

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
DIVISION No.: 01-MONTREAL  
COURT No.: 500-11-049214-154  
ESTATE No.: 41-343813

SUPERIOR COURT  
Commercial Division

**IN THE MATTER OF THE  
RECEIVERSHIP OF:**

**HRH HOTELS LTD.**, a legal person, duly  
incorporated according to law, having its head office  
and principal place of business at 7700 Côte-de-Liesse  
Road, Montreal, QC H4T 1E7

Insolvent person

– and –

**DELOITTE RESTRUCTURING INC.**  
having a place of business at 1190 avenue des  
Canadiens-de-Montréal, suite 500, Montreal, QC H3B  
0M7

Receiver

**REPORT SUBMITTED BY DELOITTE RESTRUCTURING INC.  
AS RECEIVER TO THE PROPERTY OF  
HRH HOTELS LTD. AS AT FEBRUARY 18, 2016  
(Report on the contemplated sale of the assets of  
HRH Hotels Ltd. to be approved by the Court)**

**I. Introduction**

1. HRH Hotels Ltd. (hereinafter “**HRH**” or the “**Debtor**”) is a corporation incorporated under the *Canada Business Corporations Act*, having its head office and principal place of business located at 7700 Côte-de-Liesse Road, Montreal, QC H4T 1E7.
2. HRH is a company holding and operating a parking complex at 7700 Côte-de-Liesse Road, in Montreal, Quebec, under the name “Golden Mile Plaza” (“**GMP**”).
3. On August 7, 2015, pursuant to a motion from HSBC Bank Canada (hereinafter “**HSBC**”), HRH’s sole secured creditor at the time, the Court rendered an order appointing Deloitte Restructuring Inc.

(hereinafter “**Deloitte**” or the “**Receiver**”) as Receiver of all of HRH’s assets pursuant to Section 243 of the *Bankruptcy and Insolvency Act* (“**BIA**”) with the powers enumerated in said order (hereinafter the “**Receivership Order**”).

4. Following the Receivership Order, HSBC accepted to sell to 9303-7026 Québec Inc. (“**9303**”), and 9303 accepted to purchase from HSBC, HSBC’s debts and security against HRH. The sale of the debts owed by HRH to HSBC closed on or around October 16, 2015. At the time of the sale of the debts, the amount owed by HRH to the secured creditor was of approximately \$3,973,484 (hereinafter the “**Secured Indebtedness**”).

## **II. Purpose of this report**

5. This report of the Receiver is filed in support of the “*Motion for the issuance of an order authorizing the sale of assets and the issuance of an approval and vesting order*” (hereinafter the “**Motion**”) filed by the Receiver and to provide additional information with regard to the Receiver’s recommendation to the Court to approve the contemplated sale of HRH’s immovable property described as (hereinafter the “**Property**”):

“Lot number ONE MILLION FIFTY-FOUR THOUSAND FIVE HUNDRED AND NINE (1 540 509) of the Cadastre of Quebec, Registration division of Montreal, with building thereupon erected bearing civic numbers 7728 to 7800 Côte-de-Liesse Road, Montreal, Quebec”

## **III. The solicitation process**

6. The Debtor hired CBRE Limited (hereinafter “**CBRE**”) to establish the best approach for the solicitation process to be implemented in respect to the GMP. The Debtor was also assisted in this process by Deloitte in its capacity, at the time, of financial advisor to the Debtor.
7. The solicitation process, which was initiated on February 24, 2015 and initially conducted by the Debtor and CBRE, can be summarized as follows:
  - a) Potential purchasers/investors were approached at the same time for an investment opportunity both in the GMP and in the property of Harilela Hotels Ltd. (legal entity affiliated to HRH and operating a hotel (under the banner Quality Hotel) adjacent to the GMP) (“**HHL**”). All of the sale documentation provided to potential purchasers/investors (i.e. teasers, presentations, etc.) therefore included information about the properties of both HRH and HHL.
  - b) Teasers (including information about HRH and HHL) were prepared and distributed to approximately 565 potential purchasers/investors.
  - c) Twenty-two (22) interested parties signed a non-disclosure agreement giving them access to sensitive commercial information in respect to the Debtor and HHL.
  - d) Meetings were arranged with these interest parties to present the transaction and to exchange financial and commercial information about the business under consideration.

- e) On August 20, 2015, an offer was submitted which provided for the purchase of the Property for an amount insufficient to cover for the secured indebtedness of the secured creditor at the time (hereinafter the “**Initial Transaction**”).
- f) Although the purchase price offered pursuant to the Initial Transaction did not allow for the repayment of its secured indebtedness, the secured creditor at the time was supporting the Initial Transaction.
- g) Regrettably, the Initial Transaction did not materialize as the interested party who had submitted the offer on August 20, 2015 later indicated to the Receiver that it no longer wanted to pursue the Initial Transaction anymore as a result of the uncertainty stemming from a servitude of right of parking alleged by the owners of one of the hotel adjacent to the GMP (i.e. the Hilton Garden Inn).
- h) From August 20, 2015 to December 3, 2015, four (4) additional offers were received by the Receiver for the Property (hereinafter the “**Offers**”).
- i) None of the Offers allowed for the Secured Indebtedness to be reimbursed in full.
- j) Only one of the Offers was deemed satisfactory by the Receiver and on December 6, 2015, the Receiver accepted the offer that was providing the most interesting return while providing for a better certainty of closing (hereinafter the “**Second Transaction**”).
- k) The Second Transaction was subject to an exclusive due diligence period of thirty (30) days.
- l) Although the purchase price offered pursuant to the Second Transaction did not allow for the repayment of its Secured Indebtedness, 9303 (HRH’s sole secured creditor) was supporting the Second Transaction.
- m) Before the expiration of the due diligence period provided to the interested party who had submitted the offer providing for the Second Transaction, the interested party regrettably indicated to the Receiver that it no longer wanted to pursue the Second Transaction.

#### **IV. Main terms of the Contemplated Transaction**

- 8. On February 8, 2016, the Receiver received an unsolicited offer for the purchase of the GMP (the “**Contemplated Transaction**”) from 9153-1335 Québec Inc. (the “**Purchaser**”).
- 9. The main terms and conditions of the Contemplated Transaction are the following:
  - (a) The Purchaser has remitted a deposit in an amount of **\$225,000**.
  - (b) The Purchaser acquires the Property in exchange for the agreed purchase price provided for in the Contemplated Transaction (as the price provided for in the Contemplated Transaction is sensitive and could prejudice the Debtor (and the creditors) should the contemplated sale not be completed, Deloitte chose not to disclose the purchase price provided for in the Contemplated Transaction in this report).

- (c) The transaction is conditional upon the issuance by the Honourable Court of a Vesting Order taking the form of the Draft Order which vests the GMP free and clear of all encumbrances save and except of the servitude of right of parking alleged by the owners of the Hilton Garden Inn located next to the GMP.
- (d) Closing is to take place on February 23, 2016.

**V. Basis for recommending the acceptance of the Contemplated Transaction with the Purchaser**

- 10. Although not a result of, the Contemplated Transaction has been received after the market had been canvassed pursuant to a thorough solicitation process (process which was described in the previous section of this report).
- 11. The most likely purchasers for the GMP were identified and given a proper opportunity to submit their best offer for the Property.
- 12. Further marketing efforts would unlikely result in the identification of new prospective purchasers or a higher purchase price.
- 13. Although the closing of the Contemplated Transaction will not allow the Debtor to repay in full its sole secured creditor, it will allow the Debtor to pay an important portion of the amounts owed to 9303.
- 14. 9303 supports the Contemplated Transaction.
- 15. In addition to being the best offer under the circumstances, the Contemplated Transaction will limit the future operational deficits of the Debtor which the secured creditor no longer intends to fund.
- 16. It is unlikely that in a context of bankruptcy a transaction offering a better return on the GMP could be achieved.

**VI. Recommendation**

- 17. The Receiver recommends the issuance of the order authorizing the sale of the GMP sought pursuant to the Motion.

DATED AT MONTREAL, this 18<sup>th</sup> day of  
February, 2016.

DELOITTE RESTRUCTURING INC.  
Receiver to the property of HRH Hotels Ltd.



Jean-Christophe Hamel, CPA, CA, CIRP