

District of Ontario
Division No.: 09 - Toronto
Estate No. 31-2004856
Court No. 31-2004856

IN THE MATTER OF THE BANKRUPTCY OF
GLOBAL MILLS INC.
OF THE CITY TORONTO
IN THE PROVINCE OF ONTARIO

Trustee's Preliminary Report to the Creditors

BACKGROUND

1. Global Mills Inc. ("**Global**" or the "**Company**") is an Ontario corporation which was incorporated on July 20, 2012 as Post Mobility Inc. and subsequently, on August 8, 2012, changed its name to Global Mills Inc. Global is a single purpose corporation being the ownership of a commercial office building located at 1450 Don Mills Road in the City of Toronto (the "**Don Mills Property**").
2. On November 5, 2013, by Order of the Ontario Superior Court of Justice (Commercial List) ("**Court**"), Schonfeld Inc. Receivers + Trustees was appointed as Manager (the "**Manager**") of Global and certain other companies pursuant to proceedings between its principals and shareholders. Subsequent to its appointment, the Manager took possession and control of the assets of the Company.
3. Global is indebted to Trez Capital Limited Partnership ("**Trez**"), a commercial mortgage lender which advanced \$21,000,000 to Global in July 2013, with the loan secured by a mortgage on the Don Mills Property amongst other security granted.
4. As Global was expected to be in default of its mortgage obligations in early April 2014, Trez and its agent and custodian, Computershare Trust Company of Canada ("**Computershare**"), made an application for the appointment of a receiver over Global. A Receivership Order was granted on April 10, 2014 and Collins Barrow Toronto Limited ("**CBTL**") was appointed receiver (the "**Receiver**"), without security, of all of the assets, undertakings and properties of Global. Subsequent to the appointment of the Receiver, possession and control of the assets of the Company were transferred from the Manager to the Receiver.
5. The Receiver entered into an agreement of purchase and sale to sell the Don Mills Property, which transaction has been approved by the Court. The closing date was originally scheduled for April 17, 2015 and was extended first to June 16, 2015 and then to July 16, 2015. Pursuant to an application to the Court on April 2, 2015, the Receiver sought leave of the Court to file an assignment in bankruptcy on behalf of Global and leave was granted.
6. On June 12, 2015 the Receiver filed an assignment in bankruptcy on behalf of Global in which CBTL was named as Trustee in Bankruptcy of Global.

7. Details of the Receiver's activities are set out in the Receiver's reports to the Court which are available on the CBTL website at <http://collinsbarrow.com/en/cbn/global-mills-inc>.

Causes of Insolvency

8. The Don Mills Property was occupied by a single tenant. When the lease expired and the sole tenant vacated the building in April 2014, Global was unable to continue to meet its ongoing obligations.

SECTION A: PRELIMINARY EVALUATION OF ASSETS

9. The assets of Global as at the date of bankruptcy consist of the following:

	Book Value <i>See Note (1)</i>	Estimated Realization
Land and building	\$24,748,758.46	<i>See Note (2)</i>
Deferred mortgage fees	\$385,713.45	\$ nil
Security Deposits	\$4,945.00	\$ nil

Note (1): Source: Global (unaudited) Trial Balance as of December 31, 2013.

Note (2): The purchase price for the sale of the Don Mills Property has been sealed by the Court.

i. Land and building

The Don Mills Property is under the possession and control of the Receiver.

ii. Other assets

- (i) Deferred mortgage fees represent mortgage fees which were recorded on the balance sheet and amortized over time. This asset has no monetary value to the bankruptcy estate;
- (ii) Security deposits represent monies held as security deposits which would have been applied to the tenant's last month's rent or refunded to the tenant by the Manager. No realizations are expected from this asset.

iii. Books and Records

The physical books and records of the Company are currently in the possession of the property manager retained by the Receiver to manage the Don Mills Property. The Trustee has unrestricted access to these records.

SECTION B: CONSERVATORY AND PROTECTIVE MEASURES

10. The Trustee has not taken any conservatory or protective measures as the Don Mills Property is under the possession and control of the Receiver.

SECTION C: LEGAL PROCEEDINGS

11. The Trustee is not involved in any legal proceedings at this time.

SECTION D: PROVABLE CLAIMS

12. The claims filed by creditors as of 5:00 p.m. on June 25, 2015, are as follows:

	Per Statement of Affairs	Filed as of June 25, 2015
Secured	\$24,748,758.46	\$20,000,000.00
Unsecured	12,327,459.18	10,568,625.18
<u>Total</u>	<u>\$37,076,217.64</u>	<u>\$30,568,625.18</u>

SECTION E: SECURED CREDITORS

13. A title search for the Don Mills Property indicates that a registration by Computershare in respect of the Trez mortgage is the only security interest registered on title.

14. A search under the Ontario Personal Property Security Act registration system disclosed only the one registration by Computershare against any assets of the Bankrupt.

15. A legal opinion as to the validity and enforceability of the security interest and charge granted by Global to Computershare was obtained by the Receiver and has confirmed that Computershare's interest is legal, valid, binding and enforceable against Global.

SECTION F: ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

16. Based on the anticipated sale price of the Don Mills Property, Global's obligations to the secured creditor will not be repaid in full and as a result, there will be no funds available for distribution to Global's unsecured creditors.

SECTION G: TRANSFERS AT UNDERVALUE AND PREFERENCE PAYMENTS

17. The Receiver became aware of funds in the amount of \$361,750.00 that were transferred from Global to a related party company, Front Church Properties Limited ("FCPL").

The Receiver asserted a claim for this amount against the proceeds arising from the sale of property belonging to FCPL. The Receiver's claim was denied.

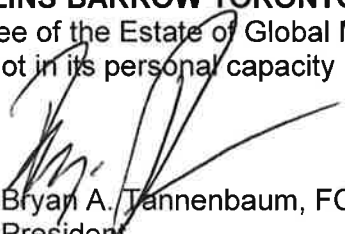
18. The Trustee does not have knowledge of any other transfers at undervalue and preference payments. Any further action to be taken with respect to a review of Global's transactions will be discussed with the Inspectors.

SECTION H: OTHER MATTERS

The Trustee has no other matters to report.

Dated at Toronto, Ontario, this 25th day of June, 2015.

COLLINS BARROW TORONTO LIMITED in its capacity as
Trustee of the Estate of Global Mills Inc., a bankrupt
and not in its personal capacity


Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP
President