



**Deloitte Restructuring Inc.**

La Tour Deloitte  
1190 Avenue des  
Canadiens-de-Montréal  
Suite 500  
Montreal QC H3B 0M7  
Canada

Phone: 514-393-7115

Fax: 514-390-4103

www.deloitte.ca

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
DIVISION No.: 01-MONTREAL  
COURT No.: 500-11-051691-166  
ESTATE No.: 41-2190979

S U P E R I O R C O U R T  
Commercial Division

**IN THE MATTER OF THE  
BANKRUPTCY OF:**

**HRH HOTELS LTD.**, a legal person, duly incorporated  
according to law

Bankrupt

– and –

**DELOITTE RESTRUCTURING INC.**

(Benoît Clouâtre, CPA, CA, CIRP, LIT, designated person  
in charge) having its place of business at 1190 Avenue  
des Canadiens-de-Montréal, Suite 500, Montreal, Quebec,  
H3B 0M7.

Trustee

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

The *Bankruptcy and Insolvency Act*, a federal act in Canada (the "**Act**"), provides for a first meeting of creditors to discuss the creditors' collective interest in the administration of the Bankrupt's estate.

**A) Background**

HRH Hotels Ltd. ("**HRH**") is a corporation constituted under the *Canada Business Corporations Act*, which, until recently, had its head office and principal place of business located at 7700 Côte-de-Liesse Road, Montreal, Quebec, H4T 1E7. Until recently, HRH held and operated a parking complex under the Golden Mile Plaza banner.

*Financial statements*

For reference purposes, below is HRH's income statement for the years ended November 30, 2013, 2014 and 2015. In addition, you will find below HRH's balance sheets as of November 30, 2013, 2014 and 2015:

<b>HRH Hotels Ltd.</b>			
<b>Income Statements for years ended November 30</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>(Note 1) (\$)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenues	701,110	1,304,490	1,068,993
Operating expenses	<u>508,843</u>	<u>632,617</u>	<u>430,086</u>
<b>Loss from operations</b>	<b>192,267</b>	<b>671,873</b>	<b>638,907</b>
Overhead expenses	<u>687,479</u>	<u>1,226,117</u>	<u>1,436,923</u>
<b>Net loss</b>	<b><u>(495,212)</u></b>	<b><u>(554,244)</u></b>	<b><u>(798,016)</u></b>

**Note 1 :**

The balance sheets above are as per HRH's books and records. The results for the 2016 financial year are not presented above as HRH ceased its operations at the beginning of HRH's 2016 financial year.

<b>HRH Hotels Ltd.</b>			
<b>Balance Sheets as of November 30 (Note 1) (\$)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Assets</b>			
Short-term assets	4,543,593	1,887,881	291,258
Property, plant and equipment	9,029,124	9,402,987	9,802,566
Other long-term assets	<u>50,210</u>	<u>57,433</u>	<u>57,433</u>
	<b><u>13,622,927</u></b>	<b><u>11,348,301</u></b>	<b><u>10,151,257</u></b>
<b>Liabilities</b>			
Short-term liabilities	5,918,895	5,223,854	3,781,675
Long-term liabilities	<u>14,550,850</u>	<u>12,476,054</u>	<u>12,166,946</u>
	<b><u>20,469,745</u></b>	<b><u>17,699,908</u></b>	<b><u>15,948,621</u></b>
<b>Shareholders' equity</b>			
Accumulated deficits	(6,351,607)	(5,797,364)	(4,999,348)
Deficit	<u>(495,211)</u>	<u>(554,243)</u>	<u>(798,016)</u>
	<b><u>(6,846,818)</u></b>	<b><u>(6,351,607)</u></b>	<b><u>(5,797,364)</u></b>
	<b><u>13,622,927</u></b>	<b><u>11,348,301</u></b>	<b><u>10,151,257</u></b>

**Note 1 :**

The balance sheets above are as per HRH's books and records. The balance sheet as of the end of the 2016 financial year is not presented above as HRH's real estate property was sold at the beginning of HRH's 2016 financial year.

*Causes of insolvency*

As indicated in the above financial statements, HRH has cumulated significant deficits over the last few years. The accumulated deficits, the increased pressure on HRH's liquidities caused by those deficits, and HRH's ownership group's overall strategic decision to exit the Montreal real estate market resulted in the ownership group's decision to initiate a sale process.

Therefore, on February 24, 2015, HRH, with the assistance of CBRE Limited (hereinafter "**CBRE**"), initiated a sale process and solicited offers from interested parties for the purchase of the parking complex.

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**") as Receiver of all of HRH's assets pursuant to Section 243 of the Act with the powers enumerated in said order (hereinafter the "**Receivership Order**").

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.

HRH's sale process, which was continued by the Receiver after its appointment, was successfully completed on February 18, 2016 when the Receiver requested from the Court an order for the authorization to sale substantially all of HRH's assets in favour of 9153-1335 Québec Inc. Such order was granted by the Court on February 18, 2016, and the closing of the sale transaction occurred on May 9, 2016. The Receiver's report on the contemplated sale of the property of HRH dated February 18, 2016 (a copy of which is available on the Deloitte website) contains additional details on the sale process and the sale transaction of HRH's assets.

Following the sale of all of its assets and as of the time of this report, HRH's only remaining assets is the remaining cash balance from the sale proceeds which totals \$777K. In fact, HRH sold its real estate property for \$1,725K on May 9, 2016. Following and since the sale of the property, the Receiver has since paid back costs accrued during the Receivership period totaling approximately \$948K (and including mainly accrued municipal taxes and professional fees). The remaining cash balance (of \$777K) is fully secured in favour of 9303 and will also not be sufficient to fully reimburse 9303's remaining outstanding debt at the time of the bankruptcy which totals \$3,064K (in addition to any amounts owed to the unsecured creditors). For those reasons, on November 22, 2016, HRH filed for bankruptcy and Deloitte was appointed Trustee in the bankruptcy of HRH.

**B) Trustee's preliminary evaluation of assets and liabilities**

Below is a summary of the Statement of Affairs as of November 22, 2016, which includes the estimated net realization value of HRH's assets, as well as the estimated deficit following the distribution of the estimated proceeds from the liquidation of the assets to the secured creditor:

HRH Hotels Ltd.		
Statement of Affairs (CAD)	Book value	Estimate of net
As of November 22, 2016 (unaudited)	(Note 1)	realization value
<b>Assets</b>		
Cash	776,980	776,980
	<b>776,980</b>	<b>776,980</b>
<b>Liabilities</b>		
Secured creditor		776,980
Secured creditor (unsecured portion)		2,286,532
Unsecured creditors (Note 1)		9,783,345
		<b>12,846,857</b>
<b>Deficit (before professional fees)</b>		<b>(12,069,877)</b>

**Note 1:**

*Creditors will have the onus to prove their claims and only those claims that are proven will constitute valid claims and will receive a distribution if funds are available.*

The estimated value attributed to HRH's cash balance represents the cash balance held by the Receiver at the time of this report.

Deloitte has received an independent legal opinion on the validity of 9303's security, which confirmed that all of HRH's remaining assets are secured in favour of 9303.

**C) Conservatory and protective measures**

The Trustee implemented the following conservatory and protective measures:

- Sending of notices to all of HRH's creditors informing them about the bankruptcy and the first meeting of creditors;
- Publication of a notice to creditors in *Le Devoir* newspaper.

**D) Information relating to provable claims**

As of the time of the preparation of this report, considering that no proofs of claim have been received to date, the Trustee is not able to determine if there will be a significant difference between the amount of claims declared by the Bankrupt and the amount of claims proven by the various creditors.

**E) Legal proceedings, transfer at undervalue and preference payments**

The Trustee has not initiated any legal proceedings and has not identified any transfer at undervalue or preference payments to date.

**F) Projected distribution and Trustee's comments on anticipated asset realization**

As illustrated in the Statement of Affairs (summarized in previous sections of this report), HRH's assets will not be sufficient to fully reimburse the secured creditor having a first ranking security over all of HRH's remaining assets. Therefore, based on the information currently on hand, it is

estimated that no funds will be available for the distribution of a dividend to the unsecured creditors of HRH.

**G) Trustee's remuneration**

The professional fees and disbursements of Deloitte, in its capacity as Trustee in the bankruptcy of HRH, will be paid by HRH's secured creditor as per an agreement between Deloitte and HRH's secured creditor.

**H) Other matters**

None.

DATED AT MONTREAL, Quebec, this 13<sup>th</sup> day of December, 2016.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee of the Estate of  
HRH Hotels Ltd.  
and not in its personal capacity

Per:



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