



**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 “A”

2505243 Ontario Limited

Projected Statement of Cash Flow

For the period September 24, 2020 to November 1, 2020

(C\$; unaudited)

	Note	Week Ending					Total	
		27-Sep-20	04-Oct-20	11-Oct-20	18-Oct-20	25-Oct-20		01-Nov-20
	1							
<i>Total Receipts</i>	2	-	-	15,000	-	-	-	15,000
<i>Disbursements</i>								
Rent and overhead costs	3	-	-	-	-	-	-	-
Payroll costs and remittances	4	-	9,167	2,750	8,500	3,091	8,500	32,008
Contingency		-	1,500	1,500	1,500	1,500	1,500	7,500
<i>Total Operating Disbursements</i>		-	10,667	4,250	10,000	4,591	10,000	39,508
<i>Net Cash Flow before the Undemoted</i>		-	(10,667)	10,750	(10,000)	(4,591)	(10,000)	(24,508)
Professional fees	5	-	-	-	-	-	50,000	50,000
<i>Net Cash Flow</i>		-	(10,667)	10,750	(10,000)	(4,591)	(60,000)	(74,508)
Opening Cash Balance	6	27,991	27,991	17,324	28,074	18,074	13,483	27,991
Closing Cash Balance		27,991	17,324	28,074	18,074	13,483	(46,517)	(46,517)

The above financial projections are based on management's assumptions detailed in Appendix "1-1".
The note references correspond to the assumption numbers shown in Appendix "1-1".

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

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

Per: _____

Per: _____

September 28, 2020

Date

September 28, 2020

Date

2505243 Ontario Limited

Notes to Projected Statement of Cash Flow

For the period September 24, 2020 to November 1, 2020

(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 September 24, 2020 to November 1, 2020 (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 cannot access its premises at Hotel X and is not paying any costs related to same. 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. No such costs are projected during the Period.
4. Represents payroll costs, source deduction remittances and WSIB remittances.
5. 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.
6. Represents the Company's cash balance as at September 24, 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 November 1, 2020.

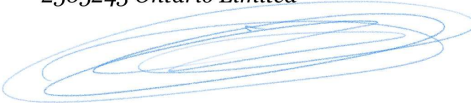
The hypothetical and probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 1 to 6.

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

Dated at Toronto, this 28th day of September, 2020.

2505243 Ontario Limited



Appendix “B”

**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 28th day of September 2020, consisting of a monthly Cash Flow Statement for the period September 24, 2020 to November 1, 2020, 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 2-6.

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:

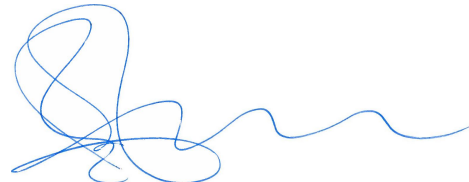
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the 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 28th day of September, 2020.

**KSV RESTRUCTURING INC.
LICENSED INSOLVENCY TRUSTEE**



Per: Robert Kofman