



**Fourth Report to Court of
KSV Restructuring Inc. as Proposal
Trustee of 2505243 Ontario Limited**

January 19, 2021

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
2505243 ONTARIO LIMITED,
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

**FOURTH REPORT OF KSV RESTRUCTURING INC. AS PROPOSAL TRUSTEE OF
2505243 ONTARIO LIMITED**

JANUARY 19, 2021

1.0 Introduction

1. This report (the “Report”) is filed by KSV Restructuring Inc. (“KSV”) in its capacity as proposal trustee (the “Proposal Trustee”) in connection with a Notice of Intention to Make a Proposal (“NOI”) filed by 2505243 Ontario Limited (the “Company”) on September 24, 2020 pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”).
2. The Company commenced these proceedings in response to a bankruptcy application (the “Bankruptcy Application”) filed against the Company by Princes Gates GP Inc., the general partner of Princes Gates Hotel Limited Partnership (collectively, “PGH”) and certain other creditors. Pursuant to an order issued by Mr. Justice Koehnen of the Ontario Superior Court of Justice (Commercial List) (the “Court”) dated October 9, 2020 (the “October 9th Order”) the Bankruptcy Application was stayed.
3. The principal purposes of these restructuring proceedings are to provide the Company the opportunity to: (a) advance its litigation against PGH within the timelines of these proceedings; and (b) formulate and make a proposal to its creditors.
4. On November 10, 2020, Mr. Justice Koehnen issued an endorsement (the “November 10th Endorsement”) establishing a litigation timetable (the “Litigation Timetable”). On December 22, 2020, Mr. Justice Koehnen issued a further endorsement (the “December 22nd Endorsement”) revising the Litigation Timetable. Copies of the November 10th Endorsement and the December 22nd Endorsement are provided in Appendix “A”.
5. On December 4, 2020, the Court issued an order (the “December 4th Order”), *inter alia*, increasing the maximum available borrowings under the debtor-in-possession financing facility (the “DIP Facility”) provided by Peter and Paul’s Gifts Limited (the “DIP Lender”) and extending the stay of proceedings to January 22, 2021. A copy of the December 4th Order is attached as Appendix “B”.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company and these proceedings;
 - b) discuss the Company's request for an extension of the stay of proceedings from January 22, 2021 to March 8, 2021;
 - c) report on the Company's weekly cash flow projections for the period January 18, 2021 to March 8, 2021 (the "Cash Flow Forecast");
 - d) discuss the Company's need for an increase in the DIP Facility;
 - e) summarize the Proposal Trustee's activities since December 1, 2020, the date of the Receiver's Third Report to Court (the "Third Report"); and
 - f) recommend that the Court make an order:
 - granting the Company's request for an extension of the time to file a proposal from January 22, 2021 to March 8, 2021;
 - authorizing a \$440,000 increase in the DIP Facility on the terms set out in the Second DIP Amendment (as defined below); and
 - approving this Report and the activities of the Proposal Trustee, as described herein.

1.2 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company, the Company's books and records and discussions with the Company's management. The Proposal Trustee has not audited, reviewed or otherwise verified 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*.
2. The Proposal Trustee expresses no opinion or other level of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own due diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever.
3. An examination of the Cash Flow Forecast as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed. Future oriented financial information relied upon in this Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

1.3 Court Materials

1. Court materials filed in these proceedings can be found on the Proposal Trustee's website at <https://www.ksvadvisory.com/insolvency-cases/case/2505243-ontario-limited>.

2.0 Background

1. The Company is part of a hospitality services group (the "Group") that operates under the business name "byPeterandPauls.com". The Group is privately owned and has operated in the local hospitality industry for close to forty years. The Group presently operates several restaurants across Ontario, including Eaton Hall, The Savoy, Vue, The Clubhouse, Bellagio, Paramount, Universal, The Manor, The Kortright Centre, Black Creek Pioneer Village, Mennagio Restaurant, David Duncan House and PeterandPaulsEventCatering.
2. In 2017, the Company was contracted by PGH to provide food, beverage and catering services at Hotel X, which is located on the Exhibition Grounds in downtown Toronto ("Hotel X").
3. The agreements between the Company and PGH include two leases in relation to the restaurants at Hotel X (Maxx's Kitchen ("Maxx's") and Petros 82 ("Petros")) and a food and beverage agreement for the Company to operate and provide services to Hotel X's banquet facilities, conference halls, a roof top patio and other facilities.
4. The Proposal Trustee has been advised that the Company invested millions of dollars in leasehold improvements at Hotel X, including in Maxx's and Petros. The restaurants opened in March and September 2019, respectively. On March 23, 2020, Hotel X and both restaurants were required to close due to the Covid-19 pandemic crisis.
5. On July 2, 2020, PGH terminated the agreements between PGH and the Company. The terminations coincided with PGH's announcement of its plans to host National Hockey League players who were booked to stay at Hotel X when the 2019/2020 NHL season resumed. PGH contracted with Harlo Entertainment to provide the food and beverage services at Hotel X that were formerly provided by the Company.
6. On July 20, 2020, the Company filed a Statement of Claim against PGH seeking over \$60 million in damages and costs.
7. On September 9, 2020, PGH and a small number of other creditors filed the Bankruptcy Application and on September 24, 2020, the Company filed the NOI.
8. Pursuant to the October 9th Order, the Bankruptcy Application was stayed.
9. Pursuant to an order of the Court issued on October 20, 2020, the DIP Facility and the DIP Lender's charge were approved.

10. Pursuant to the November 10th Endorsement, the following Litigation Timetable was established¹:
 - motions for security for costs and certificate of pending litigation were scheduled to be heard on December 4, 2020²;
 - the pre-trial settlement conference is scheduled to be heard on February 9, 2021;
 - the trial management conference is scheduled to be heard on February 19, 2021; and
 - the trial is scheduled to commence on March 1, 2021.
11. Pursuant to the December 22nd Endorsement the initial Litigation Timetable was revised as follows:
 - the dates for examinations for discovery are January 22, 25 and 26, 2021;
 - the date for delivery of expert reports is February 5, 2021; and
 - the date for answers to undertakings is February 8, 2021.
12. The Company and PGH also agreed to a mediation and retained the Honourable Justice Warren Winkler to act as mediator. The mediation took place on November 27, 2020, however, the mediation did not resolve the disputes between the Company and PGH. No further mediation sessions have been scheduled.

3.0 Company's Request for an Extension

1. The Company is seeking an extension of the time to file a proposal from January 22, 2021 to March 8, 2021.
2. The Company advises that it intends to use the stay extension period to advance its litigation with PGH in accordance with the Litigation Timetable. As noted, the Litigation Timetable contemplates that a trial is scheduled to commence on March 1, 2021.
3. The Proposal Trustee supports the Company's request for the following reasons:
 - a) the Company is acting in good faith and with due diligence;
 - b) creditors will not receive any recovery in a bankruptcy whereas continuing the NOI proceedings provides an opportunity for recoveries that would be funded through a proposal if the Company's litigation is successful, or if a settlement provides the Company with a meaningful financial recovery; and

¹ On November 15, 2020 the Court made revisions to the Litigation Timetable, including changing the scheduled date of the trial management conference from February 22, 2021 to February 19, 2021.

² The Proposal Trustee understands that the Company did not bring the motion for certificate of pending litigation.

- c) no creditor would be materially prejudiced if the extension is granted. The Company's only material asset is its litigation. Other than the litigation, the Company has essentially no assets that can be realized upon that would generate recoveries for creditors.

4.0 Cash Flow Forecast

1. The Company is required to prepare a cash flow forecast for the stay extension period. The Company's Cash Flow Forecast for the period January 18, 2021 to March 8, 2021 (the "Period"), together with Management's Report on the Cash Flow Statement as required by Section 50.4(2)(c) of the BIA, is provided in Appendix "C".
2. The Company is not presently operating. The Company has a small number of employees. All disbursements other than professional costs relate to payroll. The Company's only projected receipts during the Period are anticipated to be from the collection of wage subsidies under a Government of Canada program enacted in response to the Covid-19 Pandemic. Minimal contingent payments are also projected.
3. The Company shares head office space and administrative support services with related companies. The Company is not charged for the use of the shared services or office space. Accordingly, there are no such costs presented in the Cash Flow Forecast.
4. Based on the Proposal Trustee's review of the Cash Flow Forecast, there are no material assumptions which seem unreasonable. The Proposal Trustee's Report on the Company's Cash Flow Statement as required by Section 50.4(2)(b) of the BIA is attached as Appendix "D".

4.1 Increase in the DIP Facility³

1. Pursuant to a DIP term sheet dated October 16, 2020 (the "DIP Term Sheet"), the original borrowing limit under the DIP Facility was \$300,000 (the "Original DIP Amount"). Pursuant to an amendment to the DIP Term Sheet dated November 30, 2020, the maximum amount that can be borrowed under the DIP Facility was increased to \$460,000. As at the date of this Report, the Company has borrowed approximately \$219,000 under the DIP Facility; however, by the return of this motion or shortly thereafter, substantially the full amount of the DIP Facility is expected to be drawn.
2. Based on the Cash Flow Forecast, the Company will require an increase of \$440,000 (the "DIP Limit Increase") to the maximum amount that it can borrow under the DIP Facility, bringing the maximum amount available to be borrowed under the DIP Facility to \$900,000. The DIP Limit Increase is required to fund the costs of these proceedings and the litigation.

³ Terms not defined in this section have the meaning provided to them in the DIP Term Sheet, as amended, unless otherwise defined herein.

3. The DIP Lender has agreed to the DIP Limit Increase pursuant to a second amendment to the DIP Term Sheet dated January 18, 2021 (the “Second DIP Amendment”).
4. Pursuant to the Second DIP Amendment, the DIP Limit Increase (\$440,000) will accrue interest at 7%, whereas the interest rate on prior advances under the DIP Facility is 5%⁴. There are no other changes to the terms of the DIP Facility. A copy of the Second DIP Amendment is attached as Appendix “E” to this Report.

4.2 Second DIP Amendment Recommendation

1. The Proposal Trustee has considered the factors set out in Section 50.6(5) of the BIA with respect to the granting of a Court order for interim financing and a charge related thereto. The Proposal Trustee believes that the Second DIP Amendment is reasonable for the following reasons:
 - a) the increased maximum borrowings under the DIP Facility enhance the prospects of a successful restructuring;
 - b) the rate of interest on borrowings under the Second DIP Amendment (7%) remains below market rates for a debtor-in-possession loan and is only 2% higher than the interest rate on prior advances under the DIP Facility;
 - c) the incremental increase in interest on the facility (2%) is insignificant on an annualized basis (approximately \$8,900⁵);
 - d) the incremental increase in interest on the DIP Limit Increase is further justifiable on the basis that the risk of recovering under the DIP Facility increases as the amount outstanding under it increases;
 - e) absent an increase in the DIP Facility, the Company will be without the liquidity to fund these proceedings and its litigation;
 - f) no creditor will be materially prejudiced by an increase in the maximum borrowings under the DIP Facility. If the Company is liquidated at this time, creditors will not have any recovery;
 - g) aside from the increase in the maximum borrowings under the DIP Facility and the increase to the rate of interest, all other terms of the DIP Facility remain unchanged; and
 - h) in the Proposal Trustee’s view, these proceedings cannot advance without an increase in the DIP Facility.

⁴ The Company’s borrowings under the current DIP Facility totaling \$460,000 remain subject to interest at 5% per annum, compounded monthly and payable on the Maturity Date.

⁵ 2% compounded monthly on \$440,000 assuming this was fully drawn for a year.

5.0 Overview of the Company's Activities

1. The Company's activities since December 1, 2020, the date of the Third Report, have included, *inter alia*:
 - a) working extensively with its counsel, Norton Rose Fulbright Canada LLP ("Norton Rose"), concerning the Company's litigation against PGH;
 - b) making arrangements to comply with the Endorsement of the Honourable Justice Cavanagh dated December 7, 2020, requiring the Company to post security for costs in the amount of \$500,000 by January 21, 2021;
 - c) reviewing decisions released by the Ministry of Labour, Training and Skills Development ("MOL") in respect of complaints filed by certain of the Company's former employees ("Former Employees"). The MOL's decisions, in favour of the Former Employees, order the Company to pay the Former Employees certain amounts pursuant to the *Employment Standards Act, 2000*, S.O. 2000, c. 41. The Proposal Trustee understands that the Company is considering whether to appeal the MOL's decisions; and
 - d) assisting the Proposal Trustee to prepare the Company's statutory cash flow forecasts.

6.0 Overview of the Proposal Trustee's Activities

1. The Proposal Trustee's activities since December 1, 2020, the date of the Third Report, have included:
 - a) preparing the Company's statutory cash flow forecasts, Management's Reports on the Cash Flow Statements and the Proposal Trustee's Reports on the Cash Flow Statements;
 - b) filing materials with the Office of the Superintendent of Bankruptcy, as required pursuant to the BIA;
 - c) drafting this Report;
 - d) attending at Court, as required;
 - e) corresponding with its counsel, Paliare Roland Rosenberg Rothstein LLP ("Paliare Roland"), and with Norton Rose regarding these proceedings;
 - f) corresponding with counsel to PGH;
 - g) corresponding with creditors;
 - h) reviewing the DIP Term Sheet, as amended;

- i) corresponding with the Company regarding its actual receipts and disbursements during these proceedings and assisting the Company to prepare funding requests under the DIP Facility;
- j) reviewing the MOL's decisions, considering the impact that these decisions may have on the rest of the Company's former employees and corresponding with Paliare Roland and Norton Rose regarding same;
- k) posting materials filed with the Court on the Proposal Trustee's website established for these proceedings; and
- l) maintaining the service list.

7.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(f) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
2505243 ONTARIO LIMITED
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

From: Koehnen, Mr. Justice Markus (SCJ)

Sent: November 10, 2020 4:05 PM

To: Sutton, Randy <randy.sutton@nortonrosefulbright.com>; Anissimova, Alsou (MAG) <Alsou.Anissimova@>; Stam, Jennifer <jennifer.stam@nortonrosefulbright.com>; Choi, Peter <peter.choi@nortonrosefulbright.com>; Bobby Kofman <bkofman@ksvadvisory.com>; Anschuetz, Erika <erika.anschuetz@nortonrosefulbright.com>

Cc: Jeff.Larry@paliaroland.com; pcarey@loonix.com; tlambert@loonix.com;

Subject: Re: 31-2675288 - In the Matter of the Notice of Intention to Make a Proposal of 2505243 Ontario Limited

This email constitutes my endorsement arising of today's hearing and should be placed into the court file.

The following dates were confirmed or set during today's case conference:

December 4, 2020 2 PM before Conway J: motion for security for costs, certificate of pending litigation and to extend the stay.

February 9, 2021 at 10 AM: pretrial settlement conference before Justice Haney for two hours.

February 22, 2021 at 11 AM trial management conference before Justice McEwen

March 1, 2021: seven day trial before Justice McEwen

Justice Markus Koehnen

Endorsement of Mr. Justice Koehnen dated December 22, 2020

From: Koehnen, Mr. Justice Markus (SCJ)

Sent: December 22, 2020 10:20 AM

To: Carey, Peter <pcarey@loonix.com>; Sutton, Randy <randy.sutton@nortonrosefulbright.com>; Anschuetz, Erika <erika.anschuetz@nortonrosefulbright.com>; Piliéci, Amanda <apiliéci@loonix.com>

Cc: Bobby Kofman <bkofman@ksvadvisory.com>

Subject: Re: Peter Carey's Zoom Meeting

Email Endorsement

The following are my directions arising out of today's case conference:

1. The dates for examinations for discovery are changed to January 22, 25 and 26, 2021.
2. The date for delivery of experts' reports is extended to February 5, 2021.
3. The date for answers to undertakings is extended to February 8, 2021.

In addition, if the plaintiff produces any more documents between now and the examinations for discovery, plaintiff's counsel will advise defence counsel on which of those documents the plaintiff will rely during the examinations for discovery and on which they will rely at trial.

Justice Markus Koehnen

Ontario Superior Court of Justice

Appendix “B”

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)**

THE HONOURABLE) FRIDAY, THE 4TH
)
JUSTICE CAVANAGH) DAY OF DECEMBER, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF 2505243 ONTARIO LIMITED
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**ORDER
(Extension of Time to File a Proposal and DIP Increase)**

THIS MOTION, made by 2505243 Ontario Limited (the **Debtor**) for an order, among other things, (a) extending the time for the Debtor to file a proposal pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the **BIA**); (b) increasing the maximum borrowing available in Post-Filing Advances (as defined in the Order of this Court dated October 20, 2020, the **October 20 Order**); and (c) approving the Third Report of the Proposal Trustee (as both terms are defined below) and the activities of the Proposal Trustee described therein, was heard this day virtually via Zoom videoconference as a result of the COVID 19 pandemic.

ON READING the affidavit of Peter Eliopoulos sworn November 30, 2020 (the **Eliopoulos Affidavit**), the third report of KSV Restructuring Inc., in its capacity as proposal trustee (in such capacity, the **Proposal Trustee**) dated December 1, 2020 (the **Third Report**), and on hearing the submissions of counsel for the Debtor, the Proposal Trustee and those other parties present, no one else appearing although duly served as evidenced by the Affidavit of Service of Gianni Bianchi sworn December 1, 2020, filed;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the Third Report is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to section 50.4(9) of the BIA, the time for the Debtor to file a proposal with the Official Receiver be and is hereby extended to January 22, 2021.

AMENDMENTS TO DIP FINANCING

3. **THIS COURT ORDERS** that the Debtor shall be authorized and empowered to obtain further additional Post-Filing Advances on the same terms as authorized by the October 20 Order.

4. **THIS COURT ORDERS** that the DIP Lender's Charge (as defined in the October 20 Order) and the priority afforded thereto shall apply to any Post-Filing Advances.

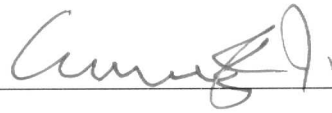
ACTIVITIES OF THE PROPOSAL TRUSTEE

5. **THIS COURT ORDERS** that the Third Report and the activities of the Proposal Trustee as set out therein be and are hereby approved.

RECOGNITION

6. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Debtor, the Proposal Trustee and their respective agents in

carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtor and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
2505243 ONTARIO LIMITED OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO

Estate/Court File No.: 31-2675288

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)**

Proceeding commenced at TORONTO

**ORDER
(Extension of Time to File a
Proposal and DIP Increase)**

NORTON ROSE FULBRIGHT CANADA LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto, ON M5K 1E7

Jennifer Stam (LSO# 46735J)

Tel: 416-202-6707

Email: jennifer.stam@nortonrosefulbright.com

Randy Sutton (LSO# 50369C)

Tel: 416-216-4046

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Peter Tae-Min Choi (LSO# 74952L)

Tel: 416-216-2474

Email: peter.choi@nortonrosefulbright.com

Fax: 416-216-3930

Lawyers for 2505243 Ontario Limited

Appendix “C”

2505243 Ontario Limited

Projected Statement of Cash Flow

For the period January 18, 2021 to March 8, 2021

(C\$; unaudited)

	Note	Week Ending							1 Day Ending	Total
		24-Jan-21	31-Jan-21	07-Feb-21	14-Feb-21	21-Feb-21	28-Feb-21	07-Mar-21	08-Mar-21	
	1									
<i>Total Receipts</i>	2	-	3,000	-	-	-	3,000	-	-	6,000
<i>Disbursements</i>										
Rent and overhead costs	3	-	-	-	-	-	-	-	-	-
Payroll costs and remittances	4	3,286	550	2,078	550	2,042	550	2,078	550	11,684
Accounting professional fees	5	5,650	-	-	-	-	-	-	-	5,650
Contingency		1,500	1,500	1,500	1,500	1,500	1,500	1,500	300	10,800
<i>Total Operating Disbursements</i>		10,436	2,050	3,578	2,050	3,542	2,050	3,578	850	28,134
<i>Net Cash Flow before the Undernoted</i>		(10,436)	950	(3,578)	(2,050)	(3,542)	950	(3,578)	(850)	(22,134)
Restructuring and litigation professional fees	6	238,549	-	207,500	-	-	-	207,500	-	653,549
		(248,985)	950	(211,078)	(2,050)	(3,542)	950	(211,078)	(850)	(675,683)
DIP Facility advances	7	238,549	-	207,500	-	-	-	207,500	-	653,549
<i>Net Cash Flow</i>		(10,436)	950	(3,578)	(2,050)	(3,542)	950	(3,578)	(850)	(22,134)
Opening Cash Balance	8	22,537	12,101	13,051	9,473	7,423	3,881	4,831	1,253	22,537
Closing Cash Balance		12,101	13,051	9,473	7,423	3,881	4,831	1,253	403	403
DIP Facility balance as at January 18, 2020		218,879	457,428	457,428	664,928	664,928	664,928	664,928	872,428	218,879
Future DIP Facility advances		238,549	-	207,500	-	-	-	207,500	-	653,549
Closing DIP Facility balance		457,428	457,428	664,928	664,928	664,928	664,928	872,428	872,428	872,428

The statement of projected cash-flow of 2505243 Ontario Limited has been prepared in accordance with the provisions of *The Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on Cash-flow Statement.

2505243 ONTARIO LIMITED

Per: _____

Date

Jan 19/21

KSV RESTRUCTURING INC.
 IN ITS CAPACITY AS TRUSTEE UNDER THE
 NOTICE OF INTENTION TO MAKE A PROPOSAL
 AND NOT IN ITS PERSONAL CAPACITY

Per: _____

January 19, 2021

Date

2505243 Ontario Limited

Notes to Projected Statement of Cash Flow

For the period January 18, 2021 to March 8, 2021

(C\$; unaudited)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash-flow of 2505243 Ontario Limited (the "Company") for the period January 18, 2021 to March 8, 2021 (the "Period") in respect of its NOI proceedings under the *Bankruptcy and Insolvency Act*.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by the Company.

Hypothetical Assumptions

2. Represents a wage subsidy collectible under a program enacted by the Government of Canada in response to the Covid-19 pandemic.

Most Probable Assumptions

3. The Company shares administrative office space with related parties at another premises. The Company has never been billed for rent or overhead costs related to the shared space/services. No such costs are projected during the Period.
4. Represents payroll costs, source deduction remittances and WSIB remittances.
5. Represents the professional fees of the Company's external accountant in relation to the preparation of financial statements and tax returns.
6. Represents the professional fees of the Proposal Trustee, the Proposal Trustee's legal counsel and the Company's legal counsel.
7. Represents funding required under the DIP Facility, subject to the approval of the Court.
8. Represents the Company's cash balance as at January 18, 2021.

**Report on Cash Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA**

The management of 2505243 Ontario Limited (the “Company”) has developed the assumptions and prepared the attached statement of projected cash flow of the Company for the period ending March 8, 2021.

The hypothetical and probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 8.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 8. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 18th day of January, 2021.

2505243 Ontario Limited

Per: _____

Appendix “D”

**Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of projected cash-flow of 2505243 Ontario Limited, as of the 19th day of January 2021, consisting of a monthly Cash Flow Statement for the period January 18, 2021 to March 8, 2021, has been prepared by the management of the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2-8.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

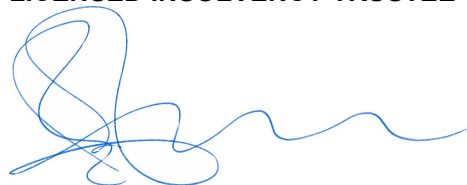
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated this 19th day of January, 2021.

**KSV RESTRUCTURING INC.
LICENSED INSOLVENCY TRUSTEE**



Per: Robert Kofman

Appendix “E”

SECOND AMENDMENT TO INTERIM DIP FINANCING TERM SHEET

This Second Amendment (the “**Second Amendment**”) to the Interim DIP Financing Term Sheet dated as of October 16, 2020 (as amended on November 30, 2020 pursuant to the First Amendment to the Interim DIP Financing Term Sheet, the “**DIP Term Sheet**”) is dated as of the 18th day of January, 2021.

BETWEEN:

2505243 ONTARIO LIMITED

(the “**Borrower**”)

AND:

PETER AND PAUL’S GIFTS LIMITED

(the “**DIP Lender**”)

WHEREAS, the Borrower requested and the DIP Lender agreed to provide financing to the Borrower during the pendency of the Borrower’s proceedings under the *Bankruptcy and Insolvency Act*, which commenced upon the Borrower’s filing of a notice of intention to make a proposal on September 24, 2020;

AND WHEREAS, the Borrower and the DIP Lender entered into the DIP Term Sheet;

AND WHEREAS, the Borrower and the DIP Lender wish to further amend the DIP Term Sheet on the terms set out in this Second Amendment.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

1. AMENDMENT TO DIP TERM SHEET

The Borrower and the DIP Lender agree that the DIP Term Sheet is amended as follows:

- (a) the definition of “Facility Amount” as defined in paragraph 4 of the DIP Term Sheet is amended to replace reference to \$300,000 with “\$900,000”; and
- (b) the first sentence of paragraph 5 of the DIP Term Sheet is replaced in its entirety with “Interest shall be payable in cash on the aggregate of the outstanding principal amount of the Facility Amount (i) at a rate equal to 5% in respect of advances up to the principal amount of \$460,000, and (ii) at a rate equal to 7% in respect of advances to the subsequent principal amount of \$440,000, in each case per annum, compounded monthly and payable in full on the Maturity Date.”

2. CONSTRUCTION AND INTERPRETATION

This Second Amendment shall be read together with the DIP Term Sheet. This Second Amendment is governed exclusively by, and is to be enforced, construed and interpreted exclusively in accordance with, the laws of Ontario and the laws of Canada applicable in Ontario which is deemed to be the proper law of this Second Amendment. If there is a conflict between the terms and conditions of the DIP Term Sheet and the terms and conditions of this Second Amendment, the terms and conditions of this Second Amendment shall prevail.

3. COUNTERPARTS

This Second Amendment may be executed by the parties in counterparts and may be executed and delivered by electronic transmission.

[Signature page follows]


IN WITNESS HEREOF, the parties hereby execute this Second Amendment to the Interim DIP Financing Term Sheet as at the date first above mentioned.

Address:

PETER AND PAUL'S GIFTS LIMITED

6260 Hwy 7, Unit 1
Vaughan, Ontario, L4H 4G3

Attention: Anna Eliopoulos
Email: peterandpauls@gmail.com

Per: 
Name: Anna Eliopoulos
Title: President

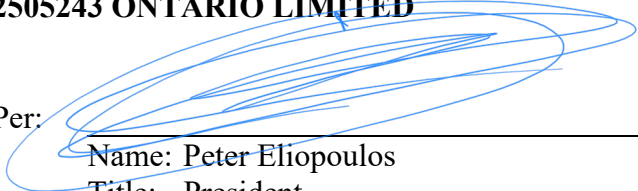
I have authority to bind the corporation.

Address:

**BORROWER:
2505243 ONTARIO LIMITED**

6260 Hwy 7, Unit 1
Vaughan, Ontario, L4H 4G3

Attention: Peter Eliopoulos
Email: peterandpauls@gmail.com

Per: 
Name: Peter Eliopoulos
Title: President

With a copy to:

Norton Rose Fulbright Canada LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto, Ontario, M5K 1E7

Attention: Jennifer Stam
Email: jennifer.stam@nortonrosefulbright.com

I have authority to bind the corporation.