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**Estate File No.: 32-2464621**

**IN THE MATTER OF THE BANKRUPTCY OF  
MARK SPADAFORA  
OF THE CITY OF NIAGARA FALLS, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON  
PRELIMINARY ADMINISTRATION**

**1. Introduction**

1. On January 16, 2019, the Ontario Superior Court of Justice (in Bankruptcy and Insolvency) (the "Court") made an order (the "Bankruptcy Order") pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") adjudging Mark Spadafora bankrupt. The application for the Bankruptcy Order was made by Laurentian Bank of Canada ("Laurentian").
2. Pursuant to the Bankruptcy Order, KSV Kofman Inc. ("KSV") was appointed trustee of Mr. Spadafora's bankrupt estate ("Trustee"). The Trustee's appointment is subject to affirmation by creditors at the first meeting of creditors ("Meeting"), to be held on February 19, 2019, at 2:30 pm at the offices of the Trustee.

**2. Background**

1. Mr. Spadafora is presently unemployed. Until recently, he was the principal of 570230 Ontario Inc., 2499874 Ontario Inc., 2481382 Ontario Inc., 2534912 Ontario Inc. and 2481368 Ontario Inc. (together, the "Companies"), which operated casual dining restaurants from five leased locations under the East Side Mario's franchise. Mr. Spadafora was the sole shareholder and director of the Companies.
2. As of August, 2018, the Companies had ceased all operations as a result of Recipe Unlimited Corporation (formerly Cara Operations Limited) ("Recipe Unlimited"), the franchisor of the Companies' East Side Mario's restaurants, terminating the Companies' franchise agreements.
3. In its application for the Bankruptcy Order, Laurentian claimed indebtedness owing to it of approximately \$1.89 million. Mr. Spadafora's indebtedness to Laurentian arose pursuant to guarantees he provided for secured loans made by Laurentian to the Companies.
4. Laurentian issued demand letters to each of the Companies in June, 2018 in respect of the Laurentian debt. As at the date of this report, the Laurentian debt remains outstanding.
5. Mr. Spadafora consented to the Bankruptcy Order.

### **3. Creditors**

1. Laurentian is Mr. Spadafora's most significant creditor (\$1.89 million).
2. The Trustee understands that Mr. Spadafora also personally guaranteed amounts due to other creditors of the Companies, including Recipe Unlimited and Silver Chef Rentals Inc. ("Silver Chef"). Recipe Unlimited has filed a proof of claim against Mr. Spadafora in the amount of approximately \$710,000. Counsel to Silver Chef has advised that it is in the process of filing a proof of claim against Mr. Spadafora for approximately \$1.5 million.
3. The Trustee understands that the Companies have significant payroll related liabilities owing to Canada Revenue Agency, a portion or all of which may be personal liabilities of Mr. Spadafora, in his capacity as the Companies' sole director.
4. As at the date of this report, the Trustee has received proof of claims filed against Mr. Spadafora totaling approximately \$3.2 million.

### **4. Assets and Anticipated Realizations**

1. Mr. Spadafora has reported approximately \$11,000 in assets on his Statement of Affairs. Subject to a further review of the information provided by Mr. Spadafora, the Trustee does not anticipate any material realizations from Mr. Spadafora's assets.
2. Based on Mr. Spadafora's preliminary reporting of his monthly income and expenses, there is currently no surplus income obligation payable to the estate. Mr. Spadafora's surplus income obligations, if any, will be reviewed by the Trustee in the seventh month of bankruptcy in accordance with the BIA.

### **5. Books and Records**

1. The Trustee has been corresponding with Mr. Spadafora to obtain certain books and records necessary for the Trustee to analyze Mr. Spadafora's financial position and to complete its duties and obligations under the BIA. As at the date of this report, Mr. Spadafora is in the process of providing the requested information to the Trustee.
2. Given the lack of assets and/or funding available to the Trustee in the circumstances, the Trustee intends to discuss with the Inspector(s) appointed at the Meeting (a) the extent to which the Inspector(s) wish for the Trustee to perform an investigation of Mr. Spadafora's and/or the Companies' financial affairs; and (b) funding for the Trustee to perform this exercise, if the Inspector(s) wish for it to be performed.

### **3. First Meeting of Creditors**

1. The Trustee will convene the Meeting at its offices on February 19, 2019 at 2:30 pm (Toronto time).

#### 4. Other Matters

1. Pursuant to a Third Party Guarantee Agreement dated September 6, 2018 between Laurentian and the Trustee, Laurentian has provided a guarantee of the fees and disbursements of the Trustee related to the administration of Mr. Spadafora's estate, including those of its legal counsel.

\* \* \*

DATED at Toronto, Ontario, this 19<sup>th</sup> day of February, 2019.

All of which is respectfully submitted,

A handwritten signature in blue ink that reads "KSV Kofman Inc". The signature is written in a cursive, flowing style.

**KSV KOFMAN INC.**

**IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF  
THE BANKRUPT ESTATE OF MARK SPADAFORA  
AND NOT IN ITS PERSONAL CAPACITY**