

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**

**FINAL REPORT OF THE RECEIVER PURSUANT TO SECTION
246(3) OF THE BANKRUPTCY AND INSOLVENCY ACT**

August 23, 2019

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

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

INTRODUCTION

1. This report is the final report of the Receiver filed pursuant to section 246(3) of the *Bankruptcy and Insolvency Act* to provide the following information:
 - (a) The final statement of Receipts and Disbursements from the commencement of the Receivership on November 1, 2016 to August 23, 2019
 - (b) Details of the manner of distribution of the proceeds realized from the property of which the Receiver had taken possession or control; and
 - (c) Details of the disposition of any property of which the Receiver had taken possession or control and that is not accounted for in the final statement of receipts and disbursements.

BACKGROUND

2. 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**”).
3. 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 require that the consent of the Receiver be obtained by the Respondents 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**”).
4. 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**”).
- 5. 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**”).
- 6. 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.

7. On March 30, 2017, the Honourable Mr. Justice Hainey also granted an order approving the fees and disbursements of the Receiver and its counsel as well as the estimated Subsequent Fees and Disbursements as defined in the Fourth Report and approving the discharge of the Receiver, (the “**Fee Approval and Discharge Order**”). The Court furthered ordered that no further Court approval of the Subsequent Fees and Disbursements shall be required unless (i) the actual Subsequent Fees and Disbursements exceed the estimated Subsequent Fees and Disbursements and (ii) Court approval of such excess amount of the Subsequent Fees and Disbursements is requested by the Applicant prior to the filing of the Discharge Certificate.
8. 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.

TERMS OF REFERENCE

9. 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**”).
10. 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.
11. The Receiver has prepared this Report pursuant to section 246(3) of the *Bankruptcy and Insolvency Act*.
12. 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. A copy of the Wolf October 25 Affidavit and the Receivership Order are available on the Receiver’s website, <http://cfcanada.fticonsulting.com/talon/>

THE RECEIPTS AND DISBURSEMENTS

13. Summarized below is the statement of receipts and disbursements for the period November 1, 2016 to August 23, 2019.

\$	
Opening Cash Position	-
Receipts	
Funding from Purchaser	1,363,288.25
Proceeds of sale	\$2,148,812.76
Bank Interest	2,130.19
	3,514,231.20
Disbursements	
Tax Remittances	1,230,631.42
Distribution to Secured Lender	\$1,394,580.46
Professional Fees	888,811.57
Bank Fees	207.75
	3,514,231.20
Closing Cash Position	-

14. The Receiver received funding from the purchaser to cover professional fees and tax remittances.
15. The Waterous Agreement generated net proceeds of approximately \$2.1 million. A portion of these proceeds were used to pay applicable tax remittances and professional fees associated with the sale.
16. Tax Remittances include HST remittances on the Waterous Agreement, the Hotel Transaction assets and the Residence Transaction Assets and the fees of the Official Receiver.
17. Distributions to the Secured Lender were the net proceeds from the Waterous Agreement.
18. Professional fees include the fees of the Receiver, their counsel and CBRE.
19. The funds held on account have earned interest during the period, been subject to monthly bank fees and have been used to pay professional fees in association with the closing of the Remaining Residence Assets transactions.

DISTRIBUTION OF PROCEEDS

20. The Waterous Agreement, as discussed above, generated net proceeds of approximately \$2.1 million, the net proceeds were distributed to the Secured Lenders.
21. The remaining balance of the funding provided to the Receiver by the Purchaser for professional fees and costs associated with the estate has been returned to the Purchaser. There were no other proceeds to be distributed by the Receiver.
22. The Hotel Transaction assets and the Residence Transaction assets proceeds took the form of a credit bid resulting in no cash proceeds to be distributed.

DISPOSITION OF PROPERTY NOT ACCOUNTED FOR ABOVE

23. There was no property of which the Receiver took possession or control that is not accounted for in the final statement of receipts and disbursements did not take possession of any property other than what has been identified in this report. There are no further assets to be administered by the Receiver.

THE RECEIVER'S DISCHARGE AND REMAINING ACTIVITIES

24. The Fee Approval and Discharge Order required that if the actual Subsequent Fees exceeded the Estimated Subsequent Fees, then further Court approval would be necessary. The Actual Subsequent Fees did not exceed the Estimated Subsequent Fees. The Fee Approval and Discharge Order also requires that at least seven days prior to the filing of the Receiver's Discharge Certificate, the Receiver shall provide notice to the Service List in order to provide an opportunity for any party to object to the subsequent releases. The notice was provided to the Service List on August 7, 2019 and no objections were filed.
25. The Monitor's Certificate of Discharge was filed with the Court on August 23, 2019.

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

Dated this 23rd day of August, 2019.

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