

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.  
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
KING STREET COMPANY INC., THE KING STREET HOSPITALITY GROUP INC.,  
BONTA TRADING CO. INC., 2268218 ONTARIO INC., 1733667 ONTARIO LIMITED,  
THE KING STREET FOOD COMPANY INC., THE KING STREET RESTAURANT  
COMPANY INC., 2112047 ONTARIO LTD., JI YORKDALE INC., JI SQUARE ONE  
INC., 1771669 ONTARIO INC. , CXBO INC., 2608765 ONTARIO INC., 2272224  
ONTARIO INC., 2327729 ONTARIO INC., 2577053 ONTARIO INC., 2584858 ONTARIO  
INC., 2621298 ONTARIO INC., 2641784 ONTARIO INC., and 2656966 ONTARIO INC.**

Applicants

**SECOND REPORT TO THE COURT SUBMITTED BY  
MNP LTD. IN ITS CAPACITY AS COURT APPOINTED MONITOR**

**FEBRUARY 9, 2021**

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## INTRODUCTION

1. On November 6, 2020 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made an initial order (the “**Initial Order**”) granting the Applicants (the “**KSF Group**” or the “**Companies**”) certain relief pursuant to the *Companies’ Creditors Arrangement Act* (R.S.C., 1985, c. C-36) (the “**CCAA**”). The KSF Group’s CCAA proceedings are referred to herein as the “**CCAA Proceedings**”.
2. The Initial Order provides for, *inter alia*:
  - (a) a stay of proceedings (the “**Stay of Proceedings**”) in favor of the KSF Group until November 16, 2020 (the “**Stay Period**”);
  - (b) the appointment of MNP Ltd. (“**MNP**”) as monitor (in such capacity, the “**Monitor**”) in the CCAA Proceedings;
  - (c) approval of a \$100,000 (the “**Initial Advance**”) debtor-in-possession (“**DIP**”) interim financing pursuant to a DIP financing facility (the “**DIP Facility**”) made available to the Companies by Third Eye Capital Corporation (the “**Agent**”), in its capacity as the administrative agent for and on behalf of certain lenders (collectively, referred to as the “**Lenders**” or the “**DIP Lender**”, as usage dictates), pursuant to a DIP term sheet executed on November 6, 2020 (the “**DIP Term Sheet**”);
  - (d) approval of charges (the “**Charges**”) ranking in the following order against all of the Companies’ current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”)

- i. First — a charge (the “**Administration Charge**”) to protect the fees and expenses of the Monitor, counsel to the Monitor and the Companies’ counsel (collectively, the “**Administrative Professionals**”) to the maximum amount of \$100,000;
  - ii. Second — a charge in favour of the DIP Lender (the “**DIP Lenders’ Charge**”) to the extent of the Initial Advance; and
  - iii. Third — a directors' and officers' charge (the “**Directors’ Charge**”) to secure the indemnity provided to the KSF Group's officers and directors in respect of liabilities they may incur after the Filing Date in an amount not to exceed \$70,000 in the aggregate.
3. On November 13, 2020, the Court granted the Amended and Restated Initial Order (the “**Amended and Restated Initial Order**”), which, *inter alia*: (i) increased the maximum borrowings under the DIP Facility by \$1.3 million to an aggregate of \$1.4 million; (ii) extended the Stay Period to and including February 19, 2021; (iii) increased the maximum amount of the Directors’ Charge to \$100,000; and (iv) approved a sale and investment solicitation process (the “**SISP**”) in connection with the marketing and sale, or other investment in respect of the Property.
4. The Monitor has filed two reports (and, together with this report, the “**Reports**”) in this CCAA Proceeding, namely:
  - (a) The Pre-Filing Report dated November 6, 2020, in support of KSF Group’s application for the Initial Order; and
  - (b) A First Report dated November 12, 2020.

5. The Reports, which are attached without appendices as **Appendix “A”**, and all other materials filed in the CCAA Proceedings are available on the Monitor’s website at <https://mnpdebt.ca/kingstreetrestaurantgroup> (the “**Monitor’s Website**”).

## **PURPOSE**

6. The purpose of this second report of the Monitor (the “**Second Report**”) is to provide the Court with information in respect of:
  - (a) the activities of the Companies and the Monitor since the First Report;
  - (b) the KSF Group’s cash flow revised forecast for the proposed extension of the Stay Period (the “**Second Revised Cash Flow Projections**”) including a comparative analysis to the Revised Cash Flow Projections (as defined herein);
  - (c) the Monitor’s support for, and observations in respect of KSF Group’s request that the Court grant Orders:
    - i. approving the Reports and activities of the Monitor as described in the Reports and herein;
    - ii. authorizing and approving the execution by the KSF Group of the Second Amendment to DIP Loan Agreement (the “**Second DIP Amendment**”), and the KSF Group being empowered to borrow up to an additional \$525,000 (\$1,925,000 in the aggregate) (the “**Requested DIP Increase**”) pursuant to the DIP Loan Agreement as amended by the Second DIP Amendment and a corresponding increase to the DIP Lender’s Charge;
    - iii. extending the Stay Period until April 2, 2021; and
    - iv. providing certain other related and ancillary relief.

## **TERMS OF REFERENCE**

7. In preparing this Second Report, MNP has necessarily relied upon the Tsebelis Affidavits (defined below), the unaudited financial statements and other information supplied, and representations made, by certain management of the Applicants ("**Management**"), the Lenders and third-party sources (collectively, the "**Information**"). Except as specifically noted in this Report, MNP has not conducted an audit or otherwise attempted to verify 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. Accordingly, MNP expresses no opinion and does not provide any other form of assurance on or relating to the accuracy of the Information contained in this Second Report, or otherwise used to prepare this Report.
8. MNP also bases its report on the Companies' cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement) (the "**Professional Standards**"). Certain of the information referred to in this Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future oriented financial information referred to in this Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material. On March 17, 2020, the Province of Ontario

declared a state of emergency due to the COVID-19 pandemic. The effect of this declaration along with other federal, provincial and municipal actions regarding the COVID-19 pandemic on the Companies' businesses and the economy in general has yet to be fully determined. In developing the cash flow projections, Management has reflected its current view of the potential impact of the COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by the COVID-19 pandemic and various government regulatory actions in response thereto, may cause actual results to differ from the projected amounts and these variations may be material.

9. Capitalized terms not defined in this Report have the meanings ascribed to them in the affidavits of Peter Tsebelis sworn November 6, 2020, November 11, 2020 and February 5, 2021 (the "**February Affidavit**" and collectively referred to as the "**Tsebelis Affidavits**") filed in these CCAA Proceedings.
10. The Second Report should be read in conjunction with the Tsebelis Affidavits.
11. Unless otherwise stated, all monetary amounts contained in the Second Report are expressed in Canadian dollars.

## **GENERAL BACKGROUND**

12. As set out in the Tsebelis Affidavits, each of the Applicants is a private corporation incorporated under the laws of Ontario. The KSF Group, as a hospitality group, owns, develops and operates high-end restaurants as well as a gourmet chocolate retail and wholesale business in the Greater Toronto Area. Prior to the onset of the COVID-19 pandemic, the KSF Group operated eight (8) restaurants under the following brands: *Jacobs & Co*, *Buca*, *Bar*

*Buca, La Banane, and Jamie's Italian*, and a boutique chocolate retail outlet under the CXBO brand.

13. The KSF Group also had entered into leases to open a further eight (8) restaurants that are at various stages of completion.
14. As at the outset of the CCAA Proceedings, the Lenders, as the KSF Group's senior secured creditors, were owed approximately \$35,000,000 under the General Credit Agreement and the LB Credit Agreement (as such terms are defined in the Tsebelis Affidavits)
15. As noted in the Tsebelis Affidavits, the primary purpose of these CCAA Proceedings is to provide the Companies with an opportunity to: (i) continue to operate a takeout and delivery business during the duration of the COVID-19 pandemic restrictions in order to maintain the value of its brands and preserve its various liquor and other operating licenses; (ii) stabilize the business operations to enable the KSF Group the opportunity to develop a strategy for the reopening of locations when the government restrictions are lifted or the COVID-19 pandemic situation subsides; and (iii) develop and oversee an orderly restructuring of its business that will allow its brands to continue to thrive by way of a right-sizing of its balance sheet and the implementation of the SISP (the "**CCAA Objectives**").

#### **ACTIVITIES OF THE MONITOR SINCE FILING DATE**

16. Since the First Report, the Monitor has undertaken the following activities:
  - (a) Engaged in email and telephone communications with certain of the KSF Group's stakeholders, including Canada Revenue Agency ("**CRA**") in connection with its HST audit of the Companies;



- (b) monitored the KSF Group's actual cash flows in comparison with the Revised Cash Flow Projections;
- (c) assisted the KSF Group in the preparation of the Second Revised Cash Flow Projections, as discussed in greater detail later in this Report;
- (d) engaged in discussions with KSF Group, its counsel and counsel to the DIP Lender in connection with the KSF Group's ongoing efforts to restructure its business and operations;
- (e) as described in the February Affidavit and as will be described in detail in a subsequent report, supervised, and where applicable, participated in facilitating the SISP; and,
- (f) prepared this Report.

## **THE COMPANIES' ACTIVITIES**

17. Since the First Report, the Companies have, *inter alia*:

- (a) continued to carry on its business, which operations were limited to takeout and delivery offerings in accordance with the various Provincial and municipal COVID-19 related restrictions;
- (b) as detailed in the February Affidavit, implemented and carried out Phase I of the SISP;
- (c) in accordance with the SISP and in consultation with the Monitor and Agent, assessed the Qualified LOIs (as such term is defined by the SISP) and advised the bidders that the KSF Group would not be proceeding with Phase II of the SISP;
- (d) issued disclaimer notices in respect of the following locations (i) 193 Baldwin Street, Toronto, Ontario (formerly the site of a CXBO branded retail store); (ii) 351 King

- East, Toronto, Ontario (formerly the proposed site for a KSF Group café and commissary); and (iii) 4 Avenue Road, Toronto (a planned expansion venue at the Park Hyatt Toronto);
- (e) issued a disclaimer notice under a Retail Lease Agreement in respect of a Volvo XC60 vehicle;
  - (f) as described in greater detail below, developed in consultation with the Monitor and the DIP Lender, the Second Revised Cash Flow Projections;
  - (g) engaged in communications with the landlords for the KSF Group's various venues;
  - (h) communicated and cooperated with the Monitor; and
  - (i) assisted its counsel in the development of materials for this Motion.

#### **EXTENSION OF THE STAY PERIOD**

18. After completing Phase I of the SISP and determining that there were no Qualified LOIs that provided for a purchase price sufficient to repay the Lenders in full and no offer, individually or collectively that provided for a purchase price satisfactory to the Lenders, the KSF Group immediately began working with the Agent on the structure and terms of the Credit Bid sale transaction. The KSF Group is continuing to provide the Lenders with information the Lenders require in order to finalize the documents required to evidence and implement the transaction, including an asset purchase agreement (the "**Credit Bid APA**").
19. The KSF Group advises the Monitor that the transaction contemplated by the Credit Bid APA is anticipated to result in the continued operation of a significant portion of the KSF Group's restaurant portfolio (the "**Acquired Restaurants**") and continued employment for certain of the KSF Group's employees.

20. The Requested Stay Extension is primarily being sought in order to provide the Lenders and the KSF Group with time to complete the negotiation and drafting of the Credit Bid APA, as well as to enter into discussions with certain of the KSF Group's stakeholders including its landlords in respect of the go-forward future of the Acquired Restaurants.
21. The Companies have asked the Court to approve the Requested Stay Extension. The basis for this request is primarily to permit the Companies to satisfy the CCAA Objectives, which can only occur with the completion of the transaction that will be the subject of the Credit Bid APA.
22. Provided the Court approves the Requested DIP Increase and the KSF Group utilizes the funds available pursuant to the DIP Facility, the Second Revised Cash Flow Projections indicates that the Companies will have sufficient liquidity during the Requested Stay Extension. The Monitor is of the view that no creditor will be materially prejudiced by the Requested Stay Extension or Requested DIP Increase.
23. The Monitor is of the view that the Companies have acted and is continuing to act in good faith and with due diligence and supports the Requested Stay Extension and Requested DIP Increase.

## **CASH FLOW PROJECTIONS**

24. To date, KSF has provided the Monitor with its full co-operation and unrestricted access to its books and records.
25. The Monitor has implemented procedures for monitoring KSF Group's receipts and disbursements and has kept in close contact with Management to ensure that operations are continuing in the normal course of business and in accordance with the cash flow projections

for the period November 9, 2020 to February 21, 2021 (the “**Revised Cash Flow Projections.**”), a copy of which is attached as **Appendix “B”**.

26. A summary of the KSF Group’s actual receipts and disbursements as compared to those presented in the Revised Cash Flow Projections for the twelve-week period November 9, 2020 through January 29, 2021 (“**Monitored Period**”) are as follows (subject to rounding errors):

<b>Currency: CAD</b>	<b>Cumulative Twelve-Week Period Ended Jan 29, 2021</b>		
	<u><b>Actual</b></u>	<u><b>Budget</b></u>	<u><b>Variance</b></u>
Collections from Delivery & Dine in	416,722	442,000	(25,278)
Collections from Wholesale (HST exempt)	21,085	70,000	(48,915)
HST collected on delivery & dine in	54,170	57,460	(3,290)
Wage subsidy	234,723	240,638	(5,915)
<b>Total receipts</b>	<b>726,700</b>	<b>810,098</b>	<b>(83,398)</b>
<b>Disbursements</b>			
Payment to suppliers	(234,812)	(186,400)	(48,412)
Payroll (including taxes)	(605,675)	(599,642)	(6,032)
Rent (net of subsidies)	(372,644)	(510,940)	138,296
Insurance	(35,560)	(62,467)	26,908
Utilities	(23,914)	(61,020)	37,106
Other operating expenses	(78,238)	(120,023)	41,785
Administrative expenses	(435,747)	(633,094)	197,347
HST Payments/ (refunds) to CRA	8,868	49,611	(40,743)
DIP Financing fees	(14,000)	(14,000)	-
Interest on DIP Financing	(8,827)	(20,200)	11,373
<b>Total Disbursements</b>	<b>(1,800,549)</b>	<b>(2,158,176)</b>	<b>343,629</b>
<b>Operating Net Cash Flow</b>	<b>(1,073,849)</b>	<b>(1,348,078)</b>	<b>260,231</b>
Opening cash balance	84,960	84,960	-
Net cash flow (receipts less disbursements)	(1,073,849)	(1,348,078)	274,229
DIP Financing/(repayment)	1,216,500	1,300,000	(83,500)
<b>Ending Cash</b>	<b>227,611</b>	<b>36,882</b>	<b>190,729</b>

27. Overall, the KSF Group realized a favorable net cash flow variance of approximately \$274,229 during the Monitored Period. The key components of the variance are as follows:

(a) Collections from Wholesale: The unfavorable variance of approximately \$48,915 is due to lower than anticipated demand for the Companies' initial product wholesale offerings. The Companies have now changed their offerings to include dinner boxes and meal kits to generate greater sales activity.

(b) Payable to suppliers: The unfavorable variance of \$48,412 is partially attributable to an earlier than anticipated purchase of inventory, some of which was purchased in anticipation of greater sales during the Super Bowl and Valentine's Day weekends. In addition, the cost of holiday gift boxes was approximately \$10,000 greater than the amount reflected in the Revised Cash Flow Projections.

(c) Rent: The favorable variance of \$138,296 is comprised of:

- i. rent savings of approximately \$15,000 arising from renegotiated lease terms;
- ii. an additional approximately \$50,000 in receipts under the Canada Emergency Rent Subsidy ("CERS"), representing the top-up of 25%, known as the Lockdown Support, that is available to eligible entities forced to close or limit their activities because of a public health order. At the time of preparing the Revised Cash Flow Projections, the Companies were uncertain whether they would receive this Lockdown Support; and
- iii. sooner than expected receipt of \$70,000 under the CERS program.

(d) Insurance: The favorable variance of \$26,908 is permanent in nature as the Revised Cash Flow Projections had overstated the remaining obligation under the KSF Group's annual insurance premiums;

- (e) Utilities: The favorable variance of \$37,106 is attributable to delay in the KSF Group receiving invoices from certain service providers.
- (f) Other operating expenses: The favorable variance of \$41,785 is a permanent difference on account of lower than anticipated expenses.
- (g) Administrative expenses: The favorable variance of \$197,347 relates to lower than anticipated professional fees largely on account of the early termination of the SISP. Approximately \$80,000 of this favourable variance is timing in nature and may reverse during the Requested Stay Extension.
- (h) HST Payments/(Refunds) to CRA: The unfavorable variance is largely timing in nature due to delay in receipt of an HST refund from CRA, part of which is attributable to CRA holding the refunds due to the non-filing of certain corporate tax returns. The KSF Group is taking steps to file the outstanding corporate tax returns.
- (i) DIP Funding: During the Monitored Period, the Companies have drawn approximately \$1.22 million against an approved limit of \$1.4 million.

28. In support of KSF's motion returnable February 12, 2021, particularly as it relates to the Requested Stay Extension, KSF has, with the assistance of the Monitor, prepared the Second Revised Cash Flow Projections, a copy of which, together with the reports of Management and the Monitor on the Second Revised Cash Flow Projections, are attached hereto as **Appendix "C"** and **"D"**, respectively. The Second Revised Cash Flow Projections covers the period of the Requested Stay Extension and has been prepared using the probable and hypothetical assumptions set out in the notes attached to the Second Revised Cash Flow Projections.

29. The Monitor's review of the Second Revised Cash Flow Projections consisted of enquiries, analytical procedures and discussions related to information supplied to the Monitor by the KSF Group. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Monitor has also reviewed the support for the probable

assumptions and the preparation and presentation of the forecast, which are consistent with the assumptions used in the Revised Cash Flow Projections, save and except that the Companies' now projected receipt of the Lockdown Support under the CERS program.

30. Based on our review, nothing has come to the attention of the Monitor that causes the Monitor to believe that, in all material respects:

- a. the hypothetical assumptions are not consistent with the purpose of the forecast;
- b. as at the date of the Report, the probable assumptions used in developing the Second Cash Flow Forecast are not suitably supported and consistent with the KSF Group's plans, or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and
- c. the Second Revised Cash Flow Projections does not reflect the probable and hypothetical assumptions.

31. The Second Revised Cash Flow Projections confirms the need for the Requested DIP Increase.

## **DIP FINANCING**

32. The Amended and Restated Order authorized the Companies to borrow up to \$1,400,000.

33. During the Monitored Period, the Companies have drawn \$1,216,500.

34. Based on the Second Revised Cash Flow Projections, the Companies are seeking the Requested DIP Increase to ensure that they have sufficient working capital available to fund their limited operations, to satisfy payments to the Administrative Professionals and have sufficient funding during the Requested Extension Period.

35. MNP has considered the factors set out in section 11.2 of the CCAA with respect to the Companies' request that the Court authorize the Requested DIP Increase and is of the view that the Companies' request is reasonable and appropriate inasmuch as the Requested DIP

Increase provides the Companies' with the funding they require to allow the business to continue to operate in the ordinary course, albeit on a limited basis, under the supervision of Management while they work with the Monitor and the Agent to satisfy the CCAA Objectives throughout the Requested Stay Extension period.

## **MONITOR'S RECOMMENDATIONS**

36. Based on the foregoing, the Monitor respectfully recommends that the Court make an order granting the relief detailed in paragraph 6(c).

All of which is respectfully submitted this 9<sup>th</sup> day of February 2021.

**MNP Ltd., in its capacity  
as Monitor of the KSF Group,  
and not in its personal or corporate capacity**

Per:



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Sheldon Title, CPA, CA, CIRP, LIT  
Senior Vice-President



# Appendix "A"

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.  
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
KING STREET COMPANY INC., THE KING STREET HOSPITALITY GROUP INC.,  
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INC., 2621298 ONTARIO INC., 2641784 ONTARIO INC., and 2656966 ONTARIO INC.**

Applicants

**PRE-FILING REPORT OF THE PROPOSED MONITOR  
MNP LTD.**

**NOVEMBER 6, 2020**

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## Exhibits

**Exhibit “A”** — Cash Flow Forecast for the 13-Week Period Ending February 7, 2021

**Exhibit “B”** — Management’s Representation Letter Regarding the Cash Flow Forecast

**Exhibit “C”** — The Proposed Monitor’s Prescribed Report to the Court Regarding the Adequacy of the Cash Flow Forecast

**Exhibit “D”** — Analysis of Approved DIP provisions

## **INTRODUCTION**

1. MNP Ltd. ("**MNP**" or the "**Proposed Monitor**") understands that the Applicants (the "**KSF Group**" or the "**Companies**" or the "**Applicants**") intend to bring an application before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") seeking certain relief (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") granting, among other things, a stay of proceedings for not more than ten (10) days from the Initial Order (the "**Stay Period**") and appointing MNP as Monitor. The proceedings to be commenced by the Companies under the CCAA will be referred to hereinafter as the "**CCAA Proceedings**".
2. This report (the "**Pre-Filing Report**") has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in the CCAA Proceedings to provide information to the Court for its consideration on the Companies' initial hearing seeking protection pursuant to the CCAA.

## **PURPOSE**

3. The purpose of the Pre-Filing Report is to provide information to the Court regarding the following:
  - (a) MNP's qualifications to act as Monitor (if appointed);
  - (b) General background to the proposed CCAA Proceedings and the KSF Group;
  - (c) The Companies' 13-week cash flow forecast;
  - (d) The proposed funding of the CCAA Proceedings pursuant to a debtor-in-possession ("**DIP** ") financing facility (the "**DIP Facility**") in the maximum principal amount of \$1.2 MM to be made available to the Companies by Third Eye Capital (the "**Agent**"),

- in its capacity as the administrative agent for and on behalf of certain lenders (collectively, referred to as the “**Lenders**” or the “**DIP Lender**”, as usage dictates), pursuant to a DIP term sheet to be executed on or about November 6, 2020 (the “**DIP Term Sheet**”);
- (e) Interim financing to be provided of up to \$100,000 (the “**Initial Advance**”) pursuant to the DIP Term Sheet and the DIP Lender’s Charge (as defined herein);
  - (f) The proposed Initial Order, including the proposed Court-ordered charges; and
  - (g) The Proposed Monitor's observations and recommendations concerning the foregoing.

#### **TERMS OF REFERENCE**

4. In preparing this Pre-Filing Report, MNP has necessarily relied upon the Tsebelis Affidavit (defined below), the unaudited financial statements and other information supplied, and representations made, by certain management of the Applicants (“**Management**”), the Lenders and third-party sources (collectively, the “**Information**”). Except as specifically noted in this Report, MNP has not conducted an audit or otherwise attempted to verify 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. Accordingly, MNP expresses no opinion and does not provide any other form of assurance on or relating to the accuracy of the Information contained in this Pre-Filing Report, or otherwise used to prepare this Report.
5. MNP also bases its report on the Companies’ cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring

Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement) (the "**Professional Standards**"). Certain of the information referred to in this Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future oriented financial information referred to in this Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material. On March 17, 2020, the Province of Ontario declared a state of emergency due to the COVID-19 pandemic. The effect of this declaration along with other federal, provincial and municipal actions regarding the COVID-19 pandemic on the Companies' businesses and the economy in general has yet to be fully determined. In developing the cash flow projections, Management has reflected its current view of the potential impact of the COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by the COVID-19 pandemic and various government regulatory actions in response thereto, may cause actual results to differ from the projected amounts and these variations may be material.

6. Capitalized terms not defined in this Report are used as defined in the affidavit of Peter Tsebelis sworn November 6, 2019 (the "**Tsebelis Affidavit**") filed in support of the Applicants' application for relief under the CCAA.
7. This Pre-Filing report should be read in conjunction with the Tsebelis Affidavit.

8. Unless otherwise stated, all monetary amounts contained in this Pre-Filing Report are expressed in Canadian dollars.

## **GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS**

9. As set out in the Tsebelis Affidavit, each of the Applicants is a private corporation incorporated under the laws of Ontario. The KSF Group, as a hospitality group, owns, develops and operates high end restaurants as well as a gourmet chocolate retail and wholesale business in the Greater Toronto Area. Prior to the onset of the COVID-19 pandemic, the KSF Group operated eight (8) restaurants under the following brands: *Jacobs & Co*, *Buca*, *Bar Buca*, *La Banane*, *CXBO* and *Jamie's Italian*.
10. The KSF Group also had entered into leases to open a further eight (8) restaurants that are at various stages of completion.
11. A corporate chart of the Companies is attached as Exhibit "B" to the Tsebelis Affidavit.
12. The Lenders, as the KSF Group's senior secured creditors, are owed approximately \$34,943,689 under the General Credit Agreement and the LB Credit Agreement (as such terms are defined in the Tsebelis Affidavit). Should the Court appoint MNP as Monitor, a security opinion will be obtained in respect of the security granted in favour of the Agent on behalf of the Lenders.

### **Causes of the KSF Group's Financial Difficulties and Insolvency**

13. As reported in the Tsebelis Affidavit, the KSF Group is insolvent. Management has advised that the Companies' financial difficulties and insolvency are attributable to:
  - (a) The significant impact of the COVID-19 pandemic on the KSF Group's business, including the restrictions imposed by governments directly on restaurants, contributing

to a 98% decrease in year over year sales for the period from April to September 2020;  
and

- (b) The *Jamie's Italian* locations at Yorkdale Mall and Square One Shopping Centre had insufficient revenues to make the restaurants profitable given its high fixed operating and start-up costs.

The Proposed Monitor has not independently verified the causes of the KSF Group's insolvency.

14. As noted in the Tsebelis Affidavit, the primary purpose of the CCAA Proceedings is to provide the Companies with an opportunity to: (i) continue to operate its takeout and delivery business during the duration of the COVID-19 pandemic restrictions in order to maintain the value of its brands and preserve its various liquor licenses; (ii) stabilize the business operations to enable the KSF Group the opportunity to develop a strategy for the reopening of locations when the government restrictions are lifted or the COVID-19 pandemic situation subsides; and (iii) develop and oversee an orderly restructuring of its business that will allow its brands to continue to thrive by way of a right-sizing of its balance sheet and the implementation of a sale and investment solicitation process (the "**SISP**"). The stay of proceedings is necessary to maintain the stability and value of the KSF Group's business while such actions are undertaken.

15. The Proposed Monitor understands that the following relief will be sought via a future motion (the "**Comeback Motion**"), which is anticipated to take place no later than November 16, 2020:

- (a) An extension of the Stay Period;
- (b) Further borrowings under the DIP Facility; and



- (c) The approval of the SISP.

The Pre-Filing Report contains limited information in respect of each of the items above.

- 16. Additional information in respect of the Companies, including its assets and liabilities, is set out in the Tsebelis Affidavit. MNP has not repeated such details in this Report.

### **CASH FLOW FORECAST FOR THE PERIOD ENDING FEBRUARY 7, 2021**

- 17. The Companies, with the assistance of the Proposed Monitor, have prepared the cash flow forecast for the KSF Group (the “**Cash Flow Forecast**”) for the 13-week period ending February 7, 2021 (the “**Cash Flow Period**”). The Cash Flow Forecast has been prepared by Management using the probable and hypothetical assumptions set out in the notes.

- 18. A copy of the Cash Flow Forecast is attached hereto as **Exhibit “A”**.

- 19. The Cash Flow Forecast was prepared on the assumption that the KSF Group’s business continues to operate strictly as a takeout and delivery business with limited staff operated out of two (2) of its locations: (i) Jacobs & Co Steakhouse; and (ii) Buca St Clair. The KSF Group recognizes that these limited operations will not generate sufficient revenues to cover expenses. These operations have largely been kept in place to maintain brand awareness, particularly during the upcoming holiday season, and to maintain limited employment.

- 20. Recognizing the need to meet its ongoing operational expenses, the Cash Flow Forecast is built on the assumptions that the KSF Group’s cash requirements are supported by:

- (a) The availability of funds from the DIP Facility, including the Initial Advance;
- (b) The Canada Emergency Wage Subsidy; and
- (c) The Canadian Emergency Rent Subsidy.

- 21. The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- (a) The Companies' current cash resources are approximately \$93,106;
- (b) The Cash Flow Forecast anticipates a draw on the DIP Facility of approximately \$1,200,000 during the Cash Flow Period, including the Initial Advance during the Stay Period. At the Comeback Motion, the Companies intends to seek Court approval for the authority to draw on the balance of the DIP Facility;
- (c) In addition, the Companies expects to pay the Administrative Professionals (as defined below) estimated fees of \$757,100 during the Cash Flow Period, of which \$192,100 is estimated to be paid during the Stay Period.

22. Management's Representation Letter regarding the Cash Flow Forecast and the Proposed Monitor's Prescribed Report to the Court regarding the adequacy of the Cash Flow Forecast is attached hereto as **Exhibits "B" and "C"**, respectively.

23. The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-Appointed Monitor by section 23(1)(b) of the CCAA and in accordance with the Professional Standards. Based on the Professional Standards, the Proposed Monitor's review of the Cash Flow Forecast consisted of enquiries, analytical procedures and discussions related to information supplied to us by Management. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the forecast.

24. 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 forecast;

(b) As at the date of the Pre-Filing Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Companies or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and

(c) The Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

25. The Cash Flow Forecast constitutes the basis for funding under the DIP Facility.

26. As the COVID-19 situation evolves, the restrictions placed on, and the various forms of government relief available to restaurant businesses, such as the KSF Group, are also changing. The KSF Group is actively reviewing its reopening strategy in view of the framework unveiled by the Ontario Government on November 3, 2020 for the City of Toronto. The Cash Flow Forecast may be revised before the Comeback Motion to consider, among other things, the KSF Group's reopening strategy.

### **Debtor-in-Possession Financing**

27. The terms of the DIP Facility are detailed in the DIP Term Sheet, a copy of which is attached as Exhibit "K" to the Tsebelis Affidavit. A summary of the salient terms is also included as part of the Tsebelis Affidavit.

28. MNP has considered the factors set out in Section 11.2 of the CCAA with respect to the granting of a Court order approving the Initial Advance and recommends the Court approve the Initial Advance for the following reasons:

- a) MNP understands that the DIP Lenders are not willing to provide the required interim financing other than on the terms and conditions set out in the DIP Term Sheet, including the requirement for the KSF Group to obtain approval from the

- Court of a SISP on terms acceptable to the DIP Lenders on or before November 16, 2020 (or such later date as may be agreed by the DIP Lenders);
- b) The KSF Group is of the view that the CCAA Proceedings provide the best option for implementing and successfully completing a SISP, the development of which is being finalized by the Companies, in consultation with the DIP Lenders and with the assistance of the Monitor, and addressing the other operational and financial issues impacting the KSF Group. The Proposed Monitor believes that approval of the Initial Advance is in the best interests of the Companies' stakeholders and will preserve and enhance the prospects of maximizing value in the circumstances;
  - c) Without the DIP Facility, the Companies will be unable to fund its business and carry out its restructuring, which would have an adverse impact on the brand image and continuity and its value. Accordingly, absent funding under the DIP Facility, the operations of the Companies may be discontinued;
  - d) MNP compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings between December 1, 2017 and October 28, 2020.<sup>1</sup> The comparison is attached as **Exhibit "D"**. Based on MNP's analysis, the cost of the proposed DIP Facility is consistent with other recent DIP financings approved by this and other Canadian courts and provides financing on reasonable economic terms in the circumstances;
  - e) Substantially all of the other DIP facilities approved by Canadian courts provide a corresponding super-priority DIP charge over all other creditors; and

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<sup>1</sup> *Insolvency Insider*, Document Library, Approved Debtor-in-Possession Financing Facilities for Canadian Debtors Current as at October 28, 2020.

f) MNP does not believe that creditors will be prejudiced from approval of the DIP Facility. To the contrary, they will benefit from it as it will allow the business to continue to operate under the supervision of current management and the time required to develop, implement and undertake the SISP, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of its assets.

29. Based on the foregoing, MNP believes that the terms of the DIP Facility are reasonable in the circumstances and that the Initial Advance provides the Companies with the interim working capital it requires to continue its limited operations.

#### **PROPOSED INITIAL CCAA ORDER SOUGHT**

30. The relief requested by the Companies includes, *inter alia*:

- (a) the granting of the Stay Period;
- (b) the appointment of MNP as Monitor;
- (c) the authorization of the DIP Facility for the KSF Group and approval of the Initial Advance;
- (d) the granting of various charges over the assets of the KSF Group, including to secure the indemnity in favour of the directors and officers and the professional fees and disbursements necessary to undertake proceedings under the CCAA Proceedings.

Such relief will provide the Companies with the time and protection they require to undertake a restructuring of their business for the benefit of their stakeholders, including the development of the SISP.

31. MNP has reviewed the Initial Order and provides comments and observations on certain provisions below. It is noted that matters relating to the DIP Facility are addressed to in the previous section of the Report.

### **MNP'S QUALIFICATION TO ACT AS MONITOR**

32. The proposed Initial Order contemplates that MNP will be appointed as Monitor of the Companies in the CCAA Proceedings.

33. MNP is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”).

34. MNP is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA. Those restrictions stipulate that without the permission of the Court and on any conditions that the Court may impose, no trustee may be appointed as monitor in relation to a company if, among other things, the trustee is or, at any time during the two (2) preceding years, was the auditor or accountant of the company. In addressing this two-year period, the Canadian Association of Insolvency and Restructuring Professionals’ Rules of Professional Conduct specify that “the two-year period commences at the date of the last audit report or the last review engagement report”.

35. MNP is related to MNP LLP, which had until 2017 acted as the KSF Group’s accountant. MNP LLP was first engaged by KSF Group in 2016 and last issued a Review Engagement Report on or around August 1, 2017, in respect of the KSF Group’s consolidated financial statement for the fiscal year ending in January 31, 2016. The KSF Group’s financial statements have not been subject to an audit or review by MNP LLP since. Notwithstanding

that MNP LLP has not acted as an auditor or accountant in the preceding two (2) years, MNP LLP has also provided the following financial advisory services to the KSF Group:

- (a) Performed field work in respect of the consolidated financial statements for the fiscal year ending January 31, 2017, but did not provide a Review Engagement Report or otherwise have involvement with these financial statements because Management could not conclude on the impairment to the intangible assets related to the *Jamie's Italian* venues;
- (b) Commenced work in respect of 2018 and 2019 consolidated financial statements, but suspended services to the KSF Group in August 2019;
- (c) Prepared the corporate tax returns for certain of the Applicants for the fiscal years ending 2016-2019;
- (d) In 2018 and 2019, assisted the KSF Group while it was undergoing HST and income audits conducted by Canada Revenue Agency; and
- (e) In 2018 and 2019, provided consulting services relating to (i) the KSF Group's tax reorganization activities in order to utilize losses within the KSF Group; and (ii) with a potential rationalization of the corporate structure.

36. MNP LLP is unpaid to the extent of approximately \$88,456 in respect of the foregoing services but given the current financial position of the Companies' considers this amount as being uncollectable.

37. MNP became involved with the Applicants in August 2020 through the Lenders and has since been engaged in discussions with representatives of the KSF Group and the Lenders to prepare for a potential CCAA filing. In preparation for its potential appointment as Monitor, MNP has spent time with Management reviewing and familiarizing itself with the Companies' issues, its financial affairs and the concerns and interests of the

Companies' various stakeholders. MNP has reviewed certain of the Companies' books and records, all of which appear to have been made fully available to MNP, as necessary, in order to obtain a sufficient level of understanding of the Companies' business, including its operations, assets and obligations. This mandate also included consultation with the KSF Group's legal advisors and MNP's independent legal advisors. MNP is, therefore, in a position to immediately assist the Companies in their CCAA proceedings.

38. Concurrently, on August 18, 2020, MNP LLP was retained by the Lenders to assist the Lenders with an understanding of the use of funds (the "**Cash Use Investigation**") within the KSF Group for the period October 1, 2019 to March 31, 2020.
39. The KSF Group and the Lenders are of the view that MNP's familiarity with the KSF Group's financial records and general business model, including the Cash Use Investigation, should create cost efficiencies during the CCAA Proceedings.
40. MNP is an independent national professional services firm providing among other things, bankruptcy, insolvency and restructuring services. The senior MNP professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees in Canada, all of whom have acted in CCAA or BIA matters of a similar nature, business type and scale in Canada.
41. MNP has consented to act as Monitor of the Applicants should the Court grant the KSF Group's request to commence the CCAA Proceedings.
42. The Proposed Monitor has retained Miller Thomson LLP to act as its independent legal counsel.



## Proposed Court Ordered Charges Over KSF Group's Assets

### *Administration Charge*

43. In order to protect the fees and expenses of the Administrative Professionals (as defined herein), the KSF Group is proposing that the Monitor, counsel to the Monitor and the Companies' counsel (the "**Administrative Professionals**") be entitled to the benefit of a charge (the "**Administration Charge**") on all of the Companies' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**") in the amount of \$100,000 as security for their professional fees and disbursements incurred at the at their agreed upon hourly rates and charges of the Administrative Professionals, both before and after the making of this Order in respect of these proceedings.

44. The amount of the Administration Charge is the estimated amount of the monthly Administrative Professionals' fees.

45. The Administration Charge is reasonable and appropriate in the circumstances having regard to, among other things:

- (a) Each of the professionals whose fees are to be secured by the Administration Charge has played and will continue to play a critical role in the KSF Group's restructuring;
- (b) The Companies' intend to satisfy the fees and disbursements of the Administrative Professionals from its cash flows, which as noted previously and subject to Court approval, will include availability of the financing pursuant to the DIP Facility during the CCAA Proceedings. The Administration Charge is sought to protect the Administrative Professionals in the event that the restructuring is not successful or a sale as a going concern is not completed; and

(c) The complexity of these CCAA proceedings.

***Directors' Charge***

46. The Cash Flow Forecast contemplates that post-CCAA obligations, including all statutorily required remittances will be paid in the ordinary course of business, subject to the Companies' obtaining interim financing. The directors and officers have requested protection from statutory claims and liabilities that may arise during the restructuring. Accordingly, the KSF Group is proposing that the KSF Group shall indemnify the KSF Group's directors and officers against all obligations and liabilities that they may incur as directors and officers of the Companies after the commencement of the within proceedings, except to the extent that the obligation or liability was incurred as a result of such director's or officer's gross negligence or willful misconduct. As security for this indemnity, it is proposed that the KSF Group's directors and officers be entitled to the benefit of a charge on the Property not to exceed an aggregate amount of \$70,000 (the "**Directors' Charge**").
47. The Directors' Charge is proposed to rank behind the Administration Charge and the DIP Lender's Charge (defined below). Based on information provided to the Proposed Monitor by the Companies, the Directors' Charge has been calculated with reference to exposure to potential unpaid wages, vacation pay, employee benefits and certain tax liabilities accruing during the CCAA Proceedings. The Proposed Monitor understands that the Companies do not have existing insurance coverage to protect the directors and officers liability insurance.
48. The Proposed Monitor is of the view that the Directors' Charge is reasonable and appropriate in the circumstances and supports the grant and quantum of the Directors' Charge.

### ***DIP Lender's Charge***

49. It is proposed that the Companies' initially be authorized to borrow the Initial Advance from the DIP Lender in accordance with the terms of the DIP Facility. As security for the DIP Facility, it is proposed that the DIP Lender be entitled to the benefit of a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge is proposed to rank behind the Administration Charge but before the Directors' Charge.
50. As noted in paragraph 29, the Proposed Monitor is supportive of the approval of both the DIP Term Sheet and related DIP Lender's Charge currently limited to the Initial Advance.

### ***Priority of Charges Created by the Initial Order***

51. The priorities of the Administration Charge, the Directors' Charge and the DIP Lender's Charge (the "**Charges**") are proposed to be as follows:
- (a) First – Administration Charge (to the maximum amount of \$100,000);
  - (b) Second – DIP Lender's Charge to the extent of the Initial Advance; and
  - (c) Third – the Directors' Charge (to the maximum amount of \$70,000).
52. In summary, MNP in its capacity as Proposed Monitor has reviewed the calculations that support the Administration Charge, the Directors' Charge and the DIP Lender's Charge and believes that the amounts are reasonable in the circumstances. The Charges will have priority over all other debts and obligations of the Companies (including under the General Credit Agreement and LB Credit Agreement) other than those parties who have not been notified of

the Companies' application. The Proposed Monitor notes that the quantum and priority ranking of all proposed charges is not objected to by the Lenders.

## **PROPOSED MONITOR'S RECOMMENDATIONS**

53. For the reasons set out above, the Proposed Monitor's recommendations are summarized below:

- (a) The KSF Group is insolvent, and the Proposed Monitor considers the relief sought in the Initial Order to be reasonable, appropriate and necessary having regard to the current circumstances of the Applicants.
- (b) The Proposed Monitor has concluded that the DIP Facility is required in order for the Companies to continue to operate, albeit on a limited basis, through the projected restructuring period, to pay the Administrative Expenses, and carry out the SISF.
- (c) The Proposed Monitor supports the amounts and rankings of the Court-ordered charges and the financial thresholds proposed in the draft Initial Order, namely:
  - i. First — Administration Charge (to the maximum amount of \$100,000);
  - ii. Second — the DIP Lenders' Charge to the extent of the Initial Advance; and
  - iii. Third — Directors' Charge (to the maximum amount of \$70,000).

54. In light of the above, the Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted this 6<sup>th</sup> day of November 2020.

**MNP Ltd., in its capacity  
as Proposed Monitor of the KSF Group,  
and not in its personal or corporate capacity**

Per:



Sheldon Title, CPA, CA, CIRP, LIT  
Senior Vice-President

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.  
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
KING STREET COMPANY INC., THE KING STREET HOSPITALITY GROUP INC.,  
BONTA TRADING CO. INC., 2268218 ONTARIO INC., 1733667 ONTARIO LIMITED,  
THE KING STREET FOOD COMPANY INC., THE KING STREET RESTAURANT  
COMPANY INC., 2112047 ONTARIO LTD., JI YORKDALE INC., JI SQUARE ONE  
INC., 1771669 ONTARIO INC. , CXBO INC., 2608765 ONTARIO INC., 2272224  
ONTARIO INC., 2327729 ONTARIO INC., 2577053 ONTARIO INC., 2584858 ONTARIO  
INC., 2621298 ONTARIO INC., 2641784 ONTARIO INC., and 2656966 ONTARIO INC.**

Applicants

**FIRST REPORT TO THE COURT SUBMITTED BY  
MNP LTD. IN ITS CAPACITY AS COURT APPOINTED MONITOR**

**NOVEMBER 12, 2020**

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## **Exhibits**

**Appendix "A"** — Pre-filing Report, dated November 6, 2020

**Appendix "B"** — Initial Cash Flow Forecast

**Appendix "C"** — Revised Cash Flow Forecast

**Appendix "D"** — Management's Representation Letter Regarding the Revised Cash Flow Forecast

**Appendix "E"** — The Monitor's Prescribed Report

## INTRODUCTION

1. On November 6, 2020 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made an initial order (the “**Initial Order**”) granting the Applicants (the “**KSF Group**” or the “**Companies**”) certain relief pursuant to the *Companies’ Creditors Arrangement Act* (R.S.C., 1985, c. C-36) (the “**CCAA**”). The KSF Group’s CCAA proceedings are referred to herein as the “**CCAA Proceedings**”. A copy of the Initial Order is attached as Exhibit B of the Tsebelis’ Second Affidavit (as defined herein).
2. The Initial Order provides for, *inter alia*:
  - (a) a stay of proceedings (the “**Stay of Proceedings**”) in favour of the KSF Group until November 16, 2020 (the “**Stay Period**”);
  - (b) the appointment of MNP Ltd. (“**MNP**”) as monitor (in such capacity, the “**Monitor**”) in the CCAA Proceedings;
  - (c) approval of a \$100,000 (the “**Initial Advance**”) debtor-in-possession interim financing pursuant to a debtor-in-possession (“**DIP**”) financing facility (the “**DIP Facility**”) made available to the Companies by Third Eye Capital Corporation (the “**Agent**”), in its capacity as the administrative agent for and on behalf of certain lenders (collectively, referred to as the “**Lenders**” or the “**DIP Lender**”, as usage dictates), pursuant to a DIP term sheet executed on November 6, 2020 (the “**DIP Term Sheet**”);
  - (d) approval of charges (the “**Charges**”) ranking in the following order against all of the Companies’ current and future assets, undertakings and properties of every nature and



kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”)

- i. First — a charge (the “**Administration Charge**”) to protect the fees and expenses of the Monitor, counsel to the Monitor and the Companies’ counsel (collectively, the “**Administrative Professionals**”) to the maximum amount of \$100,000;
  - ii. Second — a charge in favour of the DIP Lender (the “**DIP Lenders’ Charge**”) to the extent of the Initial Advance; and
  - iii. Third — a directors' and officers' charge (the “**Directors’ Charge**”) to secure the indemnity provided to the KSF Group's officers and directors in respect of liabilities they may incur after the Filing Date in an amount not to exceed \$70,000 in the aggregate.
3. The Monitor filed a pre-filing report (the “**Pre-filing Report**”) with the Court prior to the commencement of the CCAA Proceedings. The Pre-filing Report and all other materials filed in the CCAA Proceedings are available on the Monitor’s website at <https://Mnpdebt.ca/kingstreetrestaurantgroup> (the “**Monitor’s Website**”). A copy of the Pre-filing Report, without appendices, is attached as **Appendix “A”**.

## **PURPOSE**

4. The purpose of this first report of the Monitor (the “**First Report**”) is to provide the Court with information in respect of:
- (a) the activities of the Companies and Monitor since the Filing Date;
  - (b) the KSF Group’s cash flow revised forecast for the proposed extension of the Stay Period (the “**Revised Cash Flow Forecast**”, attached as Appendix "C") including a comparative analysis to the Initial Cash Flow Forecast (as defined herein);

- (c) the KSF Group’s motion for the following relief, including
- i. an Amended and Restated Initial Order that provides for, *inter alia*:
    - a. an increase in the maximum borrowings under the DIP Facility by an additional \$1.3 million (\$1.4 million in the aggregate) (the “**Requested DIP Increase**”); and
    - b. the Stay Period being extended to and including February 19, 2021 (the “**Requested Stay Extension**”);
    - c. an increase in the maximum amount of the Directors’ Charge to \$100,000; and
  - ii. an order (the “**Sale Process Approval Order**”) approving a sale and investment solicitation process (the “**SISP**”) in connection with the marketing and sale, or other investment in respect of the Property; and
- (d) the Monitor’s conclusions and recommendations in connection with the foregoing.

## **TERMS OF REFERENCE**

5. In preparing this First Report, MNP has necessarily relied upon the Tsebelis Affidavits (defined below), the unaudited financial statements and other information supplied, and representations made, by certain management of the Applicants (“**Management**”), the Lenders and third-party sources (collectively, the “**Information**”). Except as specifically noted in this Report, MNP has not conducted an audit or otherwise attempted to verify 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. Accordingly, MNP expresses no opinion and does not provide any other

form of assurance on or relating to the accuracy of the Information contained in this First Report, or otherwise used to prepare this Report.

6. MNP also bases its report on the Companies' cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement) (the "**Professional Standards**"). Certain of the information referred to in this Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future oriented financial information referred to in this Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material. On March 17, 2020, the Province of Ontario declared a state of emergency due to the COVID-19 pandemic. The effect of this declaration along with other federal, provincial and municipal actions regarding the COVID-19 pandemic on the Companies' businesses and the economy in general has yet to be fully determined. In developing the cash flow projections, Management has reflected its current view of the potential impact of the COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by the COVID-19 pandemic and various government regulatory actions in response thereto, may cause actual results to differ from the projected amounts and these variations may be material.

7. Capitalized terms not defined in this Report have the meanings ascribed to them in the affidavit of Peter Tsebelis sworn November 6, 2019 ("**Tsebelis' First Affidavit**") and November 11, 2020 ("**Tsebelis' Second Affidavit**", and together with Tsebelis' First Affidavit) the "**Tsebelis Affidavits**") filed in these CCAA Proceedings.
8. The First Report should be read in conjunction with the Tsebelis Affidavits.
9. Unless otherwise stated, all monetary amounts contained in the First Report are expressed in Canadian dollars.

## **GENERAL BACKGROUND**

10. As set out in the Tsebelis Affidavits, each of the Applicants is a private corporation incorporated under the laws of Ontario. The KSF Group, as a hospitality group, owns, develops and operates high-end restaurants as well as a gourmet chocolate retail and wholesale business in the Greater Toronto Area. Prior to the onset of the COVID-19 pandemic, the KSF Group operated eight (8) restaurants under the following brands: *Jacobs & Co*, *Buca*, *Bar Buca*, *La Banane*, and *Jamie's Italian*, and a boutique chocolate retail outlet under the CXBO brand.
11. The KSF Group also had entered into leases to open a further eight (8) restaurants that are at various stages of completion.
12. As at the outset of these CCAA Proceedings, the Lenders, as the KSF Group's senior secured creditors, are owed approximately \$34,943,689 under the General Credit Agreement and the LB Credit Agreement (as such terms are defined in the Tsebelis Affidavits)
13. As noted in the Tsebelis Affidavits, the primary purpose of these CCAA Proceedings is to provide the Companies with an opportunity to: (i) continue to operate a takeout and

delivery business during the duration of the COVID-19 pandemic restrictions in order to maintain the value of its brands and preserve its various liquor licenses; (ii) stabilize the business operations to enable the KSF Group the opportunity to develop a strategy for the reopening of locations when the government restrictions are lifted or the COVID-19 pandemic situation subsides; and (iii) develop and oversee an orderly restructuring of its business that will allow its brands to continue to thrive by way of a right-sizing of its balance sheet and the implementation of the SISP. The stay of proceedings is necessary to maintain the stability and value of the KSF Group's business while such actions are undertaken.

#### **ACTIVITIES OF THE MONITOR SINCE FILING DATE**

14. Since the Filing Date, the Monitor has undertaken the following activities:

- a. activated the Monitor's Website;
- b. completed or is in the process of completing its notice requirements pursuant to subsection 23(1)(a) of the CCAA and as provided in paragraph 41 of the Initial Order. In particular:
  - i. the Initial Order was posted on the Monitor's Website;
  - ii. on November 13, 2020, a notice containing the prescribed information on the CCAA Proceedings will be sent to all known creditors who have claims greater than \$1,000 against the KSF Group; and
  - iii. notice of the CCAA Proceedings, containing the prescribed information, is to be published in the National Post (National Edition) on November 13, 2020;

- c. prepared and filed Form 1 and Form 2 regarding the CCAA Proceedings with the Office of the Superintendent of Bankruptcy on November 9, 2020 and November 10, 2020, respectively;
- d. reviewed and assisted in the preparation of various cash flow statements and financial projections prepared by Management;
- e. worked with the Companies and the DIP Lender in developing the SISP;
- f. reviewed with the Companies its communication plan;
- g. prepared this First Report of the Monitor; and
- h. responded to enquiries from creditors and other stakeholders, including participation in numerous discussions with the DIP Lender.

#### **THE COMPANIES' INITIAL RESTRUCTURING ACTIVITIES**

15. Since the Filing Date, the Companies have, *inter alia*:

- a. communicated and cooperated with the Monitor;
- b. met virtually with its active employees;
- c. developed and implemented a communications plan inclusive of issuing a press release;
- d. as described in greater detail below, developed in consultation with the Monitor and the DIP Lender, the Revised Cash Flow Projections;
- e. contacted the landlords for the KSF Group's various venues; and
- f. assisted its counsel in the development of materials for this Comeback Motion.

#### **REOPENING STRATEGY**

16. As noted in the Pre-filing Report, as the COVID-19 situation continues to evolve; the restrictions placed on, and the various forms of government relief available to restaurant businesses continue to change in real time. Since the Filing Date, the KSF Group had been actively developing its reopening strategy (the “**Reopening and Expansion Plan**”) in view of the announcement by the Ontario Government on November 3, 2020 that in-person dining would be permitted in the Greater Toronto Area as early as November 14, 2020. However, subsequent restrictions imposed by the City of Toronto, announced on November 10, 2020 have prohibited any in-person dining until at least December 12, 2020. As a result, the Reopening and Expansion Plan has been put in abeyance until such time as applicable by-laws are amended to permit in-person dining. The Companies are continuing to explore the possibility of expanding their takeout and delivery offerings.

#### **REVISED CASH FLOW FORECAST FOR THE PERIOD ENDING FEBRUARY 21, 2021**

17. The Companies, with the assistance of the Monitor, prepared the cash flow forecast for the KSF Group (the “**Initial Cash Flow Forecast**”) for the 14-week period ending February 14, 2021 (the “**Cash Flow Period**”). The Cash Flow Forecast was prepared by Management using the probable and hypothetical assumptions as set out in the notes. A copy of the Initial Cash Flow Forecast is attached hereto as **Appendix “B”**.

18. The Initial Cash Flow Forecast was prepared on the assumption that the KSF Group’s business continues to operate strictly as a takeout and delivery business with limited staff operated out of two (2) of its locations: (i) Jacobs & Co Steakhouse, and (ii) Buca St Clair.

19. To reflect the Requested Stay Extension, the Revised Cash Flow Forecast has been prepared to extend through to the week ended February 21, 2021 (the “**Revised Cash Flow Period**”). A copy of the Revised Cash Flow Forecast is attached as **Appendix “C”**.

20. The Revised Cash Flow Forecast, like the Initial Cash Flow Forecast, is built on the assumptions that the KSF Group's cash requirements will be supported by:
- (a) the availability of funds from the DIP Facility;
  - (b) the Canada Emergency Wage Subsidy; and
  - (c) the Canadian Emergency Rent Subsidy ("**CERS**").
21. As compared to the Initial Cash Flow Forecast, the Revised Cash Flow Forecast projects an increase of \$200,000 in borrowings under the DIP Facility and a decrease in cash position of \$81,037. The most significant part of this negative variance concerns the timing and extent of CERS. CERS, which will provide financial assistance in the form of subsidies for rent to Canadian businesses suffering revenue decreases due to the COVID-19 pandemic, was only announced on October 9, 2020, and has not yet been implemented. In developing the Initial Cash Flow Forecast, the Companies' assumed a quicker receipt of subsidies. The Revised Cash Flow Forecast has delayed considerably the projected timing of receipt of these subsidies, which has had the effect of increasing rent payments during the Revised Cash Flow Period. Certain of the subsidies originally projected to be paid in the Initial Cash Flow Period are now projected to be paid after the Revised Cash Flow Period.
22. The Monitor highlights the following other revisions to the Initial Cash Flow Forecast:
- (a) the Revised Cash Flow Forecast anticipates the utilization of \$1,400,000 under the DIP Facility; and
  - (b) the Companies expect to pay the Administrative Professionals estimated fees of \$768,129 during the Revised Cash Flow Period.
23. Management's Representation Letter regarding the Cash Flow Forecast and the Monitor's Prescribed Report to the Court regarding the adequacy of the Revised Cash Flow Forecast is attached hereto as **Appendix "D"** and **"E"**, respectively.



24. The Monitor has reviewed the Revised Cash Flow Forecast to the standard required of a court-appointed monitor pursuant to section 23(1)(b) of the CCAA and in accordance with the Professional Standards. Based on the Professional Standards, the Monitor's review of the Revised Cash Flow Forecast consisted of enquiries, analytical procedures and discussions related to information supplied to us by Management. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Monitor has also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the forecast.
25. 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 forecast;
  - (b) as at the date of the First Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Companies or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and
  - (c) the Revised Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
26. The Revised Cash Flow Forecast confirms the need for funding under the DIP Facility.

## **DIP FINANCING**

27. The Initial Order authorized the Companies to borrow up to the Initial Advance.
28. During the Monitored Period, the Companies have drawn the Initial Advance to fund their working capital requirements.

29. Based on the Revised Forecast Period, the Companies are seeking the Requested DIP Increase to ensure that it has sufficient working capital available to fund its limited operations and to satisfy payments to the Administrative Professionals.
30. MNP has considered the factors set out in section 11.2 of the CCAA with respect to the Companies' request that the Court authorize the Requested DIP Increase and is of the view that the Companies' request is reasonable and appropriate inasmuch as the Requested DIP Increase provides the Companies' with the funding they require to allow the business to continue to operate in the ordinary course, albeit on a limited basis, under the supervision of Management while they work with the Monitor and the Agent to implement and undertake the SISP. Absent the funding under the Requested DIP Increase, the Companies may cease to operate.

**SALE PROCESS**

31. As noted in the Pre-filing Report, the CCAA Proceedings contemplate that, subject to Court approval, the KSF Group, in consultation with the Monitor and the Agent, will carry out the SISP in an effort to solicit offers from qualified parties in an acquisition or refinancing of the business or a sale of the assets and/or the business of the Companies for the benefit of the Companies and their stakeholders.
32. The terms of the SISP were developed by the Companies and the Agent, in consultation with the Monitor, and are summarized below:

Event	Expected Timing
Commencement Date	November 13, 2020

Publish notice of the SISP in the newspapers and industry trade journals, as the KSF Group, in consultation with the Monitor and the Agent, consider appropriate	By no later than November 20, 2020
Contact parties that are identified as potential interested in this opportunity (the “ <b>Interested Parties</b> ”)	By no later than November 20, 2020
Preparation and distribution of a Teaser document to the Interested Parties	By no later than November 20, 2020
Prepare and distribute a non-disclosure and confidentiality agreement (the “ <b>NDA</b> ”) to the Interested Parties and provide access to the electronic data room access provided to those Interested Parties that execute the NDA (the “ <b>Prospective Offerors</b> ”)	Commencing by no later than November 20, 2020
Facilitate Prospective Offerors’ due diligence needs, including but not limited to providing site tours, access to management, and the provision of additional information and documentation requested, as necessary and appropriate	Commencing November 20, 2020 to Binding Bid Deadline
Deadline for Submissions of letters of intention (“ <b>LOI Bid Deadline</b> ”)	December 18, 2020
Deadline for submission of bids (“ <b>Phase 2 Bid</b> ”) by Phase 2 Qualified Bidders (as defined in the SISP), with the Phase 2 Bids to, <i>inter alia</i> , contain a blackline to a form of transaction agreement to be provided to Phase 2 Qualified Bidders	January 22, 2021 (“ <b>Phase 2 Bid Deadline</b> ”)
Court approval of the Successful Bid(s) (as defined in the SISP)	By February 3, 2021
Complete and close the transaction approved and authorized by the Court	As soon as reasonably possible following Court approval

33. The DIP Term Sheet includes a requirement for the KSF Group to obtain approval from the Court of a SISP on terms acceptable to the DIP Lenders on or before November 16, 2020 (or such later date as may be agreed by the DIP Lenders).

34. The SISP also contemplates:

(a) under the SISP, the KSF Group, in consultation with the Monitor and the Agent, have no obligation to select a Successful Bid, and the Companies, in consultation with the Monitor and the Agent, reserves the right to reject any or all bids;

(b) the Companies shall have the right, in consultation with the Monitor and with the consent of the Agent, to modify the SISP and the deadlines set out therein if, in its reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP;

(c) in addition to the foregoing, and as alluded to earlier in this First Report, the Agent will have certain consultation and consent rights, including:

i. in the event the SISP is terminated in accordance with its terms, the Agent reserve all rights, including the right to credit bid all or a portion of the Lenders' debt to acquire the Property, in whole or in part; and

ii. in order to be selected as a Successful Bid, a Binding Bid must be acceptable to the Agent. The Agent shall not, however, withhold its consent in respect of any transaction providing cash consideration sufficient to repay the Lenders' pre-filing and post-filing secured debt in full.

35. The Monitor considers the SISP to be reasonable in the circumstances and supports the relief sought in connection with the Sale Process Approval Order. The Monitor reached this conclusion on the basis that the SISP is consistent with insolvency industry practices in such proceedings and in like circumstances, is supported by the DIP Lender and, if successful,

could result in greater recoveries than in a liquidation or bankruptcy, and is to the benefit of all stakeholders, including the Companies' secured and unsecured creditors. In the Monitor's view, the rights conferred upon the Lenders are reasonable and appropriate considering the amount owing to the Lenders and to be advanced under the DIP Facility.

## **AMENDED AND RESTATED CCAA ORDER SOUGHT**

### **Charges**

36. As noted previously, the Initial Order provided for the establishment of the Charges. There is no change sought in respect of the quantum or rank of the Administration Charge.

37. In addition to seeking the increase in the DIP Lender's Charge, the KSF Group is seeking to increase the quantum of the Directors' Charge to \$100,000. The Monitor is of the view that this relief being sought by the Companies is reasonable and appropriate having regard to: (i) the directors and officers exposure to potential unpaid wages, vacation pay, employee benefits and certain tax liabilities accruing during the CCAA Proceedings based on the Revised Cash Flow Forecast; (ii) the absence of insurance coverage to protect the directors and officers liability insurance; and (iii) the increase in the Directors' Charge is supported by the Lenders.

### **Extension of the Stay of Proceedings**

38. The Companies have asked the Court to approve the Requested Stay Extension. The basis for this request is primarily to permit the Companies to conduct the SISF without having to incur the cost of coming back to Court prior to the seeking approval of a Successful Bid(s) (as defined in the SISF), which the Monitor is of the view is appropriate in the circumstances.

39. The Requested Stay Extension allows the Companies the opportunity to continue certain restructuring initiatives including conducting a review of its lease portfolio.

40. Provided the Court approves the Requested DIP Increase and the KSF Group utilizes the funds available pursuant to the DIP Facility, the Revised Cash Flow Forecast indicates that the Companies will have sufficient liquidity during the Requested Stay Extension. The Monitor is of the view that no creditor will be materially prejudiced by the Requested Stay Extension.
41. The Monitor is of the view that the Companies have acted and is continuing to act in good faith and with due diligence and supports the Requested Stay Extension.


**MONITOR'S RECOMMENDATIONS**

42. Based on the foregoing, the Monitor respectfully recommends that the Court make an order granting the relief detailed in paragraph 4(c).

All of which is respectfully submitted this 12<sup>th</sup> day of November 2020.

**MNP Ltd., in its capacity  
as Monitor of the KSF Group,  
and not in its personal or corporate capacity**

Per:



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Sheldon Title, CPA, CA, CIRP, LIT  
Senior Vice-President

## **Appendix “B”**

**King Street Group of Companies**  
**Cash Flow Projections**  
**For the 9 week period ended April 2 2021**

<b>Currency: CAD</b>	<b>Week 13</b>	<b>Week 14</b>	<b>Week 15</b>	<b>Week 16</b>	<b>Week 17</b>	<b>Week 18</b>	<b>Week 19</b>	<b>Week 20</b>	<b>Week 21</b>	<b>Total</b>
<b>Week beginning</b>	<b>01-Feb-21</b>	<b>08-Feb-21</b>	<b>15-Feb-21</b>	<b>22-Feb-21</b>	<b>01-Mar-21</b>	<b>08-Mar-21</b>	<b>15-Mar-21</b>	<b>22-Mar-21</b>	<b>29-Mar-21</b>	
<b>Receipts</b>										
Collections from Delivery & Dine in	10,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	234,000
Collections from Wholesale (HST exempt)	1,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	25,000
HST collected on delivery & dine in	1,300	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	30,420
Wage subsidy	115,000	-	-	-	103,045	-	-	-	99,442	317,486
<b>Total receipts</b>	<b>127,300</b>	<b>34,640</b>	<b>34,640</b>	<b>34,640</b>	<b>137,685</b>	<b>34,640</b>	<b>34,640</b>	<b>34,640</b>	<b>134,082</b>	<b>606,906</b>
<b>Disbursements</b>										
Payable to suppliers	5,000	11,505	11,505	11,505	11,505	11,505	11,505	11,505	11,505	97,040
Payroll (including taxes)	27,500	28,387	52,776	28,387	52,776	28,012	52,079	27,637	51,382	348,938
Rent (net of subsidies)	93,000	-	114,113	-	(30,309)	-	114,113	-	(30,309)	260,609
Insurance	7,500	-	-	-	20,822	-	-	-	20,822	49,145
Utilities	15,000	-	-	-	20,340	-	-	-	20,340	55,680
Other operating expenses	25,000	-	-	-	39,443	-	-	-	39,443	103,885
Administrative expenses	5,000	48,025	30,510	31,075	37,855	32,205	32,205	32,205	32,205	281,285
HST Payments/ (refunds) to CRA	22,000	-	-	-	18,200	-	-	-	18,200	58,400
DIP Financing fees	-	28,000	-	-	-	-	-	-	15,750	43,750
Interest on DIP Financing	11,000	-	-	-	14,165	-	-	-	17,415	42,580
<b>Total Disbursements</b>	<b>211,000</b>	<b>115,917</b>	<b>208,905</b>	<b>70,967</b>	<b>184,797</b>	<b>71,722</b>	<b>209,903</b>	<b>71,347</b>	<b>196,753</b>	<b>1,341,312</b>
Opening cash balance	227,611	143,911	62,633	88,369	52,041	4,929	217,847	42,584	5,877	227,611
Net cash flow (receipts less disbursements)	(83,700)	(81,277)	(174,265)	(36,327)	(47,112)	(37,082)	(175,263)	(36,707)	(62,671)	(734,405)
DIP Financing	-	-	200,000	-	-	250,000	-	-	75,000	525,000
<b>Closing cash balance</b>	<b>143,911</b>	<b>62,633</b>	<b>88,369</b>	<b>52,041</b>	<b>4,929</b>	<b>217,847</b>	<b>42,584</b>	<b>5,877</b>	<b>18,205</b>	<b>18,205</b>



## **Appendix “C”**

**King Street Group of Companies**  
**Cash Flow Projections**  
**For the 9 week period ended April 2 2021**

<b>Currency: CAD</b>	<b>Week 13</b>	<b>Week 14</b>	<b>Week 15</b>	<b>Week 16</b>	<b>Week 17</b>	<b>Week 18</b>	<b>Week 19</b>	<b>Week 20</b>	<b>Week 21</b>	<b>Total</b>
<b>Week beginning</b>	<b>01-Feb-21</b>	<b>08-Feb-21</b>	<b>15-Feb-21</b>	<b>22-Feb-21</b>	<b>01-Mar-21</b>	<b>08-Mar-21</b>	<b>15-Mar-21</b>	<b>22-Mar-21</b>	<b>29-Mar-21</b>	
<b>Receipts</b>										
Collections from Delivery & Dine in	10,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	234,000
Collections from Wholesale (HST exempt)	1,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	25,000
HST collected on delivery & dine in	1,300	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	30,420
Wage subsidy	115,000	-	-	-	103,045	-	-	-	99,442	317,486
<b>Total receipts</b>	<b>127,300</b>	<b>34,640</b>	<b>34,640</b>	<b>34,640</b>	<b>137,685</b>	<b>34,640</b>	<b>34,640</b>	<b>34,640</b>	<b>134,082</b>	<b>606,906</b>
<b>Disbursements</b>										
Payable to suppliers	5,000	11,505	11,505	11,505	11,505	11,505	11,505	11,505	11,505	97,040
Payroll (including taxes)	27,500	28,387	52,776	28,387	52,776	28,012	52,079	27,637	51,382	348,938
Rent (net of subsidies)	93,000	-	114,113	-	(30,309)	-	114,113	-	(30,309)	260,609
Insurance	7,500	-	-	-	20,822	-	-	-	20,822	49,145
Utilities	15,000	-	-	-	20,340	-	-	-	20,340	55,680
Other operating expenses	25,000	-	-	-	39,443	-	-	-	39,443	103,885
Administrative expenses	5,000	48,025	30,510	31,075	37,855	32,205	32,205	32,205	32,205	281,285
HST Payments/ (refunds) to CRA	22,000	-	-	-	18,200	-	-	-	18,200	58,400
DIP Financing fees	-	28,000	-	-	-	-	-	-	15,750	43,750
Interest on DIP Financing	11,000	-	-	-	14,165	-	-	-	17,415	42,580
<b>Total Disbursements</b>	<b>211,000</b>	<b>115,917</b>	<b>208,905</b>	<b>70,967</b>	<b>184,797</b>	<b>71,722</b>	<b>209,903</b>	<b>71,347</b>	<b>196,753</b>	<b>1,341,312</b>
Opening cash balance	227,611	143,911	62,633	88,369	52,041	4,929	217,847	42,584	5,877	227,611
Net cash flow (receipts less disbursements)	(83,700)	(81,277)	(174,265)	(36,327)	(47,112)	(37,082)	(175,263)	(36,707)	(62,671)	(734,405)
DIP Financing	-	-	200,000	-	-	250,000	-	-	75,000	525,000
<b>Closing cash balance</b>	<b>143,911</b>	<b>62,633</b>	<b>88,369</b>	<b>52,041</b>	<b>4,929</b>	<b>217,847</b>	<b>42,584</b>	<b>5,877</b>	<b>18,205</b>	<b>18,205</b>

## **Disclaimer**

1. In preparing the Statement of Second Revised Cash Flow Forecast (the “**Cash Flow Forecast**”), KSF Group (the “**KSF Group**” or the “**Companies**”) has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, actual results achieved during the period of the Cash Flow Forecast will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

## **Overview**

1. The Cash Flow Forecast, covering the period February 1, 2021 to April 2, 2021 (the “**Cash Flow Period**”) includes the receipts and disbursements of the Companies during the Cash Flow Period. The Companies, with the assistance of MNP Ltd., in its capacity as Monitor under the CCAA Proceedings, have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the CCAA Proceedings.

The Cash Flow Forecast of the Companies includes the following assumptions:

## **Hypothetical Assumptions**

2. In developing the Statement of Cash Flow Forecast, Management has reflected its current view of the potential impact of the COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by the COVID-19 pandemic and various government regulatory actions may cause actual results to differ from the projected amounts and these variations may be material.

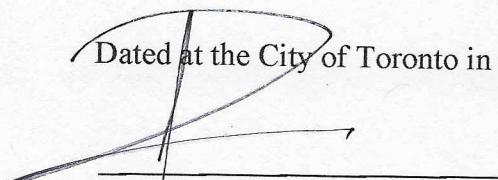
## **Probable Assumptions**

1. Sales are based on Management’s best estimate and is dependent on provision of delivery and curbside pickup of food and beverage services during the Cash Flow Period from three of KSF Group’s locations. A small percentage of revenue is projected to be generated from wholesale business of selling dinner boxes and meal kits. Collections are generally received within 3 business days from the digital payment processors. Revenues are reflected exclusive of tips.
2. Payables to suppliers represents purchases of raw food and beverage products and is based on a percentage of sales during the Cash Flow Period. Such payments are assumed to be consistent with the cost of goods sold in the 7-month period prior to the commencement of CCAA Proceedings and are generally settled within 3 business days as per their recent past practice.



3. Payroll costs include wages payable to the employees at the Head Office and the restaurants, currently servicing or scheduled to service during the Cash Flow Period. Such payments are made in 3 tranches on every second Monday, Tuesday and Friday while the corresponding source deductions are paid on the 10<sup>th</sup> and 25<sup>th</sup> of every month. The Companies had received benefits of Canada Emergency Wage Subsidy (“CEWS”) for the respective pay periods through January 2021. The Companies have assumed that it remains eligible to receive CEWS benefits during the Cash Flow Period with a lag of 4 weeks.
4. In accordance with the Amended and Restated Initial Order, the Companies assume rent will continue to be paid bi-weekly during the Cash Flow Period. The KSF Group assumes that it will continue receiving subsidies under the Canada Emergency Rent Subsidy (“CERS”), which subsidies are assumed to be 65 per cent of the rent paid for eligible locations during the Cash Flow Period, together with an additional top-up under the CERS of 25 per cent, as the Companies’ assume that its locations will be forced to remain closed or limited in its activities because of a public health order.
5. Other expenses during the Cash Flow Period are assumed to be paid on a current basis at the end of each month and include insurance expenses of \$49.15M, utilities of \$55.68M, merchant fees (including fees payable to Uber Eats) of \$22.23M among others such as IT services, uniform costs, cleaning, security, storage costs for equipment, employee health benefits, repairs and maintenance.
6. Administrative fees of \$281.29M include charges for Companies’ counsel, the Monitor’s fees and expenses, including the fees and disbursements of the Monitor’s independent legal counsel.
7. DIP Financing fees represents 3% fee payable to the DIP Lender in an amount equal to 1% of the maximum amount under the DIP facility from the initial loan amount and an additional 2% of the maximum amount on maturity. Interest on DIP Financing is payable at the end of every month at 12% per annum.
8. Other disbursements are based on Management's best estimates.
9. No provision for income taxes has been made.

Dated at the City of Toronto in the Province of Ontario, this 5<sup>th</sup> day of February 2021.

  
Peter Tsebelis

President

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KING STREET COMPANY INC., THE KING STREET HOSPITALITY GROUP INC., BONTA TRADING CO. INC., 2268218 ONTARIO INC., 1733667 ONTARIO LIMITED, THE KING STREET FOOD COMPANY INC., THE KING STREET RESTAURANT COMPANY INC., 2112047 ONTARIO LTD., JI YORKDALE INC., JI SQUARE ONE INC., 1771669 ONTARIO INC. , CXBO INC., 2608765 ONTARIO INC., 2272224 ONTARIO INC., 2327729 ONTARIO INC., 2577053 ONTARIO INC., 2584858 ONTARIO INC., 2621298 ONTARIO INC., 2641784 ONTARIO INC., and 2656966 ONTARIO INC.**

**(THE "APPLICANTS")**

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT  
(paragraph 10(2)(b) of the CCAA)**

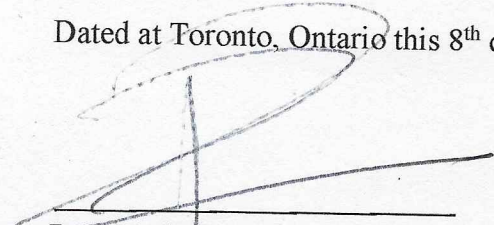
The Applicants (the "**KSF Group**" or the "**Applicants**") have developed the assumptions and prepared the attached Cash Flow Forecast as of the 5<sup>th</sup> day of February 2021 for the period February 1, 2021 to April 2, 2021 ("**Cash Flow**"). All such assumptions are disclosed in the Assumptions to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 and 2 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow. Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Assumptions to the Cash Flow using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.



Dated at Toronto, Ontario this 8<sup>th</sup> day of February 2021.



Peter Tsebelis

President

## Appendix "D"

**King Street Group of Companies**  
**Cash Flow Projections**  
**For the 9 week period ended April 2 2021**

<b>Currency: CAD</b>	<b>Week 13</b>	<b>Week 14</b>	<b>Week 15</b>	<b>Week 16</b>	<b>Week 17</b>	<b>Week 18</b>	<b>Week 19</b>	<b>Week 20</b>	<b>Week 21</b>	<b>Total</b>
<b>Week beginning</b>	<b>01-Feb-21</b>	<b>08-Feb-21</b>	<b>15-Feb-21</b>	<b>22-Feb-21</b>	<b>01-Mar-21</b>	<b>08-Mar-21</b>	<b>15-Mar-21</b>	<b>22-Mar-21</b>	<b>29-Mar-21</b>	
<b>Receipts</b>										
Collections from Delivery & Dine in	10,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	234,000
Collections from Wholesale (HST exempt)	1,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	25,000
HST collected on delivery & dine in	1,300	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	30,420
Wage subsidy	115,000	-	-	-	103,045	-	-	-	99,442	317,486
<b>Total receipts</b>	<b>127,300</b>	<b>34,640</b>	<b>34,640</b>	<b>34,640</b>	<b>137,685</b>	<b>34,640</b>	<b>34,640</b>	<b>34,640</b>	<b>134,082</b>	<b>606,906</b>
<b>Disbursements</b>										
Payable to suppliers	5,000	11,505	11,505	11,505	11,505	11,505	11,505	11,505	11,505	97,040
Payroll (including taxes)	27,500	28,387	52,776	28,387	52,776	28,012	52,079	27,637	51,382	348,938
Rent (net of subsidies)	93,000	-	114,113	-	(30,309)	-	114,113	-	(30,309)	260,609
Insurance	7,500	-	-	-	20,822	-	-	-	20,822	49,145
Utilities	15,000	-	-	-	20,340	-	-	-	20,340	55,680
Other operating expenses	25,000	-	-	-	39,443	-	-	-	39,443	103,885
Administrative expenses	5,000	48,025	30,510	31,075	37,855	32,205	32,205	32,205	32,205	281,285
HST Payments/ (refunds) to CRA	22,000	-	-	-	18,200	-	-	-	18,200	58,400
DIP Financing fees	-	28,000	-	-	-	-	-	-	15,750	43,750
Interest on DIP Financing	11,000	-	-	-	14,165	-	-	-	17,415	42,580
<b>Total Disbursements</b>	<b>211,000</b>	<b>115,917</b>	<b>208,905</b>	<b>70,967</b>	<b>184,797</b>	<b>71,722</b>	<b>209,903</b>	<b>71,347</b>	<b>196,753</b>	<b>1,341,312</b>
Opening cash balance	227,611	143,911	62,633	88,369	52,041	4,929	217,847	42,584	5,877	227,611
Net cash flow (receipts less disbursements)	(83,700)	(81,277)	(174,265)	(36,327)	(47,112)	(37,082)	(175,263)	(36,707)	(62,671)	(734,405)
DIP Financing	-	-	200,000	-	-	250,000	-	-	75,000	525,000
<b>Closing cash balance</b>	<b>143,911</b>	<b>62,633</b>	<b>88,369</b>	<b>52,041</b>	<b>4,929</b>	<b>217,847</b>	<b>42,584</b>	<b>5,877</b>	<b>18,205</b>	<b>18,205</b>



## **Disclaimer**

1. In preparing the Statement of Second Revised Cash Flow Forecast (the “**Cash Flow Forecast**”), KSF Group (the “**KSF Group**” or the “**Companies**”) has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, actual results achieved during the period of the Cash Flow Forecast will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

## **Overview**

1. The Cash Flow Forecast, covering the period February 1, 2021 to April 2, 2021 (the “**Cash Flow Period**”) includes the receipts and disbursements of the Companies during the Cash Flow Period. The Companies, with the assistance of MNP Ltd., in its capacity as Monitor under the CCAA Proceedings, have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the CCAA Proceedings.

The Cash Flow Forecast of the Companies includes the following assumptions:

## **Hypothetical Assumptions**

2. In developing the Statement of Cash Flow Forecast, Management has reflected its current view of the potential impact of the COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by the COVID-19 pandemic and various government regulatory actions may cause actual results to differ from the projected amounts and these variations may be material.

## **Probable Assumptions**

1. Sales are based on Management’s best estimate and is dependent on provision of delivery and curbside pickup of food and beverage services during the Cash Flow Period from three of KSF Group’s locations. A small percentage of revenue is projected to be generated from wholesale business of selling dinner boxes and meal kits. Collections are generally received within 3 business days from the digital payment processors. Revenues are reflected exclusive of tips.
2. Payables to suppliers represents purchases of raw food and beverage products and is based on a percentage of sales during the Cash Flow Period. Such payments are assumed to be consistent with the cost of goods sold in the 7-month period prior to the commencement of CCAA Proceedings and are generally settled within 3 business days as per their recent past practice.

3. Payroll costs include wages payable to the employees at the Head Office and the restaurants, currently servicing or scheduled to service during the Cash Flow Period. Such payments are made in 3 tranches on every second Monday, Tuesday and Friday while the corresponding source deductions are paid on the 10<sup>th</sup> and 25<sup>th</sup> of every month. The Companies had received benefits of Canada Emergency Wage Subsidy (“CEWS”) for the respective pay periods through January 2021. The Companies have assumed that it remains eligible to receive CEWS benefits during the Cash Flow Period with a lag of 4 weeks.
4. In accordance with the Amended and Restated Initial Order, the Companies assume rent will continue to be paid bi-weekly during the Cash Flow Period. The KSF Group assumes that it will continue receiving subsidies under the Canada Emergency Rent Subsidy (“CERS”), which subsidies are assumed to be 65 per cent of the rent paid for eligible locations during the Cash Flow Period, together with an additional top-up under the CERS of 25 per cent, as the Companies’ assume that its locations will be forced to remain closed or limited in its activities because of a public health order.
5. Other expenses during the Cash Flow Period are assumed to be paid on a current basis at the end of each month and include insurance expenses of \$49.15M, utilities of \$55.68M, merchant fees (including fees payable to Uber Eats) of \$22.23M among others such as IT services, uniform costs, cleaning, security, storage costs for equipment, employee health benefits, repairs and maintenance.
6. Administrative fees of \$281.29M include charges for Companies’ counsel, the Monitor’s fees and expenses, including the fees and disbursements of the Monitor’s independent legal counsel.
7. DIP Financing fees represents 3% fee payable to the DIP Lender in an amount equal to 1% of the maximum amount under the DIP facility from the initial loan amount and an additional 2% of the maximum amount on maturity. Interest on DIP Financing is payable at the end of every month at 12% per annum.
8. Other disbursements are based on Management's best estimates.
9. No provision for income taxes has been made.

Dated at the City of Toronto in the Province of Ontario, this 5<sup>th</sup> day of February 2021.

**MNP LTD.**  
**IN ITS CAPACITY AS MONITOR OF THE KSF GROUP**  
**AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

Per:



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Sheldon Title, CPA, CA, CIRP, LIT  
Senior Vice-President

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,**  
**R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KING STREET COMPANY INC., THE KING STREET HOSPITALITY GROUP INC., BONTA TRADING CO. INC., 2268218 ONTARIO INC., 1733667 ONTARIO LIMITED, THE KING STREET FOOD COMPANY INC., THE KING STREET RESTAURANT COMPANY INC., 2112047 ONTARIO LTD., JI YORKDALE INC., JI SQUARE ONE INC., 1771669 ONTARIO INC. , CXBO INC., 2608765 ONTARIO INC., 2272224 ONTARIO INC., 2327729 ONTARIO INC., 2577053 ONTARIO INC., 2584858 ONTARIO INC., 2621298 ONTARIO INC., 2641784 ONTARIO INC., and 2656966 ONTARIO INC.**

**(THE "APPLICANTS")**

**MONITOR'S REPORT ON CASH FLOW STATEMENT**

(paragraph 23(1)(b) of the CCAA)

**FEBRUARY 8, 2021**

The attached Cash Flow Forecast of the Applicants (the "**KSF Group**" or the "**Applicants**") as at the 5th day of February 2021, consisting of a weekly projected cash flow statement for the period February 1, 2021 to April 2, 2021 ("**Cash Flow**") has been prepared by the management of the Applicants for the purpose described in the Disclaimer, using the probable and hypothetical assumptions set out in the Assumptions to the Cash Flow Forecast.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied by the management, employees and the representatives of the Applicants. 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 Cash Flow. We have also

reviewed the support provided by management of the Applicants for the probable assumptions, and the preparation and presentation of the Cash Flow.

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 Cash Flow.
- 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 Applicants or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow 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 Cash Flow will be achieved. We express no opinion or other forms of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in the Assumptions to the Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 8<sup>th</sup> day of February 2021.

**MNP LTD.**

**IN ITS CAPACITY AS MONITOR OF THE KSF GROUP**

**AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

Per:



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Sheldon Title, CPA, CA, CIRP, LIT

Senior Vice-President