

Court File No. CV-17-11697-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE WINDING UP OF
TARN FINANCIAL CORPORATION**

**APPLICATION UNDER SECTIONS 207 AND 248 OF THE
BUSINESS CORPORATIONS ACT, R.S.O. 1990, c. B.16**

**EIGHTH REPORT OF KPMG INC. in its capacity as
LIQUIDATOR OF TARN FINANCIAL CORPORATION
and
SIXTH REPORT OF KPMG INC. in its capacity as
RECEIVER OF TARN CONSTRUCTION CORPORATION**

MARCH 9, 2020

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I. INTRODUCTION AND SUMMARY OF PROCEEDINGS

1. On February 13, 2017, Volkan Basegmez, Cem Bleda Basegmez, Anil Rukan Basegmez, BA&B Capital Inc. (“**BA&B**”), Serdar Kocturk and Kaan Holdings Inc. (“**Kaan**”) (collectively, the “**Applicants**”) commenced an application (the “**Application**”) before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under sections 207 and 248 of the *Business Corporations Act*, R.S.O. 1990, c. B.16 seeking an Order winding up Tarn Financial Corporation (“**Tarn Financial**”) and appointing KPMG Inc. (“**KPMG**”) as liquidator for that purpose. The Applicants are shareholders of Tarn Financial and collectively hold 60% of the common shares of Tarn Financial. The remaining 40% of the common shares of Tarn Financial are held by the Respondent, SAMM Capital Holdings Inc. (“**SAMM**”), a company owned by the Respondent, Ali Akman (“**Akman**”).
2. The Application was heard by Justice Lederman on August 11, 2017 and on September 15, 2017, His Honour ordered the winding up of Tarn Financial pursuant to the Winding Up Order dated September 15, 2017 (the “**Winding Up Order**”), and the appointment of KPMG as liquidator for that purpose (in such capacity, the “**Liquidator**”) effective as of September 25, 2017 (the “**Winding Up Proceedings**”). A copy of the Winding Up Order is attached as **Appendix “A”** to this report, which is the Liquidator’s Eighth Report to the Court and the Receiver’s (as defined below) Sixth Report to the Court (the “**Eighth Report**”).
3. The business and assets of Tarn Financial included the Delta Toronto East Hotel (the “**Hotel**”) and adjoining development lands that were being developed by Tarn Financial, through its wholly-owned subsidiary, Tarn Construction Corporation (“**Tarn Construction**”), as a development known as “The Kennedys” (the “**Development Project**”) located at 2035 Kennedy Rd., Scarborough, Ontario (the “**Real Property**”). The assets of Tarn Financial were sold pursuant to the Transaction (as defined below) that closed on June 29, 2018 (the “**Closing Date**”).
4. On October 6, 2017, Akman and SAMM filed a Notice of Appeal with the Divisional Court of the Ontario Superior Court of Justice (the “**Divisional Court**”) appealing the Winding Up Order (the “**Appeal**”). The Appeal was heard on January 30, 2018 by the Divisional Court and on February 6, 2018, the Divisional Court dismissed the Appeal.

5. The Liquidator issued its first report to the Court on November 13, 2017 (the “**First Report**”). On November 16, 2017, the Liquidator issued a first supplemental report to the Court (the “**First Supplemental Report**”) and on November 28, 2017, the Liquidator issued a second supplemental report to the First Report (the “**Second Supplemental Report**”).
6. As detailed in the First Report, the First Supplemental Report and the Second Supplemental Report, the Liquidator brought a motion (the “**Sale Process Motion**”) seeking an Order (the “**Sale Process Order**”), among other things: (a) authorizing the Liquidator to enter into and approving a marketing and listing agreement between the Liquidator and CBRE Limited (“**CBRE**”) dated November 10, 2017; (b) approving the sale process (the “**Sale Process**”); and (c) authorizing, but not obligating, the Liquidator to file a consent to sever the Real Property.
7. The Sale Process Motion was scheduled to be heard before the Court on November 17, 2017. The Sale Process Motion was adjourned on an unopposed basis to November 24, 2017 to allow the Applicants, SAMM and Akman time to formalize a settlement that the parties advised the Liquidator had been reached between them in principle.
8. The settlement was not finalized by November 24, 2017 and the Sale Process Motion was heard on that day and was unopposed except for the Order seeking the approval of a marketing and listing agreement between the Liquidator and CBRE. This aspect of the relief sought was opposed by SAMM and Akman. On November 24, 2017, Justice McEwen declined to grant the Order approving the marketing and listing agreement between the Liquidator and CBRE.
9. Justice McEwen directed the Liquidator to retain another marketing and listing agent and adjourned the Sale Process Motion to allow the Liquidator to do so. Thereafter, on November 29, 2017, Justice McEwen granted the Sale Process Order which, among other things: (a) approved the retention by the Liquidator of Colliers Macaulay Nicolls Inc. to be the marketing and listing agent; and (b) approved the Sale Process including revisions thereto, in order to address the change in the marketing and listing agent.
10. On December 6, 2017, the Liquidator brought a motion seeking an order (the “**OMB Appeals Order**”) authorizing, but not obligating, the Liquidator to file two Notices of

Appeal with the Ontario Municipal Board in respect of the Real Property. Justice McEwen granted the OMB Appeals Order on the same date.

11. The Liquidator issued its second report to the Court on April 9, 2018 (the “**Second Report**”). As detailed in the Second Report, the Liquidator brought a motion returnable on April 13, 2018 seeking:
 - a. An Order (the “**Claims Procedure Order**”) approving and establishing a procedure for the solicitation, resolution and barring of certain claims against Tarn Financial (the “**Tarn Financial Claims Process**”);
 - b. An Order (the “**Receivership Order**”) authorizing the appointment of KPMG as receiver and manager over the properties, assets and undertakings of Tarn Construction (in such capacities, the “**Receiver**”) pursuant to section 101 of the *Courts of Justice Act* R.S.O. 1990, c. C.43;
 - c. An Order (the “**Deposit Confirmation Procedure Order**”) approving and establishing a procedure for confirming the Deposits (as defined in the Deposit Confirmation Procedure Order) that were paid to Tarn Construction by purchasers of the pre-sold, unbuilt condominium units at the Development Project; and
 - d. An Order (the “**April 2018 Ancillary Order**”) (i) authorizing an increase in the maximum principal amount of the Borrowings Charge (as defined in the Winding Up Order) by \$1,000,000 (the “**Increased Borrowing Amount**”) from \$2,000,000 to \$3,000,000 and addressing the priority of the Borrowings Charge in respect of the Increased Borrowing Amount; (ii) approving the fees of the Liquidator and the Liquidator’s legal counsel, Miller Thomson LLP (“**Miller Thomson**”) and Bennett Jones LLP (“**Bennett Jones**”), from the date of the Winding Up Order to December 31, 2017; and (iii) approving the First Supplemental Report, the Second Supplemental Report and the Second Report and the activities and conduct of the Liquidator as set out therein.
12. On April 13, 2018, the Court granted the Claims Procedure Order, the Receivership Order, the Deposit Confirmation Procedure Order and the April 2018 Ancillary Order. A copy of the Claims Procedure Order is attached as **Appendix “B”** to this Eighth Report.

13. The Liquidator issued its third report to the Court and the Receiver issued its first report to the Court on April 24, 2018 (collectively, the “**Third Report**”). As detailed in the Third Report, the Liquidator and Receiver brought a motion returnable on May 1, 2018 seeking:
 - a. Advice and directions from the Court regarding the Receiver’s ability to terminate the Agreements of Purchase and Sale (the “**APSs**”) entered into by Tarn Construction with purchasers of proposed condominium units in the contemplated Development Project (the “**Purchasers**”) in accordance with the terms of the APSs and, in particular, the condition contained at Appendix A of Schedule E to the APSs entitled “Tarion Warranty Corporation Statement of Critical Dates and Addendum” which states: “Receipt by the Vendor of confirmation that financing for the project on terms satisfactory to the Vendor has been arranged by October 9, 2018” (the “**Construction Financing Early Termination Condition**”);
 - b. An Approval and Vesting Order (the “**Approval and Vesting Order**”), among other things, approving the sale transaction (the “**Transaction**”) contemplated by an asset purchase agreement between Tarn Financial and Sunray Group of Hotels Inc. (“**Sunray**”) dated April 20, 2018 (the “**Asset Purchase Agreement**”) and vesting in Sunray Tarn Financial’s right, title and interest in and to the assets described in the Asset Purchase Agreement;
 - c. An Order (the “**Disputed Deposits Resolution Procedure Order**”), establishing a procedure for the resolution of disputed deposits asserted by Purchasers of proposed condominium units in the contemplated Development Project; and
 - d. An Order (the “**Termination Entitlement Order**”), ordering and declaring, among other things, that the Receiver is entitled to rely upon the Construction Financing Early Termination Condition to terminate the APSs on behalf of Tarn Construction and that the Receiver is authorized to give notice of termination to terminate the APSs at any time after the granting of the Termination Entitlement Order without damages claims arising thereunder.
14. On May 9, 2018, the Court rendered its endorsement granting the Approval and Vesting Order, the Disputed Deposits Resolution Procedure Order, and the Termination Entitlement Order.

15. The Liquidator issued its fourth report to the Court and the Receiver issued its second report to the Court on June 8, 2018 (collectively, the “**Fourth Report**”). As detailed in the Fourth Report, the Liquidator and Receiver brought a motion returnable on June 14, 2018 seeking an Order (the “**Deposit Return Procedure Order**”) establishing a procedure for the termination of Purchasers’ APSs and the return of Proven Deposits (as defined in the Disputed Deposits Resolution Procedure Order) to Purchasers of proposed condominium, units in the contemplated Development Project (the “**Deposit Return Procedure**”). The Deposit Return Procedure Order:
 - a. Enabled the Receiver to commence the Deposit Return Procedure in order to return Proven Deposits to Purchasers;
 - b. Enabled the Receiver to terminate Purchasers’ APSs in accordance with their terms, as set out in the Termination Entitlement Order, upon being satisfied with (i) an executed Release Agreement, and (ii) properly completed Certificate(s) of Identity attaching copies of two pieces of valid identification from each Purchaser named on the APS;
 - c. Confirmed that interest is not payable on the Proven Deposits pursuant to the *Condominium Act* and its regulations; and
 - d. Released and discharged the Receiver, the Liquidator, Tarn Construction, Tarn Financial, Bennett Jones, in its capacity as Deposit Trustee (the “**Deposit Trustee**”), The Guarantee Company of North America (“**The Guarantee Company**”) and Tarion Warranty Corporation (“**Tarion**”) from any Claims relating to the Deposits, including interest thereon.
16. On June 14, 2018, the Court granted the Deposit Return Procedure Order.
17. The Liquidator issued its fifth report to the Court and the Receiver issued its third report to the Court on July 20, 2018 (collectively, the “**Fifth Report**”). As detailed in the Fifth Report, the Liquidator and Receiver brought a motion returnable on July 26, 2018 seeking:
 - a. An Order (the “**First Distribution Order**”), subject to the Liquidator either entering into satisfactory reimbursement terms with the following secured creditors relating to potential priority claims or establishing a sufficient reserve to account for potential priority claims, authorizing and directing the Liquidator to make a distribution:

- (i) First to Meridian Credit Union (“**Meridian**”) to repay in full the indebtedness owed by Tarn Financial to Meridian, which was secured by first ranking security;
 - (ii) Second to Kingsett Mortgage Corporation (“**Kingsett**”) to repay in full the indebtedness owed by Tarn Financial to Kingsett, which was secured by second ranking security; and
 - (iii) Subject to establishing a reserve with The Guarantee Company and Tarion in accordance with the terms of the Deposit Return Procedure Order, third to repay in full the borrowings made by the Liquidator under the Borrowings Charge; and
- b. An Order (the “**Fees and Conduct Approval Order**”) approving:
- (i) The fees of the Liquidator and the Receiver and the Liquidator’s and the Receiver’s legal counsel from January 1, 2018 to April 30, 2018; and
 - (ii) The Third Report, the Fourth Report and the Fifth Report and the activities and conduct of the Liquidator and the Receiver as set out therein.
18. On July 26, 2018, the Court granted the First Distribution Order. A copy of the First Distribution Order is attached as **Appendix “C”** to this Eighth Report.
19. The Respondents, SAMM and Akman, requested that the Liquidator and the Receiver adjourn the motion seeking the Fees and Conduct Approval Order in order to provide SAMM and Akman additional time to review the fees and dockets of the Liquidator, the Receiver and their counsel. The motion was adjourned on consent.
20. On September 14, 2018, counsel for SAMM and Akman advised counsel for the Liquidator and the Receiver that they were not opposing the Fees and Conduct Approval Order. On October 1, 2018, the Court granted the Fees and Conduct Approval Order.
21. The Liquidator issued its sixth report to the Court and the Receiver issued its fourth report to the Court on October 31, 2018 (collectively, the “**Sixth Report**”). As detailed in the Sixth Report, the Liquidator brought a motion returnable on November 6, 2018 seeking an Order (the “**Second Distribution Order**”) authorizing and directing the Liquidator to

make a distribution to construction lien Claimants with valid construction liens in the amount of their Proven Claims as determined under the Tarn Financial Claims Process.

22. Returnable on the same date, the Applicants also brought a motion seeking an Order:
 - a. Declaring void and invalid and setting aside *ab initio*, the creation of certain Class B voting shares (the “**Class B Shares**”) and the issuance of the Class B Shares to Akman, and rectifying Tarn Financial’s Articles of Incorporation accordingly; and
 - b. Declaring void and setting aside certain guarantee, security and related agreements Akman caused Tarn Financial to enter into for the benefit of SAMM, which was at the time being relied upon by Akman and SAMM to support a secured claim against Tarn Financial.
23. On November 6, 2018, the Court granted the Second Distribution Order. A copy of the Second Distribution Order is attached as **Appendix “D”** to this Eighth Report. The Applicants’ motion was adjourned to November 26, 2018.
24. The Applicants and the Respondents resolved the Applicants’ motion and on November 23, 2018, the Court granted a Consent Order:
 - a. Declaring that, on consent, any and all charge/mortgages of land and security interests granted by Tarn Financial in favour of SAMM (the “**SAMM Security**”) are postponed and fully subordinated to the claims of the third-party unrelated creditors of Tarn Financial such that the Liquidator may effect a distribution to all such creditors without regards to, and free and clear of, the SAMM Security;
 - b. Ordering that the above declaratory relief is without prejudice to the position of the parties and in this regard, the validity of the SAMM Security as against the Applicants and the relative priority of the claims of the Applicants which will be determined at the same time as any dispute(s) with respect to the quantum of the claims being asserted against Tarn Financial by SAMM and the Applicants; and
 - c. Declaring that, on consent, the Class B Shares be and are hereby void *ab initio*, and accordingly, the Articles of Incorporation of Tarn Financial be and are hereby amended to remove the Class B Shares.

25. The Liquidator issued its seventh report to the Court and the Receiver issued its fifth report to the Court on April 9, 2019 (collectively, the “**Seventh Report**”). A copy of the Seventh Report, without exhibits, is attached as **Appendix “E”** to this Eighth Report. As detailed in the Seventh Report, the Liquidator brought a motion returnable on April 15, 2019 seeking:
- a. Advice and directions from the Court in accordance with paragraphs 27 and 35 of the Claims Procedure Order. The Liquidator sought directions from the Court regarding finally disallowing the Claims filed in the Tarn Financial Claims Process by condominium brokers (the “**Brokers**”) pursuant to Agreements to Cooperate between a Cooperating Brokerage and Tarn Construction in respect of sale commissions for unbuilt condominium units sold by Tarn Construction at the Development Project where such Claimants have objected to the Liquidator’s determination of their Claims and submitted a Notice of Objection in accordance with the Claims Procedure Order;
 - b. An Order (the “**Third Distribution Order**”) authorizing and directing the Liquidator to make a distribution to third-party unsecured Claimants up to the amount of their Proven Claims as determined under the Tarn Financial Claims Process;
 - c. An Order (the “**Tarion Cash Collateral Procedure Order**”) among other things:
 - (i) Directing the Liquidator to pay, within five business days of the granting of the Tarion Cash Collateral Procedure Order, the amount of \$600,000 to Tarion (the “**Tarion Cash Collateral**”), against which amount Tarion may make, and process payments in respect of, Tarion Cash Collateral Claims (as defined in the Tarion Cash Collateral Procedure Order);
 - (ii) Upon Tarion’s receipt of the Tarion Cash Collateral, directing the delivery to The Guarantee Company of the Tarion Bonds (as defined in the Tarion Cash Collateral Procedure Order) for immediate cancellation;
 - (iii) Declaring that the Receiver shall no longer be required to comply with the requirement under the Deposit Return Procedure Order to deliver a Statutory Declaration to Tarion and The Guarantee Company every two weeks;

- (iv) Authorizing the process through which Tarion is to report on and use the Tarion Cash Collateral to pay any Tarion Cash Collateral Claims; and
 - (v) Directing the Liquidator to make a distribution to The Guarantee Company in full and final satisfaction of all amounts owing by Tarn Financial to The Guarantee Company in accordance with the Claims Procedure Order; and
- d. An Order (the “**April 2019 Ancillary Order**”) among other relief;
- (i) Declaring that the Claims of the Brokers which have filed Notices of Objection in the Tarn Financial Claims Process are forever extinguished, barred, discharged and released as against Tarn Financial and the Liquidator;
 - (ii) Approving the fees of the Liquidator and the Receiver and the Liquidator’s and the Receiver’s legal counsel from May 1, 2018 to December 31, 2018; and
 - (iii) Approving the Sixth Report and the Seventh Report and the activities and conduct of the Liquidator and the Receiver as set out therein.
26. On April 15, 2019, the Court granted the Third Distribution Order, the Tarion Cash Collateral Procedure Order and the April 2019 Ancillary Order. A copy of the Third Distribution Order is attached as **Appendix “F”** to this Eighth Report.
27. On April 23, 2019, the Applicants served a motion returnable April 30, 2019 for an Order authorizing and directing the Liquidator to make an interim distribution to the Applicants in an amount equal to 85 percent of the amount of the Applicants’ claim as set out in the Sources and Uses Report (as defined below). The Applicants’ motion was initially opposed by the Respondents.
28. Thereafter, the Applicants and the Respondents agreed to an interim distribution in an amount equal to 75 percent of the shareholder loan claims in the amount of \$3,000,000 and \$6,000,000, for Kaan and BA&B, respectively, submitted by the Applicants in the Tarn Financial Claims Process and 75 percent of \$2,570,000 to SAMM (being the amount the parties agreed to base the distribution on and not the amount of the shareholder loan claim filed by SAMM).

29. Accordingly, on April 30, 2019, the Court granted an Order (the “**Fourth Distribution Order**”), authorizing and directing the Liquidator to make interim distributions to: (a) Kaan in the amount of \$2,250,000; (b) BA&B in the amount of \$4,500,000; and (c) SAMM in the amount of \$1,927,500. A copy of the Fourth Distribution Order is attached as **Appendix “G”** to this Eighth Report.
30. A trial to determine the disputed Non Arms-Length Claims (as defined in the Claims Procedure Order) was originally scheduled to be heard on June 3, 4 and 7, 2019. On April 30, 2019, those dates were vacated and the trial was scheduled for September 16, 17 and 18, 2019. Those dates were subsequently vacated at an attendance before Justice McEwen on July 12, 2019.
31. On January 29, 2020, a new trial date was set by Justice McEwen for October 5, 6 and 7, 2020 to determine the disputed Non Arms-Length Claims, which will be heard by His Honour (the “**Trial**”). A pre-trial conference before Justice Hainey is scheduled for August 25, 2020 and a trial management meeting before Justice McEwen is scheduled for September 15, 2020.
32. Capitalized terms not defined herein shall have the meanings set out in the Winding Up Order, the Claims Procedure Order, and the Deposit Return Procedure Order.

II. PURPOSE OF THIS EIGHTH REPORT

33. The purpose of this Eighth Report is to update the Court with respect to:
 - a. The activities of the Liquidator and the Receiver since the Seventh Report, including, but not limited to:
 - (i) Activities relating to Tarn Financial;
 - (ii) Activities relating to Tarn Construction; and
 - (iii) Other activities in relation to the Winding Up Proceedings;
 - b. The Tarn Financial Claims Process;
 - c. The distributions made pursuant to the Third Distribution Order and the Fourth Distribution Order;

- d. The Liquidator's statement of receipts and disbursements since the date of its appointment up to and including March 6, 2020;
 - e. The Receiver's statement of receipts and disbursements since the date of the Receivership Order up to and including March 6, 2020; and
 - f. To provide the Court with the necessary information to support the granting of an Order (the "**Fifth Distribution Order**") substantially in the form contained at Tab 3 of the Motion Record dated March 9, 2020 (the "**Motion Record**"):
 - (i) Authorizing and directing the Liquidator to make a further five percent (5%) interim distribution to the Applicants and Respondents in respect of their Non Arms-Length Claims; and
 - (ii) Approving the Eighth Report and the activities and conduct of the Liquidator and the Receiver as set out therein.
34. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
35. The information contained in this Eighth Report has been obtained from the books and records and other information of Tarn Financial or Tarn Construction. The accuracy and completeness of the financial information contained herein has not been audited or otherwise verified by the Liquidator or the Receiver, and the Liquidator and the Receiver do not express an opinion or provide any other form of assurance with respect to the information presented herein or relied upon by the Liquidator or the Receiver in preparing this Eighth Report.
36. Future oriented financial information reported or relied on in preparing this Eighth Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.

III. ACTIVITIES OF THE LIQUIDATOR AND THE RECEIVER SINCE THE SEVENTH REPORT

Activities Relating to Tarn Financial

37. The Liquidator has:

- a. Continued to prepare bank reconciliations;
- b. Continued to coordinate all filings and payments of harmonized sales tax (“**HST**”) and other required statutory remittances, as required;
- c. Continued to administer the Tarn Financial Claims Process, the details of which are described below, including reviewing the Claims with the assistance of its counsel, Miller Thomson;
- d. With the assistance of Richter LLP (“**Richter**”), finalized the 2017 financial statements and corporate tax return;
- e. Coordinated the preparation of the 2018 financial statements required in conjunction with filing the 2018 corporate tax return and continued to work with Richter in respect of its review engagement of the 2018 financial statements, as described below;
- f. Made payment to the Canada Revenue Agency (“**CRA**”) of non-resident withholding tax payable as at February 28, 2019. The amount paid by the Liquidator relates to penalties and interest on non-resident withholding taxes that had not been paid by Tarn Financial at the time of the Liquidator’s appointment and were subsequently paid by the Liquidator;
- g. Made payment to Tarion in accordance with the Tarion Cash Collateral Procedure Order;
- h. Made certain payments to The Guarantee Company in accordance with the Tarion Cash Collateral Procedure Order;
- i. Held numerous discussions with the Applicants’ counsel and the Respondents’ counsel regarding the Liquidator’s review of what monies were transferred in or out of Tarn Financial, as described below;
- j. Had discussions with Claimants regarding their Claims and settled Disputed Claims; and
- k. Made the distributions pursuant to the Third Distribution Order and the Fourth Distribution Order.

Financials Statements and Corporate Tax Returns

38. Since the date of the Seventh Report, Richter has completed its review engagement of the 2017 financial statements and prepared and filed the 2017 corporate tax return for Tarn Financial on the Liquidator's behalf on February 13, 2020. The Liquidator is awaiting the Notice of Assessment from the CRA in respect of the 2017 corporate tax return.
39. As set out in the Seventh Report, the Liquidator has continued to work with Richter on considering tax minimization strategies. In that regard, at the Liquidator's request, Richter performed an analysis with respect to the deductibility of certain professional fees for tax purposes, which has had favourable results. The filed 2017 corporate tax return took into account these applicable deductions.
40. Richter has prepared a draft of Tarn Financial's 2018 corporate tax return. The tax return will be finalized once the 2018 financial statements are in final form, as those financial statements will have to be filed with CRA in support of the tax return.
41. As discussed in the Seventh Report, the Liquidator has retained the services of the former controller of Tarn Financial on a part-time contract basis in order to complete the 2018 financial statements. As of the date of the Eighth Report, the 2018 internal financial statements for the full fiscal year have been prepared. Richter has almost completed its review engagement in respect of those financial statements. The review engagement has taken longer than anticipated as the former controller's full-time position has taken up more of his time than initially anticipated. The Liquidator anticipates that Richter will complete work on the 2018 review engagement within the next 30 days and at that point will be able to finalize the 2018 corporate tax return.
42. The 2018 corporate tax return will also reflect the professional fee deductions determined favourably as set out above and include the calculation of capital gains tax payable on the Transaction, which was discussed in the Seventh Report.

Report on Tarn Financial's Sources and Uses of Monies

43. As discussed in the Seventh Report, the Liquidator prepared a Draft Report of the Liquidator dated August 31, 2018 re: Analysis of Sources and Uses of Monies during the period July 7, 2014 to September 30, 2017 (the "**Draft Sources and Uses Report**") and

provided a copy of the Draft Sources and Uses Report to the Applicants and Respondents on August 31, 2018 to allow the Applicants and Respondents the opportunity to review the Draft Sources and Uses Report and provide any additional information that any of them believe pertinent to the analysis.

44. As discussed in the Seventh Report, the Liquidator received additional information from both the Applicants' counsel and the Respondents' counsel and made certain amendments to the Draft Sources and Uses Report before issuing its final report.
45. On February 19, 2019, the Liquidator issued its final report dated February 19, 2019 re: Analysis of Sources and Uses of Monies during the period July 7, 2014 to September 30, 2017 (the "**Sources and Uses Report**") to the Applicants and the Respondents.
46. The Sources and Uses Report identified approximately \$900,000 of disbursements as being made to unknown persons or entities (the "**Unknown Disbursements**"). As described in the Sources and Uses Report, the Unknown Disbursements were classified as such because either: (a) the disbursements were under the \$15,000 threshold established within the scope of the report or (b) the Liquidator was unable to identify a corroborating piece of evidence in Tarn Financial's general ledger and/or did not have sufficient details to identify the payee to whom the disbursement was made.
47. Since finalizing the Sources and Uses Report, the Liquidator has had numerous discussions with the Applicants' counsel and the Respondents' counsel and has provided assistance to both parties in their review of the Sources and Uses Report.
48. The Respondents retained PricewaterhouseCoopers LLP ("**PWC**") as their expert to prepare a responding report (the "**PWC Report**") to the Sources and Uses Report. The Liquidator received various questions from the Respondents' counsel and PWC relating to the Sources and Uses Report, and provided excerpts of the Sources and Uses Report and/or additional context as necessary to respond to these questions. As part of completing the PWC Report, the Respondents' counsel requested access to the hard copy accounting records that were sold to Sunray as part of the Transaction that closed on June 29, 2018. On October 24, 2019, the Liquidator attended the Hotel premises with PWC in order to review accounting records located at the Hotel and to determine if that would assist in identifying the Unknown Disbursements.

49. On January 17, 2020, PWC delivered the PWC Report. The Liquidator reviewed the PWC Report and determined that the Liquidator did not need to file a reply report.

Activities in Relation to Tarn Construction

50. The Liquidator and the Receiver have continued to do the following in respect of Tarn Construction:
- a. Undertake the Deposit Return Procedure, the details of which are described below, including reviewing the Certificates of Identity and Release Agreements provided by Purchasers in respect of their Proven Deposits and following up with Purchasers who have not yet provided the required documentation and/or have not yet cashed their cheque in respect of their Proven Deposit; and,
 - b. Respond to inquiries from creditors of Tarn Construction regarding the Tarn Financial Claims Process.

Other Activities in Relation to the Winding Up Proceedings

51. The Liquidator and the Receiver, with the assistance of their counsel, have also undertaken the following in relation to the Winding Up Proceedings:
- a. Had regular discussions with the shareholders' counsel regarding the Winding Up Proceedings and responded to inquiries from the shareholders regarding same;
 - b. Responded to inquiries from other stakeholders regarding the Winding Up Proceedings;
 - c. Posted materials relating to the Winding Up Proceedings on its website (www.kpmg.com/ca/tarn);
 - d. Maintained a telephone hotline at (416) 649-7623 or (1-855) 222-8083 and email address at tarn@kpmg.ca for inquiries regarding the Winding Up Proceedings;
 - e. Attended Court on April 5, 2019, April 30, 2019 and June 3, 2019, July 12, 2019, August 26, 2019, January 7, 2020 and January 29, 2020; and
 - f. Prepared and delivered the Eighth Report.

IV. THE CLAMS PROCESS

Late Claims

52. As set out in the Seventh Report, the Liquidator received two late filed Claims in the amounts of \$13,427.01 and \$248.50, respectively (the “**Late Claims**”). Since the date of the Seventh Report, the Liquidator has reviewed and made a determination in respect of the Late Claims.
53. After requesting additional information from the Claimants without satisfactory response, the Liquidator issued a Notice of Determination of Claim in respect of both Late Claims (one on February 13, 2020 (“**Late Claim 1**”) and the other on March 5, 2020 (“**Late Claim 2**”)), thereby disallowing each of the Late Claims on the basis that that the Claimant’s Proof of Claim filed does not contain any supporting documentation that identifies Tarn Financial as being the entity liable for the amount claimed.
54. In respect of the Notice of Disallowance issued on account of Late Claim 1, the Liquidator did not receive a Notice of Objection from this Claimant within the 14-day time period prescribed by the Claims Procedure Order. Accordingly, pursuant to section 26 of the Claims Procedure Order, this Claimant is deemed to have agreed with the Liquidator’s disallowance under the Notice of Determination of Claim, and the Claim is forever extinguished, barred, discharged and released as against Tarn Financial and the Liquidator.
55. In respect of the Notice of Disallowance issued on account of Late Claim 2, the 14-day time period prescribed by the Claims Procedure Order expires on March 19, 2020. To date, the Liquidator has not received a Notice of Objection from this Claimant.

Unsecured Claims

56. As set out in the Seventh Report, as at the date of the Seventh Report, the Liquidator had completed its review and determination of the unsecured Claims and has issued Notices of Determination of Claim to all Claimants, except in respect of the Late Claims, as follows:

Unsecured Claims	Determination
Allowed	2,521,086.26
Late filed	13,675.51
In dispute	1,003,956.69
Disallowed	6,451,529.06
Withdrawn	9,176.00
Total	9,999,423.52

57. The Claims in dispute were comprised of 22 Notices of Objection (relating to 20 Broker Claims and 2 non-Broker Claims) from Claimants in response to the Notices of Determination of Claim.
58. The Liquidator in its Seventh Report set out its view that it was appropriate to disallow the 20 Broker Claims as the amounts owing were an obligation of Tarn Construction, and not Tarn Financial.
59. As a result, the Court ordered in the April 2019 Ancillary Order that “the Claims of Brokers, which have filed Notices of Objections in the Tarn Financial Claims Process, are forever extinguished, bared, discharged and released as against Tarn Financial and the Liquidator.”
60. Since the date of the Seventh Report, in accordance with section 27 of the Claims Procedure Order, the Liquidator has settled the disputes in respect of the 2 remaining Notices of Objection. The Liquidator issued Revised Notices of Determination of Claim to each of these Claimants, which memorialize the terms of settlement.
61. With the exception of Late Claim 2, the Liquidator has fully completed the Tarn Financial Claims Process.

Non Arms-Length Claims

62. The Non Arms-Length Claimants filed the following claims in the Tarn Financial Claims Process:
 - a. Kaan filed one claim in the amount of \$3,000,000 for shareholder loans;
 - b. BA&B filed one claim in the amount of \$6,000,000 for shareholder loans; and
 - c. SAMM filed four claims in the following amounts:
 - (i) \$4,332,118.90 for shareholder loans (the “**SAMM Shareholder Loan Claim**”);

- (ii) \$708,870.50 for an operational cash flow advance;
- (iii) \$1,010,974.95 for management fee receivables; and
- (iv) \$6,910,000.00 for development charge receivables (collectively, the “SMM Non Arms-Length Claims”).

63. Since filing the SMM Non Arms-Length Claims, the Respondents’ counsel has advised that the claims being asserted by SMM total \$16.3 million in aggregate; however, revised Proofs of Claim have not been submitted. The distributions and reserves for SMM’s claims have been determined by the Liquidator based on the \$16.3 million amount now being asserted.
64. Pursuant to paragraphs 29 and 30 of the Claims Procedure Order, the Non Arms-Length Claims will not be determined by the Liquidator. The Applicants claims have not been disputed by the Respondents. The SMM Non Arms-Length Claims have been disputed by the Applicants and the Trial has been scheduled for October 2020 to determine the SMM Non Arms-Length Claims.

V. THE DEPOSIT RETURN PROCEDURE

65. As set out in the Seventh Report, the Receiver terminated 626 APSs. To date the Receiver has returned, either in person or via regular mail, 625 Proven Deposits totaling \$29,711,044 pursuant to Deposit Return Procedure Order.
66. As of the date of this Eighth Report, the Receiver only has one Proven Deposit remaining to be distributed in the total amount of \$40,500. The Liquidator has recently been in contact with the party to whom the Proven Deposit belongs and expects to receive the necessary documentation to return the Proven Deposit in the next few weeks.

VI. DISTRIBUTIONS TO DATE

First Distribution Order and Second Distribution Order

67. As set out in the Seventh Report, pursuant to the First Distribution Order and the Second Distribution Order the Liquidator has distributed funds to settle: (a) the secured Claims of Meridian, Kingsett, and the lenders under the Borrowings Charge; and (b) the Claims of

Claimants with validly registered and perfected construction liens against the Real Property, in the aggregate amounts of \$23,588,884.57 and \$2,549,680.89, respectively.

Third Distribution Order

68. On April 15, 2019, the Court granted the Third Distribution Order which authorized and directed the Liquidator to make distributions to unsecured Claimants with Proven Claims up to the full amount of their Proven Claims as determined by the Liquidator under the Tarn Financial Claims Process.
69. As set out in the Seventh Report, after reserving certain amounts in respect of potential priority claims of CRA, the secured Claim of The Guarantee Company and the then amount of the Tarnion Bonds, and the Liquidator's Charge, and after fully reserving for disputed Claims and the Non-Arm's Length Claims, the Liquidator determined that it was able to make an initial distribution to unsecured Claimants with valid unsecured Claims in the amount of 85 cents on the dollar against their Proven Claims as determined under the Tarn Financial Claims Process.
70. Following the granting of the Third Distribution Order, the Liquidator made distributions to unsecured Claimants in the amount of 85 cents on the dollar as against their Proven Claims, in the total amount of \$2,142,923.
71. At the time when distributions were made pursuant to the Third Distribution Order, the Liquidator reserved the remaining 15% of the amount of valid unsecured third-party Claims received by the Liquidator in the Tarn Financial Claims Process. The Liquidator also fully reserved for the two non-Broker Disputed Claims and the Late Claims. The Liquidator has now settled the two non-Broker Disputed Claims and disallowed the Late Claims for the reasons set out above.
72. Having completed the Tarn Financial Claims Process, the Liquidator intends to make a final distribution to valid unsecured third-party Claimants, which will be the remaining 15% of the amount of their Proven Claims for all except the two non-Broker Disputed Claims that have since been settled, which will receive 100% of the settled Proven Claims.
73. The Liquidator continues to reserve funds for the potential priority claims of CRA, the secured claim of The Guarantee Company, the Liquidator's Charge and the disputed Non

Arms-Length Claims (in the amount of 75% being the amount distributed under the Fourth Distribution Order). Based on the amounts currently being held by the Liquidator, the Liquidator has determined that it can make a final distribution to third-party unsecured Claimants with valid unsecured Claims.

Fourth Distribution Order

74. The Fourth Distribution Order authorized distributions to the Non Arms-Length Claimants. As set out above, the Fourth Distribution Order was granted on consent.
75. Prior to the parties consenting to the Fourth Distribution Order, the Applicants filed a legal brief dated April 25, 2019 wherein they confirm that they do not take issue with the fact that SAMM made an initial advance of \$4.3 million to Tarn Financial, however they dispute that SAMM is entitled to repayment of the entire amount based on: (a) the finding made by Justice Lederman; and (b) the information contained in the Sources and Uses Report with respect to the funds paid into and out of Tarn Financial by SAMM, Akman and his related persons and entities.
76. In particular, the Sources and Uses Report determined that the parties related to the Respondents paid \$11.74 million into Tarn Financial including SAMM's initial shareholder advance and received \$9.17 million out of Tarn Financial.
77. At the time of the Fourth Distribution Order, the Applicants and Respondents agreed that the Non Arms-Length Claims eligible to receive an initial distribution of 75% were as follows: (a) Kaan in the amount of \$3,000,000; (b) BA&B in the amount of \$6,000,000; and (c) SAMM in the amount of \$2,570,000 (each an "**Eligible Shareholder Loan Claim**").
78. The Liquidator understands that the Eligible Shareholder Loan Claim amount of \$2,570,000 was an amount the parties could agree upon at the time as a basis for an interim distribution to SAMM. This amount was calculated by the Applicants as being the net advances to Tarn Financial of the Respondents and related parties based on the Applicants' review of the Sources and Uses Report (i.e. \$11,740,000 minus \$9,170,000 = \$2,570,000).
79. On April 30, 2019, the Court granted the Fourth Distribution Order, which authorized and directed the Liquidator to make interim distributions to: (a) Kaan in the amount of

\$2,250,000; (b) BA&B in the amount of \$4,500,000; and (c) SAMM in the amount of \$1,927,500 (equaling a 75% distribution of the Eligible Shareholder Loan Claims).

80. In accordance with the Fourth Distribution Order, the Liquidator made an interim distribution to the Non Arms-Length Claimants in the total amount of \$8,677,500, representing 75% of the Eligible Shareholder Loan Claims of the Non Arms-Length Claimants.

VII. FIFTH DISTRIBUTION ORDER SOUGHT

81. As noted above, the Liquidator has now completed its review and determination of all of the Claims filed in the Tarn Financial Claims Process other than the Non Arms-Length Claims that are the subject of the Trial in October 2020. The Liquidator has made distributions pursuant to the First Distribution Order, the Second Distribution Order, the Third Distribution Order and the Fourth Distribution Order.

Distribution to the Non Arms-Length Claimants

82. Pursuant to the Tarn Financial Claims Process, the Liquidator received Claims from the Non Arms-Length Claimants.
83. As noted above, at the time of the Fourth Distribution Order, the parties agreed on the amounts of the Eligible Shareholder Loan Claims of the Non Arms-Length Claimants that would be subject to a distribution.
84. At the time of making the distributions pursuant to the Fourth Distribution Order, the Liquidator reserved amounts in respect of the remaining balance of the Non Arms-Length Claims after accounting for the interim distribution to the Applicants and the Respondents. Included in the reserved amounts was 100% of a \$4 million secured claim being asserted by SAMM at the time.
85. In the summer of 2019, the Respondents' counsel advised that SAMM was no longer pursuing a \$4 million secured claim as part of its Non Arms-Length Claims. As a result of this change, the Liquidator had available funds for a further distribution in respect of the Non Arms-Length Claims.
86. After reserving funds for the potential priority claims of CRA, the secured claim of The Guarantee Company and the Liquidator's Charge, and fully reserving for the payment in

full of valid unsecured third-party claims, the Liquidator determined that it can make a further interim distribution to the Non Arms-Length Claimants in the amount of five percent (5%). As a result, the Liquidator circulated to the Applicants and Respondents a Distribution Analysis as of August 31, 2019 showing the potential additional distribution (the “**August 2019 Distribution Analysis**”).

87. In particular, after accounting for the reserves and for full distribution to unsecured third-party Claimants, the Liquidator has approximately \$1,265,000 available for the proposed distribution to the Non Arms-Length Claimants. The August 2019 Distribution Analysis showed a five percent (5%) distribution based on the Eligible Shareholder Loan Claims of the Non Arms-Length Claimants that would be paid and a reserve of five percent (5%) being established for the remaining disputed SAMM Non Arms-Length Claims as follows:
- a. \$150,000 to Kaan, representing 5% of its Eligible Shareholder Loan Claim in the amount of \$3,000,000;
 - b. \$300,000 to BA&B, representing 5% of its Eligible Shareholder Loan Claim in the amount of \$6,000,000;
 - c. \$128,500 to SAMM, representing 5% of its Eligible Shareholder Loan Claim in the amount of \$2,570,000; and
 - d. A reserve of \$686,500 in respect of the remaining disputed SAMM Non Arms-Length Claims of \$13,730,000.

A copy of the August 2019 Distribution Analysis along with a breakdown of the payments of the Non Arms-Length Claims is attached as **Appendix “H”** to this Eighth Report.

88. Subsequent to circulating the August 2019 Distribution Analysis, the Liquidator answered a number of questions and provided further information to the Respondents to assist in their understanding of how releasing a \$4 million secured claim allowed for further funds to be available for distribution to the Non Arms-Length Claimants.
89. Notwithstanding the information being provided, the Respondents would not agree to a further interim distribution for a several months. After being asked by the Applicants what their position was in respect of the proposed interim distribution on a number of occasions, on January 28, 2020, counsel for the Respondents advised that his clients were agreeable

to an interim distribution based on paragraph 17 of the PWC Report, which would in their view result in a distribution to SAMM based on \$3,152,894 for its Eligible Shareholder Loan Claim rather than the previously agreed amount of \$2,570,000. A copy of the letter from the Respondents' counsel on January 28, 2020 is attached as **Appendix "I"** to this Eighth Report.

90. The Liquidator initially could not determine how the proposed new amount for the Eligible Shareholder Loan Claim of SAMM was calculated based on the information set out in the PWC Report and requested clarity from the Respondents' counsel. Attached as **Appendix "J"** to this Eighth Report is an email from the Respondents' counsel on March 5, 2020 providing an explanation to the calculation.
91. The Liquidator notes that it has not spent time tying out all of the numbers in the PWC Report as this will be the subject matter of the Trial. Therefore, the Liquidator cannot address the accuracy of the statements or conclusions in the PWC Report at this time. Immediately upon receiving the email attached as Appendix "J", the Applicants' counsel responded and advised that the findings in the PWC Report are being disputed and providing its view that until there is a finding that the findings in the PWC Report are accurate, the Sources and Uses Report should form the basis for any interim distribution. Attached as **Appendix "K"** to this Eighth Report is the email from the Applicants' counsel on March 5, 2020 setting out its position.
92. As a result of the position asserted by the Respondents, and to assist the Court in understanding the differences between the two proposed interim distributions, the Liquidator prepared an alternative distribution analysis, making no changes other than updating the amount of the Eligible Shareholder Loan Claim for SAMM from \$2,570,000 to \$3,152,894 (the "**Alternative Distribution Analysis**"). The resulting distribution would be as follows:
 - a. \$150,000 to Kaan, representing 5% of its Eligible Shareholder Loan Claim in the amount of \$3,000,000;
 - b. \$300,000 to BA&B, representing 5% of its Eligible Shareholder Loan Claim in the amount of \$6,000,000;

- c. \$157,645 to SAMM, representing 5% of its Eligible Shareholder Loan Claim in the amount of \$3,152,894;
- d. \$437,171 to SAMM, representing 75% of the delta between the original Eligible Shareholder Claim amount of \$2,570,000 and the proposed Eligible Shareholder Claim amount of \$3,152,894, which amount was reserved when the fourth distribution was made; and
- e. A reserve of \$657,355 in respect of the remaining disputed SAMM Non Arms-Length Claims of \$13,147,106.

A copy of the Alternative Distribution Analysis along with a breakdown of the payments of the Non Arms-Length Claims is attached as **Appendix “L”** to this Eighth Report.

93. For ease of reference, a Chart summarizing the proposed and prior distributions is set out below:

Claimant	Status	Claim	Additional Distribution / Reserve %	Proposed Distribution and/or Reserve (5%)	Already Distributed and/or Reserved (75%)	Remaining Claim	Total
Proposed Distribution							
BA&B Capital Inc.		6,000,000	5.0%	300,000	4,500,000	1,200,000	6,000,000
KAAN Holdings Inc.		3,000,000	5.0%	150,000	2,250,000	600,000	3,000,000
SAMM Capital Holdings Inc.		2,570,000	5.0%	128,500	1,927,500	514,000	2,570,000
Sub-total		11,570,000		578,500	8,677,500	2,314,000	11,570,000
Reserves							
BA&B Capital Inc.		-	5.0%	-	-	-	-
KAAN Holdings Inc.		-	5.0%	-	-	-	-
SAMM Capital Holdings Inc.	Disputed	1,762,119	5.0%	88,106	1,321,589	352,424	1,762,119
SAMM Capital Holdings Inc.	Disputed	11,967,881	5.0%	598,394	8,975,911	2,393,576	11,967,881
Sub-total		13,730,000		686,500	10,297,500	2,746,000	13,730,000
Total		25,300,000		1,265,000	18,975,000	5,060,000	25,300,000
Alternative Distribution							
BA&B Capital Inc.		6,000,000	5.0%	300,000	4,500,000	1,200,000	6,000,000
KAAN Holdings Inc.		3,000,000	5.0%	150,000	2,250,000	600,000	3,000,000
SAMM Capital Holdings Inc.		2,570,000	5.0%	128,500	1,927,500	514,000	2,570,000
SAMM Capital Holdings Inc.	Currently reserved	582,894	5.0%	29,145	437,171	116,579	582,894
Sub-total		12,152,894		607,645	9,114,671	2,430,579	12,152,894
Reserves							
BA&B Capital Inc.		-	5.0%	-	-	-	-
KAAN Holdings Inc.		-	5.0%	-	-	-	-
SAMM Capital Holdings Inc.	Disputed	1,179,225	5.0%	58,961	884,419	235,845	1,179,225
SAMM Capital Holdings Inc.	Disputed	11,967,881	5.0%	598,394	8,975,911	2,393,576	11,967,881
Sub-total		13,147,106		657,355	9,860,330	2,629,421	13,147,106
Total		25,300,000		1,265,000	18,975,000	5,060,000	25,300,000

94. The Liquidator is of the view that an interim distribution should be made to the Non Arms-Length Claimants. The Claims of the Applicants are not in dispute and the proposed distribution is the same in both distribution scenarios. There is no reason not to allow a distribution to be made to the Applicants as long as proper reserves are established for the Respondents' disputed claims.
95. The only issue in dispute between the parties is what the amount of SAMM's Eligible Shareholder Claim should be for an interim distribution prior to the determination of SAMM's disputed Non Arms-Length Claims at the Trial. The Liquidator has not "scrubbed" the numbers set out in the PWC Report and given that the Applicants are disputing the numbers, the Liquidator does not believe it is a good use of resources to do so at this time.

VIII. LIQUIDATOR'S STATEMENT OF RECEIPTS AND DISBURSEMENTS

96. The Liquidator reported on the total receipts and disbursements from the date of the Liquidator's appointment to April 9, 2019 in the Seventh Report.
97. The following table provides a summary of the total receipts and disbursements from the date of the Liquidator's appointment to March 6, 2020 (the "**R&D Period**"):

Statement of Receipts and Disbursements			
For the period September 25, 2017 to March 06, 2020			
(in CAD)			
	Sep 25, 2017 to Apr 9, 2019	Apr 10, 2019 to Mar 6, 2020	Sep 25, 2017 to Mar 6, 2020
Receipts			
Operating receipts	18,292,949	405,584	18,698,533
Liquidator's Borrowings	2,977,805	-	2,977,805
Collected on behalf of Sunray Hotels Inc.	203,249	-	203,249
Net sale proceeds	59,303,653	-	59,303,653
Total receipts	80,777,655	405,584	81,183,239
Disbursements			
Operating disbursements	3,922,342	158,898	4,081,240
Salaries and wages	6,269,111	-	6,269,111
Taxes	4,964,091	12,722	4,976,814
Accounting and tax costs	254,970	-	254,970
Insurance	260,709	-	260,709
Utilities	1,050,494	-	1,050,494
Marriott fee	1,481,145	-	1,481,145
Critical Maintenance	368,046	-	368,046
Collected on behalf of Sunray Hotels Inc.	203,249	-	203,249
Total operating disbursements	18,774,158	171,621	18,945,779
Operating cash flow	62,003,497	233,963	62,237,460
Loan Facilities and Professional Fees			
Secured lenders - Principal and Interest	1,957,768	-	1,957,768
Sales Commission	847,500	-	847,500
Professional fees	4,564,763	174,054	4,738,817
Non-operating disbursements	7,370,032	174,054	7,544,085
Distributions			
Meridian Credit Union	17,494,362	-	17,494,362
Kingsett Mortgage Corporation	6,094,523	-	6,094,523
Liquidator's Borrowing Charge	3,179,364	-	3,179,364
Lien Claimants	2,549,681	-	2,549,681
Tarion Warranty Corporation	-	600,000	600,000
Unsecured Creditors	-	2,142,923	2,142,923
Shareholders in respect of loans	-	8,677,500	8,677,500
Total distributions	29,317,929	11,420,423	40,738,353
Opening book balance	(70,185)	25,245,351	(70,185)
Net cash flow	25,315,536	(11,360,514)	13,955,022
Closing book balance	25,245,351	13,884,837	13,884,837

98. Receipts during the R&D Period were \$81,183,239 and consist of: (a) guest room, food and beverage, parking-related revenues and interest earned on invested funds of \$13,468,963; (b) funding of \$2,977,805 under the Borrowings Charge; (c) net sale proceeds of \$59,303,653; and (d) amounts collected on behalf of Sunray after the Closing Date of \$203,249.
99. Disbursements during the R&D Period were \$67,228,217 and include: (a) salaries and wages in the amount of \$6,269,111; (b) operating expenses of \$4,081,240; (c) HST and other tax payments, including the capital gains taxes payable on the Transaction, in the amount of \$4,976,814; (d) principal and interest payments to secured creditors of \$1,957,768; (e) professional fees and disbursements inclusive of HST of \$4,738,817 which consists of the professional fees of the Liquidator and the Receiver, their independent legal counsel, Miller Thomson, and Bennett Jones; (f) distributions pursuant to the First Distribution Order in the amount of \$26,768,248; (g) distributions pursuant to the Second Distribution Order in the amount of \$2,549,681; (h) distributions pursuant to the Third

Distribution Order in the amount of \$2,142,923; (i) distributions pursuant to the Taron Cash Collateral Procedure Order in the amount of \$600,000; and (j) distributions pursuant to the Fourth Distribution Order in the amount of \$8,677,500.

IX. RECEIVER’S STATEMENT OF RECEIPTS AND DISBURSEMENTS

100. The Receiver reported on the total receipts and disbursements from the date of the Receivership Order to April 9, 2019 in the Seventh Report.

101. The following table provides a summary of the total receipts and disbursements from the date of the appointment of the Receiver on April 13, 2018 to March 6, 2020 in the Receiver’s trust account (the “Receiver’s R&D Period”).

Statement of Receipts and Disbursements			
For the period April 13, 2018 to March 06, 2020			
(in CAD)			
	Sep 25, 2017 to Apr 9, 2019	Apr 10, 2019 to Mar 6, 2020	Sep 25, 2017 to Mar 6, 2020
Receipts			
Deposit funds received and held in trust	30,094,631	-	30,094,631
Interest	58,649	1,345	59,994
Total receipts	30,153,280	1,345	30,154,625
Disbursements			
Proven Deposits returned to Purchasers	29,706,044	5,000	29,711,044
Professional fees	395,000	-	395,000
Bank charges	625	3	628
Total disbursements	30,101,669	5,003	30,106,672
Opening book balance	-	51,611	-
Net cash flow	51,611	(3,658)	47,953
Ending book balance	51,611	47,953	47,953

102. Receipts during the Receiver’s R&D Period were \$30,154,625 and consist of (a) Deposit Funds of \$30,094,631 from the Deposit Trustee and (b) interest of \$59,994 earned since the Deposit Funds were deposited into the Receiver’s trust account on June 18, 2018.

103. Disbursements during the Receiver’s R&D Period were \$30,106,672 and consist of (a) payments to Purchasers of their Proven Deposits pursuant to the Deposit Return Procedure of \$29,711,044, (b) professional fees and disbursements inclusive of HST of \$395,000, which consists of the professional fees of the Receiver and their independent legal counsel, Miller Thomson, and (c) bank charges of \$628.

X. CONCLUSION

104. The Liquidator and the Receiver submit this Eighth Report to the Court in support of the Liquidator’s and the Receiver’s Motion and recommends that the Court grant an Order:

- a. Authorizing and directing the Liquidator to make a further five percent (5%) interim distribution to the Applicants and Respondents in respect of their Eligible Shareholder Loan Claims and reserving for the disputed Non Arms-Length Claims; and
- b. Approving the Eighth Report and the activities and conduct of the Liquidator and the Receiver as set out therein.

105. The Liquidator seeks direction from the Court as to the amount of SAMM's Eligible Shareholder Loan Claim for the distribution being sought.

All of which is respectfully submitted at Toronto, Ontario this 9th day of March, 2020.

**KPMG Inc., in its capacity as Court Appointed Liquidator of
Tarn Financial Corporation and in its capacity as Court Appointed
Receiver of Tarn Construction Corporation and not in its personal capacity**



Per:

Anamika Gadia
Senior Vice President

Volkan Basegmez et al.
Applicants

And Ali Akman et al.
Respondents

Court File No.: CV-17-11697-00CL

ONTARIO
**SUPERIOR COURT OF JUSTICE - COMMERCIAL
LIST**

Proceeding commenced at Toronto

**EIGHTH REPORT OF KPMG INC. in its capacity as
LIQUIDATOR OF TARN FINANCIAL
CORPORATION and SIXTH REPORT OF KPMG INC.
in its capacity as RECEIVER OF TARN
CONSTRUCTION CORPORATION**

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