



No. S235026
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985
c. C-44 and THE BUSINESS CORPORATIONS ACT, S.B.C. 2002, c.57

AND

IN THE MATTER OF THE JOSEPH RICHARD HOSPITALITY GROUP LTD AND
THOSE PARTIES LISTED ON SCHEDULE "A"

PETITIONERS

MONITOR'S THIRD REPORT TO COURT

August 21, 2024

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I. INTRODUCTION AND PURPOSE OF THE REPORT

Introduction

1. On July 17, 2023, the Joseph Richard Hospitality Group Ltd. and the other petitioners listed on **Appendix A** (the “**Petitioners**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by the Supreme Court of British Columbia (the “**Court**”). Ernst & Young Inc. was originally appointed as the court-appointed monitor of the Petitioners.
2. The background to these CCAA proceedings, including the various orders granted, is attached as **Appendix B**.
3. On May 9, 2024, the Court granted orders that, among other things:
 - i. substituted MNP Ltd. as the court-appointed monitor of the Petitioners (the “**Monitor**”) in place of Ernst & Young Inc.;
 - ii. granted the Monitor enhanced powers;
 - iii. extended the stay of proceedings to August 30, 2024;
 - iv. granted a new administration charge in the amount of \$250,000 to secure the fees of the Monitor and its legal counsel (the “**New Administration Charge**”);
 - v. increased the interim financing facility from Canadian Western Bank (“**CWB**”) and corresponding interim finance charge from \$500,000 to \$750,000; and,
 - vi. authorized and directed the Monitor to implement a sales process (the “**Sales Process**”).
4. On June 7, 2024, the Court granted an order that approved the engagement of MNP Corporate Finance Inc. (“**MNPCF**”) to assist with the Sales Process and inclusion of MNPCF’s fees in the New Administration Charge.

Purpose of Report

5. The purpose of this Third Report to Court (the “**Third Report**”) is to provide the Court with:
 - i. an update on the Monitor’s activities;
 - ii. an update on the status of the Sales Process;
 - iii. a comparison of the actual cash flow to the forecast cash flow for the period April 29, 2024 to August 11, 2024;
 - iv. the cash flow forecast for the period August 12, 2024 to November 1, 2024; and,

- v. information and the Monitor's recommendation in respect of its application for an extension of the Stay Period to November 1, 2024.

Terms of Reference

6. In preparing this Third Report, the Monitor has been provided with and relied upon information received from the Petitioners including financial information prepared by the Petitioners, none of which has been audited. Further, the Monitor has relied upon discussions with the Petitioners, legal counsel to the lenders, and its counsel. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Third Report.
7. Certain information referred to in this Third Report consists of forecasts and projections. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the information.
8. This Third Report has been prepared for the use of this Court and the Petitioners' stakeholders as general information relating to the restructuring proceedings. Accordingly, this Third Report may not be appropriate for any other purpose. The Monitor assumes no responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Third Report contrary to the provisions of this paragraph.
9. For the purposes of this Third Report, "**Management**" refers to Mr. Andre Bourque, Mr. Ryan Moreno, Mr. Alfred Zagloul and Mr. George Tachejian.
10. This Third Report should be read in conjunction with the previous reports of Ernst & Young Inc. and the Monitor filed in these CCAA proceedings.

II. UPDATE ON MONITOR'S ACTIVITIES SINCE ITS PREVIOUS REPORT

11. Since the Monitor's Second Report to Court, dated June 4, 2024 (the "**Monitor's Second Report**"), the Monitor has performed the following:

- i. corresponded and worked with various stakeholders, including:
 - a. Management;
 - b. CWB;
 - c. BMO Bank of Montreal;
 - d. Colliers Macaulay Nicolls Inc., realtor for the 5708 176 Street, Surrey, BC property owned by the Petitioners;
 - e. Canada Revenue Agency;
 - f. other creditors and landlords;
- ii. managed the Sales Process;
- iii. monitored the Petitioners' operations;
- iv. reviewed the weekly cash flow;
- v. assisted the Petitioners with preparation of the cash flow forecast filed with this Third Report; and,
- vi. prepared this Third Report.

III. SALES PROCESS

12. Since the Monitor's Second Report, the Monitor, with support from MNPCF, has conducted the Sales Process in accordance with the sales procedures set out in the Court's order.
13. The deadline for interested parties to submit bids was August 1, 2024 (the "**Bid Deadline**"). The Monitor received several bids on or around the Bid Deadline.
14. Since August 1, 2024, the Monitor has worked with MNPCF and CWB to review the received bids. The Monitor is currently in the process of negotiating final agreements, subject to court approval.
15. The Monitor requires additional time to finalize the agreements for court approval. Accordingly, the Monitor is seeking a stay extension to November 1, 2024 with the anticipation that it will be back before the Court before that date to seek approval of any final agreements reached and distribution of any proceeds.
16. The Monitor will provide a detailed update on the conduct of the Sales Process when it returns to seek approval of any sale agreements.

IV. FORECAST CASH FLOW

Actual vs. Forecast Cash Flow

17. The table below is a summary of actual versus forecast cash flows for the period April 29, 2024 to August 11, 2024:

	\$000's		
	Actual	Forecast	Variance
Receipts			
Restaurants and operations	8,690	9,825	(1,135)
Sales Taxes	869	983	(114)
Other receipts	-	150	(150)
Interim Financing	300	-	300
	<u>9,859</u>	<u>10,958</u>	<u>(1,099)</u>
Disbursements			
Labour	(3,056)	(3,564)	508
Cost of Goods Sold	(3,038)	(2,948)	(90)
G&A	(1,902)	(1,875)	(27)
Rent	(1,139)	(1,000)	(139)
Sales Tax	(329)	(680)	351
Professional Fees	(53)	(375)	322
Contingency	-	(150)	150
	<u>(9,517)</u>	<u>(10,592)</u>	<u>1,075</u>
Net Cash Flow	342	366	(24)
Opening Cash Position	<u>90</u>	<u>110</u>	<u>(20)</u>
Forecast Closing Position	<u>432</u>	<u>476</u>	<u>(44)</u>

18. The Monitor's comments on the variances during the period April 29, 2024 to August 11, 2024 are as follows:

- The receipts from restaurants and operations were \$1.1 million less than the forecast. The Petitioners forecasted receipts to increase from \$600,000 per week to \$675,000 per week during the period May 27, 2024 to August 11, 2024, however, they were not able to achieve these results;
- The actual labour costs were lower than the forecast by \$508,000. The variance is due to staff reduction as the revenues were lower, and cost-cutting measures were implemented by the Petitioners;

- The actual rent costs were higher than forecast by \$139,000. The Petitioners forecasted \$250,000 per month, however, the actual monthly rents were \$300,000 per month;
- The actual sales taxes paid were lower than forecast by \$351,000. The variance is due to:
 - lower than anticipated sales resulting in lower sales taxes being collected; and
 - a payment made during the week-ended August 18, 2024 for \$191,000 relating to July 2024 sales taxes, which was made after the forecast period and therefore is not captured during this forecast period; and,
- The actual professional fees paid were lower than forecast by \$322,000. The variance is due to fewer professional fees being incurred than anticipated and the timing of payments.

Forecast Cash Flow

19. Management, with the assistance of the Monitor, has prepared forecast cash flow on a weekly basis for the period August 12, 2024 to November 1, 2024 (the “Forecast Cash Flow”), which is summarized below:

	\$000's
Receipts	
Restaurants and operations	7,200
Sales Taxes	720
	<u>7,920</u>
Operating Disbursements	
Labour	(2,607)
Cost of Goods Sold	(2,160)
G&A	(1,440)
Rent	(696)
Sales Tax	(791)
Professional Fees	(345)
Contingency	(60)
	<u>(8,099)</u>
Net Cash Flow	(179)
Opening Cash Position	<u>433</u>
Forecast Closing Position	<u>254</u>

20. A copy of the weekly Forecast Cash Flow including notes and assumptions is attached hereto as **Appendix C**.
21. Based on the Monitor's view of the Forecast Cash Flow and the assumptions set out in the notes thereto, the Monitor believes that in all material respects:
 - i. the probable and hypothetical assumptions set forth therein are consistent with the purposes of the Forecast Cash Flow;
 - ii. the probable and hypothetical assumptions developed by Management are suitably supported and consistent with the plans of the Petitioners or provide a reasonable basis for the Forecast Cash Flow; and
 - iii. the Forecast Cash Flow reflects the probable and hypothetical assumptions.
22. Since the Forecast 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, the Monitor expresses no assurance as to the accuracy of the Forecast Cash Flow. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Third Report, or relied upon by us in preparing this Third Report.
23. The Forecast Cash Flow has been prepared solely for the purpose described above and may not be appropriate for other purposes.

V. EXTENSION OF STAY OF PROCEEDINGS

Conduct of Petitioners

24. The Monitor believes that the Petitioners have continued to act in good faith and with due diligence during the course of these CCAA proceedings. The Petitioners, working with the Monitor, have continued to advance the restructuring through conducting the Sales Process and are hopeful to return to the Court with a successful sale transaction as a result.

Extension of Stay of Proceedings

25. The stay of proceedings currently expires on August 30, 2024. The Stay Extension is being sought to November 1, 2024.

- 26. The Monitor supports the Stay Extension to allow the Petitioners sufficient time to complete the Sales Process and return with finalized sale agreements. The Monitor does not believe any of the Petitioners' creditors will be materially prejudiced by the Stay Extension.
- 27. The Monitor believes the Petitioners will have sufficient liquidity during the Stay Extension.

VI. RECOMMENDATIONS

- 28. The Monitor recommends that the Court approve the Stay Extension to November 1, 2024.

All of which is respectfully submitted to this Court this 21st day of August, 2024.

MNP Ltd.
in its capacity as Monitor of the Joseph Richard Hospitality Group
and those Petitioners listed on **Appendix A** and not in its personal capacity.

Per: 

Mario Mainella, CPA, CA, CIRP, LIT

Per: 

Kevin Koo, CPA, CIRP, LIT

Appendix A
List of Petitioners

List of Petitioners

1138279 B.C. Ltd.
1164312 B.C. Ltd.
Ad Prolem Capital Investments Ltd.
Clover 67 Private Dining Room Ltd.
Edith & Arthur Public House Ltd.
Joseph Bourque Investments Ltd.
Joseph Richard Hospitality Group Ltd.
Joseph Richard Investments Ltd
Joseph Richard IP Holdings Ltd.
Joseph Richard Management Ltd.
JRG Canteen Virtual Kitchen Ltd.
JRG Clover Station LRS Ltd.
JRG Cloverdale Holdings Ltd.
JRG Cloverdale Ventures Ltd.
JRG Foodhall (Vancouver) Ventures Ltd.
JRG Glass House Estates Winery Ltd.
JRG Ledgeview Holdings Ltd.
JRG Steveston Hotels Ltd.
JRG Systems Ltd.
JRG Whiskey Charlie Cafe, Pitt Meadows Ltd.
Livelyhood Public House Ltd.
Micky's Investments (Coquitlam) Ltd.
Monkey See Tiki Bar Ltd.
Oak & Thorne Public House Ltd.
Oceanside Yacht Club And Public House Ltd.
S & L Kitchen & Bar Holdings Abbotsford Ltd.
S & L Kitchen & Bar Holdings Langley Ltd.
S & L Kitchen & Bar Holdings South Surrey Ltd.
Steveston Hospitality Services Ltd.
Sudo Asian Kitchen Holdings (Langley) Ltd.
The Italian Osteria and Cheese Bar Ltd.
The Phat Bird Public House Ltd.
The Study Public House Ltd.
Townhall Holdings (Abbotsford) Ltd.
Townhall Holdings (Chilliwack) Ltd.
Townhall Holdings (Coquitlam) Ltd.
Townhall Holdings (Maple Ridge) Ltd.
Townhall Holdings (South Surrey) Ltd.
Townhall Holdings Ltd.
Whiskey Charlie Holdings Ltd.

Non-Petitioner Entities:

Blank Canvas Catering Ltd.
JRG Queens LRS Ventures Ltd.
JRG Chilliwack Holdings Ltd.
JRG Growth Ventures Ltd.
JRG Published Holdings Ltd.
JRG Whip Holdings Ltd.

Appendix B
Background to these CCAA Proceedings

IN THE MATTER OF THE CCAA PROCEEDINGS OF
JOSEPH RICHARD HOSPITALITY GROUP LTD.

MONITOR'S THIRD REPORT TO COURT – APPENDIX B

1. On July 17, 2023 (the “**Filing Date**”), this Honourable Court made an order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”) granting the Joseph Richard Hospitality Group Ltd. and the 38 other petitioners listed at **Appendix A** (each a “**Petitioner**”, and collectively, the “**Petitioners**” or “**JRG**”) protection under the CCAA. The Initial Order appointed Ernst & Young Inc. (“**EYI**”) as monitor of JRG.
2. On July 27, 2023, the Court granted:
 - i. A Claims Process Order to approve a claims process; and
 - ii. An Amended and Restated Initial Order (“**ARIO**”) that:
 - a. Extended the Stay period to September 29, 2023 (the “**Stay Period**”);
 - b. Increased the Administration Charge to \$400,000 to secure the fees of the Petitioners’ legal counsel, EYI, and EYI’s legal counsel;
 - c. Increased the Directors’ Charge to \$1,000,000 to secure against potential claims against the Petitioners’ directors and officers;
 - d. Created an Intercompany Charge to secure against payments or obligations incurred between Petitioners; and,
 - e. Included Townhall Holdings (South Surrey) Ltd., Townhall Holdings (Coquitlam) Ltd., and Micky’s Investments (Coquitlam) Ltd. as Petitioners in the proceeding.

3. On August 30, 2023, the Court granted an order that:
 - i. Approved an interim financing facility and a correspondence Interim Financing Charge to a maximum of \$500,000 to be provided by Canadian Western Bank (“**CWB**”);
 - ii. Amended ARIO to limit the Administration Charge to a maximum amount of \$250,000; and,
 - iii. Stated the priority of charges granted as follows:
 - a. First: Administration Charge (to a maximum of \$250,000);
 - b. Second: Interim Financing Charge;
 - c. Third: Intercompany Charge; and
 - d. Fourth: Directors’ Charge (to a maximum of \$1,000,000).
4. On September 28, 2023, the Court granted an order extending the Stay Period to November 30, 2023.
5. On November 30, 2023, the Court granted an order extending the Stay Period to December 22, 2023.
6. On December 14, 2023, the Court pronounced several Orders, including a “**Creditors’ Meeting Order**”, establishing a process for a meeting of creditors to vote on a Plan of Compromise and Arrangement (the “**Plan**”). The meeting was originally set for February 29, 2024, but was postponed on two occasions. On April 26, 2024, the meeting was postponed indefinitely as it was unlikely that the Petitioners would be able to file a Plan that would be approved by its creditors. The Court also granted an order extending the Stay Period to March 8, 2024.
7. On March 8, 2024, the Court granted an order that:
 - i. approved the sale of the strata property located at 19040 Lougheed Highway, Pitt Meadows (the “**Roosters Building**”). This sale closed on April 12, 2024. After deducting conveyancing fees, commissions, and property taxes, the net sales proceeds of \$2,927,924.57 were transferred to EYI’s trust account; and,
 - ii. extended the Stay Period to May 8, 2024.

8. On May 9, 2024, the Court granted orders that among other things:
 - i. substituted MNP Ltd. as the court-appointed monitor of the Petitioners (the **"Monitor"**) in place of EYI;
 - ii. granted the Monitor enhanced powers;
 - iii. extended the stay of proceedings to August 30, 2024;
 - iv. granted a new administration charge in the amount of \$250,000 to secure the fees of the Monitor and its legal counsel (the **"New Administration Charge"**);
 - v. increased the interim financing facility from CWB and corresponding interim finance charge from \$500,000 to \$750,000; and,
 - vi. authorized and directed the Monitor to implement a sales process (the **"Sales Process"**).

9. On May 9, 2024, the Court also granted an order that approved the distribution of those net sales proceeds from the sale of the Roosters Building (the **"Distribution Order"**) as follows:
 - i. Payment to Farris LLP, EYI, and Bennett Jones LLP (collectively the **"Administration Charge Beneficiaries"**) in the amount of \$250,000 in respect of the Administration Charge;
 - ii. Payment to the Administration Charge Beneficiaries in the amount of \$75,000 for final satisfaction of amounts owed to the Administration Charge Beneficiaries;
 - iii. Payment to the Administration Charge Beneficiaries for costs incurred in relation to the application for the Distribution Order; and
 - iv. Payment of the remaining balance to CWB for their secured debt against the Roosters Building.

Appendix C

Forecast Cash Flow

For the Period August 12, 2024 to November 1, 2024

In the Matter of the CCAA Proceedings of Joseph Richard Group S/CAD
Flow Forecast for the Period from August 1, 2024 to November 1, 2024

	Actuals	
	Apr 29, 2024 to Aug 11, 2024	Aug 12, 2024 to Nov 1, 2024
Receipts		
Restaurants and operations	8,690,489	7,200,000
Sales taxes	899,049	720,000
Total Receipts	9,589,538	7,920,000
Operating Disbursements		
Cost of Goods Sold - Restaurants and operations	(3,038,159)	(2,760,000)
Labour	(3,056,192)	(2,907,215)
G&A	(1,901,507)	(1,698,148)
Rent	(1,139,359)	(1,381,507)
Sales tax contingency	(328,720)	(1,119,720)
Total Operating Disbursements	(9,463,937)	(10,666,590)
Restructuring Disbursements		
Professional Fees	(52,500)	(397,500)
Total Restructuring Disbursements	(52,500)	(397,500)
Financing Receipts / (Disbursements)		
DIP Facility - principal draw / (repayment)	300,000	300,000
Total Financing Receipts / (Disbursements)	300,000	300,000
Net Cash Flow	343,101	(173,363)
Opening Balance	89,507	432,608
Closing Cash Balance	432,608	259,244

In the Matter of the CCAA Proceedings of Joseph Richard Group S/CAD
Flow Forecast for the Period from August 1, 2024 to November 1, 2024

	Forecast												Total Forecast	
	18-Aug-24	25-Aug-24	01-Sep-24	08-Sep-24	15-Sep-24	22-Sep-24	29-Sep-24	06-Oct-24	13-Oct-24	20-Oct-24	27-Oct-24	01-Nov-24	Aug 12, 2024 to Nov 1, 2024	Apr 29, 2024 to Nov 1, 2024
Receipts	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	7,200,000	15,890,489
Sales taxes	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	720,000	899,049
Total Receipts	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000	7,920,000	17,479,538
Operating Disbursements	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(180,000)	(2,760,000)	(5,195,159)
Cost of Goods Sold - Restaurants and operations	(247,215)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(2,907,215)	(3,056,192)
Labour	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)	(1,381,507)	(1,139,359)
G&A	(116,148)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(1,698,148)	(1,901,507)
Rent	(191,000)	(5,000)	(200,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(791,000)	(328,720)
Sales tax contingency	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)	(1,119,720)
Total Operating Disbursements	(859,363)	(685,000)	(785,000)	(685,000)	(625,000)	(695,000)	(615,000)	(585,000)	(655,000)	(385,000)	(765,000)	(605,000)	(7,754,363)	(10,666,590)
Restructuring Disbursements														
Professional Fees	(70,000)				(100,000)							(75,000)	(345,000)	(397,500)
Total Restructuring Disbursements	(70,000)				(100,000)							(75,000)	(345,000)	(397,500)
Financing Receipts / (Disbursements)														
DIP Facility - principal draw / (repayment)														300,000
Total Financing Receipts / (Disbursements)														300,000
Net Cash Flow	(269,363)	(25,000)	(125,000)	(5,000)	35,000	(35,000)	45,000	75,000	(125,000)	275,000	(105,000)	80,000	(173,363)	163,737
Opening Balance	432,608	163,244	138,244	13,244	8,244	43,244	8,244	53,244	128,244	3,244	278,244	173,244	432,608	89,507
Closing Cash Balance	163,244	138,244	13,244	8,244	43,244	8,244	53,244	128,244	3,244	278,244	173,244	253,244	253,244	253,244

Notes:

- JRG is forecasting revenues based on revenues achieved during the period from April 29, 2024 - August 11, 2024.
- Cost of Goods Sold is estimated to be 30% of revenues.
- Joseph Richard Group salaries and wages, including insurance and benefits.
- G&A consists of administrative costs.
- Rent consists of operating location rent and leasehold improvements. Assumes that sale completes before the November rents are payable.
- The Cash Flow Forecast incorporates a contingency in the amount of \$5K per week.
- Professional Fees are estimated costs of the Monitor, its legal counsel and MNP/CF. It does not include any completion fees relating to the sale of the businesses payable to MNP/CF.
- DIP financing relates to the principal amounts borrowed from CWB during the period April 29, 2024 to August 11, 2024. Prior to April 29, 2024, JRG had borrowed \$300,000. Accordingly, JRG has borrowed \$600,000 of the \$750,000 available in DIP Financing to date.