

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION No.: 01-MONTRÉAL
COURT No.: 500-11-045763-139
ESTATE No.: 41-343573

SUPERIOR COURT
Commercial Division

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

IHG HARILELA HOTELS LTD., a legal person,
duly incorporated according to law.

Insolvent person

– and –

DELOITTE RESTRUCTURING INC.
(Benoît Clouâtre, CPA, CA, CIRP, LIT, person in
charge) having a place of business at 1190 avenue des
Canadiens-de-Montréal, suite 500, Montréal, Quebec,
H3B 0M7

Receiver

**FINAL REPORT SUBMITTED BY
DELOITTE RESTRUCTURING INC. AS RECEIVER
TO THE PROPERTY OF IHG HARILELA HOTELS LTD.
AS AT SEPTEMBER 27, 2016
(Subsection 246(3) of the *Bankruptcy and Insolvency Act*;
and Rule 127 of the *Bankruptcy and Insolvency General Rules*)**

I. Introduction

1. IHG Harilela Hotels Ltd. (“**IHG**” or the “**Debtor**”) is a corporation constituted under the *Canada Business Corporations Act*.
2. IHG is a company which, until recently held, operated a hotel under the Hilton Garden Inn banner (the “**Hotel**”) located at 7880 Côte-de-Liesse Road, Montréal, QC H4T 1E7.
3. On November 29, 2013, IHG filed a Notice of Intention to Make a Proposal to its creditors and Deloitte Restructuring Inc. (“**Deloitte**”) was appointed trustee.

4. On May 27, 2014, IHG lodged with Deloitte a proposal under the *Bankruptcy and Insolvency Act* (the “**Act**”). A first meeting of creditors to vote on the proposal was scheduled for June 17, 2014.
5. On June 13, 2014, following a motion by Computershare Trust Company of Canada, IHG’s principal secured creditor (the “**Secured Creditor**”), the Court rendered an order appointing Deloitte as Receiver of substantially all of IHG’s assets pursuant to Section 243 of the BIA with the Powers enumerated in said order (the “**Receivership Order**”), as appears from the Court record.
6. The first meeting of creditors to vote on the proposal filed by IHG was held, as scheduled, on June 17, 2014 and was adjourned to September 2, 2014. The first meeting of creditors was adjourned in the light of the appointment of Deloitte as Receiver (and of the early stage of the sale process initiated by the Insolvent Person). In fact, it was determined that as the sale process comes closer to a conclusion, the trustee would be in a better position to determine whether or not the Insolvent Person would be in a position to fulfill its obligations with regard to the proposal.
7. Due to the unexpected delays encountered in the sale process, the first meeting of creditors was subsequently adjourned from time to time until February 27, 2015.
8. An Amended Proposal was presented at the February 27, 2015 meeting and approved by the creditors.
9. *A Motion for Approval and Homologation of a Proposal* was presented to the Court on March 30, 2015, and on the same day the Court rendered the *Order for the Approval of the Proposal*.

II. Purpose of this report

10. The purpose of this final report of the Receiver (the “**Final Report**”) is to advise the Superintendent with a summary with respect to:
 - a) The outcome of the sale process undertaken by the Receiver;
 - b) The manner of distribution of the proceeds realized from the property of which the Receiver had taken possession or control;
 - c) The final statement of receipts and disbursements.

For the purposes of preparing this Report, the Receiver relied on unaudited financial information of IHG. Although the Receiver has analyzed the information that was given to him, the Receiver has not perform an audit or any audit procedures to validate the information.

III. The sale process

11. The Debtor has worked with Colliers International (Québec) Inc. (hereinafter “**Colliers**”) to establish the best approach for the solicitation process to be implemented in respect to the Hotel.
12. The Hotel was subject to two solicitation processes since 2011. The first solicitation process started around September 2011 and ended around August 2012, when the Debtor deemed the values of the

- offers received at the time insufficient and preferred to put the solicitation process on hold until the market presents better opportunities.
13. The second solicitation process was initiated around March 2014. In fact, on March 19, 2014, Colliers sent a document entitled “*Acquisition and Redevelopment Opportunity*” (the “**Teaser**”) and including information about the investment opportunity to 2,783 companies.
 14. By April 11, 2014, 42 potential buyers had signed a confidentiality agreement and had been granted access to:
 - (a) The Confidential Information Memorandum (the “**CIM**”) prepared by Colliers and including more detailed information about the Hotel and the investment opportunity;
 - (b) The virtual data room created by Colliers which included additional relevant documents for potential buyers.
 15. On April 16, 2014, a memo was distributed to the potential buyers outlining the minimum requirements for their bids, the bid deadline (April 30, 2014) and the standard form that each bid had to take.
 16. On April 30, 2014, Colliers received three offers, ranging between \$9M and \$15M.
 17. After reviewing the Offers with Colliers, the Debtor, the Secured Creditor, and the Receiver elected to retain the offer submitted by Temple Hotels Inc. (“**Temple**”) notably considering that the purchase price offered was in the higher range of the offers received, but also because of Temple’s previous dealings with Hilton, which brought an element of comfort in terms of certainty of closing (hereinafter the “**Temple Offer**”).
 18. On July 4, 2014, the Receiver and Temple entered into a purchase and sale agreement (“**PSA**”).
 19. The initial PSA was amended from time to time so to:
 - (a) Allow Temple to complete its due diligence process;
 - (b) Allow Hilton and Temple to agree on the continued use of the Hilton branding for the Hotel;
 - (c) Extend the closing deadline; and
 - (d) Allow the assignment of the PSA to the ultimate buyer, The Holdings 5 Corporation Inc. (“**THI**”).
 20. On February 3, 2015, the Receiver requested from the Court an order for the authorization to sale substantially all of IHG’s assets in favor of THI. Such order was granted by the Court on February 3, 2015, and the closing of the sale transaction occurred on February 6, 2015.

IV. The distribution of the sale proceeds

21. Following the sale of the property, the Receiver had many discussions with the Canada Revenue Agency (the “**CRA**”) and Revenu Quebec (“**RQ**”) which led to the issuance of comfort letters by

the CRA and RQ to the Receiver providing the Receiver with sufficient comfort to allow for the distribution of the proceeds from the sale transaction to the Secured Creditor and also to Deloitte acting as Trustee in IHG's proposal, without the issuance of formal certificates of discharge by the tax authorities.

22. Following the issuance of the above comfort letters by the CRA and RQ, the Receiver was therefore able to reimburse the amount owed to the Secured Creditor and to remit the estimated balance of the sale proceeds which remained once the Secured Creditor was repaid in full (the "Excess Funds") to the Trustee to the Proposal of IHG.

V. Final statement of receipts and disbursements

23. You will find in **Appendix A** the final statement of receipts and disbursements.

24. The receipts during the receivership period totaled \$21,924K and included the following:

- (a) The collection of the net sale proceeds of \$14,926K;
- (b) The collection of room and food revenues (\$5,890K) related to the operations of the Hotel;
- (c) The collection of the Receiver's borrowings since its appointment of \$799K;
- (d) The realization of the cash balances (\$128K) held in IHG's bank accounts at the time of Deloitte's appointment as Receiver;
- (e) The collection of GST/PST taxes reimbursement of \$85K (1);
- (f) The collection of interests accrued on the balance of the sale proceeds of \$41K;
- (g) The collection of post-closing adjustments of \$37K;
- (h) The realization of a foreign exchange gain of \$18K.

25. The disbursements during the receivership period totaled \$8,264K and included the following:

- (a) Payment of \$1,970K related to the employees' salaries;
- (b) Payment (totaling \$1,923K) related to professional fees (with regard to the fees of the Receiver, the fees of the Trustee in the Notice of Intention, the fees of the Receiver's legal counsel, and the fees of other various consultants assisting the Receiver in the daily operations of the Hotel);
- (c) Payment (totaling \$1,775K) to various suppliers related to the ongoing operations of the Hotel (for the purchase of food, the purchase of various suppliers, the maintenance of the Hotel, etc.);

(1) A QST tax reimbursement of \$17,658 claimed by IHG and by the Receiver has not been allowed by Revenu Quebec, but the Receiver is currently contesting the decision. This reimbursement is included in the Final Statement of receipts and disbursements although we are still waiting for a final ruling from Revenu Quebec.

- (d) Monthly reimbursement of sales taxes (GST/QST) to the government in the amount of \$738K;
 - (e) Payment of \$686K to the franchisor/Hilton (and to the franchisor's legal counsel) with regard to the monthly franchise fees and the legal fees of the franchisor related to the sale of the Property and the Receivership;
 - (f) Payment of \$421K related to the municipal taxes, tourism taxes and school taxes;
 - (g) Payment of \$373K related to the reimbursement of parking revenues collected by IHG on behalf of HRH Hotels Ltd./the Golden Mile Plaza (company operating a parking and adjacent to IHG) since the appointment of the Receiver;
 - (h) Payment of \$280K related to a final settlement with regards to unpaid management fees unpaid to a former member of the management team of the Hotel;
 - (i) Payment of \$59K representing severances and balance of vacation owed to employees terminated in the course of the sale transaction;
 - (j) Payment of \$39K related to the Property's monthly insurance premium.
26. As a result, sufficient funds were available in order to allow for the full reimbursement of the amount owed to the Secured Creditor (\$10,546K).
27. Therefore, the Receiver remitted the balance of the funds available following the full reimbursement of the Secured Creditor (\$3,114K) to the Trustee in the Proposal of IHG.

DATED AT MONTRÉAL, this 27th day of
September, 2016.

DELOITTE RESTRUCTURING INC.
Receiver to the property of IHG Harilela Hotels Ltd.



Benoît Clouâtre, CPA, CA, CIRP, LIT

APPENDIX A

IHG Harilela Hotels Ltd.
Interim statement of receipts and disbursements
(For the period from June 13, 2014 to September 27, 2016)

Receipts and disbursements	(\$)
Receipts	
Sale proceeds	14,925,588
Net payments from credit card companies and deposits	5,889,607
Receiver's borrowings	798,947
Realization of the opening cash balance	128,189
Reimbursement of taxes (GST/PST) - Note 1	85,636
Interest on sale proceeds	41,301
Post-closing adjustment	36,756
Foreign exchange gain	18,440
Total receipts	21,924,464
Disbursements	
Payroll	1,970,157
Professional fees	1,922,991
Suppliers	1,775,399
Sales tax remittance	738,223
Franchise fees	685,472
Room, municipal and school taxes	421,392
Reimbursement of parking revenues to the GMP	373,162
Distribution to M. Dipshan	280,025
Payroll (vacation and severance pay to terminated employees)	59,138
Insurance	38,580
Total disbursements	8,264,539
Distributions	
Distribution to secured creditor	10,545,944
Distribution to Trustee in IHG's Proposal	3,113,981
Total distributions	13,659,925
Net cash flow/Ending cash balance	-

Note 1 :

A QST tax reimbursement of \$17,658 claimed by IHG and by the Receiver has not been allowed by Revenu Quebec, but the Receiver is currently contesting the decision. This reimbursement is included in the Final Statement of receipts and disbursements although we are still waiting for a final ruling from Revenu Quebec.