respondents)

Court File No.

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NOTICE OF APPEAL

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95 Wellington Street West
Suite 1830, P.O. Box 14
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Tel: 416.920.9777

Email: jgoldblatt@agblp.com

Tel: 416.499.9940

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Yonge-Eglinton Centre
2901 - 2300 Yonge Street
Toronto, ON M4P 1E4

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Email: jklein@ksalaw.com

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Respondents

APPELLANTS' CERTIFICATE

The Appellants, the former real estate agents of the respondent The RedPin.com Realty Inc. (the “TRP Agents”) and Certain Underwriters of Lloyds of London, certify that the following evidence is required for the Appeal, in the Appellants' opinion:

1. Second Report of the Receiver, MNP Ltd., September 10, 2018;
2. Supplement to the Second Report of the Receiver, MNP Ltd., September 28, 2018;
3. Second Supplement to the Second Report of the Receiver MNP Ltd., October 11, 2018;
4. Third Supplement to the Second Report of the Receiver, MNP Ltd., October 19, 2018;
5. Affidavit of Tarik Gidamy sworn September 19, 2018;
6. Transcript of the Cross-Examination of Tarik Gidamy, taken October 11, 2018;
7. Affidavit of Dennise Paccione, sworn September 19, 2018;
8. Transcript of the Cross-Examination of Dennise Paccione, taken October 4, 2018;
9. Affidavit of William Durrell, sworn October 3, 2018;
10. Affidavit of Jared Kalish, sworn October 9, 2018; and
11. Transcript of the Cross-Examination of Jared Kalish, taken October 11, 2018.

December 27, 2018

ADAIR GOLDBLATT BIEBER LLP

95 Wellington Street West
Suite 1830, P.O. Box 14
Toronto ON M5J 2N7

Jordan Goldblatt (50755H)

Tel: 416.920.9777
Email: jgoldblatt@agblp.com

Tel: 416.499.9940
Fax: 647.689.2059

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KLEIN & SCHONBLUM ASSOCIATES

Yonge-Eglinton Centre
2901 - 2300 Yonge Street
Toronto, ON M4P 1E4

Jeffrey S. Klein

Email: jklein@ksalaw.com
Tel: 416.480.0221 x311
Fax: 416.480.0017

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ADAIR GOLDBLATT BIEBER LLP

95 Wellington Street West
Suite 1830, P.O. Box 14
Toronto ON M5J 2N7

Jordan Goldblatt (50755H)

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