



IN THE MATTER OF THE BANKRUPTCY OF
1733073 Ontario Inc.
of the City of Toronto, in the Province of Ontario

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION

I. BACKGROUND

1733073 Ontario Inc. ("**1733073**" or the "**Company**") is a Canadian controlled company, incorporated under the laws of the province of Ontario. 1733073 owned and operated a 46 room hotel located at 211 Pinnacle Street, Belleville Ontario (the "**Hotel Quinte**"). The hotel operated under the trade name Hotel Quinte and previously Hotel Clarion. 1733073's head office was located at 250 Consumers Road, Suite 702, Toronto, Ontario.

On May 27, 2011, General Electric Canada Real Estate Finance Inc. ("**GE Canada**") and GE Canada Equipment Financing G.P./G.E. Canada SCNC ("**GE Capital**", and together with GE Canada, "**GE**", the Company's first secured creditor, sought and obtained an order (the "**Appointment Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") appointing PricewaterhouseCoopers Inc. ("**PwC**") as receiver ("**Receiver**") without security, of all of the assets, undertakings and properties (the "**Property**") of 1733073 acquired for, or used in relation to the business carried on by the Company, pursuant to the section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *courts of Justice Act*, R.S.O. 1990, c. C.43, as amended.

The Receiver immediately took possession of the Company's Property, which primarily consisted of Hotel Quinte, having 46 rooms, 1 banquet room, 2 meeting rooms, 2 restaurants (which were subject to lease) and related furniture and supplies.

During the course of the receivership proceedings, the Receiver has filed three reports (along with one supplementary report) with the Court (the "**Receiver's Reports**"), which among other things describe the Receiver's activities and conduct, the sale and marketing process for the sale of the Hotel Quinte, repair and maintenance issues affecting the Hotel Quinte and the Receiver's actions with respect to leases. A copy of the Receiver's Reports can be found on the Receiver's website at www.pwc.com/car-hotelquinte.



Following the sale and marketing process, as describe in the Receiver's Reports, and as approved by the Court, substantially all of the Property of the Company was sold by the Receiver, pursuant to a transaction with 2310561 Ontario Inc., which was approved by the Court on January 13, 2012 and closed on January 25, 2012, generating cash proceeds after sales commission of \$1,821,219.13. In addition to the cash proceeds, the Receiver also secured a promissory note and a guarantee secured by property owned by one of the shareholders of 2310561 Ontario Inc.

On January 12, 2012, a bankruptcy order was made against 1733073 and PwC was appointed as trustee in bankruptcy of 1733073 ("the **Trustee**"). PwC's appointment is subject to affirmation by the creditors at the first meeting of creditors, who, in the alternative, may elect to appoint another trustee.

On January 18, 2012, notice of the first meeting of creditors, a list of creditors, proof of claim forms and proxies were sent to all known creditors of 1733073 and on January 24, 2012, notice of the bankruptcy and the first meeting of creditors was published in the Globe and Mail (National Edition).

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

II. CAUSES OF BANKRUPTCY AND FINANICAL POSITION

The Trustee understands that the Company's financial difficulties are the result of a decline in the guest room occupancy levels. The decline in guest room occupancy levels negatively impacted the Company's cash resources required to sustain its financial and operating activities, resulting in the Company defaulting on the loan agreement between the Company and GE.

III. FINANCIAL POSITION/ASSETS

As detailed in the Statement of Affairs, as at the date of bankruptcy, the assets of 1733073 primarily consisted of (i) cash held by the Receiver, in the amount of \$67,240; (ii) Hotel Quinte; (iii) minimal accounts receivable of \$8,188; and (iv) furniture and computer equipment, estimated at \$26,518 which were subsequently included in the sale of the Hotel Quinte, all of which were in the possession of the Receiver and subject to the receivership proceedings and the claims of 1733073's secured creditors, as detailed in section IV below.



As at the date of this Report, the funds held by the Receiver, after repayment of the Receiver's borrowings, are insufficient to pay in full the secured claim of GE, who was owed in excess of \$2.5 million as at the date of bankruptcy. As a result, it is anticipated that there will be no funds available for distribution to the other secured or unsecured creditors of the Company.

IV. SECURED CREDITORS

The Company's secured lenders are detailed on the Statement of Affairs as GE, Northstar Leasing Company and 1375234 Ontario Limited (Ontario Laundry). The Trustee's legal counsel, Heenan Blaikie LLP ("**Heenan**"), has completed an independent review of the validity and enforceability of the security held by GE. Based on Heenan's review, and subject to the customary qualifications and limitations, Heenan is of the opinion that the security held by GE is effective as against the Trustee.

V. SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

A calculation of the liabilities owed by the Company, pursuant to section 81 of the BIA, was prepared by the Receiver. The unpaid section 81 liability is estimated at approximately \$2,400.

As at the date of this report, two employees, with claims totalling \$2,576.89 have been filed with the Trustee, in accordance with the provisions of the BIA. As it is anticipated there will be no funds in the bankrupt estate, the Receiver will administer all employees' S81 claims.

In addition, the Receiver will comply with the provisions of the *Wage Earner Protection Program Act* and related Regulations, where applicable.

VI. PREFERRED CREDITORS

1733073's Statement of Affairs indicates that there were no known preferred creditors as at the date of bankruptcy.

VII. UNSECURED CREDITORS

The Statement of Affairs indicates that there are approximately 51 unsecured creditors with claims totalling approximately \$208,000.



VIII. PROVABLE CLAIMS

As at the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Number	(\$)	Proxy in favour of the Trustee
Employee – S.81.4	3	504.17	0
Secured	1	11,627.70	0
Subtotal	4	12,131.87	0
Unsecured - Trade	2	8,510.95	2
Unsecured - Employees	3	2,687.88	0
Total	9	23,330.70	2

IX. PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not performed a review of 1733073's books and records, with respect to fraudulent preferences, settlements or transfers undervalue, as defined in the BIA as a preliminary review was undertaken by the Receiver at the time of its appointment. It is the intention of the Trustee to discuss the scope of its review with the Inspectors appointed at the first meeting of creditors.

X. TRUSTEE'S FEES

In consideration for consenting to act in these proceedings, the Trustee's fees will be funded by GE up to \$25,000 plus applicable taxes, subject to the provisions of the BIA and subject to taxation by the Court.

Further information relating to the receivership or bankruptcy proceeding may be obtained from the Trustee's website at www.pwc.com/car-hotelquinte.

Dated at Toronto, Ontario, this 1st day of February, 2012.

PRICEWATERHOUSECOOPERS INC.,
in its capacity as Trustee of the estate of
1733073 Ontario Inc.
and not in its personal capacity

Michelle Pickett
Vice-President