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Estate #31-2638923

**IN THE MATTER OF THE BANKRUPTCY OF
MARCHE RESTAURANTS CANADA LTD.
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

PRELIMINARY REPORT OF THE TRUSTEE

SECTION A - BACKGROUND

Marché Restaurants Canada Ltd. ("Marché" or the "Company") was incorporated in 2009 under the Canada Business Corporations Act (CBCA). Marché operated as a marketplace-style restaurant with serving in a semi-buffet style with foodservice stations.

In March 2020 due to the coronavirus health pandemic ("Covid-19") and government restrictions, Marché notified its employees of the permanent closure of operations. On April 16, 2020 Marché filed a Notice of Intention to Make a Proposal ("NOI") under the Bankruptcy and Insolvency Act ("BIA"). BDO Canada Limited was named the Trustee in the NOI ("Trustee").

Marché was unable to file a viable Proposal by May 16, 2020 which resulted in a deemed bankruptcy. On May 19, 2020 the Official Receiver issued a Certificate of Assignment in Bankruptcy. The effective date of the bankruptcy is May 18, 2020.

The activities of the Trustee since its appointment have primarily consisted of attending to statutory requirements in accordance with the provisions of the BIA, assisting with vacating the leased premises and communicating with the employees.

SECTION B - CAUSES OF BANKRUPTCY AND FINANCIAL POSITION

As a result of Covid-19 the Company was forced to close-down all operations in mid-March 2020. Given the Marché restaurant platform, and the anticipated restrictions to restaurants including social-distancing requirements, the Company soon realized it would not be able to operate profitably once it was permitted to re-open. With the uncertainty of the business' future operations and the inability to pay creditors with no revenue or cash flow being generated during the shut-down, the Company permanently ceased operations and filed the NOI which subsequently resulted in its bankruptcy.

SECTION C - ASSETS

The assets of the Company consist of:

a) Cash on hand

The Trustee issued notification to the Marché's banking institution (the "Bank") and requested that the Bank wire any funds to the Trustee, freeze further payments and allow only deposits. The Bank determined that there was a small set off for amounts owing on the Company's credit card and the balance of approximately \$116,800 was wired to the Trustee.

b) Equipment

The Trustee was advised that the equipment on the premises was part of an earlier agreement with the landlord, Brookfield Properties ("Landlord Agreement"). In order to reduce ongoing obligations, the Company terminated the lease and a related entity paid the amount due pursuant to the Landlord Agreement. As part the Landlord Agreement, Marché had until May 31, 2020 to remove all food and perishable assets and vacate the premises.

c) Inventory

The Trustee has sold, donated or safeguarded any realizable assets of the estate which did not form part of the Landlord Agreement. In order to vacate the leased premises in a timely manner, the Trustee sold the majority of dry goods to a liquidator. Former management had arranged for a shelter/soup kitchen to pick up other food items which could not be sold. The Trustee has safeguarded any remaining assets and will seek inspector guidance to find a buyer as soon as possible.

d) Harmonized Sales Tax ("HST") credit

The Company had filed its HST return and determined that a credit was due. The Trustee has yet to receive the refund and it is unknown when the amount will be received.

e) Books and Records

The trustee has taken possession of the records necessary to administer the estate.

SECTION D - SECURED CREDITORS

a) Secured Creditors

The secured creditors include a related party and TD Bank. No amounts are owing to TD Bank. There are also amounts owing to certain employees under section 81.3 of the BIA (discussed below under WEPPA).

b) Service Canada - Wage Earner Protection Program Act (WEPPA)

At the date of bankruptcy, there were no outstanding wages. However, accrued vacation pay, remained unpaid. The trustee further understands that employees are owed termination and severance payments, where applicable. The trustee has written to the former employees and advised them of their right to claim these amounts under the WEPPA and has provided them with the tools to do so.

c) Deemed Trusts

Due to the Covid-19 work restrictions in place, including the Canada Revenue Agency ("CRA"), the trustee understands that the CRA auditors are not currently attending to audit requests therefore, no payroll or harmonized sales tax audits have been requested. The Trustee believes payroll trust amounts are current given that a payroll service provider was used and as there is a pending HST credit. We will continue to monitor this during the estate administration and request trust audits, if necessary.

SECTION E - CONSERVATORY MEASURES

The Trustee obtained the keys from former Management and attend on site on several occasions since its appointment. The Landlord Agreement required to vacate the premise by May 31, 2020 there was no need to change locks.

Any unsold assets were safeguarded and any third party assets have been returned to their rightful owners.

SECTION F - LEGAL PROCEEDINGS

No legal proceedings have been commenced by the Trustee.

SECTION G - PROVABLE CLAIMS

The Trustee is aware of the following provable claims:

| | <u>Per SOA</u> | <u>Claims filed</u> |
|-----------|----------------|---------------------|
| Secured | \$ 1,594,725 | \$ 1,523,293 |
| Unsecured | \$ 2,081,885 | \$ 582,556 |
| | \$ 3,676,610 | \$ 2,105,849 |

SECTION H - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

At this time, given the estimated realizable values of the assets, the Trustee does not anticipate there will be funds available to unsecured creditors. Should this assumption change, the creditors will be notified in due time.

SECTION I - REVIEWABLE TRANSACTIONS AND PREFERENCES

The Trustee is not aware of any reviewable transactions or preferences.

SECTION J - CONFLICT OF INTEREST

None.

Dated at Toronto, Ontario this 8th day of June, 2020.

BDO CANADA LIMITED
in its capacity as Trustee
of the estate of
Marche Restaurants Canada Ltd.
without personal or corporate liability



Per:

Josie Parisi, CPA, CA, CBV, CIRP, LIT
Senior Vice- President

Encl.