

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION No.: 01-MONTREAL
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, having its head
office and principal place of business at 7880 Côte-de-
Liesse Road, Montreal, QC H4T 1E7

Insolvent person

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
(Benoît Clouâtre, CPA, CA, CIRP, person in charge)
having a place of business at 1 Place Ville Marie, Suite
3000, Montreal, QC H3B 4T9

Receiver

**INTERIM REPORT SUBMITTED BY
SAMSON BÉLAIR/DELOITTE & TOUCHE INC. AS RECEIVER
TO THE PROPERTY OF IHG HARILELA HOTELS LTD.**

AS AT DECEMBER 12, 2014

**(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*, having its head office and principal place of business located at 7880 Côte-de-Liesse Road, Montreal, QC H4T 1E7.
2. IHG is a company holding and operating a hotel under the Hilton Garden Inn banner.
3. On November 29, 2013, IHG filed a Notice of Intention to make a proposal to its creditors and Samson Bélair/Deloitte & Touche 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, as the sale process comes closer to a conclusion, the trustee will be in a better position to determine whether or not the Insolvent Person will be in a position to fulfill its obligations with regard to the proposal.
7. Due to the unexpected delays encountered in the sale process (as explained in more details in the later sections of this report), the first meeting of creditors was, once again, later adjourned to a later date and, as of the time of this report, is now scheduled/adjourned to February 27, 2015.

II. Purpose of this report

8. The purpose of this first report of the Receiver (the "**First Report**") is to advise/provide the Superintendent 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 initial activities of the Receiver;
 - c) the interim statement of receipts and disbursements;
 - d) the anticipated completion of the receivership.

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

9. As of the date of this report, the Property of IHG includes the following:
 - (a) Cash;
 - (b) Accounts receivable;
 - (c) Inventory (food, supplies, etc.)
 - (d) Computer equipment and software;
 - (e) Equipment and furniture;
 - (f) Automobiles;
 - (g) Land and building.

10. In conformity with the Receivership Order, on June 13, 2014, the Receiver took possession and control of the Property described above.
11. The exact amount owed by IHG to the Secured Creditor is to be determined. However, the Trustee's report on the proposal indicates a total debt of \$10,803,438 owed to the Secured Creditor.

IV. The initial activities of the Receiver

12. On June 20, 2014, the Receiver filed with the Superintendent in Bankruptcy and sent to all known creditors of IHG a copy of the Notice and Statement of the Receiver.
13. The Receiver and the Trustee created a link on their website (<http://www.insolvencies.deloitte.ca/en-ca/Pages/IHG%20Harilela%20Hotels%20Ltd.%20.aspx>) where all of the public documents related to the notice of intention, proposal, and receivership of IHG can be found.
14. The Receiver took control of the different bank accounts of IHG.
15. The Receiver monitored and controlled the receipts and disbursements of IHG.
16. The Receiver monitored, on a daily basis, the daily operations of IHG.
17. The Receiver ensured that proper insurance coverage was in place for the assets and took all necessary conservatory measures to secure and safeguard IHG's assets.
18. The Receiver obtained all of the supporting documentation and reviewed in detail the sale process conducted by the Insolvent Person prior to its appointment as Receiver to ensure that it was satisfied with the sale process. Following the said sale process, an offer from an interest party (the "**Highest Bidder**") was identified as the best and highest offer. On July 4, 2014, the Receiver entered into a Purchase and Sale Agreement with the Highest Bidder which provided the latest with an exclusivity period (from July 4 to September 2, 2014) to complete its due diligence of the assets.
19. At the request of the Highest Bidder, the exclusivity and due diligence period was extended to September 26, 2014, and then subsequently to October 20, 2014 and to October 31, 2014. On October 31, 2014, the Highest Bidder requested an additional extension to the exclusivity and due diligence period which was not granted by the Receiver (as the Receiver did not believe the Highest Bidder's request was justified given the current circumstances).

V. The interim statement of receipts and disbursements for the period ended November 30, 2014

20. You will find in **Appendix A** the interim statement of receipts and disbursements for the period from June 13 to November 30, 2014 (the "**Declaration Period**").
21. The receipts during the Declaration Period totaled \$4,713K and mainly included the following:
 - (a) The collection of room and food revenues (of \$4,194K) related to the operations of the hotel during the Declaration Period;
 - (b) The collection of the Receiver's borrowings since its appointment of \$391K;

- (c) The realization of the cash balances (of \$128K) held in IHG's bank accounts at the time of Deloitte's appointment as Receiver.
22. The disbursements during the Declaration Period totaled \$4,488K and mainly included the following:
- (a) Payment of \$1,227K related to the employees' salaries;
 - (b) Payment (totaling \$1,187K) to various suppliers related to the on-going operations of the hotel (for the purchase of food, for the purchase of various suppliers, for the maintenance of the hotel, etc.);
 - (c) Payment (totaling \$739K) 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);
 - (d) Monthly reimbursement of sales taxes (GST/QST) to the government in the amount of \$498K;
 - (e) Payment of \$467K to the franchisor/Hilton with regard to the monthly franchise fees;
 - (f) Payment of \$348K related to the municipal taxes, tourism taxes, and school taxes;
 - (g) Payment of \$22K related to the Property's monthly insurance premium.
23. Consequently, an amount of approximately \$225K was in the possession of/controlled by the Receiver as of November 30, 2014.

VI. The anticipated completion of the receivership

24. As explained in the previous sections of this report, as of the time of this report, the Receiver is no longer exclusively negotiating the sale and purchase of the Property with the Highest Bidder and is now currently analyzing the different options available to secure and maximize the value of the assets in light of the latest developments. As of the time of this report, the Receiver is therefore not able to accurately predict/anticipate the completion of its receivership mandate.

DATED AT MONTREAL, this 12th day of
December, 2014.

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
Receiver to the property of IHG Harilela Hotels Ltd.



Benoît Clouâtre, CPA, CA, CIRP

APPENDIX A

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

Receipts and disbursements	(\$)
Receipts	
Net payments from credit card companies and deposits	4,194,327
Receiver's borrowings	390,813
Realization of the opening cash balance	128,189
Total receipts	4,713,329
Disbursements	
Payroll	1,227,010
Suppliers	1,186,731
Professional fees	739,105
Sales tax remittance	498,026
Franchise fees	466,663
Room, municipal and school taxes	348,208
Insurance	22,497
Total disbursements	4,488,240
Net cash flow/Ending cash balance	225,089