

## CANADA

Province of Quebec

District of: Quebec

Division No: 04-Saint-François

Court No: 450-11-000056-139

Estate No: 42-1751920

## SUPERIOR COURT

(In Bankruptcy and Insolvency)

In the matter of the Bankruptcy of  
9055-8453 Québec Inc.  
Of the City of Sherbrooke  
In the Province of Quebec

### TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

The purpose of this report is to inform all interested parties about our preliminary administration and our findings.

The information contained in this report has been prepared based on the books and records of 9055-8453 Québec Inc. ("Company" or "Debtor") and from discussions with the Company's accountant and employees. The books and records have not been audited or verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the accuracy or the reliability of the information contained in this report.

#### I. INTRODUCTION

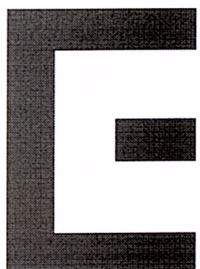
The Debtor is a corporation that operated a franchised restaurant under the name "East Side Mario's" ("ESM") located at 2660 King Street West, in Sherbrooke, Quebec.

On March 5, 2013, Prime Restaurant Inc., the franchisor of the debtor ("Franchisor" or "Prime"), filed a Motion for the issuance of Orders Appointing an Interim Receiver and a Receiver, pursuant to sections 47 and 243 of the *Bankruptcy and Insolvency Act* ("BIA"), with the Superior Court of Quebec, in the District of St-François ("Court").

On March 7, 2013, M<sup>e</sup> Maryse Gauthier, the Court registrar, granted an Order appointing Richter Advisory Group Inc. ("Richter") as Interim Receiver with respect to the assets of the Debtor, and granted to the Interim Receiver the powers specified in the Order, all in accordance with section 47 of the BIA.

On March 18, 2013, M<sup>e</sup> Maryse Gauthier, the Court registrar, granted an Order appointing Richter as Receiver with respect to the assets of the Debtor, and granted to the Receiver the powers specified in the Order ("Receiver Order"), all in accordance with section 243 of the BIA.

On March 22, 2013, Richter, acting in its capacity as Receiver and in accordance with the powers of the Receiver Order, signed a management agreement with Prime to manage the operations of ESM, effective March 18, 2013.





On May 15, 2013, Prime filed a Motion to authorize the Receiver to file an Assignment in Bankruptcy and appoint Richter as Trustee and for the issuance of a safeguard order, in accordance with sections 49, 243, 249 and 250 of the BIA.

On May 23, 2013, M<sup>e</sup> Maryse Gauthier, the Court registrar, granted an Order authorizing the Receiver to file an Assignment in Bankruptcy under the BIA.

On May 28, 2013, Richter in its capacity as Receiver, filed an Assignment in Bankruptcy, on behalf of the Debtor in accordance with article 49 of the BIA and Richter was appointed as Trustee to the Estate of the Debtor.

## II. HISTORICAL OPERATING RESULTS

The operating results of the Debtor for the year ended January 5, 2013, and the next two months are summarized as follows:

9055-8453 Québec Inc. Summary of Operating Results		
	Fiscal year 2012 (unaudited)	From January 6 to March 7, 2013 (unaudited)
Sales	\$ 1,510,430	\$ 199,267
Cost of sales	870,274	119,405
Gross profit	640,156 42%	79,862 40%
Expenses		
Operating expenses	77,850	10,880
Advertising and marketing	115,794	14,422
Royalty expenses	75,351	9,692
Administration	52,186	24,959
Utilities	63,774	10,781
Repairs and maintenance	17,561	4,939
Property expenses	192,771	41,091
Management fees	2,663	237
Financing	21,577	3,276
Depreciation and amortization	6,902	1,195
	626,431	121,472
Net profit (Loss)	\$ 13,725	\$ (41,610)

The above summary of operating results does not include transactions that occurred under the Interim Receivership and the Receivership.



### III. INTERIM RECEIVER'S AND RECEIVER'S OPERATING RESULTS

The Debtor's statement of receipts and disbursements pursuant to the appointment of Richter as Interim Receiver and as Receiver are summarized as follows:

<b>9055-8453 Quebec Inc.</b> <b>Statement of Receipts and Disbursements</b> <b>From March 7 to May 28, 2013</b>			
	<b>Interim Receiver March 7 to March 17, 2013</b>	<b>Receiver March 18 to May 28, 2013</b>	<b>Total March 7 to May 28, 2013</b>
Receipts			
Sales	\$ 42,645	\$ 288,868	\$ 331,513
Disbursements			
Cost of sales	29,286	164,271	193,557
Operating expenses	2,674	14,150	16,825
Advertising and marketing	-	680	680
Royalty expenses	-	23,797	23,797
Administration	3,182	9,599	12,781
Utilities	-	6,431	6,431
Repairs and maintenance	3,291	14,526	17,817
Property expenses	-	59,062	59,062
	<u>38,433</u>	<u>292,516</u>	<u>330,949</u>
Surplus (Deficit) (before accounts payable)	4,212	(3,648)	564
Accounts payable (estimated)	-	65,000	65,000
Surplus (Deficit) (1)	<u>\$ 4,212</u>	<u>\$ (68,648)</u>	<u>\$ (64,436)</u>
1. Before professional fees			





#### IV. STATEMENT OF AFFAIRS

The following summarizes the information contained in the Debtor's Statement of Affairs:

9055-8453 Quebec Inc. Statement of Affairs As at May 27, 2013	
<b>Assets</b>	
Restaurant and kitchen equipment	\$ 150 000
<b>Liabilities</b>	
Secured creditors	409 018
Unsecured creditors	115 669
	<hr/> 524 687
<b>Deficiency</b>	<hr/> <b>\$ (374 687)</b>

#### ASSETS

##### A) *Restaurant and Kitchen equipment (\$150,000)*

Restaurant and kitchen equipment have been pledged as security in favor of GE Capital ("GE") and Prime. The assets are located at 2660 King Street West, Sherbrooke, Québec.

#### LIABILITIES

It is important to note that the exact amount of the liabilities as at May 27, 2013 will only be determined once all proofs of claim are submitted by the creditors and have been compiled and analyzed by the Trustee.

##### A) *Secured creditors (\$409,018)*

As of the date of the bankruptcy, we have obtained confirmation that GE's indebtedness was approximately \$92,550. To secure this claim, GE has the following security:

- a universal hypothec in the amount of \$600,000 on the universality of the movable property of the Debtor, tangible and intangible, present and future, published at the RDPRM on February 15, 2010 under number 10-0082759-0001.



In addition, Prime's indebtedness amounts to approximately \$316,468. To secure this claim, Prime has the following security:

- a universal hypothec in the amount of \$1,200,000 on the universality of the movable property of the Debtor, tangible and intangible, present and future, published at the RDPRM on February 16, 2009 under number 09-0078021-0001.

The Trustee has retained the services of an attorney to obtain a legal opinion confirming the validity of the securities held by GE and Prime.

**B) *Unsecured creditors (\$115,669)***

The Debtor's books and records reflect amounts due to the unsecured creditors totaling approximately \$116,000.

**V. SUMMARY OF THE PRELIMINARY ADMINISTRATION**

**A) *Books and Records***

As of the date of the Receivership, the books and records of the Debtor were not up to date. The Receiver made the necessary arrangements to have the books and records updated. The Trustee will make the necessary arrangements to take possession of the books and records of the Debtor for future reference.

The books and records of the Debtor, since the appointment of the Receiver, are being maintained by Prime who is managing the restaurant. The pertinent information and documents will be provided to the Trustee.

**B) *Conservatory and Security Measures***

Since March 18, 2013, the date of the Receivership, Richter has taken various security and protective measures, including the following:

- Changed the locks and alarm codes of the Debtor's premises;
- Entered into a management agreement with Prime. Prime is managing the restaurant operations and has taken the appropriate measures relating to the safeguard of the Debtor's assets;
- Performed an inventory of the Debtor's assets.

**C) *Valuation***

The Receiver mandated an independent third party to perform an independent valuation of the Debtor's assets. Their estimated realization value is less than the quantum of the secured debts.

**D) *Reviewable Transactions and Preferential Payments***

The Trustee will perform a review of the Debtor's books and records to identify any potential preferential payments or any reviewable transactions and will submit a report to the Inspectors of the Estate.

**E) *Realization Process***

The Trustee is in discussions with the secured lenders as to the various realization alternatives and we will report thereon to the Inspectors of the Estate.

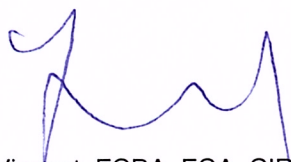
**VI. EXPECTED REALIZATION AND PLANNED DISTRIBUTION**

Considering the valuation of the Debtor's assets, the Trustee does not anticipate any distribution to the unsecured creditors.

DATED AT MONTRÉAL, this 17<sup>th</sup> day of June 2013.

**Richter Advisory Group Inc.**

Trustee



Yves Vincent, FCPA, FCA, CIRP  
Administrator of the Bankruptcy