

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

BETWEEN:

**ZAHERALI VISRAM**

Applicant

- and -

**2220277 ONTARIO INC.**

Respondent

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE  
*COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

**SUPPLEMENTAL REPORT TO THE FIRST REPORT TO THE COURT OF A.  
FARBER & PARTNERS INC. IN ITS CAPACITY AS COURT APPOINTED RECEIVER  
OF 2220277 ONTARIO INC.**

**August 14, 2017**

1. This Report is supplemental to the First Report to the Court of A. Farber & Partners Inc., dated August 9, 2017 (the “**First Report**”) in its capacity as the Court-appointed receiver (the “**Receiver**”) of the assets, undertakings and properties of 2220277 Ontario Inc. (the “**Debtor**”). All capitalized terms used herein but not otherwise defined shall have the meanings ascribed in the First Report.
  - A. **DOCUMENT PRODUCTION**
2. It has been two weeks since the Receiver’s appointment. Karras, the sole director, officer and apparent employee, of the Debtor, returned from his trip to Europe one week ago.
3. As detailed in the First Report, since the date of its appointment, the Receiver has directed numerous requests for the Records (as defined in the Receivership Order) to

Karras, including itemizing certain of the Records in its Motion Record, dated August 9, 2017 (the “**Motion Record**”).

4. To date, Karras has not provided the Receiver with access to any central location where the Records are stored. He advised that there are no records at the 650 Bay Street location. He advised the Receiver that certain of the Records were previously held at a Yonge Street office, which was vacated as of July 31, 2017, and that the Debtor’s new office (at a location not disclosed to the Receiver) was delayed and not ready for occupancy. Accordingly, Receiver does not know the whereabouts of the Debtor’s books and records, including all electronic and hard copies of same.
5. By letter dated August 10, 2017, Alfred Schorr, counsel to the Debtor wrote to the Receiver in response to the Motion Record, seeking clarification of certain of the Receiver’s document production requests. A copy of the letter from Alfred Schorr to the Receiver’s counsel, dated August 10, 2017, is attached hereto as Appendix “A”.
6. By letter dated August 10, 2017, the Receiver’s counsel responded to Mr. Schorr’s letter clarifying certain of the Receiver’s preliminary document requests. A copy of the letter from the Receiver’s counsel to Mr. Schorr is attached hereto as Appendix “B”.
7. By letter dated August 14, 2017, Mr. Schorr wrote to the Receiver and its counsel, responding to the Motion Record and enclosing certain documentation and information requested by the Receiver. A copy of the letter from Mr. Schorr, dated August 14, 2017, with enclosures one and two, is attached hereto as Appendix “C”.
8. The Receiver has, to date, received certain of the information and documentation that it has requested from the Debtor; however, many Records remain outstanding. Below is a summary of the requested Records and the status of production of same:

	<b>Requested Documents</b>	<b>Documents Produced</b>
(a)	tax returns for the previous five (5) years	<ul style="list-style-type: none"><li>• Delivered tax returns for 2010-2014</li><li>• Returns for 2015 and 2016 remain outstanding and no commitment from the Debtor as to when these may become</li></ul>

	<b>Requested Documents</b>	<b>Documents Produced</b>
		available
(b)	financial statements for the previous five (5) fiscal years	<ul style="list-style-type: none"> <li>• None delivered but the Receiver was referred to the condensed financial information on the tax returns.</li> <li>• As noted above, the returns for 2015 and 2016 remain outstanding so the corresponding condensed financial information is also outstanding for those years</li> </ul>
(c)	bank statements for the previous fiscal year and current fiscal year to date and bank correspondence, cancelled cheques, cheque register and any undeposited post-dated tenant cheques	<ul style="list-style-type: none"> <li>• None delivered and letter from Schorr advises that no statements are available as the Debtor did not retain hard or electronic copies of the statements</li> </ul>
(d)	all contracts, correspondence and leases with tenants and operators	<ul style="list-style-type: none"> <li>• Only leases have been delivered</li> <li>• Correspondence documents have not been delivered including correspondence relating to an alleged rent abatement afforded to the Restaurant Lease as per Karras</li> </ul>
(e)	general ledger or trial balance as of August 10, 2017 and as of June 30, 2017	<ul style="list-style-type: none"> <li>• None delivered</li> <li>• Debtor advised that these documents will be delivered on Friday, August 18, 2017</li> </ul>
(f)	employee information, including T-4 summaries, and any correspondence with the Canada Revenue Agency (“CRA”) and any assessments and statements thereof	<ul style="list-style-type: none"> <li>• statement of account for 2016 source deductions delivered, all previous years remain outstanding</li> <li>• No other documentation regarding employees delivered, including T-4 summaries including how/when the Debtor went from having employees to the current status, per Alfred Schorr’s letter, of Karras being “...the only employee (unpaid ) of 2220277 Ontario...”</li> <li>• No correspondence with CRA delivered notwithstanding a recent payment plan was negotiated with CRA</li> </ul>
(g)	all leases relating to leased assets, including vehicle assets	<ul style="list-style-type: none"> <li>• None delivered and there are three Mercedes vehicles with the Debtor being a lessee/co-lessee as per the PPSA.</li> </ul>

	<b>Requested Documents</b>	<b>Documents Produced</b>
(h)	all mortgage documentation	<ul style="list-style-type: none"> <li>• None delivered. In the attachment to Alfred Schorr's letter, Karras noted "We do not have any mortgage documents".</li> </ul>
(i)	all insurance documentation, including copies of all insurance policies in respect of the Property	<ul style="list-style-type: none"> <li>• No proof of current insurance for the Real Property or vehicles has been delivered</li> <li>• Only one undated page (of an 8-page document from the insurance broker) showing that the Real Property is/was insured has been delivered. This extract does not reference the Debtor nor show the owner, named insured, term, premiums etc. but does note three loss payees, none of which are the Debtor.</li> <li>• No insurance policies have been delivered</li> </ul>
(j)	creditor listing, including names of creditors and amounts owed to all secured creditors, unsecured creditors, utilities providers, government agencies and others	<ul style="list-style-type: none"> <li>• Incomplete summary of creditors delivered</li> <li>• Summary omits secured creditors, mortgagees, insurance broker, EHT, HST and addresses of listed creditors</li> </ul>
(k)	confirmation from the Heritage Council that the Property is not designated a heritage building	<ul style="list-style-type: none"> <li>• Delivered</li> </ul>
(l)	all appraisals and documentation in respect of pre-receivership sales efforts	<ul style="list-style-type: none"> <li>• Appraisal dated May 15, 2012 delivered</li> <li>• No documentation or correspondence delivered in respect of pre-receivership sales efforts</li> </ul>
(m)	HST filings and assessments for the previous fiscal year and the current fiscal year to date.	<ul style="list-style-type: none"> <li>• 1-page HST filing summary for the year ended September 30, 2015 has been delivered</li> <li>• No HST filings for 2016 and the current fiscal year to date have been delivered</li> </ul>
(n)	an accounting in respect of all amounts, including rent, received from (i) 2452482 Ontario Inc. o/a Food Society since April 1, 2017, and (ii) bE SixFifty Hotel Inc. since July 27, 2016	<ul style="list-style-type: none"> <li>• None delivered</li> <li>• Debtor advised that these documents will be delivered on Friday, August 18<sup>th</sup></li> </ul>
(o)	all related party transaction documentation, including	<ul style="list-style-type: none"> <li>• None delivered</li> </ul>

	<b>Requested Documents</b>	<b>Documents Produced</b>
	documentation concerning how the Debtor transferred the operations of the bE SixFifty Hotel from the Debtor to bE SixFifty Hotel Inc. and the consideration paid by bE SixFifty Hotel Inc. for the business and hotel assets	<ul style="list-style-type: none"><li>• Debtor advised that its accountants will provide this information by August 28, 2017</li><li>• Receiver also requires correspondence and documentation to support these transactions, which are more likely to be in the possession of the Debtor than its accountants</li></ul>

9. At this time, the Receiver is also requesting access to the Debtor's corporate books including the minute books and share registers.
10. The Receiver cannot discharge its duties as Receiver without production of all of the Records. The failure on the part of the Debtor and Karras to provide the Records on a timely basis necessitates the Receiver expending time and resources seeking out the information from third parties, thereby increasing the costs of the receivership for all of the Debtor's stakeholders.
11. Copies of the insurance policies in respect of the Real Property, as well as all bank statements and other banking information are urgently required. The Receiver has a duty to determine whether proper insurance policies are in place in respect of the Real Property and other Property and review the recent financial transactions of the Debtor. The Receiver has been advised by the Debtor's financial institution that its account has been dormant for some time. As a result, the Receiver has no information as to where the monthly rent payments from each of the Tenants were deposited or directed.
12. Further, any additional delay with respect to the production of the Records may impact the Receiver's ability to effectively conduct a sale process in respect of the Property. Many of the documents and information requested by the Receiver will need to be made available to all potential purchasers for the purposes of conducting due diligence in respect of the Debtor and its business.
13. Karras is the sole director and officer of the Debtor. The Records of the Debtor are, or should be, within his possession and control. The Receiver is of the view that the relief

sought is both appropriate and necessary in light of the difficulty it has faced to date in obtaining even the most basic financial information and records in respect of the Debtor's business.

**B. SALE PROCESS**

14. The Receiver is in receipt of a potential stalking horse bid. To provide the Receiver with time to review and consider the bid, it intends to seek an adjournment of the portion of its motion seeking approval of the proposed Sale Process.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED  
THIS 14<sup>th</sup> DAY OF AUGUST, 2017.**

**A. Farber & Partners Inc. in its capacity as Court  
Appointed Receiver of 222027 Ontario Inc.  
and not in its personal or corporate capacity**



**Per:** \_\_\_\_\_

Name: John Hendriks CPA, CA, CIRP, LIT  
Title: Vice President

ZAHERALI VISRAM  
Applicant

- and -

2220277 ONTARIO INC.  
Respondent

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

**SUPPLEMENTAL REPORT TO THE FIRST  
REPORT OF A. FARBER & PARTNERS INC. IN  
ITS CAPACITY AS COURT APPOINTED  
RECEIVER OF 2220277 ONTARIO INC.**

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Receiver of 2220277 Ontario Inc.*