



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

December 1, 2020

Contents

	Page
1.0 Introduction.....	1
1.1 Purposes of this Report.....	2
1.2 Restrictions	2
1.3 Court Materials.....	3
2.0 Background	3
3.0 Company’s Request for an Extension	4
4.0 Cash Flow Forecast.....	5
4.1 Maximum Borrowings Under the DIP Facility	5
4.2 DIP Facility Recommendation	6
5.0 Overview of the Proposal Trustee’s Activities	6
6.0 Conclusion and Recommendation	7

Appendices

Appendix	Tab
Court Order dated October 20, 2020	A
Endorsement of Justice Koehnen dated October 20, 2020	B
Endorsement of Justice Koehnen dated November 10, 2020	C
Proposal Trustee’s First Report to Court dated September 28, 2020	D
Proposal Trustee’s Second Report to Court dated October 18, 2020	E
Cash Flow Forecast and Management’s Report on Cash Flow	F
Proposal Trustee’s Report on Cash Flow.....	G
Amended DIP Term Sheet	H

**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**

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

DECEMBER 1, 2020

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 October 20, 2020, the Court issued an order (the “October 20th Order”), *inter alia*, approving a 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 December 8, 2020. Mr. Justice Koehnen also issued an endorsement on that date (the “October 20th Endorsement”) stating that:

“The extended time period is intended to permit litigation between 250 Co. and Princess Gates to be completed within the life of the NOI. The parties have agreed in principle to work on a schedule that would lead to a trial in February 2021.”

Copies of the October 20th Order and the October 20th Endorsement are attached as Appendix “A” and “B”, respectively.

5. On November 10, 2020, Mr. Justice Koehnen issued a further endorsement (the “November 10th Endorsement”) establishing a litigation timetable (the “Litigation Timetable”). A copy of the November 10th Endorsement is attached as Appendix “C”.

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 December 8, 2020 to January 22, 2021;
 - c) report on the Company’s weekly cash flow projections for the period November 30, 2020 to January 22, 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 the commencement of these proceedings; 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 December 8, 2020 to January 22, 2021;
 - increasing the maximum amount that can be borrowed under the DIP Facility from \$300,000 to \$460,000; and
 - approving the Proposal Trustee’s First Report to Court dated September 28, 2020 (the “First Report”), the Proposal Trustee’s Second Report to Court dated October 18, 2020 (the “Second Report”), this Report and the activities of the Proposal Trustee as described in each of those reports. (Copies of the First Report and Second Report are attached as Appendix “D” and “E”, respectively, without appendices.)

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; however, 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 the October 20th Order, the DIP Facility and the DIP Lender's charge were approved.
10. Pursuant to the November 10th Endorsement, the Litigation Timetable is as follows:
 - motions for security for costs and certificate of pending litigation are scheduled to be heard on December 4, 2020¹;
 - 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 22, 2021; and
 - the trial is scheduled to commence on March 1, 2021.
11. 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. As of the date of this Report, 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 December 8, 2020 to January 22, 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;

¹ The Proposal Trustee understands that the Company has since determined it will 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; and
- d) the extension is contemplated by the October 20th Endorsement.

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 November 30, 2020 to January 22, 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 "F".
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 "G".

4.1 Maximum Borrowings Under the DIP Facility²

1. Pursuant to a DIP term sheet dated October 16, 2020 (the "DIP Term Sheet"), the borrowing limit under the DIP Facility is \$300,000 (the "Original DIP Amount"). The Company has borrowed approximately \$141,500 under the DIP Facility.
2. Based on the Cash Flow Forecast, the Company will require an increase of \$160,000 to the maximum amount that it can borrow under the DIP Facility, bringing the maximum amount that can be borrowed under the DIP Facility to \$460,000.
3. The DIP Lender has agreed to increase the amount of the DIP Facility to \$460,000 pursuant to an amendment to the DIP Term Sheet dated November 30, 2020 (the "Amended DIP Term Sheet"). This is the only change to the terms of the DIP Facility. A copy of the Amended DIP Term Sheet is attached as Appendix "H" to this Report

² Terms not defined in this section have the meaning provided to them in the Amended DIP Term Sheet unless otherwise defined herein.

4.2 DIP Facility 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 an increase in the DIP Facility is reasonable for the following reasons:
 - a) the increased maximum borrowings under the DIP Facility enhance the prospects of a successful restructuring;
 - b) absent an increase in the DIP Facility, the Company will be without the liquidity to fund these proceedings and its litigation. An increase in maximum borrowings under the DIP Facility is necessary to fund these costs;
 - c) no creditor will be materially prejudiced by an increase in the maximum borrowings under the DIP Facility. The increase in the DIP Facility is integral to continue paying the costs of these proceedings so that there may be a recovery on the litigation. If the Company is liquidated at this time, creditors will not have any recovery;
 - d) aside from the increase in the maximum borrowings under the DIP Facility, all other terms of the DIP Facility remain unchanged; and
 - e) in the Proposal Trustee's view, these proceedings cannot advance without an increase in the DIP Facility.

5.0 Overview of the Proposal Trustee's Activities

1. The Proposal Trustee's activities since the commencement of the proceedings have included:
 - a) working with the Company to prepare the documents required to commence the NOI process;
 - b) reviewing the Bankruptcy Application and attending at the motion to consider same;
 - c) mailing notices to each of the Company's creditors as required pursuant to the BIA;
 - d) 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;
 - e) filing materials with the Office of the Superintendent of Bankruptcy as required pursuant to the BIA;
 - f) compiling and updating the Company's creditor lists;
 - g) preparing a communication plan and providing the Company with scripts to respond to creditor inquiries;

- h) drafting Reports to Court;
- i) attending at Court, as required;
- j) corresponding with its counsel, Paliare Roland Rosenberg Rothstein LLP, and with the Company's counsel, Norton Rose Fulbright Canada LLP ("Norton Rose"), regarding these proceedings;
- k) reviewing correspondence between Norton Rose and Loopstra Nixon LLP, counsel to PGH, in relation to litigation matters;
- l) corresponding with creditors;
- m) reviewing the DIP Term Sheet and the Amended DIP Term Sheet;
- n) providing the e-service protocol to the service list;
- o) 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;
- p) posting materials filed with the Court on the Proposal Trustee's website established for these proceedings; and
- q) maintaining the service list.

6.0 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
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
2505243 ONTARIO LIMITED
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

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

THE HONOURABLE

JUSTICE KOEHNEN

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TUESDAY, THE 20TH

DAY OF OCTOBER, 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, Administration Charge and DIP Lender’s Charge)**

THIS MOTION, made by 2505243 Ontario Limited (the **Debtor**) for an order, among other things, 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**); granting an Administration Charge (defined below); and the DIP Lender’s Charge (defined below) was heard this day virtually via Zoom videoconference as a result of the COVID 19 pandemic.

ON READING the affidavit of Peter Eliopoulos sworn October 16, 2020 (the **Eliopoulos Affidavit**), the second report of KSV Restructuring Inc., in its capacity as proposal trustee (in such capacity, the **Proposal Trustee**) dated October 18, 2020 (the **Second 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 October 16, 2020, filed;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the Second 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 December 8, 2020.

ADMINISTRATION CHARGE

3. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor shall be entitled to the benefit of and are hereby granted a charge (the **Administration Charge**) on all of the Debtor's current and future assets, undertakings, properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the **Property**), which charge shall not exceed an aggregate amount of \$100,000 as security for their professional fees and disbursements, incurred at their standard rates and charges, both before and after the granting of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 8 and 10 hereof.

DIP FINANCING AND DIP LENDER'S CHARGE

4. **THIS COURT ORDERS** that the Debtor is hereby authorized and empowered to borrow monies (**Post-Filing Advances**) from Peter and Paul's Gifts Limited (in such capacity, the **DIP Lender**) pursuant to the DIP Term Sheet (as defined in and attached to the Second Report) in order to finance the Debtor's restructuring proceedings substantially in accordance with the cash flow budget attached to the Second Report (the **Cash Flow**).

5. **THIS COURT ORDERS** that pursuant to section 50.6 of the BIA, the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the **DIP Lender's Charge**) on the Property, which DIP Lender's Charge shall secure only advances made to the Debtor under the DIP Term Sheet after this Order is made as well as any accrued and unpaid interest and professional fees of counsel to the DIP Lender.

6. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order or the provisions of section 69 of the BIA:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge;

- (b) the foregoing rights and remedies of the DIP Lender shall be enforceable against any receiver, receiver and manager, interim receiver or trustee in bankruptcy of the Debtor or the Property.

VALIDITY AND PRIORITY OF CHARGES

7. **THIS COURT ORDERS** that the priorities of the Administration Charge and DIP Lender's Charge, as among them, shall be as follows:

- (a) First: Administration Charge (to the maximum amount of \$100,000); and
- (b) Second: DIP Lender's Charge.

8. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge and the DIP Lender's Charge (collectively, the **Charges**) shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

9. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and the Charges shall rank ahead in priority to all other security interests, trusts, liens, charges and encumbrances claims of secured creditors, statutory or otherwise (collectively, **Encumbrances**) in favour of any person but subject to sections 14.06(7) and 81.3(1) of the BIA and any properly perfected purchase money security interests in existence and in priority to advances already made under the DIP Term Sheet as at the time of this Order or any valid priority lien held by the Ministry of Finance in respect of its PPR registration (as defined and described in the Eliopoulos Affidavit).

10. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Debtor also obtains the prior written consent of the beneficiaries of the applicable Charges or further Order of this Court.

11. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the **Chargees**) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency (expressly or impliedly) made

herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such application(s); (c) the filing of any assignments for the general benefit of creditors made or deemed to have been made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an **Agreement**) which binds the Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges or the execution, delivery, perfection, registration or performance in connection thereof shall not create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party; and
- (b) the payments made by the Debtor pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

12. **THIS COURT ORDERS** that the Charges created by this Order over leases of real property in Canada shall only be a charge in the Debtor's interest in such real property leases.

RECOGNITION

13. **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, Administration Charge
& DIP Lender's Charge)**

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)

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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 “B”

Endorsement of Mr. Justice Koehnen dated October 20, 2020

From: Koehnen, Mr. Justice Markus (SCJ)

Sent: October 20, 2020 6:36 PM

To: Stam, Jennifer <jennifer.stam@nortonrosefulbright.com>; Sutton, Randy <randy.sutton@nortonrosefulbright.com>; Choi, Peter <peter.choi@nortonrosefulbright.com>; Bobby Kofman <bkofman@ksvadvisory.com>; Jeff.Larry@paliareroland.com; Carey, Peter <pcarey@loonix.com>; Lambert, Thomas <tlambert@loonix.com>

Cc: JUS-G-MAG-CSD-Toronto-SCJ Commercial List

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 out of today's hearing and should be placed into the court file.

I have attached a signed order extending the time period for 250 Co. to file a proposal. The order also approves a DIP facility.

The extended time period is intended to permit litigation between 250 Co. and Princess Gates to be completed within the life of the NOI. The parties have agreed in principle to work on a schedule that would lead to a trial in February 2021. I will make myself available if the parties have any difficulties in arriving at a schedule. Given the ultimate timeline for a proposal to be filed, the dates in the schedule should be treated as peremptory to both sides.

The extension of the stay contemplated in the attached order does not, however, in any way inhibit the right of Princess Gates to mount a counterclaim to any claim that 250 Co. may launch against princess Gates.

In a similar vein, neither the extension of the stay nor the approval of the DIP facility is intended to preclude any motion for security for costs against 250 Co.

Appendix “C”

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

Appendix “D”



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

September 28, 2020

Contents

Page

1.0	Introduction.....	1
1.1	Purposes of this Report.....	1
1.2	Restrictions	2
1.3	Court Materials.....	2
2.0	Background	2
3.0	Financial Position.....	3
3.1	Assets	3
3.2	Liabilities	4
4.0	Cash Flow Forecast.....	5
5.0	Administration Charge	6
6.0	Conclusion and Recommendation	6

Appendices

Appendix

Tab

	Cash Flow Forecast and Management's Report on Cash Flow.....	A
	Proposal Trustee's Report on Cash Flow.....	B



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

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

SEPTEMBER 28, 2020

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 (the “Filing Date”) 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 affidavit of Peter Eliopoulos, the Founder and President of the Company, affirmed on September 25, 2020 (the “Eliopoulos Affidavit”) provides, *inter alia*, the Company’s history and the background to these proceedings. The Eliopoulos Affidavit has been filed separately in the Company’s motion materials.
3. The principal purposes of these restructuring proceedings are to: (a) obtain a stay of proceedings while the Company advances its litigation against PGH (as defined below) on a streamlined basis; and (b) have the opportunity to formulate and make a proposal to its creditors.

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) report on the Company’s weekly cash flow projections for the period September 24 to November 1, 2020 (the “Cash Flow Forecast”);

- c) discuss the rationale for a charge in the amount of \$100,000 on the Company's property and assets as protection for the fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel, Paliare Roland Rosenberg Rothstein LLP ("Paliare Roland"), and the Company's counsel, Norton Rose Fulbright Canada LLP ("Norton Rose") (the "Administration Charge"); and
- d) recommend that the Court make an order approving the Administration Charge.

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 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 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 will be maintained 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 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 Company 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 Princes Gates GP Inc., the general partner of Princes Gates Hotel Limited Partnership (jointly, "PGH") to provide food, beverage and catering services at Hotel X, 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 in relation 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; however, 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 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, Hotel X and a small number of other creditors commenced a Bankruptcy Application against the Company.
8. On September 24, 2020, the Company filed the NOI.
9. The Proposal Trustee understands that the purpose of the NOI proceedings is to obtain a stay of proceedings in order to commence a streamlined process to litigate with Hotel X, and to allow the Company the opportunity to restructure its business by formulating and making a proposal to its creditors.

3.0 Financial Position

3.1 Assets

1. A summary of the Company's assets as at September 25, 2020 is provided in the table below¹.

Asset	Note	(Unaudited) Amount (\$000's)
Cash		28
Accounts receivable	a	1,246
Prepaid asset	b	115
Property, plant and equipment (at cost)	c	6,983
Total		8,372

¹ For the purpose of this Report, no value has been attributed to the Company's litigation with Hotel X.

Notes:

- a. Accounts receivable are due from PGH and relate to pre-Covid operations at Hotel X. The Proposal Trustee has been advised that PGH disputes approximately \$176,000 of the balance. The disputed amounts relate to administrative fees, licensing fees, credit card processing fees and credit card chargebacks².
- b. Prepaid assets relate to a rent security deposit paid to PGH.
- c. Property, plant and equipment relates to leasehold improvements, restaurant equipment, silverware and dishes for the Company's operations at Hotel X.

3.2 Liabilities

1. A summary of the Company's liabilities as at September 25, 2020 is provided in the table below³.

Liability	Note	(Unaudited) Amount (\$000's)
Trade payables	a	3,905
Taxes payable	b	109
Unearned revenue	c	622
Shareholder loans	d	1,603
Related party loans	d	4,175
Total		10,414

Notes:

- a. The trade payables are summarized below.

Trade Payables	Note	Amount (\$000's)
Related parties	I	1,140
PGH	li	583
Sysco	Food and beverage	558
DGS Events Inc.	Staffing agency	242
The Butcher Shoppe	Meat and poultry	159
Ferrari & Son Limited	Fresh produce	152
Mega City Rental Supplies Inc.	Linen rental and cleaning	117
Dunford Liscio (Ontario) Inc.	Leasehold improvements	112
Other (119 third party vendors)		842
Total		3,905

² The Company advised that it has not been provided with a reconciliation of these amounts.

³ Excluding any litigation claims.

- i. Certain related parties funded payroll on behalf of the Company and provided goods and services to the Company. Goods and services primarily relate to the supply of paper products, décor and gift items to Petros, Maxx's and a grab-and-go counter the Company operated at Hotel X.
 - ii. Represents amounts owing to PGH for shared costs at Hotel X, including cleaning and security services, as well as utilities. This amount is before taking into consideration any set offs available to the Company in respect of the accounts receivable discussed in Section 3.1(1) of this Report. These expenses are paid by PGH, with a portion charged by PGH to the Company. The Proposal Trustee understands that PGH claims the amount owing is approximately \$1.32 million, which the Company disputes.
- b. Taxes payable include HST (approximately \$55,000), employer health taxes (approximately \$20,000), WSIB (approximately \$18,000) and interest and penalties on source deductions (approximately \$16,000)⁴.
 - c. Unearned revenue is comprised of deposits received from customers for future events.
 - d. The Company's shareholders and certain related parties made advances to the Company to pay for leasehold improvements and equipment prior to the opening of the restaurants at Hotel X.

4.0 Cash Flow Forecast

1. Pursuant to Section 50.4(2)(a) of the BIA, the Company is required to prepare and file a cash flow forecast within 10 days of filing the NOI.
2. The Company's Cash Flow Forecast for the period September 24, 2020 to November 1, 2020 (the "Period"), together with Management's Report on the Cash-Flow Statement as required by Section 50.4(2)(c) of the BIA, are provided in Appendix "A".
3. 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. All disbursements other than professional costs also relate to payroll.
4. The Company shares head office space and administrative support services with related companies. The related companies do not allocate any of the related costs to the Company for these services. Accordingly, there are no such costs presented in the Cash Flow Forecast.

⁴ The Company is appealing these.

5. 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 "B".
6. To the extent that funding is required for these proceedings, including in respect of professional fees, they are to be paid from a financing facility that will be arranged with the Company. Approval of the facility will be subject to approval of the Court. The financing motion has been deferred pending the outcome of the motion concerning the Bankruptcy Application.

5.0 Administration Charge

1. The Company is seeking an Administration Charge in the amount of \$100,000 as protection for the fees and disbursements of the Proposal Trustee, Paliare Roland and Norton Rose. An Administration Charge is a common feature in restructuring proceedings. The Proposal Trustee is of the view that the Administration Charge is appropriate in this case because of the Company's lack of liquidity. The Administration Charge will create a first charge on any and all assets of the Company, including any litigation proceeds.

6.0 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)(d) 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 “E”



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

October 18, 2020

Contents

	Page
1.0 Introduction.....	1
1.1 Purposes of this Report.....	1
1.2 Restrictions	2
1.3 Court Materials.....	2
2.0 Background	3
3.0 Company’s Request for an Extension	4
4.0 Cash Flow Forecast.....	4
4.1 DIP Facility.....	5
4.2 DIP Facility Recommendation	6
5.0 Administration Charge	6
6.0 Conclusion and Recommendation	7

Appendices

Appendix	Tab
Court Order dated October 9, 2020	A
Cash Flow Forecast and Management’s Report on Cash Flow.....	B
Proposal Trustee’s Report on Cash Flow.....	C
DIP Term Sheet	D



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

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

OCTOBER 18, 2020

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 (the “Filing Date”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”).
2. Pursuant to an order issued by Mr. Justice Koehnen of Ontario Superior Court of Justice (Commercial List) (the “Court”) dated October 9, 2020 (the “October 9th Order”) a bankruptcy application (“Bankruptcy Application”) filed against the Company by Princes Gates GP (“PGH”) and certain other creditors was stayed. A copy of the October 9th Order and the endorsement of Mr. Justice Koehnen issued on the same date is attached as Appendix “A”.
3. The principal purposes of these restructuring proceedings are to provide the Company the opportunity to advance its litigation against PGH on a streamlined basis and to formulate and make a proposal to its creditors.

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 October 24, 2020 to December 8, 2020;
 - c) report on the Company’s weekly cash flow projections for the period October 19 to December 8, 2020 (the “Cash Flow Forecast”);

- d) discuss the Company's need for a debtor-in-possession financing facility (the "DIP Facility") to be advanced from Peter and Paul's Gifts Limited (the "DIP Lender"), a related entity, in the maximum principal amount of \$300,000, as well as a charge in favour of the DIP Lender over the Company's assets, properties and undertakings (collectively, the "Property") to secure repayment of the amounts borrowed by the Company under the DIP Facility;
- e) discuss the rationale for a charge in the amount of \$100,000 on the Company's Property (the "Administration Charge") as protection for the fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel, Paliare Roland Rosenberg Rothstein LLP ("Paliare Roland"), and the Company's counsel, Norton Rose Fulbright Canada LLP ("Norton Rose"); 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 October 24, 2020 to December 8, 2020; and
 - approving the DIP Term Sheet and the DIP Charge (as each is defined below) and the Administration Charge.

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 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 Princes Gates GP Inc., the general partner of Princes Gates Hotel Limited Partnership (jointly, “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; however, 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 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 a Bankruptcy Application against the Company.
8. On September 24, 2020, the Company filed the NOI.
9. Pursuant to the October 9th Order, the Bankruptcy Application was stayed.

3.0 Company's Request for an Extension

1. The Company is seeking an extension of the time to file a proposal from October 24, 2020 to December 8, 2020.
2. The Company advises that it intends to use the stay extension period to advance its litigation against PGH. The Company's legal counsel, Norton Rose, has written to and requested that the legal counsel to PGH, Loopstra Nixon LLP ("Loopstra"), engage in discussions so the parties can agree on a process to move the action forward. The Proposal Trustee has been advised that Loopstra has not engaged with Norton Rose since the date of the October 9th Order other than to advise it will respond next week.
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) the Company is likely to be able to make a viable proposal to creditors that will provide recoveries greater than they would realize in a bankruptcy of the Company;
 - c) no creditor will be materially prejudiced if the extension is granted. The Company's only material asset is its litigation. The Company has essentially no other assets that can be realized upon that would generate recoveries for creditors; and
 - d) it will allow the Company to advance its litigation with PGH.

4.0 Cash Flow Forecast

1. Pursuant to the BIA, the Company is required to prepare a cash flow forecast for the stay extension period. The Company's Cash Flow Forecast for the period October 19, 2020 to December 8, 2020 (the "Period"), together with Management's Report on the Cash-Flow Statement as required by Section 50.4(2)(c) of the BIA, are provided in Appendix "B".
2. 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. All disbursements other than professional costs are for payroll. Minimal contingency payments are also projected.
3. The Company shares head office space and administrative support services with related companies. The related companies do not allocate any of the related costs to the Company for these services. Accordingly, no such costs are reflected 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 "C".

4.1 DIP Facility¹

1. The Company has a cash balance of approximately \$29,000. Absent additional financing, the Company will not have the ability to continue to fund its nominal operating costs and the professional fees associated with these proceedings.
2. The DIP Lender has agreed to fund these proceedings under the DIP Facility. The DIP Facility is to rank in priority to all other creditors, except for amounts accruing under the Administration Charge. The terms of the DIP Facility are set out in a DIP term sheet dated October 16, 2020 and is attached as Appendix “D” to this Report (the “DIP Term Sheet”). The principal terms of the DIP Term Sheet are as follows:
 - a) Type of DIP Credit Facility: senior secured debtor-in-possession, interim, non-revolving multiple draw credit facility of \$300,000².
 - b) Maturity Date: The earliest of (a) the occurrence of any Event of Default; (b) the implementation of a Proposal under the BIA; and (c) March 24, 2021. All amounts outstanding under the DIP Facility are payable in full on the Maturity Date, including all accrued interest and other amounts, fees and costs.
 - c) Interest Rate: 5% per annum, compounded monthly and payable on the Maturity Date.
 - d) Security and Priority: A second ranking Court ordered super-priority charge (the “DIP Charge”) on the Company’s Collateral. All encumbrances, with the exception of the Administration Charge and any other Permitted Priority Liens³, are subordinate to the DIP Charge except as otherwise agreed to in writing by the DIP Lender.
 - e) The Funding Conditions are as follows:
 - i. DIP Lender’s satisfaction with all material documents filed in respect of the DIP Order;
 - ii. the Court issuing the DIP Order substantially in the form reasonably acceptable to the DIP Lender;
 - iii. Borrower’s approval;
 - iv. execution of the DIP Term Sheet;
 - v. absence of Defaults or Events of Defaults;

¹ Terms not defined in this section have the meaning provided to them in the DIP Term Sheet unless otherwise defined herein.

² It is likely that increases to the amount of the DIP Facility will be required. The Company will seek approval of increases, as required.

³ Permitted Priority Liens include (i) the Administration Charge; and (ii) any amounts payable by the Company for wages, vacation pay, deductions, sales tax, excise tax, income tax and workers compensation claims or governmental liens that have been validly perfected. The Proposal Trustee understands that, with the possible exception of a small amount registered by the Ministry of Finance under the *Personal Property Security Act* (Ontario) in respect of Employer Health Tax arrears, there are currently no other Permitted Priority Liens.

- vi. absence of any Liens ranking in priority to the DIP Lender's Charge over the Property of the Borrower, other than the Permitted Priority Liens; and
 - vii. payment in full of any expenses incurred by the DIP Lender in connection with the DIP Facility.
- f) Reporting: The Company shall deliver DIP Budgets and Variance Reports coincident with the Company's Extension Motions. A net negative variance of 20% on an accumulated basis reported on a Variance Report constitutes an Event of Default.
- g) Prepayment: The Company may, without premium or penalty, prepay any amounts outstanding under the DIP Facility at any time prior to the Maturity Date.

4.2 DIP Facility 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 an order for interim financing and a charge related thereto. The Proposal Trustee believes that the terms of the DIP Facility are reasonable for the following reasons:
 - a) the DIP Facility enhances the prospect that the Company will be able to successfully restructure;
 - b) the Company is without liquidity to fund these proceedings and its litigation. The DIP Facility is necessary to fund these costs;
 - c) no creditor will be materially prejudiced by the DIP Facility. The DIP Facility is integral to pay the professionals involved with these proceedings, so that there may be a recovery on the litigation. In an immediate liquidation of the Company, creditors will not have any recovery;
 - d) the terms of the DIP Facility are reasonable. There are no fees payable under the DIP Facility and the rate of interest under the DIP Term Sheet (5%) is well below market for a debtor-in-possession loan facility; and
 - e) in the Proposal Trustee's view, these proceedings cannot advance without funding under the DIP Facility.

5.0 Administration Charge

1. The Company is seeking an Administration Charge in the amount of \$100,000 as protection for the fees and disbursements of the Proposal Trustee, Paliare Roland and Norton Rose. An Administration Charge is a common feature in restructuring proceedings. The Proposal Trustee is of the view that the Administration Charge is appropriate in this case due to the Company's lack of liquidity. The Administration Charge is to have a senior ranking charge on the Company's business and assets, including litigation proceeds.

6.0 Conclusion and Recommendation

1. The Proposal Trustee is of the view that the litigation in the proceedings should be advanced on an expedited basis. The success of these proceedings is contingent on advancing the litigation rapidly. The Proposal Trustee recommends that a litigation timetable be put in place forthwith so that there are concrete milestones in place that minimize the risk of delay.
2. 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
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
2505243 ONTARIO LIMITED
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “F”

2505243 Ontario Limited

Projected Statement of Cash Flow

For the period November 30, 2020 to January 22, 2021

(C\$; unaudited)

Note	Week Ending							5 Days Ending	Total
	06-Dec-20	13-Dec-20	20-Dec-20	27-Dec-20	03-Jan-21	10-Jan-21	17-Jan-21	22-Jan-21	
1									
<i>Total Receipts</i>	3,900	-	-	-	3,900	-	-	-	7,800
<i>Disbursements</i>									
Rent and overhead costs	-	-	-	-	-	-	-	-	-
Payroll costs and remittances	1,000	3,117	1,000	3,062	1,000	3,117	1,000	3,062	16,358
Contingency	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	12,000
<i>Total Operating Disbursements</i>	2,500	4,617	2,500	4,562	2,500	4,617	2,500	4,562	28,358
<i>Net Cash Flow before the Undernoted</i>	1,400	(4,617)	(2,500)	(4,562)	1,400	(4,617)	(2,500)	(4,562)	(20,558)
Professional fees	78,000	-	132,000	-	-	105,000	-	-	315,000
	(76,600)	(4,617)	(134,500)	(4,562)	1,400	(109,617)	(2,500)	(4,562)	(335,558)
DIP Facility advances	78,000	-	132,000	-	-	105,000	-	-	315,000
<i>Net Cash Flow</i>	1,400	(4,617)	(2,500)	(4,562)	1,400	(4,617)	(2,500)	(4,562)	(20,558)
Opening Cash Balance	25,457	26,857	22,240	19,740	15,178	16,578	11,961	9,461	25,457
Closing Cash Balance	26,857	22,240	19,740	15,178	16,578	11,961	9,461	4,899	4,899

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: _____

November 30, 2020
Date

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

Per: Bobby Kofman

November 30, 2020
Date

2505243 Ontario Limited

Notes to Projected Statement of Cash Flow

For the period November 30, 2020 to January 22, 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 November 30, 2020 to January 22, 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 Proposal Trustee, the Proposal Trustee's legal counsel and the Company's legal counsel.
6. Represents funding required under the DIP Facility, subject to the approval of the Court.
7. Represents the Company's cash balance as at November 30, 2020.

**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 January 22, 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 7.

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 7. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 30th day of November, 2020.

2505243 Ontario Limited

Per: 

Appendix “G”

**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 30th day of November 2020, consisting of a monthly Cash Flow Statement for the period November 30, 2020 to January 22, 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 2-7.

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:

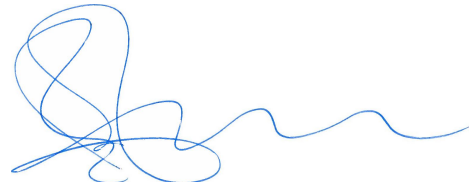
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the 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 30th day of November, 2020.

KSV RESTRUCTURING INC.
LICENSED INSOLVENCY TRUSTEE



Per: Robert Kofman

Appendix “H”

FIRST AMENDMENT TO INTERIM DIP FINANCING TERM SHEET

This First Amendment (the “**First Amendment**”) to the Interim DIP Financing Term Sheet dated as of October 16, 2020 (the “**Original DIP Term Sheet**”) is dated as of the 30th day of November, 2020

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 Original DIP Term Sheet;

AND WHEREAS, the Borrower and the DIP Lender wish to amend the Original DIP Term Sheet on the terms set out in this First 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 TERM SHEET

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

(a) the definition of “Facility Amount” as defined in paragraph 4 of the Original DIP Term Sheet is amended to replace reference to \$300,000 with “\$460,000”.

2. CONSTRUCTION AND INTERPRETATION

This First Amendment shall be read together with the Original DIP Term Sheet. This First 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 First Amendment. If there is a conflict between the

terms and conditions of the Original DIP Term Sheet and the terms and conditions of this First Amendment, the terms and conditions of this First Amendment shall prevail.

3. COUNTERPARTS

This First 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 First Amendment to the Interim DIP Financing Term Sheet as at the date first above mentioned.

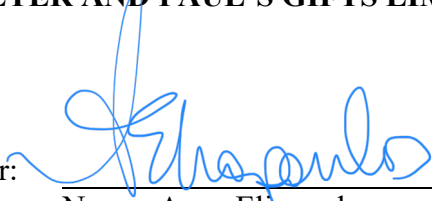
Address:

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

Attention: Anna Eliopoulos
Email: peterandpauls@gmail.com

PETER AND PAUL'S GIFTS LIMITED

Per:



Name: Anna Eliopoulos
Title: President

I have authority to bind the corporation.

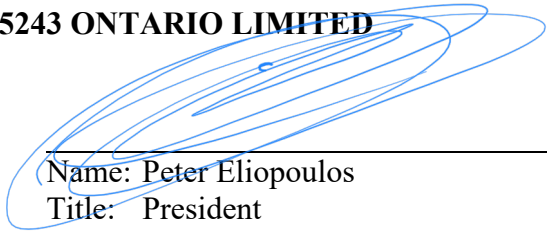
Address:

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

Attention: Peter Eliopoulos
Email: peterandpauls@gmail.com

**BORROWER:
2505243 ONTARIO LIMITED**

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.