

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, person in charge)
having a place of business at 1190 avenue des
Canadiens-de-Montréal, suite 500, Montréal, Quebec,
H3B 0M7

Receiver

**THIRD INTERIM REPORT SUBMITTED BY
DELOITTE RESTRUCTURING INC. AS RECEIVER
TO THE PROPERTY OF IHG HARILELA HOTELS LTD.
AS AT DECEMBER 11, 2015
(Subsection 246(2) of the *Bankruptcy and Insolvency Act (BIA)*
and Rule 126 of the *Bankruptcy and Insolvency General Rules*)**

I. Introduction

1. IHG Harilela Hotels Ltd. (“**IHG**”) is a corporation constituted under the *Canada Business Corporations Act*.
2. IHG is a company holding which, until recently, operated a hotel under the Hilton Garden Inn banner 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 BIA. 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. On February 3, 2015, the Receiver requested from the Court an order for the authorization to sell substantially all of IHG's assets in favor of The Holdings 5 Corporation Inc. ("**THI**"). Such order was granted by the Court on February 3, 2015, and the closing of the sale transaction occurred on February 6, 2015. The Receiver's report on the contemplated sale of the property of IHG dated February 2, 2015 (a copy of which is available on the Receiver and Trustee's website) contains additional details on the sale process and the sale transaction of IHG's assets.
9. An Amended Proposal was presented at the February 27, 2015 meeting and approved by the creditors.
10. *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

11. The purpose of this third interim report of the Receiver (the "**Third Report**") is to advise/provide the Office of the Superintendent of Bankruptcy Canada with a summary with respect to:
 - a) All Property of which the Receiver has taken possession or control that has not yet been sold or realized;
 - b) The activities of the Receiver since the issuance of its second interim report (dated June 12, 2015);
 - c) The interim statement of receipts and disbursements;
 - d) The anticipated completion of the receivership.

III. Summary of the Property of which the Receiver has taken possession

12. As of the date of this report, the Property of IHG (which has not yet been sold or realized) includes the following:
- (a) Cash;
 - (b) Certain accounts receivable;
 - (c) Certain prepaid assets.
13. As of the date of this report, an amount of \$280K is still owed to the Secured Creditor. The reason why there is still an amount owed is explained in section VI of this report (section related to the anticipated completion of the receivership).

IV. The activities of the Receiver since the issuance of its second interim report (dated June 12, 2015)

14. The Receiver monitored and controlled the receipts and disbursements of IHG.
15. 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 the Trustee in IHG’s proposal without the issuance of formal certificates of discharge by the tax authorities.
16. Following the issuance of the above comfort letters by the CRA and RQ, the Receiver was therefore able to reimburse a portion of the amount owed to the Secured Creditor and to remit a portion of the estimated balance of the sale proceeds which will remain once the Secured Creditor will have been repaid in full (the “**Excess Funds**”) to the Trustee to the Proposal of IHG.
17. The Receiver and the Trustee continued to update the website they created for the benefit of all creditors (http://www.insolvencies.deloitte.ca/en-ca/Pages/IHG%20Harilela%20Hotels%20Ltd_.asp) and where all of the public documents related to the notice of intention, proposal and receivership of IHG can be found.

V. The interim statement of receipts and disbursements for the period ended November 30, 2015

18. You will find in **Appendix A** the interim statement of receipts and disbursements for the period from June 13, 2014 to November 30, 2015 (the “**Declaration Period**”).
19. The receipts during the Declaration Period totaled \$21,865K and mainly included the following:
- (a) The collection of the net sale proceeds of \$14,926K;
 - (b) The collection of room and food revenues (\$5,876K) related to the operations of the hotel during the Declaration Period;
 - (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 \$40K;
 - (f) The collection of interests accrued on the balance of the sale proceeds of \$40K;
 - (g) The collection of post-closing adjustments of \$37K;
 - (h) The realization of a foreign exchange gain of \$18K.
20. The disbursements during the Declaration Period totaled \$20,950K and mainly included the following:
- (a) Distribution of \$10,545K to the Secured Creditor;
 - (b) Distribution of \$2,516K to the Trustee in IHG's Proposal;
 - (c) Payment of \$1,967K related to the employees' salaries;
 - (d) Payment (totaling \$1,833K) 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);
 - (e) Payment (totaling \$1,786K) 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.);
 - (f) Monthly reimbursement of sales taxes (GST/QST) to the government in the amount of \$724K;
 - (g) Payment of \$685K 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;
 - (h) Payment of \$421K related to the municipal taxes, tourism taxes and school taxes;
 - (i) 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;
 - (j) Payment of \$59K representing severances and balance of vacation owed to employees terminated in the course of the sale transaction;
 - (k) Payment of \$39K related to the Property's monthly insurance premium.
21. Consequently, an amount of approximately \$915K was in the possession of/controlled by the Receiver as of November 30, 2015.

VI. The anticipated completion of the receivership

22. The Receiver's remaining tasks with regard to the realization of IHG's assets consist of the collection of some remaining balance of accounts receivable or prepaid assets which were not part of the transaction with THI.
23. The Receiver (with the support of the Secured Creditor) made an agreement with a former member of the management team of the hotel to keep a balance/postpone the distribution of an amount of \$280K to the Secured Creditor until a final agreement is reached (or a Court order is rendered on the settlement of this ongoing litigation) between the former member of the management team and the Receiver with regard to the former member of the management team's claim for unpaid management fees. Once a final agreement has been reached or a Court order has been rendered with regard to this ongoing litigation, the Receiver will be able to reimburse any remaining unpaid balance owed to the Secured Creditor and to remit any remaining balance of the Excess Funds to the Trustee in the Proposal of IHG. As the timing in which the above litigation will be settled/resolved is still unknown as of the time of this report, the Receiver is therefore not able to accurately predict/anticipate the timing of the completion of its receivership mandate.

DATED AT MONTRÉAL, this 11th day of
December, 2015.

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



Benoît Clouâtre, CPA, CA, CIRP
Senior Vice-President

APPENDIX A

IHG Harilela Hotels Ltd.
Interim statement of receipts and disbursements
(For the period from June 13, 2014 to November 30, 2015)

Receipts and disbursements	(\$)
Receipts	
Sale proceeds	14,925,588
Net payments from credit card companies and deposits	5,876,363
Receiver's borrowings	798,947
Realization of the opening cash balance	128,189
Reimbursement of taxes (GST/PST)	40,385
Interest on sale proceeds	40,342
Post-closing adjustment	36,756
Foreign exchange gain	18,131
Total receipts	<u>21,864,701</u>
Disbursements	
Distribution to secured creditors	10,545,944
Distribution to Trustee in IHG's Proposal	2,515,663
Payroll	1,967,279
Professional fees	1,832,967
Suppliers	1,786,483
Sales tax remittance	724,098
Franchise fees	685,472
Room, municipal and school taxes	421,392
Reimbursement of parking revenues to the GMP	373,162
Payroll (vacation and severance pay to terminated employees)	59,138
Insurance	38,580
Total disbursements	<u>20,950,178</u>
Net cash flow/Ending cash balance	<u><u>914,523</u></u>