

CANADA
Province of Ontario
Division No.: 09- Toronto
Court No: 31-2941791
Estate No: 31-2941791

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF 1883686 ONTARIO INC. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

Licensed Insolvency Trustee: MNP Ltd.

The information contained in this Preliminary Report has been prepared from the available books and records of the Company (as such term is later defined) and discussions with the Management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information taken from those records contained herein.

SECTION A - BACKGROUND

1883686 Ontario Inc. (the “**Company**”) is a private corporation incorporated under the laws of Ontario and operated a restaurant and bar in Burlington, Ontario under the Wendel Clark’s Classic Bar and Grill and Yuk Yuk’s brands. Like many in the restaurant and food services industry, the Company’s financial difficulties stem from the impact of the Covid-19 pandemic and the restrictions imposed to reduced social gatherings. Notwithstanding the financial assistance provided under various government programs and the eventual loosening of restrictions, the Company ultimately ceased all restaurant and bar activities in February 2023.

On the 5th day of May 2023, the Company filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada and became effective on May 8, 2023 (“**Date of Bankruptcy**”) MNP Ltd. (the “**Trustee**”) was appointed as the Licensed Insolvency Trustee of the Company’s bankruptcy estate (the “**Estate**”), subject to affirmation by the creditors at the first meeting of creditors (“**FMOC**”).

On May 9, 2023, the Notice to Creditors advising of the bankruptcy and the FMOC, a list of creditors, and a proof of claim form, along with a proxy, were sent to all known creditors of the

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Company. Pursuant to subsection 102(4) of the BIA, the Notice of Bankruptcy was published in the Toronto Sun newspaper on May 12, 2023.

The various public documents related to the Company and its bankruptcy proceedings are posted at the Trustee's case website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/1883686-ontario-inc>.

SECTION B - PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS

The Company's assets and their estimated realizable value, according to its Statement of Affairs ("SOA") are as follows:

- Cash on hand and on deposit at a financial institution - \$17,526.32 as per the SOA.
 - Represents the funds held 1) in a trust account with a related party (\$15,243.57), 2) petty cash (\$1,025.68) and 3) in a TD account (\$1,257.75) (collectively, the "Cash").
 - The Trustee has now collected all of the Cash, which in total amounts to \$17,526.32.
- Machinery, Equipment and Plant - \$1,000.00 as per the SOA.
 - Represents various restaurant equipment, furniture and other related capital assets, including leasehold improvements (the "**Capital Assets**"). The Capital Assets has a net book value ("**NBV**") of approximately \$312,162 and have been valued on the SOA to produce \$1,000. The leasehold improvements represent approximately 67% of the total Capital Assets' NBV, but has no realizable value given their nature and the cost of removal.

An Ontario *Personal Property Security Act* registry search conducted (file currency date: April 13, 2023) shows a single security interest registration against the Company in favour of The Toronto-Dominion Bank ("**TD**") covering all the personal property (cash, accounts receivable, inventory, capital equipment, etc.) of the Company. The Trustee understands that TD has not pursued realizing on the Capital Assets, subject to its security.

SECTION C - BOOKS AND RECORDS

The Trustee is in the process of taken possession and control of the Company's books and records necessary for the administration of the estate.

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SECTION D - CONSERVATORY AND PROTECTIVE MEASURES

As the Company had no physical assets on the Date of Bankruptcy, no conservatory or protective measures were necessary.

SECTION E - PROVABLE CLAIMS AND CREDITOR GROUPS

Provable Claims

The claims of creditors as per the Company's sworn SOA and the claims filed and admitted for voting purposes only, if appropriate, as at 4:00 pm on May 23, 2023 are summarized below:

Creditor Group	Statement of Affairs	Claims as Filed
Unsecured creditors	\$ 1,246,209.38	\$ Nil
Preferred creditors	5,064.00	Nil
Secured creditors	18,527.00	Nil
Contingent, trust claims	0.00	Nil
Total	\$ 1,269,800.38	\$ Nil

The Trustee was appointed/received zero (0) proxies.

With respect to the \$14,335,538.31 noted above as being the Claims Filed, such creditors' claims were reflected on the SOA at \$14,486,798.95. Please note that the Trustee has not determined the admissibility or value of the above-noted claims for dividend purposes.

Creditor Groups

Unsecured creditors - The largest unsecured creditors identified by the Company were related entities (D'Uva Suppa Corp. and Guild Inn Management Inc.), which as per the SOA total approximately \$716,402.49 and represent approximately 57.5% of the total unsecured creditors identified on the SOA. The balance of the claims as per the SOA principally relate to the unsecured portions of pandemic government assistance program loans (CEBA and HASCAP) administered by TD (\$529,804.89 or 42.5% of the total unsecured creditors identified on the SOA).

Preferred creditors – The preferred creditors under section 136 of the BIA relate to the landlord for rent arrears.

Secured creditors – On the SOA and notwithstanding that the total indebtedness owing to TD amounts to \$488,331.89 plus ongoing interest and costs, the amount shown as secured represents the value of their security based on the Company's estimates, with the balance reflected as an unsecured claim.

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SECTION F - LEGAL PROCEEDINGS

To date, the Trustee has not commenced any legal proceedings.

SECTION G – TRANSFERS AT UNDER-VALUE AND PREFERENCE PAYMENTS

The Trustee has conducted a limited review the Company's financial activities with the view of identifying possible Transfers at Under-Value and/or Preference Payments (collectively, "Reviewable Transactions"). This review was limited to disbursements made in the twelve (12) months preceding the Date of Bankruptcy. No T Reviewable Transactions have been identified or have come the Trustee's attention that has warranted reporting to the creditors or further investigations.

SECTION H - ANTICIPATED REALIZATIONS AND DISTRIBUTIONS

Given the forgoing and the SOA, the Trustee does not anticipate any distribution to creditors.

SECTION I - OTHER MATTERS

Remuneration of Trustee - The fees and expenses of the Trustee are to be paid from the realizations of the assets of the Company and/or TD. TD has guaranteed the reasonable fees and disbursement of the Trustee in connection the administration of the Estate.

Wage Earner Protection Program - The Trustee understands that the Company terminated and paid all amounts due to employee when it ceased operations in February 2023. Accordingly, the Trustee does not anticipate any claims under the Wage Earner Protection Program.

Dated at Toronto, Ontario this 24th day of May 2023.

MNP LTD.
Trustee of the Estate of
1883686 Ontario Inc., a bankrupt

Per:



Matthew E. Lem, CIRP
Licensed Insolvency Trustee