

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

**REPORT SUBMITTED BY  
SAMSON BÉLAIR/DELOITTE & TOUCHE INC. AS RECEIVER TO  
THE PROPERTY OF IHG HARILELA HOTELS LTD.  
AS AT FEBRUARY 2, 2015  
(Report on the contemplated sale of the property of  
IHG Harilela Hotels Ltd. to be approved by the Court)**

## **I. Introduction**

1. IHG Harilela Hotels Ltd. (“**IHG**” or the “**Debtor**”) 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 that, until the Receivership Order (as defined hereinafter), was operating a Hilton hotel located at 7880, Chemin de la Côte-de-Liesse, in Montreal, Québec (the “**Hotel**”).

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 filed with Deloitte a proposal (the “**Proposal**”) under the *Bankruptcy and Insolvency Act* (“**BIA**”). Essentially, pursuant to the Proposal:
  - (a) IHG offers to pay **85%** of each proven unsecured claim in full and final settlement of their respective claims; and
  - (b) The unsecured claims are unaffected;
5. The offers described in the Proposal were based on the anticipated sale proceeds resulting from the sale of the Hotel. As appears from the statement of affairs which was filed by the Debtor in support of its Proposal, secured claims amounted approximately to \$11M, whereas unsecured claims amounted approximately to \$7M. The intent of the Debtor pursuant to the Proposal was to offer the net sale proceeds of the Hotel (net of the secured claims and the professional fees) to the unsecured creditors and the 85% figure was determined based on the anticipate net proceeds resulting from the sale of the Hotel. The 85% figure is likely to fluctuate considering the Purchase Price (as defined hereinafter) and may lead to an amendment to the Proposal by the Debtor.
6. On June 13, 2014, pursuant to a motion from 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**”).
7. 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.
8. 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.

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

9. This report of the Receiver is filed in support of the “*Motion seeking leave to sell substantially all of the Debtor’s assets and for the issuance of a 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 THI Transaction (as defined hereinafter).

### **III. The sales process**

10. 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.
11. 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.
12. 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.
13. 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.
14. 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.
15. On April 30, 2014, Colliers received three offers, ranging between \$9M and \$15M.
16. 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**”).
17. On July 4, 2014, the Receiver and Temple entered into a purchase and sale agreement (“**PSA**”).
18. 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, as per the Hilton Agreement;
  - (c) Extend the closing deadline; and

- (d) Allow the assignment of the PSA to the ultimate buyer The Holdings 5 Corporation Inc. (“**THI**”).

### **III. Main terms of the PSA**

- 19. The main terms of the PSA/transaction (the “**THI Transaction**”) currently being contemplated with THI are the following:
  - (a) Purchase of the Hotel and all related movable assets for an amount of \$15M plus applicable taxes, subject to adjustments and proration described in the PSA (the “**Purchase Price**”);
  - (b) The Hilton condition precedent indicating that THI shall have received the consent of Hilton Inns, Inc. (“**Hilton**”), the franchisor of the Hotel, to the transfer and the assignment in form and substance satisfactory to the THI, acting reasonably, and THI and Hilton, shall have entered into a new franchise agreement with respect to the operation of the Hotel by THI in form and in substance satisfactory to THI, acting reasonably (the “**Hilton Condition**”).
  - (c) A closing deadline of January 30, 2015, or such other date which is mutually agreed by THI and Deloitte;
  - (d) A deposit in the amount of **\$1,5M** (representing **10%** of the Purchase Price) (currently held in trust by the Receiver’s attorneys);
  - (e) The condition of the issuance of an order taking the form of the Draft Vesting Order prior to closing.
- 20. On January 30, 2015, the Receiver was informed that the Hilton Condition had been waived by THI;

### **IV. Basis for recommending the acceptance of contemplated transaction with THI**

- 21. The process conducted by Colliers properly canvassed the market in respect to the Hotel and the transaction with THI represents the best transaction possible under the circumstances.
- 22. The THI Transaction will allow for the continuation of the business related to the operations of the Hotel, preserving the jobs of substantially all/the vast majority of the Hotel’s employees.
- 23. The closing of the THI Transaction will allow the Debtor to address the interests of its unsecured creditors as per the Proposal;
- 24. It is unlikely that in a context of bankruptcy a transaction offering a better return on the Hotel could be achieved.

**V. Recommendation**

25. The Receiver recommends the issuance of the order authorizing the sale of the Property sought pursuant to the Motion.

DATED AT MONTREAL, this 2<sup>nd</sup> day of  
February, 2015.

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



Benoît Clouâtre, CPA, CA, CIRP