

C A N A D A  
PROVINCE OF ONTARIO  
DISTRICT OF ONTARIO  
DIVISION NO.: 12-OTTAWA  
COURT NO.: 33-1884683  
ESTATE NO.: 33-1884683

SUPERIOR COURT  
(Commercial Division)  
*Bankruptcy and Insolvency Act*

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

**K. F. S. Limited**, 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**

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**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 K. F. S. Limited (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, Nathar Limited and 2726556 Canada Inc., which are controlled by the same entity as the Debtor, also filed a Notice of Intention. K. F. S. Limited, Nathar Limited and 2726556 Canada Inc. 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. On September 8, 2014, the Debtor was granted an extension of delay for the filing of a Proposal to October 23, 2014, in order to allow it to complete its dealings regarding the implementation of its restructuring plan.
7. Since our previous report, the Companies' restructuring plan has progressed in the following manner:
  - The Debtor continued liquidating its slow moving and excess inventory; and
  - The Debtor has identified additional underperforming stores which need to be closed;
8. 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.
9. 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.
10. 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.
11. The Debtor's secured creditor, Royal Bank of Canada, does not object to the requested extension and supports the Debtor in its reorganization efforts.
12. Annexed hereto as **Exhibit "A"** is the Statement of Projected Cash Flow covering the period from October 1, 2014, to November 30, 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.
13. If the extension is granted, the Trustee is not aware of any facts indicating that any creditor would suffer a prejudice.
14. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to November 7<sup>th</sup>, 2014.

DATED AT MONTREAL, this 17<sup>th</sup> day of October 2014.

**Richter Advisory Group Inc.**  
Trustee



Per: **Stéphane De Broux, CPA, CA, CIRP**

# **EXHIBIT A**

**K.F.S. Limited**  
**Statement of projected cash-flow (note 1)**  
**For the period ending November 30, 2014**  
**(in 000's)**

	<i>month ending:</i>	<b>Oct-14</b>	<b>Nov-14</b>
<b>Receipts</b>	\$	881	\$ 963
<b>Disbursements</b>			
Operations		960	743
Administration		53	53
Restructuring expenses		20	50
		<u>1,032</u>	<u>846</u>
<b>Net cash-flow</b>		(151)	117
Opening bank indebtedness		<u>(1,730)</u>	<u>(1,881)</u>
Closing bank indebtedness	\$	<u>(1,881)</u>	\$ <u>(1,764)</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  
K.F.S. Limited

Richter Advisory Group Inc.

District of: Ontario  
Division No. 12 - Ottawa  
Court No. 33-1884683  
Estate No. 33-1884683

-- 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  
K. F. S. Limited  
Of the City of Cornwall  
In the Province of Ontario

The attached statement of projected cash flow of K. F. S. Limited, as of the 17th day of October 2014, consisting of the period from October 1 to November 30, 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 or  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 or  the insolvent person 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.

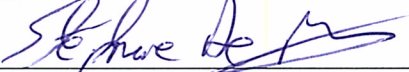
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

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 17th day of October 2014.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee

Per:



Stéphane De Broux, CPA, CA, CIRP  
1981 avenue McGill College, 12e étage  
Montréal QC H3A 0G6  
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Ontario  
Division No. 12 - Ottawa  
Court No. 33-1884683  
Estate No. 33-1884683

\_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  
K. F. S. Limited  
Of the City of Cornwall  
In the Province of Ontario

Purpose:

K. F. S. Limited 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 K. F. S. Limited (the "Company"), for the period from October 1 to November 30, 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 October 17, 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 October 1 to November 30, 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;

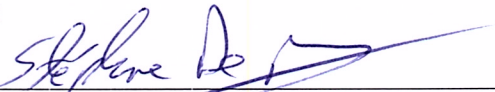
The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

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

Dated at the City of Montréal in the Province of Quebec, this 17th day of October 2014.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee

Per:



Stéphane De Broux, CPA, CA, CIRP

1981 avenue McGill College, 12e étage

Montréal QC H3A 0G6

Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Ontario  
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- 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  
K. F. S. Limited  
Of the City of Cornwall  
In the Province of Ontario


The management of K. F. S. Limited, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 17th day of October 2014, consisting of the period from October 1 to November 30, 2014.

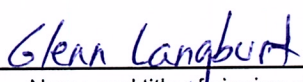
The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions 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 Montréal in the Province of Quebec, this 17th day of October 2014.

  
K. F. S. Limited  
Debtor

  
Name and title of signing officer

\_\_\_\_\_  
Name and title of signing officer

District of: Ontario  
Division No. 12 - Ottawa  
Court No. 33-1884683  
Estate No. 33-1884683

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  
K. F. S. Limited  
Of the City of Cornwall  
In the Province of Ontario

Purpose:

K. F. S. Limited 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 K. F. S. Limited (the "Company"), for the period from October 1 to November 30, 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 October 17, 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 October 1 to November 30, 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.

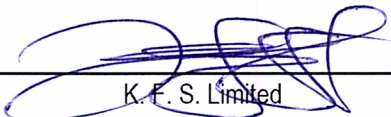
(b) Projected Cash Disbursements

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 Montréal in the Province of Quebec, this 17th day of October 2014.

  
K. F. S. Limited