

Court File No. CV-16-11573-00CL

**Talon International Inc., Midland Development Inc.,
1456253 Ontario Inc., 2025401 Ontario Limited, Barrel
Tower Holdings Inc., Harvester Developments Inc.,
Talon International Development Inc., TFB Inc.,
2263847 Ontario Limited and 2270039 Ontario Limited**

FIFTH REPORT OF THE RECEIVER

October 18, 2018

**IN THE MATTER OF THE RECEIVERSHIP OF
TALON INTERNATIONAL INC., MIDLAND DEVELOPMENT INC.,
1456253 ONTARIO INC., 2025401 ONTARIO LIMITED,
BARREL TOWER HOLDINGS INC., HARVESTER DEVELOPMENTS INC.,
TALON INTERNATIONAL DEVELOPMENT INC., TFB INC.,
2263847 ONTARIO LIMITED AND 2270039 ONTARIO LIMITED**

**INTERIM REPORT
PREPARED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS RECEIVER**

INTRODUCTION

1. This report is an interim report prepared by the Receiver to provide further information on:
 - (a) The activities of the Receiver since the date of the Receiver's Fourth Report to the Court;
 - (b) The statement of Receipts and Disbursements for the period March 31, 2017 to October 12, 2018; and
 - (c) The anticipated completion of the Receivership.
2. Summarized below is the progression of the Receivership based on the four reports provided to the Court.

3. Pursuant to the Order of the Honourable Mr. Justice Hainey (the “**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted November 1, 2016, (the “**Date of Receivership**”), FTI Consulting Canada Inc. was appointed as receiver (the “**Receiver**”) without security, of certain assets, undertakings, and properties of Talon International Inc. (“**Talon**”), TFB Inc. (“**TFB**” and together with Talon, the “**Nominees**”), Midland Development Inc., 1456253 Ontario Inc., 2025401 Ontario Limited, Barrel Tower Holdings Inc., Harvester Developments Inc., Talon International Development Inc., 2263847 Ontario Limited, and 2270039 Ontario Limited (collectively, the “**Respondents**”) acquired for, or used in relation to the condominium residence and hotel branded as the Trump International Hotel & Tower (the “**Property**”) located at 311 and 325 Bay Street, Toronto, Ontario, Canada (the “**Trump Tower Toronto**”). The proceedings were commenced by way of application under section 101 of the *Courts of Justice Act, R.S.O. 1990, c. C.43*, as amended, and section 243 of the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3*, as amended, and shall be referred to herein as the “**Receivership**”).
4. Pursuant to an Order of the Honourable Mr. Justice Hainey granted on November 9, 2016 (the “**Representative Counsel Order**”), Chaitons LLP was appointed as representative counsel (“**Representative Counsel**”) of the owners of hotel guestroom type condominium units and residential condominium units located in the Trump Tower Toronto that had been sold to third parties prior to the Date of Receivership (collectively, the “**Unit Owners**”).
5. Pursuant to an Order of the Honourable Mr. Justice Hainey granted on November 14, 2016 (the “**Supplementing Appointment Order**”), the Initial Receivership Order was supplemented to, *inter alia*, extend the stay of proceedings to include any rights and remedies against Northbridge General Insurance Corporation (“**Northbridge**”), in respect of the which Northbridge has recourse to the funds subject to the Trust Claims, as defined in the Initial Receivership Order.

6. Pursuant to an Order of the Honourable Mr. Justice Hainey granted on December 14, 2016 the Initial Receivership Order was amended and restated to, *inter alia*, add certain assets to the definition of Property and requires that the consent of the Receiver be obtained prior to incurring certain obligations, making certain payments or amending, varying or terminating certain contracts (the Initial Receivership Order as amended and restated being the “**Receivership Order**”).
7. On January 4, 2017, the Honourable Mr. Justice Hainey granted an Order (the “Sales Procedure Order”) *inter alia* approving:
 - (a) A procedure for the marketing and sale of the Property (the “**Sale Procedure**”);
 - (b) The execution, *nunc pro tunc*, by the Receiver of an asset purchase agreement between the Receiver as vendor and the Senior Lender as purchaser (in such capacity, the “**Purchaser**”) dated December 21, 2016, for the sale of the Property (the “**Stalking Horse Agreement**”) to stand as a “stalking horse” in the Sale Procedure;
 - (c) The engagement of CBRE Limited (“**CBRE**”) as marketing and listing agent to assist in the implementation of the Sale Procedure pursuant to an agreement between the Receiver and CBRE dated November 1, 2016 (the “**CBRE Engagement Agreement**”).
8. On March 16, 2017, the Honourable Mr. Justice Hainey granted an Order, *inter alia*:

- (a) Approving the sale of residential unit 4805 and a related locker (together, the “Unit”) in the Trump Tower Toronto pursuant to an agreement of purchase and sale dated February 29, 2016 (the “**Waterous Agreement**”), between Ms. Janet Waterous, as purchaser, and Talon, as vendor (the “**Waterous AVO**”); and
 - (b) Approving the Receiver’s proposed method of service for the Vesting Order Motion, as defined below, and dispensing with service of the Vesting Order Motion for six Unit Purchasers (the “**Service Order**”).
9. On March 30, 2017, the Honourable Mr. Justice Hainey granted an Order, (the “**Approval Order**”) *inter alia*, approving the agreement of purchase and sale between the Receiver and the Purchaser. The Approval Order provided for the vesting in the Purchaser of the rights, title and interest of the debtors and any right, title or interest of Harvester to which the Crown may have to the Hotel Transaction Assets and the Residence Transaction Assets.

TERMS OF REFERENCE

10. In preparing this report, the Receiver has relied upon unaudited financial information of the Respondents, the Respondents books and records, certain financial information prepared by the Respondents and discussions with the Respondents’ management and various interested parties (the “**Information**”).
11. Except as described in this Report:
- (a) The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and

- (b) The Receiver has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
12. The Receiver has prepared this Report in accordance with section 246(2) of the Bankruptcy and Insolvency Act.
13. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of Mr. Jay Wolf sworn October 25, 2016, and filed in support of the application for the Receivership Order (the "**Wolf October 25 Affidavit**") or in the Receivership Order.

ACTIVITIES SINCE THE FOURTH REPORT

THE SALE AND MARKETING OF THE REMAINING RESIDENCE ASSETS

15. On April 6, 2017 the Receiver executed the Receiver's Certificate in respect of the Hotel Transaction and the Residence Transaction.
16. On the closing of the Residence Transaction, thirteen residential condominium units were designated as ("**Remaining Residence Assets**"), the transfer of which will occur up to twelve months following the granting of the Vesting Order – Residence Transaction in accordance with the provisions of the Stalking Horse Agreement.

17. On October 5, 2018 the Receiver and the Purchaser signed an amendment agreement (the “Amendment Agreement”) to further extend the time of the Residence Outside Date of the Purchase Agreement from twelve to eighteen months, setting the Residence Outside Date at June 30 2019.
18. The Purchaser has assumed responsibility for the marketing and promotion of the Remaining Residence Assets. The Receiver is involved in authorizing the closing documents which direct the final transfer of each of the thirteen residence condominium units at the time of a sale to a third party.
19. A list of the Remaining Residence Assets is included as Appendix A.
20. There have been eight sales of the Remaining Residence Assets at the date of this report.
21. In addition to the extension of the Residence Outside Date the Purchaser provided a further fee indemnity to the Receiver in the amount of \$30,000.00 to cover the costs of the Receiver and its legal fees in fulfilling its duties in respect of the Purchase Agreement.
22. The Receiver will know at the conclusion of the 18 months if any further action is necessary in respect of the Remaining Residence Assets.

OTHER ASSETS

23. There are no other known assets to be administered or realized in the Receivership. The Receiver’s activity has been limited during this period to fielding requests for information from the former Talon entities and responding to inquiries from creditors.

THE RECEIPTS AND DISBURSEMENTS

24. Summarized below is the statement of receipts and disbursements for the period March 30, 2017 to October 12, 2018.

	\$
Opening Cash Position	1,034.91
Receipts	
Real Property Transaction	2,148,812.76
Funding for Tax Remittances	974,242.84
Funding for Professional Fees	\$30,000.00
Bank Interest	1,739.94
	3,154,795.54
Disbursements	
Disbursement to Secured Creditors	1,394,580.46
Tax Remittances	1,230,631.42
Professional Fees	444,274.12
Real Estate Commissions	55,685.51
Bank Fees	132.25
	3,125,303.76
Closing Cash Position	30,526.69

25. The Receiver received funding from the Purchasers for the purpose of implementing the closing of the Hotel Transaction, the Residence Transaction and the Waterous Agreement. This included remittances to the Canada Revenue Agency for HST obligations, the payment of professional fees and real estate commissions.
26. In addition, the Receiver was funded an additional balance for the payment of professional fees incurred during the marketing period for the Remaining Residences.

The Receiver respectfully submits to the Court this, its Fifth Report.

Dated this 18th day of October, 2018.

FTI Consulting Canada Inc.
In its capacity as Receiver of certain assets of

Talon International Inc., Midland Development Inc.,
1456253 Ontario Inc., 2025401 Ontario Limited,
Barrel Tower Holdings Inc., Harvester Developments Inc.,
Talon International Development Inc., TFB Inc., 2263847
Ontario Limited and 2270039 Ontario Limited
And not in its personal or corporate capacity



Nigel D. Meakin
Senior Managing Director



Toni Vanderlaan
Senior Managing Director

Appendix A

1	4705	19-04-063-010-00298 (Level 18, Unit 5)
2	5004	19-04-063-010-00313 (Level 21, Unit 4)
3	5103	19-04-063-010-00316 (Level 22, Unit 3)
4	5203	19-04-063-010-00320 (Level 23, Unit 3)
5	5204	19-04-063-010-00321 (Level 23, Unit 4)
6	5302	19-04-063-010-00323 (Level 24, Unit 2)
7	5303	19-04-063-010-00324 (Level 24, Unit 3)
8	5401	19-04-063-010-00326 (Level 25, Unit 1)
9	5403	19-04-063-010-00328 (Level 25, Unit 3)
10	5501	19-04-063-010-00330 (Level 26, Unit 1)
11	5502	19-04-063-010-00331 (Level 26, Unit 2)
12	5601	19-04-063-010-00332 (Level 27, Unit 1)
13	5602	19-04-063-010-00333 (Level 27, Unit 2)