

C A N A D A
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, having its head
office and principal place of business at 7880 Côte-de-
Liesse Road, Montréal, QC H4T 1E7

Insolvent person

– and –

DELOITTE RESTRUCTURING INC.
(Benoît Clouâtre, CPA, CA, CIRP, person in charge)
having a place of business at 1 Place Ville Marie, Suite
3000, Montréal, QC H3B 4T9

Receiver

**SECOND INTERIM REPORT SUBMITTED BY
DELOITTE RESTRUCTURING INC. AS RECEIVER
TO THE PROPERTY OF IHG HARILELA HOTELS LTD.
AS AT JUNE 12, 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*, having its head office and principal place of business located at 7880 Côte-de-Liesse Road, Montréal, 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 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. 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 second interim report of the Receiver (the "**Second 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 first interim report (dated December 12, 2014);
 - 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

11. 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) Accounts receivable;
 - (c) Prepaid assets.

12. 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 activities of the Receiver since the issuance of its first interim report (dated December 12, 2014)

13. The Receiver monitored and controlled the receipts and disbursements of IHG.
14. The Receiver monitored, on a daily basis, the daily operations of IHG (until substantially all of IHG's assets were sold on February 6, 2015).
15. 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 (until substantially all of IHG's assets were sold on February 6, 2015).
16. 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 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.
17. The Receiver and the Trustee continued to update the website they created for the benefits of all creditors (http://www.insolvencies.deloitte.ca/en-ca/Pages/IHG%20Harilela%20Hotels%20Ltd_.a.spx) 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 May 31, 2015

18. You will find in **Appendix A** the interim statement of receipts and disbursements for the period from June 13, 2014 to May 31, 2015 (the "**Declaration Period**").
19. The receipts during the Declaration Period totaled \$21,698K and mainly included the following:
- (a) The collection of the net sale proceeds of \$14,926K;
 - (b) The collection of room and food revenues (\$5,831K) 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 realization of a foreign exchange gain of \$8K;
 - (f) The collection of interests accrued on the balance of the sale proceed of \$7K.

20. The disbursements during the Declaration Period totaled \$7,711K and mainly included the following:
- (a) Payment of \$1,967K related to the employees' salaries;
 - (b) Payment (totaling \$1,779K) to various suppliers related to the on-going operations of the hotel (for the purchase of food, the purchase of various suppliers, the maintenance of the hotel, etc.);
 - (c) Payment (totaling \$1,248K) 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) Payment of \$823K 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;
 - (e) Monthly reimbursement of sales taxes (GST/QST) to the government in the amount of \$724K;
 - (f) Payment of \$397K 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 \$59K representing severances and balance of vacation owed to employees terminated in the course of the sale transaction;
 - (i) Payment of \$39K related to the Property's monthly insurance premium.
21. Consequently, an amount of approximately \$13,987K was in the possession of/controlled by the Receiver as of May 31, 2015.

VI. The anticipated completion of the receivership

22. Following the sale of substantially all of IHG's assets, the Receiver's remaining tasks with regard to the realization of IHG's assets mainly consist of the collection of any accounts receivable or prepaid assets which were not part of the transaction with THI.
23. Prior to being able to distribute the proceeds from the sale transaction to the secured creditor and the Trustee in IHG's proposal, the Receiver needs to first obtain the certificates of discharge from both the provincial and federal tax authorities. As the timing in which the Receiver will be able to obtain such certificates 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 12th day of
June, 2015.

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

A handwritten signature in black ink, appearing to read "Benoît Clouâtre". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Benoît Clouâtre, CPA, CA, CIRP

APPENDIX A

IHG Harilela Hotels Ltd.
Interim statement of receipts and disbursements
(For the period from June 13, 2014 to May 31, 2015)

Receipts and disbursements	(\$)
Receipts	
Sale proceeds	14,925,588
Net payments from credit card companies and deposits	5,830,571
Receiver's borrowings	798,947
Realization of the opening cash balance	128,189
Foreign exchange gain	7,593
Interest on sale proceeds	7,457
Total receipts	<u>21,698,345</u>
Disbursements	
Payroll	1,967,279
Suppliers	1,779,275
Professional fees	1,248,225
Franchise fees	823,218
Sales tax remittance	724,098
Room, municipal and school taxes	396,662
Reimbursement of parking revenues to the GMP	373,162
Sale's commission	301,809
Payroll (Vacation and severances to terminated employees)	59,137
Insurance	38,580
Total disbursements	<u>7,711,445</u>
Net cash flow/Ending cash balance	<u>13,986,900</u>