

CANADA
PROVINCE OF ONTARIO
DISTRICT OF ONTARIO
DIVISION NO.: 12-OTTAWA
COURT NO.: 33-1884684
ESTATE NO.: 33-1884684

SUPERIOR COURT OF JUSTICE
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:

2726556 Canada Inc., a body politic and corporate, duly incorporated according to law and having its head office and its principal place of business at 27 First Street East, of the City of Cornwall, in the Province of Ontario, K6H 1K5.

Debtor

- and -

Richter Advisory Group Inc.

Trustee

**TRUSTEE'S REPORT ON THE STATE OF THE INSOLVENT PERSON'S
BUSINESS AND FINANCIAL AFFAIRS
(Pursuant to 50.4(7)(b)(ii) and 50.4(9) of the Bankruptcy and Insolvency Act)**

I, Stéphane De Broux, CPA, CA, CIRP, of Richter Advisory Group Inc. ("Richter"), Trustee, with respect to the Notice of Intention to Make a Proposal ("Notice of Intention") filed by 2726556 Canada Inc. (the "Company" or "Debtor"), an insolvent person, do hereby report to the Court the following:

1. On June 24, 2014, the Debtor filed a Notice of Intention in accordance with the *Bankruptcy and Insolvency Act* (the "Act"), the whole as appears from documents within the court records.
2. On June 24, 2014, K. F. S. Limited and Nathar Limited, which are controlled by the same entity as the Debtor, also filed a Notice of Intention. 2726556 Canada Inc., K. F. S. Limited and Nathar Limited are herein collectively referred to as the "Companies".
3. On July 2, 2014, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's Notice of Intention, the whole as appears from documents within the court records.
4. On July 4, 2014, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("Projections") together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from July 1, 2014 to July 31, 2014, which included the major Assumptions used in the preparation of the aforementioned Projections. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act, the whole as appears from documents within the court records.

5. On July 22, 2014, the Debtor was granted an extension of delay for the filing of a Proposal to September 8, 2014, in order to allow it to complete its dealings regarding the implementation of its restructuring plan.
6. Since our previous report, the Companies' restructuring plan has progressed in the following manner:
 - Four additional stores have been closed;
 - The Debtor renegotiated the leases of seven of its locations;
 - The Debtor continued liquidating its slow moving and excess inventory; and
 - The process for the identification of potential investors / new financiers has been initiated.
7. In order to monitor the affairs and finances of the Debtor, the Trustee has been provided with access to the books, records and other important documents of the Debtor.
8. The Debtor has been paying its suppliers and employees, on a timely basis, for goods and services provided subsequent to the date of the filing of the Notice of Intention, according to the current business terms. The Trustee has compared the actual results to those projected since the filing of the Notice of Intention. The actual results to date have been favorable.
9. The Debtor is filing a Motion to obtain an additional extension of the Delay for the Filing of a Proposal, in order to allow it to complete its dealings with regards to its restructuring plan and to enable the formulation of a viable Proposal to its creditors.
10. The Debtor's secured creditor, Royal Bank of Canada, does not object to the requested extension and supports the Debtor in its reorganization efforts.
11. Annexed hereto as **Exhibit "A"** is the Statement of Projected Cash Flow covering the period from September 1, 2014, to October 31, 2014, the Trustee's Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act and the Debtor's Report pursuant to Section 50.4(2)(c) of the Act.
12. If the extension is granted, the Trustee is not aware of any facts indicating that any creditor would suffer a prejudice.
13. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to October 23, 2014.

DATED AT MONTREAL, this 2nd day of September 2014.

Richter Advisory Group Inc.
Trustee



Per: Stéphane De Broux, CPA, CA, CIRP

EXHIBIT A

2726556 Canada Inc.
Statement of projected cash-flow (note 1)
For the period ending October 31, 2014
(in 000's)

	<i>month ending:</i>	sept-14	oct-14
Receipts		\$ 1 120	\$ 1 122
Disbursements			
Operations		1 048	972
Administration		102	104
Restructuring expenses		<u>70</u>	<u>50</u>
		1 220	1 127
Net cash-flow		(100)	(4)
Opening bank indebtedness		<u>(1 409)</u>	<u>(1 509)</u>
Closing bank indebtedness		<u>\$ (1 509)</u>	<u>\$ (1 514)</u>

Note 1: This statement of projected cash-flow combines the operations of K.F.S. Limited, Nathar Limited and 2726556 Canada Inc.



 Glenn Langburt
 2726556 Canada Inc.

 Richter Advisory Group Inc.

2726556 Canada Inc.
Statement of projected cash-flow (note 1)
For the period ending October 31, 2014
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Note 1: This statement of projected cash-flow combines the operations of K.F.S. Limited, Nathar Limited and 2726556 Canada Inc.

Glenn Langburt
2726556 Canada Inc.



Richter Advisory Group Inc.

District of: Ontario
Division No.: 12-Ottawa
Court No.: 33-1884684
Estate No.: 33-1884684

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2) (c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2726556 Canada Inc.
Of the City of Cornwall
In the Province of Ontario

The management of 2726556 Canada Inc. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 2nd day of September 2014, consisting of the period from September 1 to October 31, 2014.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Cornwall in the Province of Ontario, this 2nd day of September 2014.



2726556 Canada Inc.
Debtor

Glenn Langburt, Controller

Name and title of signing officer

District of: Ontario
Division No.: 12-Ottawa
Court No.: 33-1884684
Estate No.: 33-1884684

- FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2) (c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2726556 Canada Inc.
Of the City of Cornwall
In the Province of Ontario

Purpose:

2726556 Canada Inc. filed a Notice of Intention to Make a Proposal on June 24, 2014. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 2726556 Canada Inc. (the "Company"), for the period from September 1 to October 31, 2014, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on September 2, 2014 based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from September 1 to October 31, 2014, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Cornwall in the Province of Ontario, this 2nd day of September 2014.


2726556 Canada Inc.
Debtor

Glenn Langburt, Controller
Name and title of signing officer

District of: Ontario
Division No.: 12-Ottawa
Court No.: 33-1884684
Estate No.: 33-1884684

FORM 29
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2726556 Canada Inc.
Of the City of Cornwall
In the Province of Ontario

The attached statement of projected cash flow of 2726556 Canada Inc., as of the 2nd day of September 2014, consisting of the period from September 1 to October 31, 2014, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 2nd day of September 2014.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee
Per:



Stéphane De Broux, CPA, CA, CIRP
1981 McGill College, 12th Floor
Montréal QC H3A 0G6
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District of: Ontario
Division No.: 12-Ottawa
Court No.: 33-1884684
Estate No.: 33-1884684

FORM 29 – ATTACHMENT
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2726556 Canada Inc.
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This Statement of Projected Cash Flow has been prepared by management on September 2, 2014 based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from September 1 to October 31, 2014, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

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The projected cash receipts are estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 2nd day September 2014.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee

Per:



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