

District of ONTARIO  
Division 09-Toronto  
Estate #: 31-2249027  
Court # 31-2249027

**SUPERIOR COURT OF JUSTICE (IN BANKRUPTCY)**

**IN THE MATTER OF THE PROPOSAL OF  
1821372 ONTARIO LIMITED  
CARRYING ON BUSINESS AS  
THE KENNEDY PUBLIC HOUSE  
OF THE CITY OF TORONTO  
IN THE PROVINCE OF ONTARIO**

**UPDATE REPORT TO CREDITORS**

**Background**

On May 8, 2017, 1821372 Ontario Limited carrying on business as Kennedy Public House (“**KPH**” or the “**Debtor**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”). On June 5, 2017, the Debtor lodged a proposal (the “**Proposal**”) pursuant to the *Bankruptcy and Insolvency Act* (the “**BIA**”) with MNP Ltd. (the “**Trustee**”). The general purpose of the Proposal is to allow the Debtor sufficient time to negotiate and complete a sale of its business and assets on a going concern basis, the proceeds of which will form the basis of the amount to be offered to KPH’s creditors under an amended proposal.

On June 12, 2017, the Trustee mailed a notice to all known creditors of the Debtor (the “**Notice**”). The notice contained:

- a copy of the Proposal;
- a statement of the Debtor’s assets and liabilities as at June 5, 2017;
- the Report of the Trustee on the Proposal (the “**First Report to Creditors**”);
- a Proof of Claim form;
- a proxy form; and
- a voting letter

A copy of the Notice can be found on the Trustee’s website:  
[www.mnpdebt.ca/kennedypub](http://www.mnpdebt.ca/kennedypub)

The general meeting of creditors to consider the Proposal was held on the 23<sup>rd</sup> day of June, 2017 (the “**Meeting**”). At the Meeting, the Chairperson advised that prior to the Meeting, several creditors requested that they would like a firm timeline to be established for the completion of a sales transaction prior to voting on any Proposal or amended proposal. The creditors at the Meeting voted to adjourn the Meeting until August 29, 2017 in accordance with Section 52 of the BIA to among other things, provide KPH time to negotiate a sale for KPH’s business and assets.

**The reconvened meeting will be held on the 29<sup>th</sup> day of August at 2:00pm** at the offices of the Trustee located at 111 Richmond Street W, Suite 300. The purpose of the reconvened meeting remains, among other things, to consider and vote on the Proposal or Amended Proposal, if applicable. Notice of the reconvened meeting was mailed to all known creditors on June 26, 2017.

### **Purpose of this Report**

The purpose of this report is to provide an update to the creditors on the Debtor's activity since June 12, 2017, the date of the First Report to Creditors, including the Debtor's progress towards completing a sales transaction (collectively the "**Update**"). The Update should assist creditors in considering the Debtor's Proposal.

### **Sale Process**

As previously reported, the Proposal is a form of holding proposal. The general intent of the Proposal is to allow the Debtor sufficient additional time to negotiate and complete a sale of its business and assets on a going concern basis, the proceeds of which will enable the Debtor to file an Amended Proposal that would provide the Creditors as a whole with a greater recovery compared to any recovery that might be realized if KPH were to become bankrupt.

The Debtor has engaged Jared Rogers ("**Rogers**") of RE/MAX West Realty Inc. as its broker in respect of the sale, who has provided the following update:

- the business was initially listed for sale at \$795,000 but was reduced to \$750,000 on July 25, 2017;
- six potential purchasers have submitted verbal or written expressions of interest and are in various stages of due diligence. No party has yet submitted an unconditional offer; and
- the Debtor is in the final stages of negotiating a sale transaction that would serve as the basis of an amended proposal.

In order to protect the commercial sensitivity of this proposed transaction, the status of these negotiations and likely structure of an amended proposal will be reviewed at the Reconvened Meeting.

### **Operating Results**

A summary of Company's receipts and disbursements for the post-NOI period of May 8, 2017 to August 4, 2017 is set out below, along with a comparison to Debtor's original forecast.

	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
Receipts	<b>533,966</b>	<b>622,700</b>	<b>(88,734)</b>
Disbursements	535,180	555,250	(20,070)
<b>Net Cash Flow</b>	<b>(1,214)</b>	<b>67,450</b>	<b>(68,664)</b>

KPI has advised that the negative variance is attributable primarily to unfavourable weather conditions which negatively impact patio sales.



Based on the Trustee's monitoring of KPH's operations and cash-flow as well as advice from KPH, as of the date of this report KPH is current on substantially all of its post-filing obligations other than approximately \$24,000 due to the Canada Revenue Agency in respect of HST collections due on July 31, 2017. The Revised Forecast discussed below does not include payment of this amount and KPH has advised that this balance will be paid by no later than September 30, 2017. The Trustee is of the view that this does not constitute a material adverse change in KPH's circumstances.

### **Cash Flow Forecast**

The Debtor has filed a revised cash flow forecast for the period August 7 to November 3, 2017 (the "**Revised Forecast**") that indicates KPH will have sufficient funds to continue operations in this period. The Trustee has reviewed the Revised Forecast and the underlying assumptions. Nothing has come to the attention of the Trustee that indicates that the Revised Forecast is not unreasonable and supported by the underlying assumptions.

### **Trustee's Recommendation**

The Trustee remains supportive of the Proposal and recommends that the creditors support a further adjournment of the reconvened meeting for a period of 45 days to allow the Debtor to finalize its negotiation of a sale transaction since:

- (i) it would allow the Debtor sufficient additional time to complete a sale of its business and assets on a going concern basis, the proceeds of which may enable the Debtor to file a viable amended proposal; and
- (ii) it would provide the Creditors as a whole with a greater recovery compared to any recovery that might be realized under a bankruptcy, for the reasons set out in the First Report to Creditors.

The Trustee continues to monitor the Debtor's activities. The Trustee will provide a further update on the activities of the Debtor, its progress in negotiating a sale transaction and the status of its filing of an Amended Proposal at the reconvened meeting.

If you should have any questions or comments on the Proposal or this report, please do not hesitate to contact the undersigned.

Dated at Toronto, Ontario, the 18<sup>th</sup> day of August, 2017.

**MNP Ltd.**

**Trustee acting in re: the Proposal of  
1821372 Ontario Limited O/A Kennedy Public House**

Per:



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Jerry Henechowicz, CPA, CA, CIRP, LIT