



Development Specialists, Inc.

Advisory and Fiduciary Services • Corporate Restructuring and Workouts • Interim Management • Insolvency Services

31 December 2014

e-mail address: msorenson@dsi.biz

**FINAL COMMUNICATION
CASE NOW CLOSED**

TO THE CREDITORS OF

FLAVOURS, INC.
24845 & 24855 CORBIT PLACE
YORBA LINDA, CA. 92887

Re: **GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS**

As the Assignee previously advised, Flavours, Inc. (the “Company”) executed a general assignment for the benefit of creditors in favor of Development Specialists, Inc., (the “Assignee”) on December 12, 2013. The Company had exceeded its secured line of credit at the time of the general assignment and was unable to pay its current and past due obligations as they came due. The Company was also unable to find a turn-key buyer.

The Assignee verified the security documents of the Company’s secured lender, Fifth Third Bank, and confirmed the Bank held a lien on all of the Company’s assets. The Bank was owed over \$11.5 million as of the assignment date.

Further, as creditors will recall, the Assignee sold the assets of the Company at a public auction in January 2014 to Gordon Brothers Commercial & Industrial, LLC for \$4,230,000, well below the total owing the secured lender. The sale was with the Bank’s consent. Since the sale the Assignee has been working on liquidating the assets not acquired by Gordon Brothers, all of which remain subject to the Bank’s lien.

The Assignee reviewed potential preferential transfers under state law and began the process of making demand on those creditors with exposure for recovery of such transfers. A number of affected creditors have reached settlements with the Assignee. Those creditors who have not settled their respective preference demands will have complaints filed before the expiration of the applicable statute of limitations so as to preserve the right of the Assignee to recover on these claims. Creditors should note that while the secured lender does not have a lien on the Assignee’s avoidance actions, the Bank and the Assignee agreed that any recoveries on these claims would first be applied to the post-assignment advances provided by the Bank to the Assignee to manage the liquidation process. Those advances totaled approximately \$1.18 million. The gross demands made on creditors are less than that advanced by the Bank and therefore there will not be any surplus over the Bank’s advances for unsecured creditors.

LOS ANGELES

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The bar date established for filing claims with the Assignee was May 21, 2014. Again, in light of the realities of this assignment estate, no recoveries will be available for any unsecured creditor claim. Attached hereto is the assignee's Statement of Receipts and Disbursements, which will provide creditors with the monies recovered and distributed during this assignment estate. Finally, as there will be no recovery for creditors, the Assignee is closing its files in this matter and creditors are requested to mark their records accordingly.

Very truly yours,

Development Specialists, Inc., solely in its capacity
as Assignee for the Benefit of Creditors of FLAVOURS, INC.



By

Matthew P. Sorenson

MM:MPS/FLAVOURS/BULLETIN 3 - FINAL

Enclosures: (Statement Receipts and Disbursements)

Flavours, Inc.
Statement of Cash Receipts and Disbursements

Receipts	
Cash in Bank	10,045.49
Accounts Receivable	6,004.89
Preference Settlements	33,800.00
Refund	29,888.53
Reimbursements	34,259.52
Sale of Assets	4,290,000.00
Secured Lender Funding	<u>580,517.78</u>
Total Receipts	4,984,516.21
 Disbursements	
Administrative Expense	562.55
Bank Charges	1,329.54
Building Repairs/Maintenance	371.99
Insurance	12,865.60
Labor Services	31,306.19
Payroll	12,436.45
Professional Expenses	11,874.35
Professional Fees	312,626.08
Reimbursement	2,543.38
Rent	
Warehouse	6,348.80
Yorba Linda	<u>115,059.00</u>
Total Rent	121,407.80
Security Service	5,235.67
Storage	837.34
Taxes	2,849.07
Trash Services	448.00
Utility	<u>13,267.83</u>
Total Disbursements	529,961.84
 Creditor Distributions	
Secured Lender	<u>4,395,000.00</u>
Total Creditor Distributions	4,395,000.00
 *Total Cash Remaining	 <u><u>59,554.37</u></u>

**The remaining funds will be used for wind down expenses or will be paid to the secured lender.*