

Court No. 32-2644968
Estate No. 32-2644968

**IN THE MATTER OF THE BANKRUPTCY OF
975445 ONTARIO INC.
IN THE CITY OF BURLINGTON, IN THE PROVINCE OF ONTARIO**

PRELIMINARY REPORT OF THE TRUSTEE

BACKGROUND

975445 Ontario Inc. (o/a Emma's Back Porch & Water Street Cooker) ("**975**" or the "**Company**") was incorporated under the *Business Corporations Act* (Ontario) on February 18, 1992. The Company formerly owned and operated two licensed establishments (bar and restaurant) out of a leased premise located at 2084 Lakeshore Road, Burlington, Ontario (the "**Premises**"). 975 began operating the bar and restaurant in 1992 under the names Emma's Back Porch and Water Street Cooker.

On May 13, 2020, the Company filed an assignment in bankruptcy and BDO Canada Limited was appointed as trustee in bankruptcy (the "**Trustee**").

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the *Bankruptcy and Insolvency Act (Canada)* (the "**BIA**").

CAUSES OF BANKRUPTCY AND FINANCIAL POSITION

As a result of the 2019 coronavirus health pandemic ("**Covid-19**") the Company was forced to close-down all operations in mid-March 2020 due to the State of Emergency declared by the Government of Ontario. The shut-down of the restaurant resulted in no revenues while costs continued to be incurred. The anticipated restrictions and social-distancing requirements for restaurants when the State of Emergency is lifted, would have a negative impact on sales during the upcoming summer months if 975 was able to open. The summer months have historically shown greater sales in comparison to other seasons.

Given the uncertainty of the business concerning future operations and the inability to pay creditors with no revenue, the Company permanently ceased operations by filing the assignment in bankruptcy.

FINANCIAL POSITION/ASSETS

As detailed in the Statement of Affairs, the assets of the Company are comprised of the following:

Class I – Cash in Bank

The Company had a small balance in its bank accounts as well as a Guaranteed Investment Certificate (GIC) in the amount of \$100,000 with the Toronto-Dominion Bank (the "**Bank**"). The balance of this GIC was cash-collateral for the Company's operating line, also held with the Bank. Any balances in the bank

accounts and the GIC are expected to be set-off against amounts owing on the operating line with the Bank. The Trustee does not anticipate any realizations from the bank accounts.

Class II – Accounts Receivable

The Company does not have any trade receivables outstanding from customers.

Class III – Inventory

The Company’s main inventory consisted of food, and certain branded merchandise.

The Trustee the Trustee contacted a local food bank and donated the food inventory. Any remaining food items will/have be disposed of.

As there are no current operations, the trustee to date, has not transferred the liquor license. The Company had returned most alcohol product to the distributors and any remaining alcohol has been safeguarded for a potential future sale.

The Trustee has assessed that the branded merchandise had little or no resale value.

Class IV – Equipment

The Company’s equipment consists exclusively of restaurant equipment, such as fridges, fryers, etc.

The Trustee had obtained an estimate from a liquidator to remove certain equipment and auction it for sale. However, the Trustee is of the opinion that the highest potential realization on the equipment would result from an en-bloc offer for all equipment in place in order for a release of the premises. The Trustee is in the process of negotiating such an offer.

Class V - Vehicles

The Company had two leased vehicles. The Trustee has no interest in the leased vehicles as the leases possess no value for the estate. The Trustee understand both vehicles have been returned.

SECURED CREDITORS

The Company’s Statement of Affairs have identified the following secured creditors;

Name	Amount	Security
Toronto-Dominion Bank	\$113,605	General Security Agreement
Wallace Chevrolet Cadillac Buick GMC Ltd.	Unknown	2018 Nissan Leaf
Wallace Chevrolet Cadillac Buick GMC Ltd.	Unknown	2019 Toyota 4Runner

The security interests above have been registered under the *Personal Property Securities Act* (“PPSA”).

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Company had over 70 employees as at the date of bankruptcy. All employees were terminated in March 2020 when the business shut-down operations.

As at the date of bankruptcy, no amounts were owed to the Company's former employees that would qualify as claims under section 81.3 of the BIA, as the Company had paid all amounts owing in respect of any outstanding wages and/or vacation pay. The Trustee is not aware of any potential claims pursuant to section 81.3 of the BIA.

The Trustee, where applicable, will comply with the requirements of the *Wage Earner Protection Program Act*.

PREFERRED CREDITORS

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

The Company had been operating on a month-to-month rent basis with the Landlord. The Trustee has not assumed the lease nor taken possession of the leased premises, but the Landlord has provided the required access to the Trustee in order to allow the Company to safeguard the assets and administer third-party property.

UNSECURED CREDITORS

The Company's Statement of Affairs indicates that there are approximately 50 unsecured creditors with claims totalling approximately \$196,000, excluding the unsecured amounts owed to Company's terminated employees (which amounts were not calculated at the time of preparing the Statement of Affairs).

PROVABLE CLAIMS

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

	Per SOA(#)	Amount (\$)	Claims filed as at 5:00 p.m. June 1	Amount (\$)
Secured	3	\$113,605	Nil	Nil
Unsecured	53	196,102	4	\$8,534
TOTAL	56	\$309,707	4	\$8,534

THIRD PARTY PROPERTY

The Trustee was advised by the Company that a significant number of items on the Premises were third-party property. The third party property was comprised of both items used in the operation of the business as well as furnishings provided to the business for display purposes.

The Trustee has made its best efforts to contact the third parties in order to arrange the return of their property.

PREFERENCE PAYMENTS AND TRANSFERS AT UNDER VALUE

The Trustee has not performed a review with respect to potential preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of such a review if required with the Inspectors to be appointed, if any, in this estate.

TRUSTEE'S FEES

The Trustee has obtained a limited guarantee for its fees and disbursements from a third party.

Dated at Toronto, Ontario, this 1st day of June, 2020.

BDO Canada Limited

in its capacity as Trustee of the estate of
975445 Ontario Inc.
(o/a Emma's Back Porch and Water Street Cooker)
and not in its personal capacity

Per



Anna Koroneos, CIRP, LIT
Vice President