

District of Ontario
Division No. 11 – Kingston
Court File No. 33-2929085
Estate File No. 33-2929085

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
LA SALLE MOTEL CO. (KINGSTON) LTD.
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO**

**THIRD REPORT OF LINK & ASSOCIATES INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

Motion for Sale Approval and Vesting Order

September 18, 2023

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I. INTRODUCTION

1. On April 3, 2023, La Salle Motel Co. (Kingston) Ltd. (**“La Salle”** or the **“Company”**) filed a Notice of Intention to Make a Proposal (**“NOI”**) under Division I, Part III, of the Bankruptcy and Insolvency Act (the **“BIA”**). Link & Associates Inc., Licensed Insolvency Trustee, provided its consent to act as Proposal Trustee (the **“Proposal Trustee”**).
2. Information regarding the NOI proceedings has been posted to the Proposal Trustee’s case website at www.linkassociates.ca under Files in Progress/La Salle Motel Co. (Kingston) Ltd.

1.1 Background

3. The Company owns and operates a full-service hotel under the Travelodge name, along with separate (non-Travelodge) motel facilities and a full-service restaurant known as the Cavalier Room (collectively the **“Business”**).
4. The Business operates from real property owned by the Company, located at 2360 Princess Street in Kingston, Ontario (the **“La Salle Property”**).
5. The Company is owned in equal 1/3 shares by brothers Peter Karkoulis (**“Peter Sr.”**), John Karkoulis (**“John”**), and the estate of their late brother George Karkoulis (**“George”**) (collectively the **“Shareholders”**). Peter Sr. is 92 years old, and John is 96 years old.
6. The Company had listed the La Salle Property and Business for sale in 2017 but did not accept any of the offers received at that time. In September 2021, the Company again listed the La Salle Property and Business for sale.

7. On December 14, 2021 the Company entered into an agreement of purchase and sale (the “APS”) with 1000073686 Ontario Inc. (hereinafter referred to as “686”) to sell the La Salle Property and the assets of the Business as a going concern. After all conditions were met, the sale to 686 was scheduled to close on August 10, 2022.
8. At the time of the proposed sale, Peter Karkoulis Jr. (“Peter Jr.”), son of George and nephew to Peter Sr. and John, was the general manager of the Business. No family members were being offered employment by 686.
9. On or about August 5, 2022, Peter Jr. brought an *ex parte* motion against the Company and John and Peter Sr. and obtained leave to register a Certificate of Pending Litigation (“CPL”) against the La Salle Property.
10. The CPL enjoined the Company, John and Peter Sr. from dealing with the La Salle Property in any way. The APS with 686 was therefore prevented from closing. The closing date was extended on more than one occasion.
11. In September, 2022, the Company brought a motion to set aside the CPL so that it could close the APS with 686, but it was unsuccessful.

1.2 Litigation and Filing of the Notice of Intention

12. As described in Section 5 of the Proposal Trustee’s First Report, the Company was encountering cash flow shortfalls in or around December, 2022.
13. The Company had fallen past due with many of its food and other suppliers, had failed to make its quarterly HST remittance that was due on January 31, 2023, and had received notices of disconnection from utility companies.

14. Between December 29, 2022 and March 15, 2023, John and Peter Sr. advanced additional shareholder loans into the Company of \$170,000 cash and paid a further \$35,765 personally for the Company's legal fees.
15. The Company suspended its regular monthly dividend payments to its shareholders in January 2023, and terminated Peter Jr.'s employment on March 15, 2023.
16. The Company and its two directors, John and Peter Sr. (the "**Directors**"), are defendants in the following four lawsuits:
 - i) CV-22-00000223 commenced on August 5, 2022 by Peter Jr. against the Company and the Directors, wherein Peter Jr. obtained leave to register a CPL on title to the La Salle Property;
 - ii) CV-23-00000044 commenced on February 15, 2023 by 686 and its principal Hao Chen ("**Chen**") against Peter Jr., the Company and the Directors for, *inter alia*, specific performance of the APS with 686.
 - iii) CV-23-00000080 commenced on March 21, 2023 by Andrea Karkoulis (widow of George) by her litigation guardian Valerie Demitt, against the Company and the Directors, seeking damages and various declaratory relief under section 248 of the *Ontario Business Corporations Act* including *inter alia* interim dividend payments; and
 - iv) CV-23-00000090 commenced March 28, 2023 by Peter Jr. against the Company and the Directors, claiming damages for wrongful dismissal arising out of his termination by the Company on March 15, 2023.

17. In view of the foregoing, the Company filed an NOI on April 3, 2023 (the “**NOI Date**”).
18. Since the NOI Date, the Company has continued to operate in the normal course of business. It has obtained Debtor in Possession Financing and obtained three extensions of time to file its Proposal.
19. The Company has successfully conducted a Sale and Investment Solicitation Process (the “**SISP**”) which has culminated in an accepted Agreement of Purchase and Sale for which Court Approval is now being sought, as set out more particularly in the Company’s Motion Record and in this Third Report, and the Confidential Appendix to this Third Report.

II. NOTICE TO READER

20. In preparing this Third Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, has reviewed materials filed in the four litigation proceedings in which the Company is a defendant, has held discussions and meetings with ownership, Company counsel, employees, and has received information from other third-party sources (collectively, the “**Information**”).
21. Except as specifically noted in this Third Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada. Certain of the information referred to in this Third Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been

performed. Future-oriented financial information referred to in this Third Report was prepared based on estimates and assumptions provided by management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

22. Unless otherwise stated, all monetary amounts contained in this Third Report are expressed in Canadian dollars.

III. PURPOSE OF THIS REPORT

23. The purpose of this Third Report is to:

- a) Provide information to the Court with respect to the administration of La Salle's Proposal proceedings, including:
 - i) providing an updated cash flow projection to show the Company's projected receipts and disbursements for the period of September 2 to November 24, 2023;
 - ii) to report on the Proposal Trustee's actions and activities since the date of its Second Report and to seek approval for same;
 - iii) to provide a Confidential Appendix to this Third Report (the "**Confidential Appendix**") which contains potentially sensitive information regarding the SISP;
 - iv) to seek approval for this Third Report and the Confidential Appendix; and

- b) Provide the Court with the Proposal Trustee's support for, and observations in respect of the Company's request that the Court grant an Order, *inter alia*:
- i) approving an extension of the time for the Company to file a Proposal to October 2, 2023 (the **"Fourth Extended Period"**);
 - ii) authorizing the Company to sell its Business and the La Salle Property pursuant to the agreement of purchase and sale negotiated pursuant to the SISP as set out herein, and to grant a Vesting Order in favour of the Purchaser (the **"Transaction"**); and
 - iii) authorizing the sealing of the Confidential Appendix until the filing of a certificate by the Proposal Trustee certifying the closing of the Transaction.
- c) Such further and other relief as this Honourable Court may deem just and appropriate.

IV. COURT REPORTS AND COURT ORDERS

24. The Proposal Trustee filed its first report to Court dated April 14, 2023 (the **"First Report"**). A copy of the First Report (without appendices) is attached hereto as **Appendix "A"**.

25. The First Report was filed in conjunction with, and in support of, an application made by the Company for an initial 45-day extension of time to file a proposal, for a \$150,000 Debtor in Possession financing charge (the **"DIP Loan"**), approval of a \$100,000 Administration Charge in favour of the Proposal Trustee and its legal counsel, and counsel to the Company, approval of the First Report and the activities of the Proposal Trustee, and

an Order directing all persons in possession or control of Company Property and Records (as defined in the Order) to deliver up same to the Company within 10 days.

26. The foregoing relief was all granted by way of an Order of the Honourable Justice Kershman dated April 19, 2023 (the “**First Stay Extension Order**”). A copy of the First Stay Extension Order is attached hereto as **Appendix “B”**.

27. The Proposal Trustee filed its second report to Court dated June 12, 2023 (the “**Second Report**”). A copy of the Second Report (without appendices) is attached hereto as **Appendix “C”**.

28. The Second Report was filed in conjunction with, and in support of, an application made by the Company on June 21 and 23, 2023 for a second 45-day extension of time to file a Proposal to August 3, 2023, approval of a SISP, and approval of the Second Report and the activities of the Proposal Trustee.

29. The foregoing relief was all granted by way of an Order of the Honourable Justice Kershman dated June 23, 2023 (the “**SISP and Second Stay Extension Order**” or the “**SISP Order**”). A copy of the SISP Order is attached hereto as **Appendix “D”**.

4.1 Third Extension of Time to File a Proposal

30. On July 21, 2023 the Company filed an application to seek a further extension of time to file a Proposal until September 18, 2023.

31. The Proposal Trustee did not file a written report for this application. Its legal counsel attended the motion to confirm the Proposal Trustee’s support for same.

32. A copy of the Order of Associate Justice Fortier dated July 31, 2023 authorizing the Third Extension (the “**Third Extension Order**”) is attached hereto as **Appendix “E”**.

V. THE SISP

33. The SISP Order authorized the Company to engage Avison Young Commercial Real Estate Services, LP (“**Avison**”) to act as SISP advisor (the “**SISP Advisor**”) and authorized and directed the Company and the Proposal Trustee to carry out the SISP in accordance with its terms, and the terms of the SISP Order.

5.1 Listing Agreement

34. Pursuant to the SISP Order, the Company entered into a listing agreement with the SISP Advisor. The La Salle Property and Business were listed for sale for \$9.75 million at a commission rate of 3%.

35. A minimum fixed fee was incorporated into the Listing Agreement in the event of a successful Investment and Refinancing Bid. A copy of the Listing Agreement is attached hereto as **Appendix “F”**.

5.2 Marketing Process and Types of Offers

36. Avison commenced an exclusive marketing period on or about July 18, 2023. Marketing materials were developed, and a virtual data room was established with the assistance of the Proposal Trustee. A copy of the initial marketing brochure is attached hereto as **Appendix “G”**.

37. On or about July 31, 2023, Avison expanded the listing across multiple MLS platforms. Copies of the MLS listings are attached hereto as **Appendix “H”**.

38. The marketing materials identified this as a unique opportunity for a purchaser to potentially acquire the hotel, motel and restaurant Business to generate income, while at the same time looking to redevelop the property.
39. There was also the possibility that a developer may not want to operate the Business and would only want to acquire the Land. It was also recognized that Peter Jr. had signaled an interest to acquire the shares of the Company owned by Peter Sr. and John. (but not those owned by the Estate of George Karkoulis).
40. As a result, the SISP was designed to accommodate three distinct forms of Bids that could be submitted:
- i) Asset Bid - the combined real estate and operating would be sold pursuant to an asset purchase transaction in contemplation of the purchaser continuing to operate the Business as a going concern;
 - ii) Land Bid – a bid strictly for the real estate, which would not contemplate the continued operation of the Business by the purchaser; and
 - iii) Investment and Refinancing Bid – any other restructuring, investment or financing proposal.
41. Among other requirements, the SISP stated that any potential purchasers would need to indicate in their Bid their proposed treatment of employees and the Travelodge Franchise & License Agreement (the “**Franchise Agreement**”).
42. For example, if a potential purchaser wanted to make a Land Bid and required vacant possession and termination of employees and the Franchise Agreement, the Bid would need

to factor in those costs to the Company, compared to an Asset Bid which would include the assumption of employees and the Franchise Agreement as part of the purchase of the Business.

43. The SISP provided ample opportunity for all interested parties to make an offer to the SISP Advisor under an open, public, court-supervised process.

44. The SISP was successfully carried out in accordance with the SISP Order and is described in greater detail later in this Third Report and in the Confidential Appendix to this Third Report.

5.3 Bids Received

45. The Final Bid Deadline (as defined in the SISP Order) was set for August 29, 2023.

46. The SISP Advisor received six (6) Asset Bids and one (1) Investment and Refinancing Bid on the Final Bid Deadline of August 29, 2023.

47. No Land Bids were received.

5.3.1 Asset Bids

48. Three of the Asset Bids were selected for further discussion and review (the “**Final Asset Bids**”), and three were not. The three Final Asset Bids were comparable in terms of price and structure, although one proposed a longer closing date than the other two.

49. The three Asset Bids that did not qualify were primarily due to non-competitive prices being offered.

50. Each of the three Final Asset Bids were thoroughly vetted by the SISP Advisor, the Proposal Trustee, and the Company. The SISP Advisor had extensive discussions with each of the Bidders and negotiated to try and improve upon their respective offers and address any potential concerns that could impact a potential sale.

5.3.2 Extended Final Bid Deadline

51. Paragraph 5 of the SISP Order allows for the Company to extend timelines at its discretion, in consultation with the Proposal Trustee.

52. The Proposal Trustee agreed with the Company and the SISP Advisor that the three Final Asset Bids should be given the opportunity to provide their best and final offers (the **“Revised Final Asset Bids”**) to the SISP Advisor by 3:00 pm, September 1, 2023 (the **“Extended Final Bid Deadline”**).

53. The request for Revised Final Asset Bids was carried out by the SISP Advisor.

54. Two of the three Revised Final Asset Bids were deemed to the Qualified Asset Bids.

55. Details of the Final Asset Bids are contained within the Confidential Appendix.

5.3.3 Investment and Refinancing Bid

56. Only one Investment and Refinancing Bid (the **“IRB”**) was received by the SISP Advisor.

It was comprised of a share purchase agreement from an individual in trust for a company to be incorporated (the **“IRB Bidder”**), to acquire the shares of the Company owned by each of John and Peter Sr., who each own 1/3 each.

57. The IRB was reviewed in detail and further information and clarification was requested as it was being evaluated. The IRB Bidder was given an opportunity to clarify the proposed

deal structure and provide evidence of funds, and to submit his highest and best offer to the SISP Advisor by the Extended Final Bid Deadline.

58. The IRB Bidder did not submit anything further for consideration.

59. The IRB did not meet the requirements to become a Qualified Investment and Refinancing Bid as defined in Paragraph 32 of the SISP Order.

60. Details of the IRB are contained within the Confidential Appendix.

5.4 Selection of Winning Bid

61. From the two Qualified Asset Bids, one was financially superior. It was selected as the Winning Bid (the **“Winning Bid”** and the bidder as the **“Successful Bidder”**).

62. The SISP Order contemplated that the Winning Bid would be accepted by September 11, 2023, or such later time and date that the Company may determine, in consultation with the Proposal Trustee and SISP Advisor (the **“Final Agreement Deadline”**).

63. Additional time was needed to finalize the wording of the final agreement of purchase and sale with respect to, among other things, clarification of the specific operating agreements to be assumed, excluded assets, and the proposed purchase price allocation. The Final Agreement Deadline was extended to September 18, 2023.

64. The SISP Advisor, in conjunction with the Proposal Trustee, the Company, and their respective legal counsel, engaged with the Successful Bidder to negotiate the final agreement of purchase and sale (the **“SISP APS”**) which was fully executed September 18, 2023.

65. The SISP APS is fully unconditional (except for final Court Approval) and is financially superior to all other Bids received.

66. The specifics of the Winning Bid, a copy of the executed SISP APS, and the identities of all other interested parties and details of all other Bids received, are set out in the attached Confidential Appendix to this Third Report.

5.5 Appraisal

67. In anticipation of the SISP, the Company commissioned S. Rayner & Associates Ltd. (“**Rayner**”) to conduct an up-to-date appraisal to assist with the process of evaluating offers to be received.

68. Rayner had previously appraised the Property for the Company on more than one occasion, most recently in 2016, and is familiar with the area and the property.

69. The new appraisal report is dated August 6, 2023, with an effective date of July 6, 2023 (the “**Appraisal**”), a copy of which is contained within the Confidential Appendix.

70. The value as determined by the Appraisal (the “**Appraised Value**”) supports the price contained within the Winning Bid.

VI. PROPOSAL TRUSTEE’S RECOMMENDATION

71. The Proposal Trustee has been involved throughout the SISP and in the vetting of Bids and evaluation of same.

72. The proposed SISP APS is advantageous for many reasons:

- i) It is the highest and best offer received in terms of price and terms;

- ii) The purchase price compares favorably to both the list price of \$9.75 million and to the Appraised Value;
- iii) It requires the Purchaser to offer employment to the employees (> 50 people) which are employed on the Closing Date (except for any family members, shareholders or related parties) such that the Purchaser is the successor employer and assumes all responsibility for employees' years of service upon and after Closing;
- iv) It requires the Purchaser to assume and/or enter into a new Franchise Agreement and assume all other operating agreements to the extent they are assignable;
- v) It provides the funding necessary for the Company to make a Proposal to its creditors;
- vi) The Winning Bid is financially superior to all other offers received and provides the best result for the broadest range of stakeholders including secured and unsecured creditors, and all three Shareholders.

73. Should the Company be prevented from closing the SISP APS, the future of the Business and the ability of the Company to carry out a successful Proposal will be jeopardized, to the detriment of the Company's creditors and Shareholders.

74. The Proposal Trustee recommends the approval of the SISP APS and the Transaction.

6.1 Projection of Estimated Net Available Proceeds

75. The Proposal Trustee evaluated the various offers received and, in conjunction with tax analysis provided by the Company's external accountant and tax advisor, has calculated an estimated after-tax return to the Company, and to each of the three Shareholders upon closing of the proposed Transaction (the "**Projection of Net Proceeds**").

76. The Projection of Net Proceeds is contained within the Confidential Appendix. It must be read in conjunction with the Notice to Reader in Section II of this Third Report and the notes and assumptions appended to the Projection of Net Proceeds in the Confidential Appendix.

VII. PROPOSAL TO BE FILED

77. The BIA prescribes that a debtor must file its Proposal no later than six months from the NOI Date. There are no provisions or authority that permit an extension beyond six months. The Company filed its NOI on April 3, 2023, and therefore must file its Proposal on or before October 2, 2023.

78. The Company's known and quantifiable liabilities (i.e. not including any liability which may arise from the lawsuits comprising contingent claims) are approximately \$1.75 million (combination of Bank of Montreal secured loans, unsecured creditors including unpaid suppliers, shareholder loans and HST at NOI Date).

79. In addition, the Company is incurring post-NOI liabilities which are being paid in the normal course of business, including payroll, HST, operating expenses and professional fees.

80. Based on the purchase price set out in the SISP APS for which Court approval is being sought, there will be more than sufficient funds (after payment of SISP Advisor commission and other closing costs and adjustments, professional fees, repayment of Bank of Montreal secured debt, and a suitable reserve for corporate income taxes) for the Company to make its Proposal.

81. The Company intends to offer 100 cents on the dollar to all of its Proven Unsecured Creditors, up to a prescribed maximum per claim. The terms of the Proposal are currently being finalized.

82. The Company is a defendant in four (4) lawsuits, all of which are currently stayed and subject to the Proposal proceedings. In the event some or all of the plaintiffs in those lawsuits elect to file proofs of claim in the Proposal, their respective admissibility and valuation will be addressed in the context of the Proposal and dealt with by the Proposal Trustee, and/or the Court, in accordance with the provisions of the BIA.

VIII. ACTIVITIES OF PROPOSAL TRUSTEE SINCE SECOND REPORT

83. Since the date of the Second Report, the Proposal Trustee has undertaken the following activities, some of which are a continuation of activities set out in the First and Second Reports which commenced with the filing of the NOI, *inter alia*:

- i) updated the Proposal Trustee's case website;
- ii) prepared drafts of written and oral communications to assist the Company in its correspondence with its creditors and other stakeholders;
- iii) engaged in frequent meetings and discussions with the Company and its legal counsel regarding the Company's business and financial affairs;
- iv) daily ongoing communication with Company with respect to all manner of financial and operational issues as part of the monitoring program;
- v) attend at premises for meetings with Company and management;
- vi) dealing with creditor inquiries;

- vii) coordinate information flows between the Company and the SISP advisor for the SISP and Data Room;
- viii) coordinate obtaining Building Condition Assessment report for SISP;
- ix) dialogue and communication with appraiser and surveyor for SISP;
- x) carrying out its duties and responsibilities under the SISP, including ongoing meetings and discussions with SISP Advisor, the Company and its advisors, detailed review and evaluation of Bids and all correspondence and analysis with respect to same; and
- xi) preparation of this Third Report and the Confidential Appendix.

IX. CASH FLOW PROJECTIONS

84. The Company does not have any employees in specified accounting or clerical positions, nor does it employ anyone with an accounting background or designation. As a result, the Proposal Trustee has spent considerable time assisting the Company with its financial projections, budgeting and cash flows, accounting systems and analysis, implementation of policies designed to protect and monitor cash, interaction with the external accountant, revenue and expense analysis, and all other related financial issues.

85. In accordance with the provisions of the BIA, on April 12, 2023, the Proposal Trustee filed with the Official Receiver the Company's cash flow statement and ancillary reports dated April 12, 2023 (the "**Cash Flow Projection**") which covered the period of April 3, 2023 to July 7, 2023. A copy of the Cash Flow Projection was appended to the First Report and was also referenced in the Second Report.

86. The Proposal Trustee has closely monitored the Company's cash flow since the NOI Date and has prepared periodic reporting to identify variances and assist the Company with its cash flow management on an ongoing basis.

9.1 Cash Flow Projection for Final Extended Period

87. The Proposal Trustee has assisted the Company in maintaining a rolling cash flow forecast for ongoing updating on a weekly basis, as part of its monitoring of the Business.

88. An updated cash flow forecast for the period of September 2 to November 24, 2023 (the **"Updated Cash Flow Projection"**) has been prepared in support of the Company's request for a final extension of time for the Company to file a Proposal and to support the Company's request for approval of the proposed SISP APS.

89. A copy of the Updated Cash Flow Projection, together with the key notes and assumptions made therein, is attached hereto as **Appendix "I"**.

90. The Updated Cash Flow Projection has been prepared solely for the purposes set out in this Third Report. It is not the statutory revised cash flow to be filed with the OSB set out in S. 50(6) of the BIA, as that is only required upon the Company filing its Proposal under S. 62(1) of the BIA.

91. The Updated Cash Flow Projection indicates that the Company will operate within its Operating Loan limit and keep current its post-NOI obligations.

92. The Third Cash Flow Projection indicates that the Company will likely approach its maximum operating limit in the days leading up to the closing of the Transaction.

93. Upon closing, Bank of Montreal's secured debt will be repaid in full, and the funding will be available for payment to the Proposal Trustee for the Proposal to be filed on or before October 2, 2023.

X. REQUEST FOR EXTENSION TO TIME TO FILE PROPOSAL

94. The Third Extension Period for the time to file a Proposal expires on September 18, 2023.

95. To allow the Company sufficient time to have its motion for sale approval heard, and thereafter finalize the definitive terms of its Proposal, it is seeking a further extension of time within which to file a Proposal, which extension would expire on October 2, 2023 (the "**Fourth Extended Period**").

96. The Fourth Extended Period is the final extension permitted under the BIA.

97. The Updated Cash Flow Projection appended to this Third Report fully covers the proposed Fourth Extended Period and beyond, up to the eve of closing of the proposed Transaction.

98. The Company will be filing a further amended cash flow projection in accordance with S. 50(6) of the BIA (which will include the effects of the closing of the proposed Transaction) upon the filing of the Proposal under S. 62(1) of the BIA.

99. In view of the foregoing, the Proposal Trustee supports the Company's request for a fourth (and final) extension and has also considered that:

- i) The Company is acting in good faith and with due diligence;
- ii) The additional time will allow the Company to seek and obtain Court approval for the proposed Transaction which will provide the funding to repay Bank of

Montreal in full and provide the funding for the Company's Proposal to its unsecured creditors.

- iii) The requested extension shall not adversely affect or materially prejudice any party.

XI. CONCLUSION AND RECOMMENDATIONS

- 100. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an Order granting the relief detailed in paragraph 23 of this Third Report.

DATED AT the City of Woodbridge, in the Province of Ontario, this 18th day of September, 2023.

LINK & ASSOCIATES INC.
Trustee in re Proposal of
La Salle Motel Co. (Kingston) Ltd.

Per: _____

Robert G. Link, LIT

District of Ontario
Division No. 11 – Kingston
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**FIRST REPORT OF LINK & ASSOCIATES INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

April 14, 2023

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Exhibit “B”	Notice to Creditors
Exhibit “C”	Cash Flow Projection for the period starting April 3, 2023, and ending on July 7, 2023 and ancillary reports
Exhibit “D”	Endorsement of Justice Tranmer

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April 14, 2023

I. INTRODUCTION

1. On April 3, 2023, La Salle Motel Co. (Kingston) Ltd. (“**La Salle**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) under Division I, Part III, of the Bankruptcy and Insolvency Act (the “**BIA**”). Link & Associates Inc., Licensed Insolvency Trustee, provided its consent to act as Proposal Trustee (the “**Proposal Trustee**”).
2. A copy of the certificate of filing of the NOI is attached hereto and marked as **Exhibit “A”**.
3. Notice of the NOI (the “**Notice to Creditors**”), as prescribed by the BIA, was sent on April 4, 2023 to all of the Company’s known creditors, including secured, unsecured and contingent creditors. A copy of the Notice to Creditors is attached hereto and marked **Exhibit “B”**.
4. Information regarding the NOI proceedings has been posted to the Proposal Trustee’s case website at www.linkassociates.ca under Files in Progress/La Salle Motel Co. (Kingston) Ltd.

5. This report (the “**First Report**”) is made by the Proposal Trustee in support of a motion by the Company for the following:
- i) An extension of time to file a Proposal to June 19, 2023;
 - ii) An Administrative Charge for professional fees;
 - iii) Authorization to increase its operating loan facility with Bank of Montreal from \$300,000 to \$450,000; and
 - iv) An Order directing the return of Company books and records and personal property to the Company.

II. NOTICE TO READER

6. In preparing this First Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, has reviewed materials filed in the four litigation proceedings in which the Company is a defendant, has held discussions and meetings with ownership, Company counsel, employees, and has received information from other third-party sources (collectively, the “**Information**”).
7. Except as specifically noted in this First Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada. Certain of the information referred to in this First Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been

performed. Future oriented financial information referred to in this First Report was prepared based on estimates and assumptions provided by management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

8. Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.

III. BACKGROUND

9. In 1966, three brothers, Peter, John and George Karkoulis purchased the La Salle Motel and Cavelier Room in Kingston, Ontario. The Company was formally incorporated in 1974. It currently owns and operates a full-service hotel under the Travelodge name and is referred to as the “Travelodge Hotel La Salle” with a restaurant (still called the Cavelier Room) and separate motel facilities.
10. It is situated on a 7.55 +/- acre parcel located at 2360 Princess Street, Kingston, Ontario (the “**La Salle Property**”) and currently employs upwards of 55 people. The Company is owned in equal thirds by brothers John and Peter Karkoulis and the Estate of the late George Karkoulis (“**George**”). George passed away in 1995 and Peter and John Karkoulis are the trustees of George’s Estate.
11. For clarity and ease of reference, Peter Karkoulis, 92 years of age, a shareholder and director, shall hereafter be referred to as “**Peter Sr.**” to distinguish him from his nephew, Peter J. Karkoulis, who is a former employee and is a plaintiff in two lawsuits against the

Company (and his uncles) and shall be referred to as **“Peter Jr.”**. John Karkoulis, 96 years of age, a shareholder and director, shall hereafter be referred to as **“John”**.

12. Peter Jr. was employed by the Company for many years, most recently as General Manager. His employment was terminated on March 15, 2023.

3.1 Sale of Property and Certificate of Pending Litigation

13. There have been previous efforts to list and sell the La Salle Property in the past few years. These efforts are recounted in detail in related litigation and will not be repeated in this First Report.

14. Most recently, the Company listed the La Salle Property for sale with Royal LePage Realty Plus in September 2021. The Company negotiated an offer and ultimately entered into an agreement of purchase and sale dated December 14, 2021 (the **“APS”**) with an arms-length purchaser 1000073686 Ontario Inc. (**“686”**).

15. At the agreed purchase price, after satisfying debts and corporate taxes on the sale and all other closing adjustments, it was estimated that each one-third shareholder would be the recipient of a meaningful cash return on capital.

16. The Proposal Trustee understands that under the terms of the APS, 686 had agreed to offer employment to all existing Company employees (over 50 people), some of which have been with the Company for decades, save and except for any of the shareholders and their relatives, including Peter Jr.

17. All required deposits were paid by 686 towards the sale price in trust to counsel acting for the vendor in the transaction. These deposit funds remain in trust with vendor’s counsel.

18. The APS was initially set to close in the Spring of 2022 but was delayed due to the necessity of removing an oil storage tank on the La Salle Property and related remediation efforts and testing. After all conditions were finally waived, the closing was scheduled for August 10, 2022.
19. The closing did not occur as scheduled. On August 5, 2022, on an *ex-parte* basis, Peter Jr. sought and obtained a Certificate of Pending Litigation (“CPL”) to be registered on title against the La Salle Property, which enjoined the Company from completing the sale or otherwise dealing with the La Salle Property.
20. The closing date was subsequently extended three times as efforts were made to resolve matters to allow the sale to proceed.
21. The Company took steps to have the CPL overturned but was unsuccessful.
22. 686 has commenced litigation against the Company as a result of its inability to close the APS.

IV. PURPOSE OF THIS REPORT

23. The purpose of this First Report is to:
 - a) Provide information to the Court with respect to the administration of La Salle’s proposal proceedings, including:
 - i) background information regarding the Company’s operations and the circumstances leading to the filing of the NOI; and
 - ii) reporting on the Cash Flow Projection (defined below) and related financial matters;

b) Provide the Court with the Proposal Trustee's support for, and observations in respect of the Company's request that the Court grant an Order, *inter alia*:

- i) approving a first ranking charge on the properties, assets and undertakings (collectively the **"Property"**) of the Company in an amount not to exceed \$100,000 in favour of the Proposal Trustee, the Proposal Trustee's independent legal counsel Ricketts Harris LLP (**"Independent Counsel"**) and the Company's legal counsel Borden Ladner Gervais LLP (collectively, the **"Administrative Professionals"**) to secure payment of their reasonable fees and disbursements;
- ii) approving an extension of the time for the Company to file a Proposal to June 19, 2023 (the **"Extended Period"**);
- iii) approving an increased operating loan borrowing limit with Bank of Montreal as more particularly set out herein; and
- iv) ordering the return of books and records and personal property to the Company.

V. REASONS FOR FILING THE NOI

24. The purpose of filing the NOI was for the Company to obtain a stay of proceedings while taking steps to create a stabilized environment to continue operating the hotel as a going concern business while the Company works with the Proposal Trustee to restructure its affairs and formulate a plan to deal with the many issues facing the Company.

25. The Company has quickly gone from the brink of closing an APS for the La Salle Property, paying all of its creditors in full and making a return of capital to its shareholders, to being

a named defendant in four lawsuits that have been disclosed the Proposal Trustee, one of which was filed to prevent the sale of the La Salle Property and another as a result of not being able to close the sale of the La Salle Property.

26. The Company is unable to meet its current obligations to creditors. It suspended payment of dividends to all of its shareholders in or around January, 2023.

27. The Company fell noticeably behind with its food suppliers and major utility providers, as evidenced by the number of past due notices and threats of utility disconnections and unpaid food suppliers making frequent attendances in person seeking payment for past due accounts.

28. The Company did not make its quarterly HST remittance for the period of October 1 – December 31, 2022 (\$69,604) which was due no later than January 31, 2023, and would have likely been unable to pay its quarterly remittance for the period of January 1 to March 31, 2023 (estimated to be \$72,705) due no later than April 30, 2023.

29. HST is a trust and is subject to enforcement under the enhanced garnishment powers of the Canada Revenue Agency. The NOI has afforded the Company a necessary stay against such action.

30. Gina Karkoulis was hired by the Company as interim General Manager in early April, 2023. She previously held the position several years ago and is familiar with the La Salle Property and its operations. The appointment of Ms. Karkoulis is intended to be temporary until a permanent replacement is hired or the La Salle Property or the business is sold.

31. The Company has expressed to the Proposal Trustee its desire to present to the Court a proposed sales and investment solicitation process (the “SISP”). It is anticipated that Court approval of the SISP will be sought within the Extended Period.

VI. LITIGATION MATTERS

32. The Company was a defendant in the following four lawsuits commenced in Kingston as at the date of the NOI:

- i) CV-22-00000223 Commenced by Peter Jr against the Company, John and Peter Sr., wherein Peter Jr. obtained a CPL registered on the La Salle Property;
- ii) CV-23-00000090 commenced by Peter Jr. claiming damages for wrongful dismissal arising out of his termination by the Company on March 15, 2023;
- iii) CV-23-00000080 commenced by Andrea Karkoulis by her litigation guardian Valerie Demitt seeking damages against the Company, John and Peter Sr., and various declaratory relief under section 248 of the *Ontario Business Corporations Act* including *inter alia* interim dividend payments that are the subject of a motion scheduled to be heard May 24, 2023, as described in further detail later in this First Report; and
- iv) CV-23-00000044 commenced by 686 and its principal against Peter Jr., Peter Sr., John and the Company for, *inter alia*, specific performance of the APS.

VII. ASSETS AND LIABILITIES

33. The Company's assets are comprised primarily of the La Salle Property and related hotel equipment and furnishings. Its book value is much lower than its market value due to the large amount of depreciation which has accumulated over the years.

34. Its current market value has been reasonably established through a listing process and the negotiation of an arms-length agreement of purchase and sale.

7.1 Unsecured Creditors

35. As set out in the Notice to Creditors, the Company lists liabilities of approximately \$10.5 million.

36. Of these liabilities, approximately \$8.85 million represents the global damages claimed in the litigation described above and has been classified as contingent. We note that the litigation brought by 686 does not specify a defined quantum for damages given that the relief sought is primarily for specific performance of the APS, so the total liabilities may be higher than currently stated.

37. The contingent litigation claims alone of \$8.85 million exceed what the expected net proceeds of sale of the La Salle Property would have been to the Company (i.e. after tax) under the APS with 686.

38. The amounts owed to food suppliers at the filing of the NOI were approximately \$143,000. Utility companies were owed approximately \$54,000.

39. Since the filing of the NOI, some adjustments have been made to update certain creditor balances listed in the Notice to Creditors including shareholder loans and HST, as follows:

- i) Unpaid HST is now estimated to be \$142,000 instead of \$120,000;
- ii) Shareholder Loan due to Peter Sr. is \$146,018, not \$110,000; and
- iii) Shareholder Loan due to John is \$69,505 not \$95,765.20.

7.2 Secured Creditors

40. A search of the Ontario Personal Property Security Act (the “**PPSA**”) registry confirms that the Company’s only known secured creditor is Bank of Montreal (“**BMO**”). The Proposal Trustee has not obtained an opinion confirming the validity and enforceability of the security held by BMO.

41. The BMO facilities consist of a \$300,000 revolving Operating Loan, three non-revolving demand loans totaling \$500,552 (within an overall sub-limit of \$795,000), and a corporate MasterCard with a \$50,000 limit, for total authorized credit facilities of \$1,145,000.

42. The demand loans are part of a facility which allows the Company to borrow for purposes such as major repairs and repay same with longer amortization periods. Most recently it was used for the costs of removing and remediating an oil tank on the property in 2022.

43. The credit facilities are all secured by, among other things, a General Security Agreement registered at PPSA, and a Collateral Mortgage registered at Land Titles.

VIII. CASH FLOW PROJECTION

44. In accordance with the provisions of the BIA, on April 12, 2023, the Proposal Trustee filed with the Official Receiver the Company's cash flow statement dated April 12, 2023, which was reviewed for reasonableness and signed by the Proposal Trustee and the Company (the **"Cash Flow Projection"**).
45. The Cash Flow Projection covers the period starting on the NOI date of April 3, 2023 and ending on July 7, 2023 (the **"Projection Period"**). A copy of the Cash Flow Projection, and ancillary reports, is attached hereto as **Exhibit "C"**.
46. The Cash Flow Projection was prepared utilizing the Company's internal reporting systems described later in this First Report, and other methods of evaluation and assessment. Many of the assumptions in the Cash Flow Projection are based upon historical performance, adjusted where necessary for known changes to operations or external factors.
47. The Proposal Trustee assisted the Company in the development and preparation of the Cash Flow Projection as the Company did not have the requisite skills and experience required to prepare it. The Company did not have any existing budgeting or forecasting procedures in place.
48. The principal assumptions of the Cash Flow Projection are that:
- i) No dividends will be paid to any shareholder;
 - ii) Company will have access to an increased operating loan to meet its obligations;
 - iii) The Company will be required to pay COD for food and supplies;

iv) Payroll costs (i.e. wages, benefits, government remittances, etc.) are based on the actual payroll costs prior to the NOI, adjusted to reflect the reductions arising out of downward revision of working hours of certain employees due to reduced restaurant hours and improved operational efficiencies.

49. The Cash Flow Projection forecasts the need for an increase to the Company's Operating Loan, and a request has been made to BMO to provide same.

50. Given the short time period between the Cash Flow Projection being filed on April 12, 2023, and the preparation of this First Report, no comparison of actual receipts and disbursements to forecasts has been prepared at this time.

8.1 Availability of Books and Records

51. To date, the Company has provided the Proposal Trustee with its full co-operation and unrestricted access to its books and records to the extent they are available.

52. The Company has made frequent use of credit cards to pay expenses. The Company advised the Proposal Trustee that it has been unable to locate many of the credit card statements or receipts for purchases made by credit card.

53. It is difficult to determine the details of many of the credit card purchases and determine proper allocation of same without copies of receipts, which the Company has indicated it will make efforts to try and obtain. The Company has also taken steps to obtain copies of the missing credit card statements.

8.2 Information Systems and Accounting

54. The Proposal Trustee was advised by the Company that it did not prepare operating budgets or forecasts.
55. The Company uses multiple systems to track and record revenues and expenses, and each is discussed briefly below. In addition to the systems used internally, the Company utilizes the services of an outside accounting firm to record its monthly financial information.
56. Maitre'D is a third-party point of sale software that is used in the Company's restaurant (the Cavalier Room). This customizable system tracks receipts by food-type, alcohol, taxes and gratuities, while breaking down by payment type (e.g. cash, VISA, etc.). The system also provides analytical information such as percentage revenue by identifiable groupings and hourly revenues, which can be useful in personnel staffing and menu preparation.
57. The hotel reservation system is provided by Wyndham. This system tracks reservations, check-in and check-out, revenues and taxes, and has a complement of reporting tools for analysis. Daily reports are prepared by the night auditor each night and provided to management.
58. The Company utilizes QuickBooks ("QB") accounting software. However, the Proposal Trustee observed that the Company does not enter supplier invoices into QB as they are received. It only enters them when it wants to issue a cheque for an invoice. Therefore the Company could not initially produce an aged accounts payable listing.
59. The Company was required to enter all outstanding invoices into the QB system just to produce a list of creditors for the Proposal Trustee. Prior to this, it appears that the

Company could have been unaware of its level of outstanding payables and debts at any given time.

60. Each month, the Company assembles a package of financial information from each of the above systems, along with other source documents such as credit card statements and payroll reports and submits this package to the external accounting firm.
61. The accounting firm physically enters all of the information into its accounting system (also QB). This information is recorded on a monthly summary basis, rather than on a detailed basis. For example, you cannot look at daily sales, expenses, taxes or any other accounting activity on a basis other than monthly.
62. The lack of detail in the accounting system prevents simple analysis of key metrics as it requires the assembly of information from multiple systems into a database such as EXCEL. The Company would be better served by employing an accrual based daily accounting for revenues and expenses in order to streamline record keeping and analytical abilities.
63. The Proposal Trustee has implemented procedures for monitoring the Company's receipts and disbursements and has kept in close contact with management to ensure that operations are continuing in the normal course of business and in accordance with the Cash Flow Projection.

IX. ACTIVITIES OF THE PROPOSAL TRUSTEE

64. Since the NOI Filing Date, the Proposal Trustee has undertaken the following activities, inter alia:

- i) issued notices to creditors;
- ii) updated the Proposal Trustee's case website as necessary;
- iii) prepared drafts of written and oral communications to assist the Company in its correspondence with suppliers and employees;
- iv) frequent on-site attendance and meetings with ownership, and interaction with and communication with creditors;
- v) assisted in reviewing financial systems and reporting;
- vi) provided significant assistance to the Company in preparing its Cash Flow Projection;
- vii) established system to monitor actual cash flows in comparison with the Cash Flow Projection;
- viii) engaged in discussions with Bank of Montreal to assist the Company with its financing needs during the Proposal process;
- ix) prepared this First Report; and
- x) engaged in ongoing discussions with the Company and its counsel regarding the NOI filing and the Company's efforts to make a successful proposal.

X. SHAREHOLDER LOANS AND DIVIDENDS

65. A summary of the shareholder loan accounts, and activity, is set out below:

		Due to (From)		
		George Karkoulis (Estate of)	John Karkoulis	Peter Karkoulis
Balance per June 30, 2022 financials		(39,957)	(26,260)	36,018
29-Dec-22	Deposit		50,000	60,000
27-Jan-23	Deposit		100,000	
09-Mar-23	Withdrawal		(90,000)	
15-Mar-23	Deposit			50,000
15-Mar-23	Paid company legal fees		35,765	
Balance at March 31, 2023		(39,957)	69,505	146,018

66. While each of Peter Sr. and John are currently owed money by the Company, the financial records show that George's Estate is indebted to the Company for approximately \$40,000.

67. John and Peter Sr. contributed funds to the Company between December 2022 and March 2023 as set out above. Each of the deposits to and withdrawals from the Company account noted above have been matched to the Company's bank statements.

68. The deposits on December 29, 2022 made by John and Peter Sr. totalling \$110,000 were used to fund payments by the Company to its legal counsel.

10.1 Dividends

69. The Company paid semi-monthly dividends to the beneficial shareholders of the Company in the amount of \$3,500 each, on the 1st and 15th of each month. Andrea Karkoulis (widow of co-founder George Karkoulis), John and Peter Sr. each received these payments for

many years. We are advised that the amount has changed over the years up to its present level.

70. The last dividend was paid on January 15, 2023, after which the Company suspended all such payments to conserve cash. At the same time this decision was taken, the bank statements show that a \$40,308.32 cheque to the Company's main food supplier was returned NSF on January 20, 2023.
71. John advised the Proposal Trustee that he deposited \$100,000 to the Company account on January 27, 2023 at the request of Peter Jr. to cover supplier payments and operating expenses including the need to replace the bounced cheque.
72. John further advised the Proposal Trustee that he subsequently withdrew \$90,000 of his shareholder loan several weeks later. He then subsequently paid a legal bill for \$35,765 from his personal account.
73. The net effect is that each of Peter Sr. and John are creditors of the Company along with all of its suppliers, utility companies and the Receiver General.
74. Between December 29, 2022 and March 15, 2023, Peter Sr. and John together advanced to the Company net cash of \$170,000 and paid a further \$35,765 personally for legal fees on behalf of the Company.
75. The Proposal Trustee is aware that a motion is scheduled for May 24, 2023 in which Andrea Karkoulis, by her daughter acting in her capacity as Litigation Guardian, is seeking to have her \$7,000 monthly dividend payment reinstated retroactively to February 2023 and for it to continue to be paid as it has in the past.

76. Independent Counsel attended a case conference before the Honourable Justice Tranmer on April 6, 2023, where the motion brought on behalf of Ms. Karkoulis was timetabled. During that case conference counsel for Ms. Karkoulis advised the Court that Ms. Karkoulis would be seeking interim relief against John and Peter Sr. personally and would not be seeking this relief against the Company or against John and Peter Sr. in their capacity as directors of the Company.
77. Accordingly it is anticipated that the interim relief sought by Ms. Karkoulis will be addressed in parallel proceedings and will not have an impact on the NOI proceedings. A copy of Justice Tranmer's endorsement is attached as **Exhibit "D"**.
78. As set out in the Cash Flow Projection referred to earlier in this First Report, the Company projects that it will need upwards of \$150,000 of additional operating loan capacity to ensure that it can meet its obligations.
79. The Proposal Trustee has been informed by counsel to the Bank of Montreal that it will not support any use of funds for payment of dividends given the circumstances, and particularly not from any increased credit facilities if they were to be granted.

XI. PROPOSED INCREASED BORROWING LIMIT

80. The Company currently has an authorized operating loan of \$300,000 from Bank of Montreal, as well as a corporate credit card with a \$50,000 limit, and non-revolving demand loans outstanding of \$500,552 within an authorized demand loan facility sub-limit of \$795,000.
81. The credit facilities are all secured by, among other things, a General Security Agreement and Collateral Mortgage.

82. The Cash Flow Projection anticipates that the Company will require additional borrowing capacity to meet its obligations. The bulk of this funding requirement is during the last three weeks of the Projection Period due to the payment of property taxes, insurance and the remittance of HST. The amount of HST shown on the cash flow is the net amount to be remitted from monies collected in trust for the Crown after deducting eligible Input Tax Credits.

83. The amount of the additional borrowing capacity required is estimated to be \$150,000 but can be affected by many factors beyond the Company's control, including a forecasted recession in 2023, COVID-19, or any other negative or unforeseen event or occurrence.

84. Counsel to the Bank of Montreal has advised that it is considering the request for additional financing but no commitment for same has been made as at the date of preparing this First Report.

XII. PROPOSED ADMINISTRATIVE CHARGE

85. In order to protect the fees and expenses of the Administrative Professionals, the Company is seeking a charge (the "**Administrative Professionals Charge**") on the Property to secure payment of the reasonable fees and expenses of the Administrative Professionals in the aggregate amount of \$100,000.

86. The Company is requesting that the Administrative Professionals Charge rank in priority to the claims of all secured and unsecured creditors over the Property.

87. The Proposal Trustee recommends the Administrative Professional Charge be approved for the following reasons:

- i) each of the professionals whose fees are to be secured by the Administrative Professionals Charge has played and will continue to play a critical role in the Company's restructuring process; and
- ii) The Company intends to satisfy the fees and disbursements of the Administrative Professionals from cash flow during the NOI proceedings. The Administrative Professionals Charge is sought to protect the Administrative Professionals if the restructuring is not successful.

88. The Cash Flow Projection sets out the estimated fees and disbursements of the Administrative Professionals to be paid during the Projection Period.

XIII. REQUEST FOR EXTENSION TO TIME TO FILE PROPOSAL

89. The definitive terms of the Proposal will take additional time to develop in view of the various litigation matters and operational matters.

90. The Company seeks an initial 45-day extension of time within which to file a Proposal. The current 30-day period expires on May 3, 2023. A 45-day extension would expire on June 17, 2023, which is a Saturday. As a result, the Extended Period will run until Monday, June 19, 2023. The Cash Flow Projection fully covers the proposed Extended Period.

91. To allow the Company sufficient time to stabilize its operations and advance the restructuring process, it is seeking an extension of the time for filing of a proposal to June 19, 2023.

92. In view of the foregoing, the Proposal Trustee supports the Company's request for an extension and has also considered that:

- i) The Company is acting in good faith and with due diligence;
- ii) The additional time will allow the Company to more fully engage with its stakeholders, ideally to include discussions with the various litigants that may form the basis to settle matters and allow a sale of the La Salle Property to proceed under a court-supervised process such as a SISP, which could then form the basis for a successful Proposal.
- iii) The requested extension shall not adversely affect or materially prejudice any party.

XIV. CONCLUSION AND RECOMMENDATIONS

93. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 5 of this First Report.

DATED AT the City of Woodbridge, in the Province of Ontario, this 14th day of April 2023.

LINK & ASSOCIATES INC.
Trustee in re Proposal of
La Salle Motel Co. (Kingston) Ltd.

Per: _____
Robert G. Link, LIT



Estate/Court File No. 33-2929085

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

THE HONOURABLE
JUSTICE KERSHMAN

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WEDNESDAY, THE 19th
DAY OF APRIL, 2023

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*
R.S.C., 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF LA SALLE MOTEL CO. (KINGSTON) LTD., A
CORPORATION INCORPORATED UNDER THE LAWS OF THE
PROVINCE OF ONTARIO**

ORDER

THIS MOTION, made by La Salle Motel Co. (Kingston) Ltd. (the "**Applicant**") for an order pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), was heard this day by judicial videoconference via Zoom.

ON READING the Notice of Motion, the Affidavit of Gina Karkoulis, affirmed April 17, 2023, and the Exhibits thereto (the "**Karkoulis Affidavit**"), filed, the Affidavit of Sandra Noe, sworn April 17, 2023, and the Exhibits thereto (the "**Noe Affidavit**"), the First Report of Link & Associates Inc, in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated April 14, 2023 (the "**First Report**"), filed, and on reading the Applicant's cash-flow statement, appended to the First Report, and on being advised that the secured creditor of the Applicant who is likely to be affected by the charges created herein were given notice of the motion for this Order, and on hearing the submissions of counsel to the Applicant, counsel for the Proposal Trustee, counsel for the Bank of Montreal ("**BMO**"), and such other counsel that were present, no one appearing for any other party, although duly served as appears from the Affidavits of Service sworn April 17, 2023, both filed;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the First Report is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO MAKE A PROPOSAL

2. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including June 19, 2023.

INCREASE COMPANY'S EXISTING CREDIT FACILITY

3. **THIS COURT ORDERS** that the Applicant is hereby authorized to execute and deliver to BMO such credit agreements and other documents as may be reasonably required by BMO to increase the amount of credit to be made available by BMO to the Applicant under its current revolving lending facility (the "**Increased Credit Availability**"), and the Applicant is hereby authorized and empowered to perform its obligations thereunder and to make the borrowings permitted thereunder from BMO, as lender, in order to finance the Applicant's working capital requirements (including those of its operating facilities), these proposal proceedings, and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$450,000.00, unless permitted by further order of this Court.

4. **THIS COURT ORDERS** that the Increased Credit Availability shall be on the terms and conditions set forth in the Letter of Agreement – Amendment & Restatement dated June 18, 2020 made between the Applicant and BMO, as amended by the Letter of Agreement – Amendment ("**Letter of Agreement – Amendment**") attached to this Order as **Schedule "A"**, subject to such further amendments as may be agreed between the Applicant and BMO.

5. **THIS COURT ORDERS** that the Increased Credit Availability shall be secured under the security previously granted by the Applicant to BMO and that BMO shall also be entitled to the benefit of and is hereby granted a charge (the "**DIP Charge**") on the property and assets of the Applicant, which DIP Charge shall not exceed \$150,000, for all amounts advanced by it under the Increased Credit Availability, plus interest thereon. The DIP Charge shall have the priority set out in paragraph 9 of this Order and shall be enforceable against any trustee in bankruptcy of the Applicant or its property.

6. **THIS COURT ORDERS** that, unless agreed by BMO, BMO shall be treated as unaffected in any proposal filed by the Applicant, with respect to any advances made under the Increased Credit Availability.

ADMINISTRATION CHARGE

7. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Applicant's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings, both before and after the making of this Order. The Applicant is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Applicant's counsel as accounts are rendered from time to time, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice at Ottawa, Ontario.

8. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Applicant of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$100,000.00, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order.

VALIDITY AND PRIORITY OF THE CHARGES CREATED BY THIS ORDER

9. **THIS COURT ORDERS** that the priorities of the Administration Charge, and the DIP Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$100,000.00); and

Second – DIP Charge (up to a maximum amount of \$150,000).

10. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

11. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities notwithstanding the order of perfection or attachment.

12. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Applicant also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

13. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the

general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- a. neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Letter of Agreement – Amendment shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- b. none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the Letter of Agreement – Amendment, the creation of the Charges, or the execution, delivery or performance of the Letter of Agreement - Amendment; and
- c. the payments made by the Applicant pursuant to this Order, the Letter of Agreement - Amendment, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

BOOKS, RECORDS AND PROPERTY OF THE COMPANY

14. **THIS COURT ORDERS** and hereby directs all of the Company's former directors, officers, current and former employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") to forthwith advise the Company of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Company, and any computer programs, computer tapes, computer disks, or other data storage

media containing any such information (the foregoing, collectively, the "Records") and/or Property in that Person's possession or control, and deliver said Records and/or Property to the Company. *within 10 days. ~~to~~*

APPROVAL OF FIRST REPORT

15. **THIS COURT ORDERS** that the First Report and the activities of the Proposal Trustee, as applicable, referred to therein, be and are hereby approved.

SERVICE AND NOTICE

16. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website)¹ shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended (the "Rules"). Subject to Rule 3.01(d) of the Rules and paragraph 13 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

17. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable (including, without limitation, due to COVID-19), the Applicant and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

¹See <https://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservicecommercial/>

18. **THIS COURT ORDERS** that the Applicant and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations* (SOR/2013-221).

GENERAL

19. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

20. **THIS COURT ORDERS** that the Applicant or the Proposal Trustee may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties under this Order or in the interpretation or application of this Order. *within 7 days notice. 8*

21. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Applicant or the Property.

22. **THIS COURT REQUESTS** the aid and recognition of any court, tribunal or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

23. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Applicant, the Proposal Trustee, BMO and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

24. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Eastern Time) on the date of this Order without the need for entry or filing.



Kershman J.

**THE HONOURABLE JUSTICE
STANLEY J. KERSHMAN**

Schedule 'A'

Letter of Agreement – Amendment & Restatement



945 Gardiners Road,
Kingston, Ontario,
K7M 7H4

June 18, 2020

LA SALLE MOTEL CO. (KINGSTON) LTD.
2360 PRINCESS ST,
KINGSTON, ONTARIO K7M 3G4

Attention: Mr. John Karkoulis & Mr. Peter Karkoulis

LETTER OF AGREEMENT – AMENDMENT & RESTATEMENT

Bank of Montreal ("BMO") is pleased to provide this amended and restated Letter of Agreement with respect to the credit Facilities (each a "Facility" and collectively, the "Facilities") described herein. The letter (the "Letter of Agreement") amends and restates the existing Letter of Agreement dated 15/August/2018 (the "Prior Letter"). The Facilities are offered (or continue to be offered, as applicable) on the terms and conditions set out in this Letter of Agreement. The Schedules listed below and attached form part of this Letter of Agreement.

Notwithstanding any other provision of this Letter of Agreement or in any applicable agreements, any Advance under any Facility hereunder will be made at BMO's sole discretion. Any unutilized portion of any Facility hereunder may be cancelled by BMO at any time without prior notice.

Borrower:	LA SALLE MOTEL CO. (KINGSTON) LTD. (the "Borrower")
Guarantor(s):	JOHN KARKOULIS PETER KARKOULIS (the "Guarantor(s)")
Total Facility Limit:	The total approved amount of all facilities shall not exceed \$1,145,000.00 at any time.



Your Product Summary

Facility/ Facilities:

Facility No#	Product Type	Authorized Amount	Currency
1	Revolving Facility (Operating Demand Loan)	\$300,000.00	CAD
2	Real Estate Facility - Shared limit/Multi-product/Multi-draw	\$795,000.00	CAD
3	BMO Corporate MasterCard	\$50,000.00	CAD

Your Product Details

Revolving Facility - Shared limit/Multi-product/Multi-draw

Facility # 1	
Facility Authorization:	\$300,000.00 CAD
Type of Loan:	Operating Facility (ODL)
Purpose:	For general operating requirements
Operating Demand Loan	<p>Interest Rate: Prime Rate plus 2.50%. Interest is calculated monthly in arrears, and payable on the last day of each month. The Prime Rate in effect as of June 18, 2020 is 2.45%.</p> <p>Facility Fee: \$180 per month. This is the fee for the loan and does not include other account fees. Refer to our Better Banking Guide for other applicable fees.</p> <p>Repayment Terms: Repayable on demand</p> <p>Other Costs: BMO is not obliged to permit the Loan to exceed the Cap amount.</p> <p>In the event the Loans exceed the Cap amount, the excess will bear interest at the Overdraft Rate, which is currently 21% per annum. BMO shall also be entitled to charge the Borrower a fee of 1% calculated on the amount of excess over the Cap amount or \$100, whichever is greater and a \$5 overdraft handling charge per item that creates or increases the excess.</p>



Your Product Summary

Real Estate Facility - Shared limit/Multi-product/Multi-draw

Facility # 2	
Facility Authorization:	\$795,000.00 CAD
Type of Loan:	Real Estate Financing
Purpose:	For repairs & maintenance to the building/RE & Covid working capital requirements as deemed necessary by sponsors.
Draw Conditions:	1. 100% financing, less HST; 2. Drawdowns are to be supported by a supplier invoice; 3. All draws subject to sub-search completed by bank to confirm no prior charges. If a charge is registered, same is to be cleared from title by the Borrower prior to Bank disbursement. 4. Final draw is subject to satisfactory site inspection by Bank to confirm substantial completion. 5. Undrawn funds shall at all time be sufficient to cover the remaining costs to complete. If at any time pending or during disbursement of the loan the undrawn loan balance is not sufficient to complete the project in accordance with the budget, the Borrower &/or Guarantors shall inject sufficient cash equity to cover the deficiency prior to any further loan draws being permitted. 6. DLNR option for the full term of the loan (15 yr amortization) 7. FRTL option available at completion; 1-5 yrs terms over 15 yr amortization.
Maximum Amortization:	180 months
Fixed Rate Term Loan	<p>Type of Loan: Closed Term Loan</p> <p>Interest Rate: To be determined at time of Advance. By way of reference only, the rate in effect as of 22/June/2020 for a 5 year term is 4.57% per annum; and the rate is valid for 14 days, and thereafter subject to change at BMO's sole discretion from time to time.</p> <p>Notwithstanding the foregoing and unless otherwise prohibited by law, if the Loan is not paid in full with interest at the Maturity Date, the Loan shall bear interest at a rate per annum equal to the sum of 3% plus the Prime Rate, determined and accrued daily and compounded monthly, not in advance, on the outstanding balance, from the Maturity Date and both before and after demand and both before and after judgment until actual payment in full.</p> <p>Repayment Terms: Equal Monthly principal payments and monthly interest, to be collected separately on the last day of each month. The amount of the payments will be determined based on the Loan amount, payment frequency, amortization, and term.</p> <p>The balance of the Loan then outstanding, together with all accrued and unpaid interest, shall be due and payable at the end of the term of the Loan.</p>



Your Product Summary

		<p>Prepayment Terms:</p> <p>May not be prepaid, in whole or in part, prior to the maturity date.</p> <p>Maximum Term: 5 years</p> <p>Maturity Date: The last day of the month determined based on the term selected and the date of advance.</p> <p>Other:</p>
<p>Demand Loan Non Revolving</p>		<p>Interest Rate: Prime Rate plus 2.50%. Interest is calculated monthly in arrears, and payable monthly. The Prime Rate in effect as of June 18, 2020 is 2.45%.</p> <p>Repayment Terms: Repayable on demand, provided that until demand is made by BMO:</p> <p>Equal monthly principal payments and monthly interest, to be collected separately on the last day of each month. The amount of the payments will be determined based on the Loan amount, amortization and the interest rate in effect at the time of the Advance, as applicable.</p> <p>Prepayments of principal in whole or in part are permitted, without penalty</p> <p>Other:</p>
<p>The aggregate of all outstanding Advances under this Facility shall at no time exceed the Facility Authorization for this Facility.</p> <p>Each Loan under this Facility shall be a separate Loan, shall be non-revolving and shall be permanently reduced by any repayments or payments by the Borrower.</p> <p>At the request of the Borrower, the rate may be fixed up to 45 days before the Advance is made. If requested, the Borrower shall pay a refundable rate reservation fee of 1% of the principal amount of the Advance, which fee will be refunded to the Borrower on the day the Advance is made. In the event that the Advance is cancelled by the Borrower, such fee will not be refunded to the Borrower.</p> <p>The Borrower shall give to BMO 5 Business Days notice with respect to any request for a Loan under this Facility.</p>		



Your Product Summary

BMO Corporate MasterCard

Facility # 3	
Facility Authorization:	\$50,000.00 CAD
Type of Loan:	Corporate MasterCard ^{Â®}
Purpose:	Operating Financing
Interest Rate:	As determined by Corporate MasterCard Agreement.
Repayments:	As determined by Corporate MasterCard Agreement.
Facility Fee:	As determined by Corporate MasterCard Agreement.
Â® MasterCard is a registered trademark of MasterCard International Incorporated. Used under license.	



Terms and Conditions

Conditions Precedent to Advances:

BMO will have no obligation to make any advance to the Borrower unless and until each of the conditions set out below and in Schedule C has been completed to BMO's satisfaction

1. Draws for accounts payable to be supported by invoices in the name of the borrower and paid directly or proof of payment maintained in file.
2. Confirmation that all real property taxes have been paid to date.
3. (HELD) Receipt of satisfactory appraisal of the Lands from an appraiser or agrologist satisfactory to BMO confirming a minimum market value of \$6,400,000, together with a letter by the appraiser or agrologist addressed to BMO confirming that BMO may rely on the appraisal for financing purposes.
4. Completion of all loan and account documents and all Security as outlined below.
5. Compliance with all covenants, representations and warranties in all loan documents and Security.
6. Receipt of all information necessary for BMO to comply with all legal and internal requirements in respect of money laundering and proceeds of crime legislation, and "know your customer" requirements.
7. Satisfactory review by BMO of insurance policies issued to the Borrower and each Guarantor, if any, and compliance with any changes required to satisfy BMO's insurance requirements.
8. Confirmation of no material adverse change to the Borrower and the Guarantor and their respective property and assets since the latest financial statements provided to BMO.
9. Confirmation that no default or breach under this Letter of Agreement, any of the loan documents or the Security has occurred.

Security:

Each of the following documents, instruments, agreements and other assurances (collectively, the "Security") shall be delivered to BMO prior to any advance of funds, in form and substance acceptable to BMO and its solicitors, acting reasonably:

1. (HELD) Insurance on a "Fire and Extended Coverage" or "All Risks" basis must be arranged (with satisfactory evidence thereof delivered to BMO) satisfactory to BMO for the full insurable or replacement value with loss payable to BMO. The policy is to contain the Standard Mortgage Clause. A copy of the policy is to be provided.
2. (HELD) Delivery of an up to date or existing survey/certificate of location of Mortgaged Property and all buildings located on the Mortgaged Property, prepared by a surveyor licensed in the jurisdiction in which the property is/are located, which bears the name, address and signature of the surveyor, his official seal and licence number (any, or both), the date of a survey, and includes a Surveyor's Certificate in the form and content required by the jurisdiction in which the property is located ** OR ** title insurance from and approved Title Insurance Provider in respect of 2360 Princess St. Kingston Ontario naming BMO as beneficiary
3. (HELD) Registered first-ranking All Indebtedness/Collateral Mortgage in the amount of \$1,350,000.00 registered over 2360 Princess St. Kingston Ontario with the municipal address of 2360 PRINCESS ST, KINGSTON, ON, K7M3G4 (the "Mortgaged Property") with appropriate enabling resolutions and documentation
4. (HELD) Assignment of Rents over 2360 PRINCESS ST, KINGSTON, ON, K7M3G4 (registered under PPSA).
5. ***NEW*** \$572,500.00 Personal guarantee from JOHN KARKOULIS, PETER KARKOULIS
6. ***NEW*** Spousal Acknowledgement of Debt: Executed by Maria Karkoulus (DOB 28/July/1941) and Maria Karkoulus (DOB 6/Aug/1945) confirming their acknowledgement of \$572,500 Personal Guarantee executed in favour of the Bank of Montreal - supporting total Business Banking authorization of \$1,145,000
7. (HELD) Registered General Security Agreement ("GSA")/Moveable Hypothec ("Hypothec") providing BMO with a security interest/hypothec over all present and after-acquired personal/movable property of the Borrower with a First ranking for Machinery and Equipment, CDN Accounts Receivable, Inventory/Warehouse Receipts

Any other documents, instruments or agreements as may be required by BMO, acting reasonably

Covenants

As long as any Advance remains outstanding under or in connection with this Letter of Agreement, or so long as any commitment under this Letter of Agreement remains in effect, the Borrower and any Guarantor will perform and comply with the covenants set out in Schedule A.



Terms and Conditions

Financial Covenants:

****NEW**** In addition, the Borrower and each Guarantor, as applicable, will perform and comply with the following financial covenants, based on financial statements of the Borrower or applicable Guarantor:

Financial Covenant	Description	Requirement	Frequency
Debt service coverage ratio	Net Income + Interest + Depreciation + Amortization/ CPLTD + Interest + Shareholder Loan Repayment + Dividends + Redemption of Preferred Shares)	Greater Than or Equal To 1.30	Annually, starting with FYE @ 30/June/2022.

Additional Covenants:

In addition, the Borrower and each Guarantor, as applicable, will perform and comply with the following covenants:

1. The Borrower will not, without BMO's prior written consent, participate in any retrofit project or energy or water efficiency project affecting the Mortgaged Property which would have the effect of creating a lien, hypothec or other interest (including, but without limitation, a local improvement charge or similar interest) in the Mortgaged Property ranking, or potentially ranking, in priority to or *pari passu* with the interest of BMO in the Mortgaged Property, whether or not such project is sponsored or endorsed by a municipal or other government, governmental organization or utility.

Reporting Requirements:

Annual	<ol style="list-style-type: none"> 1) Accountant prepared minimum Notice to Reader Year End Financial Statements of the Borrower to be provided within 120 days following fiscal year end. 2) Corporate Tax Return and CRA Notice of Assessment if financial statement quality is less than Review Engagement to be provided within 120 days following fiscal year end. 3) Confirmation of up to date property tax. 4) Confirmation of fire insurance at the Bank's request.
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A \$50 per month fee will be applied for non compliance with reporting requirements. The application of this fee does not waive the default condition.

Prompt notification of management letters, default notices, litigation, and any other material events

Satisfactory evidence that all taxes (including, without limitation, GST, HST, sales tax, withholdings, etc.) have been paid to date

Representations and Warranties:

The Borrower and each Guarantor, as applicable, makes the representations and warranties set out in Schedule B. All representations and warranties of the Borrower and any Guarantor, in addition to any representation or warranty provided in any document executed in connection with a Facility or any Security, shall be true and correct on the date of this Letter of Agreement and on the date of any Advance under a Facility.



Terms and Conditions

Noteless Advances:

The Borrower acknowledges that the actual recording of the amount of any advance or repayment thereof under the Facilities, and interest, fees and other amounts due in connection with the Facilities, in an account of the Borrower maintained by BMO, shall constitute *prima facie* evidence of the Borrower's indebtedness and liability from time to time under the Facilities; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with the terms and conditions of the Facilities set out in this Letter of Agreement shall not be affected by the failure of BMO to make such recording. The Borrower also hereby acknowledges being indebted to BMO for principal amounts shown as outstanding from time to time in BMO's account records, and all accrued and unpaid interest in respect thereto, which principal and interest the Borrower hereby undertakes to pay to BMO in accordance with the terms and conditions applicable to the Facilities as set out in this Letter of Agreement.

Fees:

All costs and expense incurred by BMO in connection with this Letter of Agreement and the Facilities (including without limitation all legal, appraisal and consulting fees), and the enforcement of the Security are for the account of the Borrower.

The bank's standard one-time fee ("Fee") for this application is \$3,075. This fee is deemed to be earned by BMO upon acceptance of this Letter of Agreement, to compensate for time, effort and expense incurred by BMO in authorizing these Facilities. BMO acknowledges the difficulties at this time with respect to COVID-19. In appreciation of our long standing relationship, this fee is 100% waived. Thank you for your business, and thank you in advance for any future opportunities where BMO can assist.

Credit renewal fees will be payable as advised by BMO annually; at the date of this letter such fees are estimated to be \$2,000. If total authorization is reduced to less than \$1,000,000 – this fee can be reduced to approximately \$900.

All fees payable under this Letter of Agreement shall be paid to BMO on the dates due, in immediately available funds. Fees paid shall not be refundable except in the case of manifest error in the calculation of any fee payment.

Banking Services:

The Borrower shall maintain its Bank Accounts, solely with the BMO. Borrower acknowledges that the pricing (including interest, fees and charges) contained in this Letter of Agreement is contingent on the Borrower maintaining all of its operating accounts with BMO. In the event the Borrower does not do so, BMO may, at any time, in its sole discretion and without any requirement to obtain the agreement of, or provide prior notice to the Borrower, increase such pricing.

Treasury & Payment Solutions:

BMO will provide Non-Credit and treasury & payment solutions to the Borrower. A Treasury & Payment Specialist will contact the Borrower to implement BMO's On-Line Banking for Business platform (OLBB) and discuss additional treasury & payment features such as Electronic Funds Transfer (EFT), Wire Payments, BMO DepositEdge® and Moneris® Payment Processing Solutions. BMO's objective is to provide a package of services that are tailored to meet both the current and future needs of the Borrower in a cost efficient operating environment.

Commercial Loan Insurance Plan:

You understand that unless you submit an Application for Commercial Loan Insurance Plan ("Application"), and it has been approved by Canada Life as the insurer, you will not be covered under the Commercial Loan Insurance Plan for any facilities under this Letter of Agreement and would be ineligible to submit a claim should you undergo an insurable event.

Counterparts; Electronic Transmissions:

This agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. Any counterpart of this Agreement may be executed and circulated by facsimile, PDF or other electronic means and any counterpart executed and circulated in such a manner shall be deemed to be an original counterpart of this Agreement. All counterparts shall be construed together and shall constitute one and the same original agreement.



Terms and Conditions

Governing Law:

Ontario and the federal laws of Canada applicable therein.

Schedules:

The following Schedules are attached to and form part of this letter of agreement:

Schedule A – Covenants

Schedule B – Representations and Warranties

Schedule C – Conditions Precedent to Advances

BMO's Legal Counsel: [



Agreement and Consent

This Letter of Agreement amends and restates, without novation, the Prior Letter, as of 15/August/2018, without prejudice to the effect of the terms of the Prior Letter or to any actions taken under or pursuant to the Prior Letter prior to such date. The entry into effect of this Letter of Agreement shall not be deemed to waive or limit any of BMO's rights in respect of any Event of Default then existing under the Prior Letter or any Event of Default under this Letter of Agreement which exists because of matters occurring prior to such effective date, whether or not known to BMO.

In accepting this agreement you acknowledge that if, in the opinion of BMO, a material adverse change in risk occurs including, without limitation, any material adverse change in the financial condition, business, property or prospects of the Borrower or any Guarantor, the rights and remedies of BMO, or the ability of the Borrower or any Guarantor to perform its obligations to BMO, any obligation to advance some or all of the above Facilities may be withdrawn or cancelled.

Please indicate your acceptance of the terms and conditions hereof by signing and returning one copy of this Letter of Agreement (and making payment of the above noted fee, if applicable) to BMO no later than Friday, June 26, 2020. If your acceptance of this Letter of Agreement is not received by BMO by that date, BMO shall have no obligation to proceed with any of the Facilities.

Yours truly,
BANK OF MONTREAL



By: _____
Name: GREGORY BAKER
Title: Relationship Manager

Accepted and agreed to this 22 day of JUNE, 2020
(Day) (Month) (Year)

BORROWER

LA SALLE MOTEL CO. (KINGSTON) LTD.
(Name of Entity)

If signed by corporation or other entity (e.g. partnership):

Signature: John Karkoulis

Name: John Karkoulis

Title: OWNER

Signature: Peter Karkoulis

Name: Peter Karkoulis

Title: OWNER

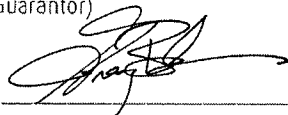


Agreement and Consent

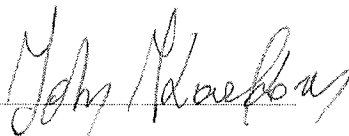
GUARANTORS

JOHN KARKOULIS
(Name of Guarantor)

Witness:



Signature:



Name:

Greg Baker

Name:

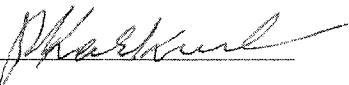
John Karkoulis

PETER KARKOULIS

Witness:



Signature:



Name:

Greg Baker

Name:

Peter Karkoulis

SPOUSAL ACKNOWLEDGEMENT OF DEBT

Acknowledging \$572,500 Personal Guarantee executed by John Karkoulis and Peter Karkoulis in favour of the Bank of Montreal, supporting total BMO Bank of Montreal Business Banking authorization of \$1,145,000

Witness:



Signature:



Name:

Greg Baker

Name:

Maria Karkoulis (DOB: 28/July/1941)

Witness:



Signature:



Name:

Greg Baker

Name:

Maria Karkoulis (DOB: 8 OCT 6/AUG/1945)



Schedules

SCHEDULE A

COVENANTS

1. Payment of all indebtedness due to BMO in connection with this Letter of Agreement or any Facility
2. Maintenance of corporate existence and status, if applicable
3. Payment of all taxes when due (including, without limitation, corporate, GST, HST, sales tax and withholding)
4. Compliance with all material laws, regulations and applicable permits or approvals (including health, safety and employment standards, labour codes and environmental laws)
5. Compliance with all material agreements
6. Use of proceeds to be consistent with the approved purpose
7. Notices of death of Borrower or Guarantor, default, material litigation, and regulatory proceedings to be provided to BMO on a timely basis
8. Access by BMO to books and records; BMO to have right to inspect property to which its security applies
9. No assumption of additional indebtedness or guarantee obligations by Borrower without prior written consent of BMO
10. No liens or encumbrances on any assets except with the prior written consent of BMO
11. No change of control or ownership of the Borrower without the prior written consent of BMO
12. No disposition of property or assets (except in the ordinary course of business) without the prior written consent of BMO
13. No material acquisitions, hostile takeovers, mergers or amalgamations without BMO's prior written approval
14. [For multiple currencies]:

If, for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Letter of Agreement, it becomes necessary to convert into a particular currency (the "Judgment Currency") any amount due under this Letter of Agreement in any currency other than the Judgment Currency (the "Currency Due"), then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose "rate of exchange" means the rate at which BMO is able, on the relevant date, to purchase the Currency Due with the Judgment Currency in accordance with its normal practice at its principal office in Toronto, Ontario. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of receipt by BMO of the amount due, the Borrower will, on the date of receipt by BMO, pay such additional amounts, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount received by BMO on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of receipt by BMO is the amount then due under this Letter of Agreement in the Currency Due. If the amount of the Currency Due which BMO is so able to purchase is less than the amount of the Currency Due originally due to it, the Borrower and each Guarantor jointly and severally (solidarily) agree to indemnify BMO from and against any and all loss or damage arising as a result of such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in this Letter of Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by BMO from time to time and shall continue in full force and effect notwithstanding any judgment or order in respect of an amount due under this Letter of Agreement or under any judgment or order.



Schedules

SCHEDULE B

REPRESENTATIONS AND WARRANTIES

1. It has the corporate status, power and authority to enter into this Letter of Agreement and any agreement executed in connection with a Facility or any Security to which it is a party, and to performs its obligations hereunder and thereunder
2. It is in compliance with all applicable laws (including environmental laws) and its existing agreements
3. Except as otherwise disclosed to BMO in writing, no consent or approval of, registration or filing with, or any other action by, any governmental authority is required in connection with the execution, delivery and performance by it of this Letter of Agreement and any agreement executed in connection with a Facility or any Security to which it is a party
4. All factual information that has been provided to BMO for purposes of or in connection with this Letter of Agreement or any transaction contemplated herein is true and complete in all material respects on the date as of which such information is dated or certified
5. No event, development or circumstance has occurred that has had or could reasonably be expected to have a material adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower or any Guarantor
6. There is no material litigation pending against it or, to its knowledge, threatened against or affecting it
7. It has timely filed or caused to be filed all required tax returns and reports and has paid or caused to be paid all required taxes
8. It has good and marketable title to its properties and assets including ownership of and/or sufficient rights in any material intellectual property.
9. It has complied with all obligations in connection with any pension plan which it has sponsored, administered or contributed to, or is required to contribute to including, without limitation, registration in accordance with applicable laws, timely payment of all required contributions or premiums, and performance of all fiduciary and administration obligations
10. It maintains insurance policies and coverage that provides sufficient insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons in the same or a similar business
11. It is not in default nor has any event or circumstance occurred which, but for the passage of time or the giving of notice, or both, would constitute a default under any loan, credit or security agreement, or under any material instrument or agreement, to which it is a party.



Schedules

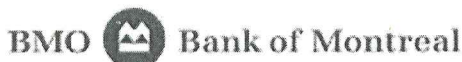
SCHEDULE C

CONDITIONS PRECEDENT TO ADVANCES

1. Evidence of corporate (or other) status and authority
2. Completion and registration (as applicable) of all Security (defined herein) and other supporting documents
3. Completion of all facility documentation and account agreements and authorities, as applicable
4. Compliance with all representations and warranties contained herein
5. Compliance with all covenants (financial and non-financial) contained herein
6. No Event of Default (defined herein) shall have occurred and be continuing
7. Compliance with all laws (including environmental)
8. Payment of all fees and expenses
9. Receipt of all necessary material governmental, regulatory and other third party approvals including environmental approvals and certificates
10. Satisfactory due diligence (including, without limitation, anti-money laundering, proceeds of crime and "know your customer" requirements and procedures, environmental and insurance due diligence)
11. Repayment of all existing indebtedness (excluding permitted indebtedness), as applicable.
12. Satisfactory review of material contracts, as applicable
13. Satisfactory review by BMO (or, at BMO's option and the Borrower's expense, an insurance consultant) of insurance policies issued to the Borrower(s) and/or the Guarantor(s) and compliance with any changes required to satisfy BMO's insurance requirements
14. Disclosure of all material contingent obligations
15. Confirmation that no shares of the Borrower held by the principal shareholders have been pledged as security for any financial or other indebtedness
16. Corporate taxes of the Borrower and corporate/personal taxes of the Guarantor(s) are to be confirmed current and up-to-date
17. Satisfactory evidence that all other taxes payable by the Borrower and Guarantor(s) (including, without limitation, GST, HST, sales tax, and withholding) have been paid to date
18. No material judgments or material legal action initiated against the Borrower and/or any Guarantor(s)
19. Any other document or action which BMO may reasonably require



Letter of Agreement - Amendment



42 BATH RD,
KINGSTON, ONTARIO K7L 1H5

LETTER OF AGREEMENT - AMENDMENT

LA SALLE MOTEL CO. (KINGSTON) LTD.
2360 PRINCESS ST,
KINGSTON, ONTARIO K7M 3G4

Attention: John Karkoulis and Peter Karkoulis

April, 2023

This letter (the "**Amending Letter**") is intended to set out certain amendments to the Letter of Agreement dated July 18, 2018 (including all Schedules thereto (the "**Letter of Agreement**") between Bank of Montreal ("**BMO**") and the Borrower named below.

LA SALLE MOTEL CO. (KINGSTON) LTD.

Unless defined in this Amending Letter, capitalized terms used in this Amending Letter are intended to have the meanings provided to those terms in the Letter of Agreement.

The Letter of Agreement is amended as follows:

1. the maximum limit on Facility No. 1 (Revolving operating loan number 0016-1023-430) shall be increased from \$300,000 to \$450,000;
2. the interest rate on Facility No. 1 (Revolving operating loan number 0016-1023-430) shall be increased from Prime Rate + 2.5% to Prime Rate + 5.5%; and
3. the maximum limit on Facility No. 3 (BMO Corporate MasterCard) shall be reduced from \$50,000 to \$25,000

The Increased credit availability provided for herein is to be used by the Borrower solely for the purposes of operating expenses and expenses (including professional fees) incurred in connection with the proposal proceedings being undertaken by the Borrower pursuant to the Bankruptcy and insolvency Act.

Except to the extent amended by this Amending Letter, the Letter of Agreement remains in full force and effect, without novation. This Amending Letter supersedes and replaces all prior discussions and correspondence (if any) between the parties relating to the subject-matter hereof. Nothing in this Amending Letter is intended to waive or limit any of BMO's rights in respect of any Event of Default existing at the date of this Amending Letter, whether or not known to BMO.

Yours truly,
BANK OF MONTREAL

By: _____

Name:

Title:

[]



Letter of Agreement - Amendment

By their signature below, each Borrower and Guarantor acknowledge and agree to the amendments to the Letter of Agreement contained in this Amending Letter. Further, each Borrower and Guarantor reaffirm, acknowledge, covenant and confirm, to and in favour of BMO, the continued applicability, validity, enforceability and binding nature of the Letter of Agreement (as amended by this Amending Letter) and any documents delivered in connection with the Letter of Agreement (as amended by this Amending Letter), including, without limitation, any security and guarantees granted pursuant thereto, each of which shall continue to be valid, binding and enforceable and in no way altered, lessened, released or otherwise affected by this Amending Letter except as expressly stated in this Amending Letter.

This Amending Letter shall be read and construed with the Letter of Agreement and be treated as a part of the Letter of Agreement, and for such purpose and so far as may be necessary to effectuate the true intent of this Amending Letter, the Letter of Agreement is hereby amended.

Each Borrower and Guarantor represents and warrants to BMO that ((a) does not apply to individuals): (a) it is authorized to enter into this Amending Letter and that it has the full power and authority to do so, (b) each of the representations and warranties contained in the Letter of Agreement is true and correct with the same force and effect as if made on the effective date of the amendments contained in this Amending Letter and (c) it/he/she is in compliance with each of the covenants and other terms and conditions set forth in the Letter of Agreement. Further, in the case of an individual Borrower and/or Guarantor, he/she represents and warrants to BMO that (i) he/she fully understands the provisions of this Amending Letter and his/her obligations, (ii) he/she has been afforded the opportunity to engage independent legal counsel to explain the purposes of this Amending Letter and his/her obligations and (iii) he/she has either engaged legal counsel or has decided, in his/her sole discretion, not to do so.

This agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. Any counterpart of this Agreement may be executed and circulated by facsimile, PDF or other electronic means and any counterpart executed and circulated in such a manner shall be deemed to be an original counterpart of this Agreement. All counterparts shall be construed together and shall constitute one and the same original agreement.

BORROWER

LA SALLE MOTEL CO. (KINGSTON) LTD.

Signature: _____

Name: _____

Title: _____



Letter of Agreement - Amendment

GUARANTOR(S)

PETER KARKOULIS

Signature: _____

Witness Signature: _____

Name: PETER KARKOULIS

Witness Name: _____

JOHN KARKOULIS

Signature: _____

Witness Signature: _____

Name: JOHN KARKOULIS

Witness Name: _____



IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT* R.S.C., 1985, c. B-3, AS AMENDED
AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF LA SALLE MOTEL CO. (KINGSTON)
LTD., A CORPORATION INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO

ONTARIO

**SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

Proceeding commenced at Ottawa

ORDER

BORDEN LADNER GERYAIS LLP
100 Queen Street, Suite 1300
Ottawa ON K1P 1J9

Jason Dutrizac (50004T)
jdutrizac@blg.com
613.787.3535

Lawyers for the Applicant / Moving Party

District of Ontario
Division No. 11 – Kingston
Court File No. 33-2929085
Estate File No. 33-2929085

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
LA SALLE MOTEL CO. (KINGSTON) LTD.
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO**

**SECOND REPORT OF LINK & ASSOCIATES INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

June 12, 2023

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District of Ontario
Division No. 11 – Kingston
Court File No. 33-2929085
Estate File No. 33-2929085

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
LA SALLE MOTEL CO. (KINGSTON) LTD.
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO**

**SECOND REPORT OF LINK & ASSOCIATES INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

June 12, 2023

I. INTRODUCTION

1. On April 3, 2023, La Salle Motel Co. (Kingston) Ltd. (**“La Salle”** or the **“Company”**) filed a Notice of Intention to Make a Proposal (**“NOI”**) under Division I, Part III, of the Bankruptcy and Insolvency Act (the **“BIA”**). Link & Associates Inc., Licensed Insolvency Trustee, provided its consent to act as Proposal Trustee (the **“Proposal Trustee”**).
2. Information regarding the NOI proceedings has been posted to the Proposal Trustee’s case website at www.linkassociates.ca under Files in Progress/La Salle Motel Co. (Kingston) Ltd.
3. The Company owns and operates a full-service hotel under the Travelodge name, along with separate (non-Travelodge) motel facilities and a full-service restaurant known as the Cavalier Room (collectively the **“Business”**).
4. The Business operates from real property owned by the Company, located at 2360 Princess Street in Kingston, Ontario (the **“La Salle Property”**).
5. The Company is owned by brothers Peter Karkoulis (**“Peter Sr.”**), John Karkoulis (**“John”**), and the estate of their late brother George Karkoulis (**“George”**). Peter Sr. is 92 years old, and John is 96 years old.
6. The Company had listed the La Salle Property and Business for sale in 2017 but did not accept any of the offers received at that time.
7. In September 2021, the Company again listed the La Salle Property and Business for sale.

8. On December 14, 2021 the Company entered into an agreement of purchase and sale (the “APS”) with 1000073686 Ontario Inc. (hereinafter referred to as “686”) to sell the La Salle Property and the assets of the Business as a going concern.
9. The APS provided for, among other things, the assumption of the Travelodge franchise agreement and the continued employment of all of the Company’s employees except for the shareholders or any of their family members. After all conditions were met, the sale to 686 was scheduled to close on August 10, 2022.
10. At the time of the proposed sale, Peter Karkoulis Jr. (“Peter Jr.”), son of George and nephew to Peter and John was the general manager of the Business, a role he held for several years. Peter Jr. was not being offered employment by 686.
11. Peter Jr. commenced litigation against the Company and on or about August 5, 2022, obtained an *ex parte* order which allowed for a Certificate of Pending Litigation (“CPL”) to be issued and registered against the La Salle Property.
12. The CPL prevented the APS from closing as scheduled. The closing date was extended on more than one occasion, but the Company was unsuccessful in its efforts to have the CPL removed from title to allow the sale to close.
13. In the meantime the Business was encountering cash flow problems. It was significantly past due with critical suppliers for food and utilities, had fallen behind in its HST remittances, and had received notices of disconnection from utility companies.
14. The Company suspended its regular monthly dividend payments to its shareholders in January 2023. Andrea Karkoulis, George’s widow, commenced litigation against the Company.

15. 686 Commenced litigation against the Company and its directors Peter and John, and Peter Jr., on March 13, 2023.
16. The Company terminated Peter Jr.'s employment on March 15, 2023. Peter Jr. commenced further litigation against the Company in relation to the termination of his employment.
17. In view of the foregoing, the Company filed its NOI on April 3, 2023 (the **"NOI Date"**).
By filing the NOI, the Company was able to obtain a stay of proceedings to allow it to take the steps necessary to create a stabilized environment to continue operating the Business as a going concern while working with its legal advisors and the Proposal Trustee to deal with the various issues facing the Company.
18. Gina Karkoulis, daughter of John, was appointed as General Manager, a role which she had previously held for many years.

II. NOTICE TO READER

19. In preparing this Second Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, has reviewed materials filed in the four litigation proceedings in which the Company is a defendant, has held discussions and meetings with ownership, Company counsel, employees, and has received information from other third-party sources (collectively, the **"Information"**).
20. Except as specifically noted in this Second Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada. Certain of the information

referred to in this Second Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. Future-oriented financial information referred to in this Second Report was prepared based on estimates and assumptions provided by management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

21. Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

III. PURPOSE OF THIS REPORT

22. The purpose of this Second Report is to:

- a) Provide information to the Court with respect to the administration of La Salle's Proposal proceedings, including:
 - i) reporting on the comparison of the Cash Flow Projection (as defined in the First Report) to actual results since the NOI Date;
 - ii) providing an updated cash flow projection to show the Company's projected receipts and disbursements for the period of June 3 to September 1, 2023;
 - iii) to report on the Proposal Trustee's actions and activities since the date of its First Report and to seek approval for same;
 - iv) to seek approval for this Second Report; and

- b) Provide the Court with the Proposal Trustee's support for, and observations in respect of the Company's request that the Court grant an Order, *inter alia*:
 - i) approving an extension of the time for the Company to file a Proposal to August 4, 2023 (the "**Second Extended Period**");
 - ii) authorizing the Company's proposed sales and investment solicitation process ("**SISP**") to seek a buyer for the Business and/or the La Salle Property; and
- c) Such further and other relief as this Honourable Court may deem just and appropriate.

IV. FIRST REPORT TO COURT

23. The Proposal Trustee filed its first report to Court dated April 14, 2023 (the "**First Report**"). A copy of the First Report (without appendices) is attached hereto as **Appendix "A"**.

24. The First Report was filed in conjunction with, and in support of, an application made by the Company for a motion returnable on April 19, 2023 to seek the following:

- i) A 45-day extension of time to file a proposal under the BIA up to and including June 19, 2023;
- ii) Approval for the Company to increase its operating loan limit with Bank of Montreal by \$150,000 by way of a Debtor in Possession financing charge;
- iii) Approval of a \$100,000 Administration Charge in favour of the Proposal Trustee and its legal counsel, and counsel to the Company;
- iv) Approval of the First Report and the activities of the Proposal Trustee set out therein; and

- v) An Order directing all persons in possession or control of Company Property and Records (as defined in the Order) to deliver up same to the Company within 10 days.

25. The foregoing relief was all granted by way of an Order of the Honourable Justice Kershman dated April 19, 2023 (the “**First Stay Extension Order**”). A copy of the First Stay Extension Order is attached hereto as **Appendix “B”**.

26. The Proposal Trustee filed the First Stay Extension Order with the Office of the Superintendent of Bankruptcy (the “**OSB**”) on April 20, 2023.

4.1 DIP Facility with Bank of Montreal

27. Bank of Montreal (“**BMO**”) is the Company’s secured creditor. At the NOI Date the BMO facilities consisted of a \$300,000 revolving Operating Loan, three non-revolving demand loans totaling \$500,552 (within an overall sub-limit of \$795,000), and a corporate MasterCard with a \$50,000 limit, for total authorized credit facilities of \$1,145,000.

28. The credit facilities are secured by, among other things, a General Security Agreement registered at PPSA, and a Collateral Mortgage registered at Land Titles.

29. In accordance with the Stay Extension Order, the Company executed the necessary credit facility amendment documents to increase its operating loan limit with BMO by \$150,000 to \$450,000. The incremental \$150,000 has been made available by way of a Debtor in Possession loan (the “**DIP Facility**”).

30. The new operating loan limit of \$450,000 became fully available on May 18, 2023. The amended credit facilities also provided for a reduction to the Company’s MasterCard limit from \$50,000 to \$25,000, which has been implemented.

31. The BMO accounts are operating as agreed. The term loans are being repaid on a monthly basis in accordance with their terms.

4.2 Return of Books, Records and Property

32. In accordance with the First Stay Extension Order, the Company demanded of Peter Jr. the return of all of the Company's books, records and property in his possession or control.

33. We understand that a quantity of books, records and electronic devices in Peter Jr.'s possession or control were retrieved by the Company on or about April 24, 2023. We further understand that Peter Jr. delivered additional boxes of records to the Company on or about April 27, 2023.

34. The Company has advised the Proposal Trustee that it will take some time to vet the records and items returned.

V. ACTIVITIES OF PROPOSAL TRUSTEE SINCE FIRST REPORT

35. Since the date of the First Report, the Proposal Trustee has undertaken the following activities, some of which are a continuation of activities set out in the First Report which commenced with the filing of the NOI, *inter alia*:

- i) updated the Proposal Trustee's case website;
- ii) prepared drafts of written and oral communications to assist the Company in its correspondence with its creditors and other stakeholders;
- iii) engaged in frequent meetings and discussions with the Company and its legal counsel regarding the Company's business and financial affairs;

- iv) daily ongoing communication with Company with respect to all manner of financial and operational issues as part of the monitoring program;
- v) assist Company with communication with Bank of Montreal and its counsel as required;
- vi) meetings and discussions with respect to proposed SISP process; and
- vii) preparation of this Second Report.

36. The Company does not have any employees in specified accounting or clerical positions, nor does it employ anyone with an accounting background or designation. As a result, the Proposal Trustee has spent considerable time assisting the Company with its financial projections, budgeting and cash flows, accounting systems and analysis, implementation of policies designed to protect and monitor cash, interaction with the external accountant, revenue and expense analysis, and all other related financial issues.

VI. CASH FLOW PROJECTIONS

37. In accordance with the provisions of the BIA, on April 12, 2023, the Proposal Trustee filed with the Official Receiver the Company's cash flow statement and ancillary reports dated April 12, 2023 (the "**Cash Flow Projection**") which covered the period of April 3, 2023 to July 7, 2023. A copy of the Cash Flow Projection was appended to the First Report, and for ease of reference, is attached hereto as **Appendix "C"**.

38. The Proposal Trustee assisted the Company in the development and preparation of the Cash Flow Projection as the Company did not have the requisite skills and experience required to prepare it. The Company did not have any existing budgeting or forecasting procedures in place.

39. The Proposal Trustee has closely monitored the Company's cash flow since the NOI Date and has prepared a variance report that compares the Cash Flow Projection to actual results for the 8-week period ending June 2, 2023 (the "**Cash Flow Variance Report**").

6.1 Cash Flow Variance Report

40. A copy of the Cash Flow Variance Report, complete with notes, is attached hereto as **Appendix "D"**.

41. The Company's ending cash position after eight (8) weeks operating under the NOI is slightly better than projected, albeit with certain individual line items demonstrating both positive and negative variances as more particularly described below. Some variances may be attributed to timing of payments and receipt of invoices from week to week.

42. In the original Cash Flow Projection, accommodation revenues were projected to decrease by 10% from 2022 levels, however the actual results for the months of April and May 2023 versus the same two months in 2022 show a decrease higher than 10%, as explained in more detail in the notes to the Cash Flow Variance Report.

43. On a percentage basis, motel revenues are down more than the hotel rooms, which is primarily attributed to the fact that the motel section housed new immigrants under an agreement with a sponsoring agency in 2022, an arrangement which has come to an end.

44. Despite the lower than projected accommodation revenues, conference room rentals are performing much better than projected.

45. In the original Cash Flow Projection, the Company had assumed that it would discontinue the five night per week dinner service at the Cavalier Room restaurant and focus on

breakfast and lunch. As a result, restaurant revenues were forecast to be 20% lower than the previous year.

46. The Company subsequently decided to maintain evening dinner service on Friday and Saturday evenings, which has resulted in higher than projected food and beverage receipts, but also increased food purchases and restaurant-related payroll. Overall, continued evening dinner service on a limited basis appears to provide modest positive direct contribution margin.

47. With respect to HST, the Company is a net payor. It files its HST returns quarterly. Therefore no remittances have been required since the NOI Date as the next HST reporting period ends June 30, 2023, and the net HST for the quarter will be due on July 31, 2023.

48. In the original Cash Flow Projection, the Company set aside \$5,000 per week for Repairs and Maintenance given the age of the building and its overall condition. Only minor repairs were required during the first eight (8) weeks under the NOI resulting in a positive variance of approximately \$35,000. This positive variance will be used up in the coming weeks for a major repair to the fire suppression system described later in this Second Report.

49. Utility expenses are approximately \$20,000 more than projected due to amounts required by each of Enbridge (gas), Hydro One (electricity) and Utilities Kingston (water and sewer) for security deposits. Efforts were made to reduce the amount of the requested security deposits, but those efforts were unsuccessful.

6.2 Cash Flow Projection for Second Extended Period

50. The Proposal Trustee has assisted the Company in maintaining a rolling cash flow forecast for ongoing updating on a weekly basis, as part of its monitoring of the Business.

51. An updated cash flow forecast for the period of June 3 to September 1, 2023 (the “**Second Cash Flow Projection**”) has been prepared in support of the Company’s request for a further 45-day extension of time for the Company to file a Proposal.
52. A copy of the Second Cash Flow Projection, together with the key notes and assumptions made therein, is attached hereto as **Appendix “E”**.
53. The Second Cash Flow Projection has been prepared solely for the purposes set out in this Second Report. It is not the statutory revised cash flow to be filed with the OSB set out in S. 50(6) of the BIA, as that is only required upon the Company filing its Proposal under S. 62(1) of the BIA.
54. The Second Cash Flow Projection indicates that the Company will operate within its increased Operating Loan limit and keep current its post-NOI obligations.
55. The Second Cash Flow Projection does not incorporate the effects of any possible sale of the La Salle Property or Business that may take place in accordance with the SISP process as described later in this Second Report.
56. The Company projects increased usage of its Operating Loan during the Second Cash Flow Projection as a result of large payments for:
- i) HST remittance of approximately \$72,000 for the post-NOI period will be due for the quarter ending June 30, 2023 (payment is due July 31, 2023). HST is collected in trust for the Receiver General. These funds do not belong to the Company and are tracked separately to ensure that they are remitted (net of input tax credits) by their due date.

We note that the \$133,450 of HST owing for the two preceding quarters (October 1 to December 31, 2022, and January 1 to March 31, 2023) is stayed by the NOI. HST loses its deemed trust status under an NOI and is treated as an unsecured claim in the Proposal.

- ii) Insurance premium of \$23,151 is due on June 20, 2023. Insurance premiums are paid in three instalments throughout the year.
- iii) A property tax instalment of approximately \$57,000 due by June 30, 2023. Property taxes are paid in two instalments during the year.

We note that approximately \$15,000 of water and sewer arrears owing as at the NOI Date were recently transferred to the Company's property tax account. The Company is in the process of determining the proper treatment of this arrears transfer before making a payment beyond its regularly scheduled instalment amount.

6.2.1 Fire Suppression System Replacement

57. As noted above, the Company has had to spend little on repairs and maintenance since the NOI Date but had budgeted \$5,000 per week given the age and condition of the building.

58. In reviewing the Company's fire and safety records it came to the attention of the Interim General Manager Gina Karkoulis ("**Gina**") and the Proposal Trustee that the kitchen fire suppression system has needed replacement for quite some time.

59. Gina arranged for quotes for system replacement and notified the insurer and kept them informed to ensure insurance policy compliance while cooking operations continue. BMO

has also been made aware of the issue as it relates to their status as loss payee under the insurance policy.

60. It is anticipated that the replacement cost of between \$20,000 to \$30,000 will be accommodated by the funds already budgeted for repairs and maintenance but is an indication of the issues that this aging hotel could be faced with at any time.

VII. PROPOSED SALES AND INVESTMENT SOLICITATION PROCESS

61. In its First Report the Proposal Trustee indicated the Company's desire to present to the Court a proposed sales and investment solicitation process (the "**SISP**") and that it expected to bring an application for approval for same within the first Extended Period.

62. The Company has prepared an application record which includes a proposed SISP. The SISP provides for the following main actions and timeline:

- i) The Company proposes to engage Janis Biro ("**Biro**") of Royal LePage Realty Plus to act as the listing agent and SISP Advisor (the "**SISP Advisor**").
- ii) Upon Court approval of the SISP process, the SISP Advisor will forthwith list for sale on MLS the La Salle Property and the assets of the Company necessary to continue to operate the Business as a going concern.
- iii) The SISP Advisor, in consultation with the Company and the Proposal Trustee, will develop a list of potential interested buyers and will distribute an Information Package and Confidentiality Agreements to Known Potential Bidders by June 25, 2023.

- iv) The SISP Advisor will solicit bids for the Business and the La Salle Property, with a deadline for delivery of non-binding Letters of Intent (“LOIs”) by Potential Bidders on July 5, 2023.
 - v) Site visits and inspections will be arranged through the SISP Advisor, who will conduct property tours on agreed-upon dates.
 - vi) The Proposal Trustee, in consultation with the SISP Advisor and the Company, will review LOIs submitted and determine bidders to designate as Qualified Bidders.
 - vii) Following a due diligence period facilitated by the SISP Advisor, Qualified Bidders are to deliver definitive offers to the SISP Advisor by July 20, 2023.
63. Assuming the SISP process generates suitable Qualified Bids, the Company will promptly select a Winning Bid and enter into a final agreement of purchase and sale by July 28, 2023.
64. The Company shall thereafter apply for Court approval of the final agreement of purchase and sale on or around August 16, 2023, with closing to take place as soon as possible thereafter and no later than August 31, 2023.

7.1 Proposal Trustee’s Position on SISP and SISP Advisor

65. The Proposal Trustee has reviewed the Company’s proposed SISP process and the proposed MLS listing agreement.
66. The proposed MLS listing agreement, which contains a list price of \$9.75 million and proposed commission structure of 3% (with 1.5% allocated to any cooperating broker) is appropriate in these circumstances.

67. The Proposal Trustee is satisfied with the structure of the SISP and the selection of the SISP Advisor.

68. Biro is an arm's length real estate sales professional who previously marketed the Business and the La Salle Property, which resulted in the accepted offer from 686. Her past involvement and direct knowledge of the La Salle Property and Business is an asset and makes her a good candidate for this engagement.

7.2 Benefits of a SISP Process

69. The proposed SISP provides ample opportunity for all interested parties to make their best and final offer under a court-supervised process. It affords the flexibility to an interested party to make an offer strictly for the real estate, or for both the real estate and the Business together to operate as a going concern.

70. The SISP should alleviate any concerns over the transparency or propriety of a sale and will provide the eventual purchaser with the comfort of an Order issued by this Honourable Court vesting title in and to the La Salle Property and/or Business assets free and clear of all claims and encumbrances.

71. Any and all claims against the Company will thereafter attach to the net proceeds of sale and shall be dealt with in the Proposal process or as otherwise ordered by the Court.

7.3 Timing Considerations

72. The BIA prescribes that a debtor must file its Proposal no later than six months from the NOI Date. There are no provisions or authority that permit an extension beyond the six months. In the case of the Company, it must file its Proposal on or before October 3, 2023.

73. Therefore, it is appropriate that the Company be authorized to take the steps necessary to monetize its assets as soon as possible so that it may fulfill its obligations under the BIA and make a Proposal to its creditors.
74. The proposed timing of the SISP is suitable. The nature of the assets being offered for sale are not particularly unique or specialized. Potential buyers in this price range are most likely experienced and sophisticated with the ability to act quickly, efficiently and professionally.
75. The SISP Advisor's past involvement with the previous listing of the La Salle Property and Business allows for the SISP to get underway immediately. Considering the age and condition of the building and the potential for more intensive repairs, time is of the essence.

7.4 Impact on Ability to Make a Proposal

76. The Company's assets are comprised primarily of the La Salle Property and related hotel equipment and furnishings pertaining to the operation of the Business.
77. The La Salle Property itself possesses significant equity. The Company's known and quantifiable liabilities are approximately \$1.75 million (combination of BMO secured loans, unpaid suppliers and HST at NOI Date) which equates to approximately 17% of the proposed list price for the La Salle Property and Business.
78. While there will be a large amount of income tax to be paid by the Company as part of any sale, the net after-tax proceeds of a sale will be more than sufficient to repay the BMO secured debt and to fund the Company's Proposal to its known unsecured creditors.

79. However, it should be noted that there are additional liabilities that may or may not crystallize (i.e. employee claims for termination and severance, contractual agreement termination costs) depending upon whether the La Salle Property is sold as a land deal only, or if the land and Business are sold together which would likely include the assumption of employees and/or certain operating agreements to continue as a going concern.

80. Furthermore, there are also claims which have yet to be proven and/or quantified, namely the contingent claims arising from litigation brought against the Company and its directors by Peter Jr., 686, and Andrea Karkoulis (widow of George), all of which are more particularly set out in the four lawsuits against the Company as described in the First Report. All such claims will need to be addressed in the context of the Proposal.

VIII. REQUEST FOR EXTENSION TO TIME TO FILE PROPOSAL

81. The timeline for the proposed SISP will require a further extension of time for the Company to formulate and file its Proposal.

82. As presently drafted, the Company and the proposed SISP Advisor anticipate being able to consider and negotiate offers during the month of July, 2023, and seek Court approval thereafter in the month of August, 2023 on a date to be determined and subject to the Court's availability.

83. The First Extension Period for the time to file a Proposal expires on June 19, 2023. While the present motion date to is not until June 21, 2023, the filing of the application for an extension by the Company prior to the expiry date is sufficient pending the making of an Order authorizing a further extension.

84. To allow the Company sufficient time to implement the SISP and advance the restructuring and Proposal process, it is seeking a further 45-day extension of time within which to file a Proposal, which extension would expire on August 4, 2023 (the “**Second Extended Period**”).

85. The Second Cash Flow Projection appended to this Second Report fully covers the proposed Second Extended Period.

86. Ultimately the Proposal is expected to be funded from the net sales proceeds of the Business and/or La Salle Property. A Proposal cannot realistically be made without a sale and therefore a further extension is necessary and appropriate in the circumstances.

87. In view of the foregoing, the Proposal Trustee supports the Company’s request for an extension and has also considered that:

- i) The Company is acting in good faith and with due diligence;
- ii) The additional time will allow the Company to proceed with the proposed SISP process, which is expected to provide the funding to repay BMO in full and provide the funding for the Company’s Proposal to its unsecured creditors.
- iii) The requested extension shall not adversely affect or materially prejudice any party.

IX. CONCLUSION AND RECOMMENDATIONS

88. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 22 of this Second Report.

DATED AT the City of Woodbridge, in the Province of Ontario, this 12th day of June, 2023.

LINK & ASSOCIATES INC.

Trustee in re Proposal of

La Salle Motel Co. (Kingston) Ltd.

Per: 

Robert G. Link, LIT



Estate/Court File No.: 33-2929085

ONTARIO SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

THE HONOURABLE) Friday the 23rd day of
)
JUSTICE KERSHMAN) June, 2023

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C.
1985, c. B-3, AS AMENDED AND IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF LA SALLE MOTEL CO. (KINGSTON) LTD., A
CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO

ORDER
(STAY EXTENSION AND SISP APPROVAL)

THIS MOTION, made by La Salle Motel Co. (Kingston) Ltd. (the "**Applicant**"), for an order pursuant to the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the "**BIA**"), was heard this day by judicial videoconference via Zoom.

ON READING the Notice of Motion of the Applicant, the Affidavit of John Karkoulis sworn June 12, 2023 and the Exhibits thereto (the "**John Karkoulis Affidavit**"), the Second Report of Link & Associates Inc. in its capacity as Proposal Trustee of the Applicant (the "**Proposal Trustee**") dated June 12, 2023 (the "**Second Report**"), filed, and on hearing the submissions of counsel for the Applicant, counsel for the Proposal Trustee, and such other counsel that were present, no one else appearing although duly served as appears from the affidavit of service of Sandra Noe, filed.

DEFINITIONS

1. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them under the Sale and Investment Solicitation Process attached hereto as **Schedule "A"**, including without limitation, the Bidding Procedures

set out therein (the "**SISP**"), or the Order of the Honourable Justice Kershman dated April 19, 2023 (the "**Order**"), as applicable.

EXTENSION OF THE STAY

2. **THIS COURT ORDERS** that the Stay Period be and is hereby extended until and including August 3, 2023.

APPROVAL OF SISP ADVISOR

3. **THIS COURT ORDERS** that the Company is authorized to engage Avison Young Commercial Real Estate Services, LP ("**Avison Young**") to act as SISP Advisor on terms satisfactory to the Proposal Trustee.

APPROVAL OF THE SISP

4. **THIS COURT ORDERS** that the SISP be and is hereby approved and the Applicant and the SISP Advisor, in consultation with the Proposal Trustee, are authorized and directed to carry out the SISP in accordance with its terms and the terms of this order, and are hereby authorized and directed to take such steps as they consider necessary or desirable in carrying out each of their obligations thereunder.

5. **THIS COURT ORDERS** that the timelines referenced in the SISP may be extended by and at the discretion of the Company in consultation with the Proposal Trustee.

6. **THIS COURT ORDERS** that the Applicant, the SISP Advisor and the Proposal Trustee and their respective assistants, affiliates, partners, directors, employees, advisors, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing their duties under the SISP, except to the extent of such losses, claims, damages or liabilities arising or resulting from the gross negligence or wilful misconduct of the Applicant, SISP Advisor or the

Proposal Trustee, as applicable, as determined by this Court, provided however that the protections granted under this paragraph shall not apply to the directors of the Applicant in their capacity as shareholders, nor shall any provision herein relieve the shareholders of the Applicant of their obligations to each other and pursuant to s. 248 of the *Ontario Business Corporations Act*, nor relieve the directors from liability pursuant to s. 50(14) of the *Bankruptcy and Insolvency Act*.

7. **THIS COURT ORDERS** that, notwithstanding anything contained in this order or in the SISP, neither the SISP Advisor nor the Proposal Trustee shall take Possession of the Business or the Property or be deemed to take Possession of the Business or the Property.

PIPEDA

8. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act* and any similar legislation in any other applicable jurisdictions, the Applicant, the SISP Advisor, the Proposal Trustee and each of their respective assistants are hereby authorized and permitted to disclose and transfer to each Qualified Bidder personal information of identifiable individuals but only to the extent desirable or required to negotiate or attempt to complete a transaction pursuant to the SISP (each a "**Transaction**"). Each Qualified Bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Transaction, and if it does not complete a Transaction shall return all such information to the Applicant, the SISP Advisor, or the Proposal Trustee, as applicable, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Applicant, the SISP Advisor, or the Proposal Trustee. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the Transaction(s) contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Business and/or the Property acquired pursuant to the SISP in a manner that is in all material respects identical to the prior use of such information by the Applicant, and shall return all other personal information to the Applicant, the SISP Advisor or the Proposal Trustee or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Applicant, the SISP Advisor or the Proposal Trustee.

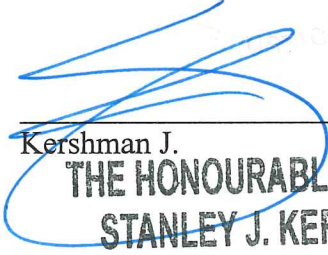
APPROVAL OF THE PROPOSAL TRUSTEE'S REPORTS, ACTIVITIES

9. **THIS COURT ORDERS** that the Second Report, and the activities of the Proposal Trustee referred to therein be and are hereby approved provided, however, that only the Proposal Trustee shall be entitled to rely upon or utilize in any way such approval.

GENERAL

10. **THIS COURT ORDERS** that any interested party may apply to this Court to amend, vary or supplement this order, or for advice and directions with respect to the SISP, on not less than seven (7) days' notice to the Service List maintained by the Applicant, and any other party or parties likely to be affected by the order sought or upon such other notice as this Court may order.

11. **THIS COURT ORDERS** that this order and all of its provisions are effective as of 12:01 a.m. (Eastern Time) on the date of this order without the need for entry or filing.



Kershman J.
THE HONOURABLE JUSTICE
STANLEY J. KERSHMAN

SCHEDULE "A" TO ORDER DATED JUNE 23, 2023

SALES AND INVESTMENT SOLICITATION PROCESS FOR THE LA SALLE PROPERTY AND/OR BUSINESS

INTRODUCTION

1. On April 3, 2023, La Salle Motel Co. (Kingston) Ltd. (the "**Company**") filed a notice of intention to make a proposal to its creditors (the "**NOI**") under the Bankruptcy and Insolvency Act, RSC 1985, c B-3, as amended (the "**BIA**"). The Company's proceedings under the BIA are referred to herein as the "BIA Proceedings". The BIA Proceedings will be supervised by the Ontario Superior Court of Justice (the "**Court**").
2. Link & Associates Inc. is the proposal trustee with respect to the NOI and the BIA Proceedings (in such capacity, the "**Proposal Trustee**").
3. The Company's only secured creditor is the Bank of Montreal ("**BMO**"). BMO has agreed to provide certain interim financing to Company during the BIA Proceedings pursuant to the order of the Court dated April 19, 2023.
4. A certificate of pending litigation was registered, with Court approval, by Peter Karkoulis Jr. on or around August 5, 2022 in respect of an action in which Peter claims an equitable interest in the land by way of a constructive or a resulting trust giving rise to proprietary estoppel.
5. On or before June 21, 2023, the Company will apply to the Court for an Order (the "**SISP Order**"), among other things, approving the sale and investment solicitation process set out herein (the "**SISP**"). Capitalized terms used herein are as defined in the SISP Order unless defined otherwise herein.
6. To assist with implementation of the SISP, the Company will engage Avison Young Commercial Real Estate Services, LP to act as the SISP Advisor (the "**SISP Advisor**").
7. The SISP Advisor will develop a list of Known Potential Bidders (as defined below), communicate and meet with interested parties, prepare and distribute marketing materials, and manage the Data Room (as defined below).

SISP OVERVIEW

8. The purpose of the SISP is to solicit interest in, and seek opportunities for, a sale of the Company's real estate and its hotel/motel and restaurant business operating assets.

9. The Company owns and operates a full-service hotel in Kingston, Ontario which operates under the Travelodge name along with separate (non-Travelodge) motel facilities and a full-service restaurant known as the Cavalier Room (collectively the **"Business"**).
10. The Business operates from real property owned by the Company located at 2360 Princess Street, Kingston, Ontario (the **"La Salle Property"**).
11. The SISP describes the manner in which individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, governmental organizations or other entities (each, a **"Person"**) may gain access to or continue to have access to due diligence materials concerning the La Salle Property and the Business, how bids, offers, and proposals involving the Business and/or the La Salle Property will be submitted to and dealt with by the Company and Proposal Trustee, and how Court approval will be sought in respect of any Transaction (as defined below).
12. As described below, the various deadlines herein may be extended by and at the discretion of the Company in consultation with the Proposal Trustee. The Company will consider extending the various deadlines herein if it determines, in consultation with the Proposal Trustee, that such an extension will generally benefit the Company's creditors and other stakeholders, including but not limited to its shareholders. The SISP Advisor shall generally conduct and oversee the SISP under the supervision of the Proposal Trustee. If there is disagreement as to the interpretation or application of the SISP, the Court will have jurisdiction to hear and resolve such dispute.

"AS IS, WHERE IS" BASIS

13. Any transaction involving the La Salle Property and/or the Business either directly or indirectly (in each case, a **"Transaction"**) will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the SISP Advisor, Company, Proposal Trustee, or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent expressly set forth in the relevant Final Agreement (as defined herein). The key dates pursuant to the SISP are as follows (capitalized terms in the chart below have the meaning ascribed in the SISP):

<u>Event</u>	<u>Date</u>
The Company's Application to the Court for Approval of the SISP	June 21-23, 2023
Finalization of Listing Agreement with SISP Advisor	By June 30, 2023
SISP Advisor to prepare marketing materials to be used in connection with the SISP and establish Data Room	By July 14, 2023
SISP Advisor to engage in exclusive marketing period	July 15, 2023 to July 28, 2023

SISP Advisor to expand marketing to multiple MLS platforms	July 31, 2023
Offer Deadline	August 29, 2023
Acceptance of successful Offer	September 11, 2023
Company's Application to the Court for Approval Order(s)	September 27, 2023, subject to court availability
Closing of the Transaction	Within 30-days of court approved sale.

THE SISP PROCESS

A. Initial Solicitation of Interest

14. On court approval, the SISP Advisor will forthwith prepare marketing materials and establish an electronic data room in connection with the SISP (the "**Data Room**"). The SISP Advisor, in consultation with the Proposal Trustee, may contact any Persons to solicit expressions of interest in a Transaction either before or after the granting of the SISP Order.
15. As soon as reasonably practicable, the SISP Advisor will commence an exclusive marketing period during which it will, in consultation with the Company and the Proposal Trustee, prepare a list of potential bidders (the "**Known Potential Bidders**") who may have interest in a Transaction. Such list may include all Persons who previously expressed an interest or submitted an offer for the La Salle Property and/or the Business when it was previously listed for sale, and shall also include both strategic and financial parties who may be interested in acquiring an interest in:
 - a. the Company's combined operating and real estate assets pursuant to an asset purchase transaction which will contemplate operating the Business of the Company as a going concern (an "**Asset Bid**");
 - b. a bid strictly on the La Salle Property only (a "**Land Bid**"); and
 - c. any other restructuring, investment or financing proposal (an "**Investment and Refinancing Bid**").
16. Concurrently, the SISP Advisor will prepare an initial offering summary (the "**Teaser Letter**") notifying Known Potential Bidders of the SISP and inviting the Known Potential Bidders to express interest in making an Asset Bid, Land Bid or Investment and Refinancing Bid (each, a "**SISP Bid**").
17. The SISP Advisor, in consultation with the Company and the Proposal Trustee, shall distribute to the Known Potential Bidders and any other interested Persons the Teaser Letter, as well as a draft form of confidentiality agreement (the "**Confidentiality**").

Agreement") that shall inure to the benefit of the Person or Persons who make the Winning Bid (as defined herein) pursuant to this SISP. Copies of the Teaser Letter and Confidentiality Agreement shall also be provided to any appropriate Persons who becomes known to the SISP Advisor after the initial distribution of such documents.

18. Following the exclusive marketing period, the SISP Advisor will list the La Salle Property and Business on multiple MLS platforms for additional exposure to the market no later than July 31, 2023.
19. Any Person who wishes to be deemed a Potential Bidder (as defined below) and proceed to execute a Confidentiality Agreement shall first contact the SISP Advisor for this purpose. The SISP Advisor shall inform the Company and the Proposal Trustee of all Potential Bidders. In consultation with the Company and the SISP Advisor, the Proposal Trustee shall, in its sole discretion, determine whether such Person shall be permitted to become a Potential Bidder, based on:
 - a. the identity of the Person, including its direct and indirect principals;
 - b. the Person's financial capabilities to conclude a Transaction; and
 - c. any other criteria the Proposal Trustee considers to be relevant.
20. Any Person whom the Proposal Trustee permits to become a potential bidder (each a "**Potential Bidder**") shall, upon executing a Confidentiality Agreement in form and substance satisfactory to the Company and the Proposal Trustee, be permitted to have access to the Data Room and become entitled to receive certain confidential information.
21. Peter Karkoulis Jr., the estate of George Karkoulis and/or any of its beneficiaries shall be deemed to be a Potential Bidder.
22. Hao Chen and 1000073686 Ontario Inc. shall be deemed to be a Potential Bidder.

B. Due Diligence

23. The SISP Advisor shall provide each Potential Bidder with information, including access to the Data Room, that the SISP Advisor in its reasonable business judgment and in consultation with the Company and the Proposal Trustee, determines to be necessary for the Potential Bidder to evaluate a transaction involving a SISP Bid.
24. The SISP Advisor, in consultation with the Company and the Proposal Trustee, will prepare a confidential information memorandum ("**CIM**"), describing the opportunity to make a SISP Bid and shall deliver the CIM to each Potential Bidder as soon as practicable after such Person is deemed to be a Potential Bidder in accordance with this SISP.

25. The Company and the SISP Advisor shall coordinate all reasonable requests for additional information and due diligence access from Potential Bidders. Neither the Company nor the SISP Advisor will be obliged to furnish any information relating to the La Salle Property or the Business other than to a Potential Bidder.
26. The SISP Advisor, the Company and the Proposal Trustee make no representation or warranty as to the information contained in the CIM or otherwise made available pursuant to the SISP, including any information contained in the Data Room.

C. Bid Process

27. The SISP Advisor may invite Potential Bidders to conduct additional due diligence or otherwise make available to Potential Bidders additional information not posted in the Data Room, meet with management of the Company, or arrange for inspections and site visits at the La Salle Property. The Data Room will include, among other things, a form of purchase agreement for use by Potential Bidders in the case of an Asset Bid and/or Land Bid.
28. Any Potential Bidder may submit an Asset Bid, Land Bid, or Investment and Refinancing Bid deemed by the Company, in consultation with the Proposal Trustee, to be a Qualified Investment or Refinancing Bid (each, a "**Final Bid**") to the SISP Advisor at the address specified in Schedule "A" hereto on or before 5:00 p.m. (Eastern Standard time) on August 29, 2023, or such later time and date as the Company may determine, in consultation with the Proposal Trustee and the SISP Advisor (the "**Final Bid Deadline**").
29. Final Bids shall be reviewed by the Company, in consultation with the Proposal Trustee and the SISP Advisor.
30. A Final Bid submitted as an Asset Bid shall be a "Qualified Asset Bid" in the event that all of the following are satisfied:
 - a. it includes a letter stating that the Asset Bid is irrevocable until the earlier of
 - i. the approval by the Court, and
 - ii. four (4) days following the Final Bid Deadline; provided, however, that if such Asset Bid is selected as the Winning Bid, it shall remain irrevocable until the closing of the transaction contemplated by the Winning Bid, as the case may be;
 - b. it includes a duly authorized and executed purchase and sale agreement specifying all the consideration payable, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Potential Bidder with all exhibits and schedules thereto;

- c. it identifies the proposed treatment of employees of the Company and of any material contracts;
- d. it identifies whether the Asset Bid is *en bloc*, and excluded, and/or any additional assets desired to be included in the transaction;
- e. it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
- f. it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Proposal Trustee to allow the Proposal Trustee to make a reasonable determination as to the Potential Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Asset Bid;
- g. it is not conditional on
 - A. the outcome of unperformed due diligence by the Potential Bidder and/or
 - B. obtaining any financing capital and includes an acknowledgment and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Asset Bid;
- h. it is not conditional upon any governmental or regulatory approval;
- i. it fully discloses the identity of each Person that is bidding or otherwise that will be sponsoring or participating in the Asset Bid, including the identification of the bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- j. it identifies the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the proposed transaction and any related contingencies, as applicable);
- k. it describes any corporate, shareholder or internal approvals required to close the transaction and the anticipated timeframe for obtaining such approvals;
- l. it is accompanied by a refundable cash deposit (a "**Deposit**") in the form of a wire transfer paid into a trust account maintained by the Proposal Trustee's counsel, in a non-interest bearing account in an amount equal to ten percent (10%) of the

consideration to be paid in respect of the Asset Bid, to be held and dealt with in accordance with this SISP;

- m. it contains any other information requested by the Proposal Trustee or the Company; and
 - n. it is received by no later than the Final Bid Deadline.
31. A Final Bid submitted as a Land Bid shall be a "Qualified Land Bid" in the event that all of the following are satisfied:
- a. it includes definitive documentation, duly authorized and executed by the Potential Bidder, setting out the terms and conditions of the proposed transaction, including the purchase price, the aggregate amount of the proposed equity and debt investment, assumption of debt if any, and details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction;
 - b. it includes a letter stating that the Land Bid is irrevocable until the earlier of
 - A. the approval by the Court, and
 - B. four (4) days following the Final Bid Deadline; provided, however, that if such Land Bid is selected as the Winning Bid, it shall remain irrevocable until the closing of the transactions contemplated by the Winning Bid, as the case may be;
 - c. it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
 - d. it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Proposal Trustee, to allow the Proposal Trustee to make a reasonable determination as to the Potential Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Land Bid;
 - e. it is not conditional on
 - A. the outcome of unperformed due diligence by the Potential Bidder and/or

- B. obtaining any financing capital and includes an acknowledgment and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Land Bid;
 - f. it is not conditional upon any governmental or regulatory approval;
 - g. it describes any corporate, shareholder or internal approvals required to close the transaction and the anticipated timeframe for obtaining such approvals;
 - h. it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Land Bid, including the identification of the Potential Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
 - i. it is accompanied by a refundable cash deposit (a "**Deposit**") in the form of a wire transfer paid into a trust account maintained by the Proposal Trustee's counsel, in a non-interest bearing account in an amount equal to ten percent (10%) of the consideration to be paid in respect of the Land Bid, to be held and dealt with in accordance with this SISP;
 - j. it contains other information requested by the Proposal Trustee or Company; and
 - k. it is received by no later than the Final Bid Deadline.
32. A Final Bid submitted as an Investment and Refinancing Bid shall be a "Qualified Investment and Refinancing Bid" in the event that all of the following are satisfied:
- a. it includes a letter stating that the transaction or proposal is irrevocable until the earlier of
 - A. the approval by the Court, and
 - B. four (4) days following the Final Bid Deadline; provided, however, that if the Investment and Refinancing Bid is selected as the Winning Bid, it shall remain irrevocable until the closing of the transaction contemplated by the Winning Bid, as the case may be;
 - b. it includes a description of the structure of the transaction with sufficient detail to allow the Company to assess the impact of the transaction on known creditors (including contingent creditors) and other stakeholders;
 - c. it describes the proposed treatment of employees of the Company and of any material contracts;
 - d. it includes a duly authorized and executed agreement specifying all material terms, all consideration payable, together with all exhibits and schedules thereto, and such

ancillary agreements as may be required by the Potential Bidder with all exhibits and schedules thereto;

- e. it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
- f. it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank, financial institution or other lender satisfactory to the Proposal Trustee, to consummate the proposed transaction, or other evidence satisfactory to the Proposal Trustee to allow the Proposal Trustee to make a reasonable determination as to the Potential Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the contemplated transaction(s);
- g. it is not conditional on
 - A. the outcome of unperformed due diligence by the Potential Bidder and/or
 - B. obtaining any financing capital and includes an acknowledgment and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its proposal;
- h. it is not conditional upon any governmental or regulatory approval;
- i. it describes any corporate, shareholder or internal approvals required to close the transaction and the anticipated timeframe for obtaining such approvals;
- j. it fully discloses the identity of each Person that is bidding or otherwise that will be sponsoring or participating in the transaction(s), including the identification of the bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- k. it is accompanied by a refundable cash deposit (a "**Deposit**") in the form of a wire transfer paid into a trust account maintained by the Proposal Trustee's counsel, in a non-interest bearing account in an amount equal to ten percent (10%) of the consideration to be paid in respect of the Investment and Refinancing Bid, to be held and dealt with in accordance with this SISP;
- l. it contains other information requested by the Proposal Trustee or the Company; and
- m. it is received by no later than the Final Bid Deadline.

33. Any Potential Bidder who submits a Qualified Asset Bid, Qualified Land Bid or Qualified Investment or Financing Bid on or before the Final Bid Deadline, to the satisfaction of the Proposal Trustee in its sole discretion, shall be designated a "Qualified Bidder". In determining whether a Potential Bidder shall be designated a Qualified Bidder, the Proposal Trustee shall consult with the Company and the SISP Advisor.
34. All Qualified Asset Bids, Qualified Land Bids and Qualified Investment and Refinancing Bids shall constitute "Qualified Final Bids". The Proposal Trustee, in consultation with the Company and the SISP Advisor, may waive the strict compliance of one or more of the requirements specified above and deem any Final Bid(s) to be a Qualified Final Bid and notwithstanding any non-compliance with the terms and conditions of this SISP.
35. In the event that no Person submits a Qualified Final Bid, or that no Qualified Final Bid is deemed commercially reasonable to the Company and the Proposal Trustee, the Company may, with the approval of the Proposal Trustee, terminate the SISP. If no Qualified Final Bids are received by the Final Bid Deadline the Company may, with the approval of the Proposal Trustee, consider other forms of bids for the Business and/or La Salle Property.

D. Selection of Winning Bid

36. The Company shall review all Qualified Final Bids in consultation with the Proposal Trustee, and with the SISP Advisor. The Company may, but shall have no obligation to, enter into a definitive agreement or agreements (each a "**Final Agreement**") with the Person or Persons who submitted the highest, best or otherwise most favourable Qualified Final Bid(s).
37. In the event that the Company enters into one or more Final Agreements on or before 5:00 p.m. (Eastern Standard time) on September 11, 2023, or such later time and date that the Company may determine, in consultation with the Proposal Trustee and SISP Advisor (the "**Final Agreement Deadline**"), any Qualified Bid so selected shall be a "Winning Bid". Any Qualified Bidder that makes a Winning Bid shall be a "Successful Bidder".
38. The Proposal Trustee will notify the Successful Bidder of the Final Agreement.
39. This SISP shall terminate in the event that:
 - a. no Qualified Bidder submits or is deemed to have submitted a Qualified Final Bid;
 - b. the Company, in consultation with the Proposal Trustee and SISP Advisor, determines that none of the Qualified Final Bids should be accepted; or
 - c. a Final Agreement has not been entered into before the Final Agreement Deadline and the Company has elected not to extend the Final Agreement Deadline.

40. The highest Qualified Final Bid may not necessarily be accepted by the Company. The Company in consultation with the Proposal Trustee, and SISP Advisor, reserves the right not to accept any Qualified Final Bid or to otherwise terminate the SISP. The Company, in consultation with the Proposal Trustee, and SISP Advisor, further reserves the right to deal with one or more Qualified Bidders to the exclusion of other Persons, to accept a Qualified Final Bid or Qualified Final Bids for some or all of its property, Company or the Business, to accept multiple Qualified Final Bids and enter into multiple Final Agreements, taking into account the best interests of the Company's stakeholders.

APPROVAL ORDERS

41. In the event that the Company enters into a Final Agreement, on or before 5:00 p.m. (Eastern Standard time) on September 11, 2023, the Company shall apply as soon as reasonably practicable thereafter, for orders (the "**Approval Orders**") from the Court, in form and substance satisfactory to the Company and to the Proposal Trustee, approving the transaction contemplated by the Winning Bid and any necessary related relief required to consummate the transaction contemplated by the Winning Bid, subject to the terms of the Final Agreement.
42. An Approval Order shall become a "Final Order" upon satisfaction of the following conditions:
- a. it is in full force and effect;
 - b. it has not been reversed, modified or vacated and is not subject to any stay; and
 - c. all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving the Approval Order wholly operable.

CLOSING

43. Closing of the transactions contemplated in any Final Agreement shall occur within thirty (30) days of the date upon which the Approval Order(s) have become Final Orders, or as may be extended with the approval of the Proposal Trustee, in consultation with the SISP Advisor.

DEPOSITS

44. All Deposits paid pursuant to this SISP shall be held in trust by the Proposal Trustee's counsel, in a non-interest bearing account. The Proposal Trustee's counsel shall hold Deposits paid by the Successful Bidder in accordance with the terms outlined in this SISP. In the event that a Deposit is paid pursuant to this SISP and the Company, in consultation

with the Proposal Trustee, elects not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the Person that paid such Deposit, the Proposal Trustee's counsel shall return the Deposit to that Person.

45. In the event that the Successful Bidder defaults in the payment or performance of any obligations owed to the Company or the Proposal Trustee pursuant to any Final Agreement, the Deposit paid by the Successful Bidder, shall be forfeited to such party as liquidated damages and not as a penalty.

SCHEDULE "A"

Addresses for Deliveries. Any notice or other delivery made to the SISP Advisor and/or the Proposal Trustee pursuant to this SISP shall be made to:

SISP Advisor:

Avison Young Commercial Real Estate Services, LP
 Kelly J. Avison, AACI
 Broker, Principal - Capital Markets Group
 222 Bay St.
 Suite 2500, Box 245
 Toronto, ON M5K 1J5 Canada

Tel: +1 416.673.4030
 Fax: +1 416.955.0724
 Email: kelly.avison@avisonyoung.com

Proposal Trustee:

Robert Link
 LINK & ASSOCIATES INC.
 Receivers + Trustees
 7050 Weston Road
 Suite #228
 Woodbridge, Ontario
 L4L 8G7

Tel: 416.737.6655
 Fax: 416.862.2136
 Email: rlink@linkassociates.ca

Lawyer for Proposal Trustee:

Pavle Masic
 Ricketts Harris LLP
 Barristers and Solicitors
 181 University Ave, Suite 800
 Toronto, ON M5H 2X7

Tel: 647.260.2201
 Fax: 647.260.2225
 Email: pmasic@rickettsharris.com

Deliveries pursuant to this SISP by email shall be deemed to be received when sent. In all other instances, deliveries made pursuant to this SISP shall be deemed to be received when delivered to the relevant address, as identified above.

Estate/Court File No. 33-2929085

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF LA SALLE MOTEL
CO. (KINGSTON) LTD., A CORPORATION INCORPORATED UNDER THE LAWS OF THE PROVINCE OF
ONTARIO

June 23/23

Order to go as signed.

Stip is presumed to be compatible to the

1 - 1

PERSONNEL

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Ottawa

ORDER

BORDEN LADNER GERVAIS LLP

100 Queen Street, Suite 1300

Ottawa ON K1P 1J9

T: 613.237.5160

F: 613.230.8842

Kathleen McDormand (46367A)

E: kmcdormand@blg.com

T: 613.787.3556 direct

Jason Dutrizac (50004T)

E: jdutrizac@blg.com

T: 613.787.3535 direct

Lawyer for the Applicant

File Number: 346075/0000004

RCP-F 4C (September 1, 2020)



Estate/Court File No.: 33-2929085

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

ASSOCIATE JUSTICE

)

Monday the 31st day of

)

FORTIER

)

July, 2023

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C.
 1985, c. B-3, AS AMENDED AND IN THE MATTER OF THE NOTICE OF INTENTION
 TO MAKE A PROPOSAL OF LA SALLE MOTEL (KINGSTON) LTD., A
 CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

ORDER
(STAY EXTENSION)

THIS MOTION, made by La Salle Motel (Kingston) Ltd. (the “**Applicant**”), for an order pursuant to the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the “**BIA**”), was heard this day by judicial videoconference via Zoom.

ON READING the Notice of Motion of the Applicant, the Affidavit of John Karkoulis sworn July 21, 2023, and the Exhibits thereto filed, and on hearing the submissions of counsel for the Applicant, counsel for the Proposal Trustee, and such other counsel that were present, no one else appearing although duly served as appears from the affidavit of service of Sandra Noe, filed.

DEFINITIONS

1. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them under the Orders of the Honourable Justice Kershman dated April 19, 2023 and June 23, 2023.

SERVICE

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record shall be and is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

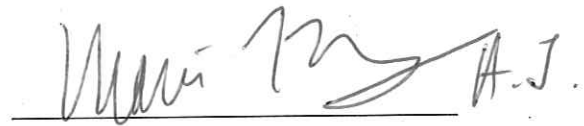
EXTENSION OF THE STAY

3. **THIS COURT ORDERS** that the Stay Period be and is hereby extended until and including September 18, 2023.

GENERAL

4. **THIS COURT ORDERS** that the Applicant or the Proposal Trustee may apply to this Court to amend, vary or supplement this Order or for advice and directions with respect to the SISF, on not less than seven (7) days' notice to the Service List maintained by the Applicant, and any other party or parties likely to be affected by the order sought or upon such other notice as this Court may order.

5. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Eastern Time) on the date of this Order without the need for entry or filing.

A handwritten signature in dark ink, appearing to read 'Marie T. Fortier', followed by the initials 'A.J.' to the right. The signature is written over a horizontal line.

**Associate Justice Marie T. Fortier
Registrar in Bankruptcy**

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT
R.S.C., 1985, c. B-3, AS AMENDED
AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF LA SALLE MOTEL
CO. (KINGSTON) LTD., A CORPORATION INCORPORATED UNDER THE LAWS OF THE PROVINCE OF
ONTARIO

Estate/Court File No. 33-2929085

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Ottawa

ORDER

BORDEN LADNER GERVAIS LLP
100 Queen Street, Suite 1300
Ottawa ON K1P 1J9
T: 613.237.5160
F: 613.230.8842

Kathleen McDormand (46367A)
E: kmcdormand@blg.com
T: 613.787.3556 direct

Jason Dutrizac (50004T)
E: jdutrizac@blg.com
T: 613.787.3535 direct

Lawyer for the Applicant

File Number: 346075/000004

RCP-F 4C (September 1, 2020)

Listing Agreement - Commercial

Seller Representation Agreement

Authority to Offer for Sale

This Listing is Exclusive

EXCLUSIVE

(Seller's Initials)

BETWEEN: AVISON YOUNG COMMERCIAL REAL ESTATE SERVICES, LP
BROKERAGE:

416-955-0000

(the "Listing Brokerage") Tel. No.

SELLER: LA SALLE MOTEL CO. (KINGSTON) LTD. (the "Seller")

In consideration of the Listing Brokerage listing the real property for sale known as 2360 PRINCESS STREET, CITY OF KINGSTON, ONT.

(P.I.N.# 360860103) (the "Property")

 the Seller hereby gives the Listing Brokerage the **exclusive and irrevocable** right to act as the Seller's agent,

commencing at 12:01 a.m. on the 30th day of JUNE, 2023

until 11:59 p.m. on the 30th day of NOVEMBER, 2023 (the "Listing Period"),

{ Seller acknowledges that the length of the Listing Period is negotiable between the Seller and the Listing Brokerage and, if an MLS® listing, may be subject to minimum requirements of the real estate board, however, in accordance with the Real Estate and Business Brokers Act, 2002, (REBBA), if the Listing Period exceeds six months, the Listing Brokerage must obtain the Seller's initials. }

(Seller's Initials)

to offer the Property for sale at a price of:

NINE MILLION SEVEN HUNDRED AND FIFTY THOUSAND Dollars (\$CDN) 9,750,000.00

and upon the terms particularly set out herein, or at such other price and/or terms acceptable to the Seller. It is understood that the price and/or terms set out herein are at the Seller's personal request, after full discussion with the Listing Brokerage's representative regarding potential market value of the Property.

The Seller hereby represents and warrants that the Seller is not a party to any other listing agreement for the Property or agreement to pay commission to any other real estate brokerage for the sale of the property.

(Seller's Initials)

1. DEFINITIONS AND INTERPRETATIONS: For the purposes of this Agreement ("Authority" or "Agreement"):

"Seller" includes vendor and a "buyer" includes a purchaser or a prospective purchaser. A purchase shall be deemed to include the entering into of any agreement to exchange, or the obtaining of an option to purchase which is subsequently exercised, or the causing of a First Right of Refusal to be exercised, or an agreement to sell or transfer shares or assets. "Real property" includes real estate as defined in the Real Estate and Business Brokers Act (2002). The "Property" shall be deemed to include any part thereof or interest therein. A "real estate board" includes a real estate association. Commission shall be deemed to include other remuneration. This Agreement shall be read with all changes of gender or number required by the context. For purposes of this Agreement, anyone introduced to or shown the Property shall be deemed to include any spouse, heirs, executors, administrators, successors, assigns, related corporations and affiliated corporations. Related corporations or affiliated corporations shall include any corporation where one half or a majority of the shareholders, directors or officers of the related or affiliated corporation are the same person(s) as the shareholders, directors, or officers of the corporation introduced to or shown the Property.

2. COMMISSION: In consideration of the Listing Brokerage listing the Property for sale, the Seller agrees to pay the Listing Brokerage a commission of 3.00 % of the sale price of the Property or

(SEE SCHEDULE "A" FOR SPECIAL PROVISIONS)

for any valid offer to purchase the Property from any source whatsoever obtained during the Listing Period, as may be acceptable to the Seller.

INITIALS OF LISTING BROKERAGE:

INITIALS OF SELLER(S):

Listing Agreement - Commercial

Seller Representation Agreement

Authority to Offer for Sale

This is a Multiple Listing Service® Agreement


(Seller's Initials)

BETWEEN: AVISON YOUNG COMMERCIAL REAL ESTATE SERVICES, LP
BROKERAGE:

416-955-0000

(the "Listing Brokerage") Tel. No.

SELLER: LA SALLE MOTEL CO. (KINGSTON) LTD.

(the "Seller")

2360 PRINCESS STREET, CITY OF KINGSTON, ONT.

In consideration of the Listing Brokerage listing the real property for sale known as

(P.I.N.# 360860103)

(the "Property")

the Seller hereby gives the Listing Brokerage the **exclusive and irrevocable** right to act as the Seller's agent,

commencing at 12:01 a.m. on the 30th day of JULY, 2023,

until 11:59 p.m. on the 30th day of NOVEMBER, 2023 (the "Listing Period"),

Seller acknowledges that the length of the Listing Period is negotiable between the Seller and the Listing Brokerage and, if an MLS® listing, may be subject to minimum requirements of the real estate board, however, in accordance with the Real Estate and Business Brokers Act, 2002, (REBBA), if the Listing Period exceeds six months, the Listing Brokerage must obtain the Seller's initials.

(Seller's Initials)

to offer the Property for sale at a price of:

NINE MILLION SEVEN HUNDRED AND FIFTY THOUSAND Dollars (\$CDN) 9,750,000.00

and upon the terms particularly set out herein, or at such other price and/or terms acceptable to the Seller. It is understood that the price and/or terms set out herein are at the Seller's personal request, after full discussion with the Listing Brokerage's representative regarding potential market value of the Property.

The Seller hereby represents and warrants that the Seller is not a party to any other listing agreement for the Property or agreement to pay commission to any other real estate brokerage for the sale of the property.

(Seller's Initials)

1. DEFINITIONS AND INTERPRETATIONS:

For the purposes of this Agreement ("Authority" or "Agreement"):

"Seller" includes vendor and a "buyer" includes a purchaser or a prospective purchaser. A purchase shall be deemed to include the entering into of any agreement to exchange, or the obtaining of an option to purchase which is subsequently exercised, or the causing of a First Right of Refusal to be exercised, or an agreement to sell or transfer shares or assets. "Real property" includes real estate as defined in the Real Estate and Business Brokers Act (2002). The "Property" shall be deemed to include any part thereof or interest therein. A "real estate board" includes a real estate association. Commission shall be deemed to include other remuneration. This Agreement shall be read with all changes of gender or number required by the context. For purposes of this Agreement, anyone introduced to or shown the Property shall be deemed to include any spouse, heirs, executors, administrators, successors, assigns, related corporations and affiliated corporations. Related corporations or affiliated corporations shall include any corporation where one half or a majority of the shareholders, directors or officers of the related or affiliated corporation are the same person(s) as the shareholders, directors, or officers of the corporation introduced to or shown the Property.

2. COMMISSION:

In consideration of the Listing Brokerage listing the Property for sale, the Seller agrees to pay the Listing Brokerage a commission of 3.00 % of the sale price of the Property or

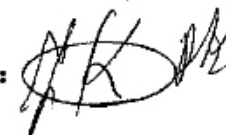
(SEE SCHEDULE "A" FOR SPECIAL PROVISIONS)

for any valid offer to purchase the Property from any source whatsoever obtained during the Listing Period, as may be acceptable to the Seller.

INITIALS OF LISTING BROKERAGE:



INITIALS OF SELLER(S):



The Seller authorizes the Listing Brokerage to co-operate with any other registered real estate brokerage (co-operating brokerage), and to offer to pay the co-operating brokerage a commission of **1.0%** % of the sale price of the Property or

..... out of the commission the Seller pays the Listing Brokerage. The Seller further agrees to pay such commission as calculated above if an agreement to purchase is agreed to or accepted by the Seller or anyone on

the Seller's behalf within **120** days after the expiration of the Listing Period (**Holdover Period**), so long as such agreement is with anyone who was introduced to the Property from any source whatsoever during the Listing Period or shown the Property during the Listing Period. If, however, the offer for the purchase of the Property is pursuant to a new agreement in writing to pay commission to another registered real estate brokerage, the Seller's liability for commission shall be reduced by the amount paid by the Seller under the new agreement.

The Seller further agrees to pay such commission as calculated above even if the transaction contemplated by an agreement to purchase agreed to or accepted by the Seller or anyone on the Seller's behalf is not completed, if such non-completion is owing or attributable to the Seller's default or neglect, said commission to be payable on the date set for completion of the purchase of the Property.

Any deposit in respect of any agreement where the transaction has been completed shall first be applied to reduce the commission payable. Should such amounts paid to the Listing Brokerage from the deposit or by the Seller's solicitor not be sufficient, the Seller shall be liable to pay to the Listing Brokerage on demand, any deficiency in commission and taxes owing on such commission.

In the event the buyer fails to complete the purchase and the deposit or any part thereof becomes forfeited, awarded, directed or released to the Seller, the Seller then authorizes the Listing Brokerage to retain as commission for services rendered, fifty (50%) per cent of the amount of the said deposit forfeited, awarded, directed or released to the Seller (but not to exceed the commission payable had a sale been consummated) and to pay the balance of the deposit to the Seller.

All amounts set out as commission are to be paid plus applicable taxes on such commission.

- 3. REPRESENTATION:** The Seller acknowledges that the Listing Brokerage has provided the Seller with written information explaining agency relationships, including information on Seller Representation, Sub-agency, Buyer Representation, Multiple Representation and Customer Service. The Seller understands that unless the Seller is otherwise informed, the co-operating brokerage is representing the interests of the buyer in the transaction. The Seller further acknowledges that the Listing Brokerage may be listing other properties that may be similar to the Seller's Property and the Seller hereby consents to the Listing Brokerage acting as an agent for more than one seller without any claim by the Seller of conflict of interest. Unless otherwise agreed in writing between Seller and Listing Brokerage, any commission payable to any other brokerage shall be paid out of the commission the Seller pays the Listing Brokerage. The Seller hereby appoints the Listing Brokerage as the Seller's agent for the purpose of giving and receiving notices pursuant to any offer or agreement to purchase the Property.

MULTIPLE REPRESENTATION: The Seller hereby acknowledges that the Listing Brokerage may be entering into buyer representation agreements with buyers who may be interested in purchasing the Seller's Property. In the event that the Listing Brokerage has entered into or enters into a buyer representation agreement with a prospective buyer for the Seller's Property, the Listing Brokerage will obtain the Seller's written consent to represent both the Seller and the buyer for the transaction at the earliest practical opportunity and in all cases prior to any offer to purchase being submitted or presented.

The Seller understand and acknowledges that the Listing Brokerage must be impartial when representing both the Seller and the buyer and equally protect the interests of the Seller and buyer. The Seller understands and acknowledges that when representing both the Seller and the buyer, the Listing Brokerage shall have a duty of full disclosure to both the Seller and the buyer, including a requirement to disclose all factual information about the Property known to the Listing Brokerage.

However, the Seller further understands and acknowledges that the Listing Brokerage shall not disclose:

- that the Seller may or will accept less than the listed price, unless otherwise instructed in writing by the Seller;
- that the buyer may or will pay more than the offered price, unless otherwise instructed in writing by the buyer;
- the motivation of or personal information about the Seller or buyer, unless otherwise instructed in writing by the party to which the information applies or unless failure to disclose would constitute fraudulent, unlawful or unethical practice;
- the price the buyer should offer or the price the Seller should accept; and
- the Listing Brokerage shall not disclose to the buyer the terms of any other offer.

However, it is understood that factual market information about comparable properties and information known to the Listing Brokerage concerning potential uses for the Property will be disclosed to both Seller and buyer to assist them to come to their own conclusions.

Where a Brokerage represents both the Seller and the Buyer (multiple representation), the Brokerage shall not be entitled or authorized to be agent for either the Buyer or the Seller for the purpose of giving and receiving notices.

MULTIPLE REPRESENTATION AND CUSTOMER SERVICE: The Seller understands and agrees that the Listing Brokerage also provides representation and customer service to other sellers and buyers. If the Listing Brokerage represents or provides customer service to more than one seller or buyer for the same trade, the Listing Brokerage shall, in writing, at the earliest practicable opportunity and before any offer is made, inform all sellers and buyers of the nature of the Listing Brokerage's relationship to each seller and buyer.

INITIALS OF LISTING BROKERAGE:

[Handwritten initials]

INITIALS OF SELLER(S):

[Handwritten initials]



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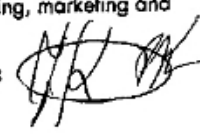
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- 4. REFERRAL OF ENQUIRIES:** The Seller agrees that during the Listing Period, the Seller shall advise the Listing Brokerage immediately of all enquiries from any source whatsoever, and all offers to purchase submitted to the Seller shall be immediately submitted to the Listing Brokerage by the Seller before the Seller accepts or rejects the same. If any enquiry during the Listing Period results in the Seller's accepting a valid offer to purchase during the Listing Period or within the Holdover Period after the expiration of the Listing Period described above, the Seller agrees to pay the Listing Brokerage the amount of commission set out above, payable within five (5) days following the Listing Brokerage's written demand therefor.
- 5. MARKETING:** The Seller agrees to allow the Listing Brokerage to show and permit prospective buyers to fully inspect the Property during reasonable hours and the Seller gives the Listing Brokerage the sole and exclusive right to place "For Sale" and "Sold" sign(s) upon the Property. The Seller consents to the Listing Brokerage including information in advertising that may identify the Property. The Seller further agrees that the Listing Brokerage shall have sole and exclusive authority to make all advertising decisions relating to the marketing of the Property during the Listing Period. The Seller agrees that the Listing Brokerage will not be held liable in any manner whatsoever for any acts or omissions with respect to advertising by the Listing Brokerage or any other party, other than by the Listing Brokerage's gross negligence or wilful act.
- 6. WARRANTY:** The Seller represents and warrants that the Seller has the exclusive authority and power to execute this Authority to offer the Property for sale and that the Seller has informed the Listing Brokerage of any third party interests or claims on the Property such as rights of first refusal, options, easements, mortgages, encumbrances or otherwise concerning the Property, which may affect the sale of the Property.
- 7. INDEMNIFICATION AND INSURANCE:** The Seller will not hold the Listing Brokerage and representatives of the Brokerage responsible for any loss or damage to the Property or contents occurring during the term of this Agreement caused by the Listing Brokerage or anyone else by any means, including theft, fire or vandalism, other than by the Listing Brokerage's gross negligence or wilful act. The Seller agrees to indemnify and save harmless the Listing Brokerage and representatives of the Brokerage and any co-operating brokerage from any liability, claim, loss, cost, damage or injury, including but not limited to loss of the commission payable under this Agreement, caused or contributed to by the breach of any warranty or representation made by the Seller in this Agreement and, if attached, the accompanying data form. The Seller warrants the Property is insured, including personal liability insurance against any claims or lawsuits resulting from bodily injury or property damage to others caused in any way on or at the Property and the Seller indemnifies the Brokerage and all of its employees, representatives, salespersons and brokers (Listing Brokerage) and any co-operating brokerage and all of its employees, representatives, salespersons and brokers (co-operating brokerage) for and against any claims against the Listing Brokerage or co-operating brokerage made by anyone who attends or visits the Property.
- 8. ENVIRONMENTAL INDEMNIFICATION:** The Seller agrees to indemnify and save harmless the Listing Brokerage and representatives of the Brokerage and any co-operating brokerage from any liability, claim, loss, cost, damage or injury as a result of the Property being affected by any contaminants or environmental problems.
- 9. FAMILY LAW ACT:** The Seller hereby warrants that spousal consent is not necessary under the provisions of the Family Law Act, R.S.O. 1990, unless the spouse of the Seller has executed the consent hereinafter provided.
- 10. FINDERS FEES:** The Seller acknowledges that the Brokerage may be receiving a finder's fee, reward and/or referral incentive, and the Seller consents to any such benefit being received and retained by the Brokerage in addition to the commission as described above.
- 11. VERIFICATION OF INFORMATION:** The Seller authorizes the Listing Brokerage to obtain any information from any regulatory authorities, governments, mortgagees or others affecting the Property and the Seller agrees to execute and deliver such further authorizations in this regard as may be reasonably required. The Seller hereby appoints the Listing Brokerage or the Listing Brokerage's authorized representative as the Seller's attorney to execute such documentation as may be necessary to effect obtaining any information as aforesaid. The Seller hereby authorizes, instructs and directs the above noted regulatory authorities, governments, mortgagees or others to release any and all information to the Listing Brokerage.
- 12. USE AND DISTRIBUTION OF INFORMATION:** The Seller consents to the collection, use and disclosure of personal information by the Brokerage for the purpose of listing and marketing the Property including, but not limited to: listing and advertising the Property using any medium including the Internet; disclosing Property information to prospective buyers, brokerages, salespersons and others who may assist in the sale of the Property; such other use of the Seller's personal information as is consistent with listing and marketing of the Property. The Seller consents, if this is an MLS® Listing, to placement of the listing information and sales information by the Brokerage into the database(s) of the MLS® System of the appropriate Board, and to the posting of any documents and other information (including, without limitation, photographs, images, graphics, audio and video recordings, virtual tours, drawings, floor plans, architectural designs, artistic renderings, surveys and listing descriptions) provided by or on behalf of the Seller into the database(s) of the MLS® System of the appropriate Board. The Seller hereby indemnifies and saves harmless the Brokerage and/or any of its employees, servants, brokers or sales representatives from any and all claims, liabilities, suits, actions, losses, costs and legal fees caused by, or arising out of, or resulting from the posting of any documents or other information (including, without limitation, photographs, images, graphics, audio and video recordings, virtual tours, drawings, floor plans, architectural designs, artistic renderings, surveys and listing descriptions) as aforesaid. The Seller acknowledges that the database, within the board's MLS® System is the property of the real estate board(s) and can be licensed, resold, or otherwise dealt with by the board(s). The Seller further acknowledges that the real estate board(s) may: during the term of the listing and thereafter, distribute the information in the database, within the board's MLS® System to any persons authorized to use such service which may include other brokerages, government departments, appraisers, municipal organizations and others; market the Property, at its option, in any medium, including electronic media; during the term of the listing and thereafter, compile, retain and publish any statistics including historical data within the board's MLS® System and retain, reproduce and display photographs, images, graphics, audio and video recordings, virtual tours, drawings, floor plans, architectural designs, artistic renderings, surveys and listing descriptions which may be used by board members to conduct comparative analyses; and make such other use of the information as the Brokerage and/or real estate board(s) deem appropriate, in connection with the listing, marketing and

INITIALS OF LISTING BROKERAGE:



INITIALS OF SELLER(S):



selling of real estate during the term of the listing and thereafter. The Seller acknowledges that the information, personal or otherwise ("information"), provided to the real estate board or association may be stored on databases located outside of Canada, in which case the information would be subject to the laws of the jurisdiction in which the information is located.

In the event that this Agreement expires or is cancelled or otherwise terminated and the Property is not sold, the Seller, by initialling:

consent to allow other real estate board members to contact the Seller after expiration or other termination of this Agreement to discuss listing or otherwise marketing the Property.

(Does)

(Does Not)

13. SUCCESSORS AND ASSIGNS: The heirs, executors, administrators, successors and assigns of the undersigned are bound by the terms of this Agreement.

14. CONFLICT OR DISCREPANCY: If there is any conflict or discrepancy between any provision added to this Agreement (including any Schedule attached hereto) and any provision in the standard pre-set portion hereof, the added provision shall supersede the standard pre-set provision to the extent of such conflict or discrepancy. This Agreement, including any Schedule attached hereto, shall constitute the entire Authority from the Seller to the Brokerage. There is no representation, warranty, collateral agreement or condition, which affects this Agreement other than as expressed herein.

15. ELECTRONIC COMMUNICATION: This Agreement and any agreements, notices or other communications contemplated thereby may be transmitted by means of electronic systems, in which case signatures shall be deemed to be original. The transmission of this Agreement by the Seller by electronic means shall be deemed to confirm the Seller has retained a true copy of the Agreement.

16. ELECTRONIC SIGNATURES: If this Agreement has been signed with an electronic signature the parties hereto consent and agree to the use of such electronic signature with respect to this Agreement pursuant to the *Electronic Commerce Act, 2000, S.O. 2000, c17* as amended from time to time.

17. SCHEDULE(S) A and data form attached hereto form(s) part of this Agreement.

THE LISTING BROKERAGE AGREES TO MARKET THE PROPERTY ON BEHALF OF THE SELLER AND REPRESENT THE SELLER IN AN ENDEAVOUR TO OBTAIN A VALID OFFER TO PURCHASE THE PROPERTY ON THE TERMS SET OUT IN THIS AGREEMENT OR ON SUCH OTHER TERMS SATISFACTORY TO THE SELLER.

(Authorized to bind the Listing Brokerage) June 29, 2023 Joe Almeida
(Date) (Name of Person Signing)

THIS AGREEMENT HAS BEEN READ AND FULLY UNDERSTOOD BY ME, I ACCEPT THE TERMS OF THIS AGREEMENT AND I ACKNOWLEDGE ON THIS DATE I HAVE SIGNED UNDER SEAL. Any representations contained herein or as shown on the accompanying data form respecting the Property are true to the best of my knowledge, information and belief.

SIGNED, SEALED AND DELIVERED I have hereunto set my hand and seal:

LA SALLE MOTEL CO. (KINGSTON) LTD.

(Name of Seller) July 5 2023
(Signature of Seller/Authorized Signing Officer) (Seal) (Date) (Tel. No.)
(Signature of Seller/Authorized Signing Officer) (Seal) July 5th 2023 (Tel. No.)

SPOUSAL CONSENT: The undersigned spouse of the Seller hereby consents to the listing of the Property herein pursuant to the provisions of the Family Law Act, R.S.O. 1990 and hereby agrees to execute all necessary or incidental documents to further any transaction provided for herein.

(Spouse) (Seal) (Date) (Tel. No.)

DECLARATION OF INSURANCE

The Salesperson/Broker/Broker of Record KELLY AVISON CURTIS GALLAGHER
(Name of Salesperson/Broker/Broker of Record)
hereby declares that he/she is insured as required by REBBA.
(Signature[s] of Salesperson/Broker/Broker of Record)

ACKNOWLEDGEMENT

The Seller(s) hereby acknowledge that the Seller(s) fully understand the terms of this Agreement and have received a copy of

this Agreement on the 30TH day of JUNE, 20 23
(Signature of Seller) July 5 2023
(Signature of Seller) (Date) July 5 / 2023
(Date)

SCHEDULE "A"

TO A LISTING AGREEMENT BETWEEN Avison Young Commercial Real Estate Services, LP ("**Listing Brokerage**") AND LA SALLE MOTEL CO. (KINGSTON) LTD. (the "**Seller**") for the Property located at 2360 princess Street, Kingston, Ontario.

1. **Special Provisions relating to Commission/Fees (the "Special Provisions")**

Notwithstanding any other terms and conditions to the contrary in the attached Listing Agreement, in the event any or all of the following events occur during the term of this Listing Agreement (the "**Special Provisions**"):

- a. A purchase or transfer of the shares of the Seller's corporation that owns or controls the Property to any party (including any person or party related to and/or affiliated with the Karkoulis family); or
- b. The SISF Process described in the Order of Justice Kershman dated June 23, 2023 (the "**Order**") results in an Investment and Refinancing Bid, as that term is described in the Order, that redeems, satisfies or otherwise discharges the outstanding debts owed to the creditors of the Seller and/or its corporation; or
- c. The Listing Agreement and/or SISF Process as described in the Order is terminated for any reason other than those reasons contemplated in paragraph 39 of the Order.

Then the total fee payable to the Listing Brokerage (Avison Young) shall amended to be the greater of:

- i. One Hundred and Twenty Thousand Dollars (\$120,000.00), plus applicable HST; or
- ii. Three Percent (3.00%) of the total consideration paid for the above-noted transaction(s).

(the "**Special Provisions Fee**")

For clarity, in the event a Special Provisions Fee is applicable or payable, the Listing Brokerage shall not be obligated to share their fee with, nor pay, any cooperating/MLS agent.

All of the above noted fees are subject to HST, to be payable by the Seller.

2. In the event of any conflict between the provisions of this Schedule "A" and the provisions of the pre-printed portions of the Listing Agreement, the provisions of this Schedule "A" shall override and shall govern and prevail for all purposes.

Seller's Initials	Listing Brokerage's Initials
JK PK	AA

**AVISON
YOUNG**

Hotel Investment Opportunity

2360 Princess Street, Kingston, ON

Investment Summary



For more information please contact the listing agents:

Curtis Gallagher¹
Principal, Canadian Hospitality Lead
+1 416 673 4018
curtis.gallagher@avisonyoung.com

Kelly Avison², AACI
Principal
+1 416 673 4030
kelly.avison@avisonyoung.com

¹ Sales Representative ² Broker



Platinum member

The Opportunity

Avison Young has been retained on an exclusive basis by the company in a Court-approved sale process to advise on and manage the sale of the Travelodge Hotel at 2360 Princess Street, Kingston, Ontario (the “Property”). This offering presents the rare opportunity to acquire hotel investment property with excellent development potential.

The Property is comprised of a 4-storey hotel and single storey motel totalling 102 rooms on a 7.37 acre site. There are two rooms in the hotel that are being used as office space and, if converted, would bring the total to 104. The existing hotel operates under the Travelodge brand using the name “Travelodge Hotel by Wyndham Kingston Lasalle”. Amenities include an indoor pool, restaurant and bar, meeting rooms and a business centre.

The Property is located on a major thoroughfare within Kingston that leads directly into the Downtown core and is highly accessible. Highway 401 is 2km north of the Property and the Kingston ViaRail station is within walking distance to the east.



Hotel Investment

102-room hotel and motel investment property on a 7.37 acre site with multiple frontages.



Ideal Location

Ample amenities including grocery stores, a fitness centre, parks, a mall and train station all within walking distance.



Development Potential

The portion of the site occupied by a motel (~4.4 acres) is underutilized and ideally suited for a residential redevelopment.



Hotel Amenities

The Property features an indoor pool, hot tub, sauna, business centre, meeting and event space, and restaurant/bar.



Price and Offer Process

\$9,750,000. A bid date for offers will be established and communicated in due course, and offer submissions must be on vendor’s form of APS/APA.



Property Details*	
Lot Size	7.37 acres
Frontage	518 ft
Depth	624 ft
# of Buildings	2 (hotel & motel)
Hotel Size	47,068 sf
# of Rooms	66 (68 potentially)
Motel Size	13,657 sf
# of Rooms	36
Official Plan Designation	Arterial Commercial & Princess Street Corridor(Schedule 2)
Zoning Designation	C2-1-H - General Commercial
Price	\$9,750,000
*All property details to be verified by the buyer	



Location

The Property is located in Kingston, Ontario, a captivating destination located on the east end of Lake Ontario. The City has a quickly growing and highly educated population of 132,485, of which ~70% hold a postsecondary degree. With its blend of old-world charm and modern vibrancy, Kingston is both a growing urban center and a peaceful close-knit community. The City's picturesque waterfront, adorned with well-preserved limestone buildings, showcases its rich architectural heritage and visitors can immerse themselves in Canadian history by exploring its many historic landmarks.

Kingston's downtown area boasts a bustling atmosphere with an array of restaurants, cafes, boutiques, and art galleries. Home to Queen's University, Kingston attracts a diverse and intellectual community, contributing to a thriving arts and culture scene. The surrounding natural areas such as Frontenac Provincial Park to the north and the Thousand Islands region to the east provides opportunities for outdoor activities, such as boating, kayaking, and hiking. With its unique charm, rich history, and warm hospitality, Kingston is an enchanting destination for both residents and tourists.

Travel Times



- 4 Mins
Cataraqi Centre
- 4 Mins
Highway 401
- 4 Mins
Kingston ViaRail Station
- 8 Mins
Downtown Kingston



- 1 Min
Farm Boy Grocery
- 2 Mins
Planet Fitness
- 20 Mins
Kingston ViaRail Station



Official Plan

Arterial Commercial

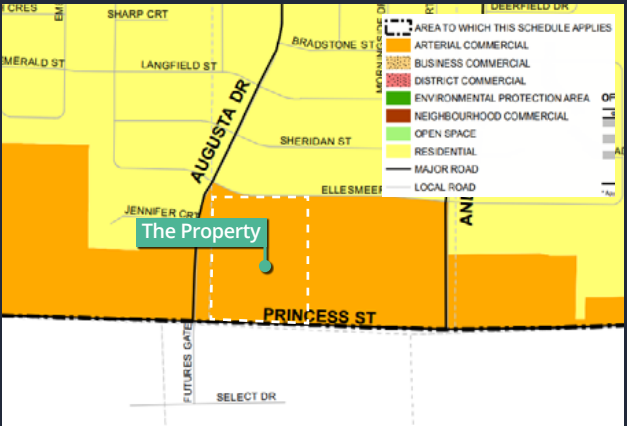
The Arterial Commercial designation as shown on Schedule 3 is a special purpose designation for a limited range of goods and services, such as hospitality uses, automotive uses, restaurants to serve the travelling public, or uses that require large sites on a major road to display specialized goods in an outdoor setting. The Arterial Commercial designation is not intended to accommodate types of retail goods and services that are planned for other designations in the retail hierarchy.

Permitted Uses:

Permitted uses in the Arterial Commercial designation include a range of services that cater to the travelling public, uses that require large sites, or which require outdoor display such as vehicle sales lots or vehicle rental premises, hospitality uses, and automotive uses such as gas bars and service stations. Large floor-plate retail uses intended for a Regional Commercial designation are not included. Outdoor patio restaurants may be permitted in accordance with the policies of Section 3.4.G. Limited convenience commercial goods and services may also be permitted with the size and type of use regulated in the zoning by-law. Office uses are permitted as an accessory use only.

Princess Street Corridor:

Princess Street, between Sir John A. Macdonald Boulevard and Midland Avenue is shown as the Princess Street Corridor on Schedule 2. Enhanced transit is intended to provide opportunities for more intensive development and a broader range of uses. Permitted uses in this arterial commercial location include the uses generally permitted in this designation, institutional uses, and residential uses on sites with suitable residential amenity and active transportation linkages to an adjacent residential neighbourhood. Along the Princess Street Corridor, new residential development is encouraged as mixed use buildings that contain commercial uses on the ground floor and residential units on upper floors.



Zoning

General Commercial (C2-1-H)

General Commercial – Permitted Uses:

No person shall within any C2 Zone use any lot or erect, alter or use any building or structure for any purpose except one or more of the following C2 uses, namely:

(a) Residential Uses: an accessory dwelling unit in the upper portion of a Non-Residential building.

(b) Non-Residential Uses: an auditorium; an automatic car wash; an automobile service station; an appliance rental shop; a bank; a beverage room; a boat sales establishment; a business or professional office; a clinic; a commercial club; a commercial school; a dry-cleaning or laundry outlet; a funeral home; a gasoline retail facility; a home occupation; an institute; a laundromat; a merchandise service shop; a vehicle sales or rental establishment; (83-43) a parking lot; a personal service shop; a copy shop; a private club; a public use in accordance with the provisions of Section 5(18) hereof; a recreational establishment; a restaurant; a take-out restaurant; a retail store; a supermarket; an undertaking establishment; a veterinary clinic; a shopping centre consisting of any of the permitted uses listed herein; a day nursery.

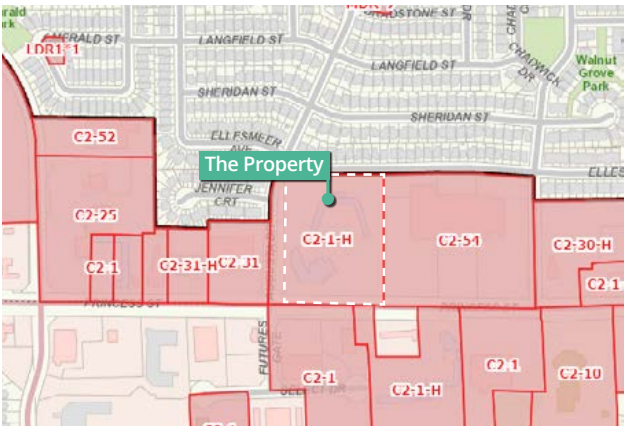
Special C2 Zone

General Commercial Highway 2 – Cataraqui

Notwithstanding any provisions of this By-law to the contrary, the lands designated C2-1 on Schedule “A” hereto may be used for a motel, a hotel, a convention centre, a place of worship, a day nursery, an arcade accessory to a permitted principal use, and an accessory dwelling unit located on the ground floor. Such lands shall be developed in accordance with the following provisions: (88-86)

C2-1-H Special Zone Provisions:

- Minimum lot frontage: 75 ft
- Minimum lot area: 7,500 sf plus 500 sf for each guest room in excess of 4.
- Interior Side Yard (width): 30 ft



The rear of the site fronting onto Ellesmere Avenue is currently improved with a 37 unit motel on approximately 4.4 acres. The site’s substantial size, frontage and corner location make this an ideal re-development site.

Per the Official Plan, mixed-use residential is encouraged along the Princess Street Corridor with ground floor commercial and residential units in the storeys above. A zoning amendment is required to allow for greater density and residential uses on the site as it is currently zoned General Commercial.

Precedent for higher density residential uses is set by numerous multi-residential buildings along the Princess Street Corridor as tall as 14 storeys and, nearer to the site, the 8-storey Kingsbridge Retirement Community constructed in 2019. The Corridor’s connectivity, including highway and public transit access, and the nearby ViaRail station make the location well suited for higher density.



Amenities

The Property offers guests numerous amenities including a restaurant/cafe and bar with seating for approximately 150 people, an indoor pool with hot tub and sauna, a business centre with meeting rooms, and a banquet hall-style event space with seating for approximately 170 people. The large parking lot surrounding the hotel provides approximately 110 parking stalls and there are an additional 36 parking stalls in front of the motel building.





Price
\$9,750,000

Sale Process and Offer Format

All offers MUST be submitted on the Vendor's form of Agreement of Purchase and Sale ("APS"), available in the data room. Detailed sale process overview is outlined in the electronic dataroom. Offer/bids must indicate the names of the ultimate beneficial owners and their respective interests. Prospective purchasers should note that the Vendor is under no obligation to respond to or accept any APS. The Vendor reserves the right to remove the Offering from the market and to alter the offering process described above and timing thereof, at its sole discretion.

Bid Date

A bid date will be established in due course and communicated with all interested parties.

Data Room

Detailed information has been assembled by Avison Young and is available to prospective purchasers. Access to the electronic data room will be provided upon receipt of an executed confidentiality agreement.

For more information please contact the listing agents:

Curtis Gallagher¹

Principal, Canadian Hospitality Lead
+1 416 673 4018
curtis.gallagher@avisonyoung.com

Kelly Avison², AACI

Principal
+1 416 673 4030
kelly.avison@avisonyoung.com

¹ Sales Representative ² Broker

©2023 Avison Young Commercial Real Estate Services, LP, Brokerage

Information contained herein was obtained from sources deemed reliable and, while thought to be correct, have not been verified. Avison Young does not guarantee the accuracy or completeness of the information presented, nor assumes any responsibility or liability for any errors or omissions therein.




TRREB MLS View

The property was posted on MLS on July 31, 2023


AVISON YOUNG COMMERCIAL REAL ESTATE SERVICES, LP, BROKERAGE
222 Bay St #2500, Toronto, ON M5K1J5 416-955-0000

Printed on 07/31/2023 11:30:03 AM

	2360 Princess St Kingston Ontario K7M 3G4 Kingston Frontenac SPIS: N For: Sale Taxes: \$110,635.00 / 2023 / Annual Last Status: New Legal: PT LT 14 CON 3 KINGSTON AS IN FR315986; S/T* DOM: 1		List: \$9,750,000.00 For Sale
	Investment Occup: Partial Lse Term Mnths: / Accommodation Freestanding: Y SPIS: N Holdover: 120 Hotel/Motel/Inn Franchise: Com Cndo Fee: Dir/Cross St: Princess St / Gardiners Rd		
MLS#: X6705766 Sellers: La Salle Motel Co. (Kingston) Ltd. Contact After Exp: N Possession Remarks: Immediate PIN#: 360860103 ARN#:			
Total Area: 60,725 Sq Ft Ofc/Apt Area: Indust Area: Retail Area: Apx Age: Volts: Amps: Zoning: C2-1-H - General Commercial Truck Level: Grade Level: Drive-In: Double Man: Clear Height: Sprinklers: N Heat: Gas Forced Air Cldsd Phys Hdcp-Eqp:	Survey: Lot/Bldg/Unit/Dim: 518 x 624 Feet Lot Lot Irreg: Total Lot Size Is 7.37 Acres Bay Size: %Bldg: Washrooms: Water: Municipal Water Supply: Sewers: San+Storm A/C: Y Utilities: Y Garage Type: Outside/Surface Park Spaces: #Tri Spc: Energy Cert: Cert Level: GreenPIS:	Soil Test: Out Storage: Rail: Crane: Basement: Elevator: Public UFFI: Assessment: Chattels: LLBO: Days Open: Hours Open: Employees: Seats: Area Infl:	
Bus/Bldg Name: For Year: Financial Stmt: Actual/Estimated: Taxes: Heat: Gross Inc/Sales: EstValueInv At Cost: Insur: Hydro: -Vacancy Allow: Com Area Upcharge: Mgmt: Water: -Operating Exp: % Rent: Maint: Other: =NetIncB4Debt:			
Client Remks: The Property is comprised of a 4-storey hotel and single storey motel totaling 102 rooms on a 7.37 acre site. There are two rooms in the hotel that are being used as office space and, if converted, would bring the total to 104. The Property is located on a major thoroughfare within Kingston that leads directly into the Downtown core and is highly accessible. Highway 401 is 2km north of the Property and the Kingston ViaRail station is within walking distance to the east. The Property features an indoor pool, hot tub, sauna, business centre, meeting and event space, and restaurant/bar. Rear portion of site offers tremendous redevelopment potential. Extras: *Legal description cont'd: FR332477, TKU12314; KINGSTON Final sale is subject to Court Approval. Inclusions: Exclusions: Rental Items: Brkage Remks: Further property details available upon execution of NDA. Fees only paid on successful closing. All offers must be submitted on the Vendor's form of APS, available in the data room. Bid date TBD.			
Mortgage Comments: Treat as Clear			
AVISON YOUNG COMMERCIAL REAL ESTATE SERVICES, LP Ph: 416-955-0000 Fax: 416-955-0724 222 Bay St #2500 Toronto M5K1J5 CURTIS GALLAGHER, Salesperson 416-673-4018 KELLY JOHN AVISON, Broker 416-673-4030 Contract Date: 7/30/2023 Condition: Ad: N Expiry Date: 11/30/2023 Cond Expiry: Escape: Last Update: 7/31/2023 CB Comm: 1.0% - Only Paid On Successful Closing Original: \$9,750,000.00			

Prepared by: ZAINIB HOUCHAIMI, Administrator
AVISON YOUNG COMMERCIAL REAL ESTATE SERVICES, LP, BROKERAGE
 222 Bay St #2500, Toronto, ON M5K1J5 416-955-0000

Printed on 07/31/2023 11:30:03 AM

	2360 Princess St Kingston Ontario K7M 3G4 Kingston Frontenac SPIS: N For: Sale Taxes: \$110,635.00 / 2023 / Annual Last Status: New Legal: PT LT 14 CON 3 KINGSTON AS IN FR315986; S/T* DOM: 1		List: \$9,750,000.00 For Sale
	Investment Occup: Partial Lse Term Mnths: / Accommodation Freestanding: Y SPIS: N Holdover: 120 Hotel/Motel/Inn Franchise: Com Cndo Fee: Dir/Cross St: Princess St / Gardiners Rd		
MLS#: X6705766 Sellers: La Salle Motel Co. (Kingston) Ltd. Contact After Exp: N Possession Remarks: Immediate PIN#: 360860103 ARN#:			
Total Area: 60,725 Sq Ft Ofc/Apt Area: Indust Area: Retail Area: Apx Age: Volts: Amps: Zoning: C2-1-H - General Commercial Truck Level: Grade Level: Drive-In: Double Man: Clear Height: Sprinklers: N Heat: Gas Forced Air Cldsd Phys Hdcp-Eqp:	Survey: Lot/Bldg/Unit/Dim: 518 x 624 Feet Lot Lot Irreg: Total Lot Size Is 7.37 Acres Bay Size: %Bldg: Washrooms: Water: Municipal Water Supply: Sewers: San+Storm A/C: Y Utilities: Y Garage Type: Outside/Surface Park Spaces: #Trl Spc: Energy Cert: Cert Level: GreenPIS:	Soil Test: Out Storage: Rail: Crane: Basement: Elevator: Public UFFI: Assessment: Chattels: LLBO: Days Open: Hours Open: Employees: Seats: Area Infl:	
Bus/Bldg Name: For Year: Financial Stmt: Actual/Estimated: Taxes: Heat: Gross Inc/Sales: EstValueInv At Cost: Insur: Hydro: -Vacancy Allow: Com Area Upcharge: Mgmt: Water: -Operating Exp: % Rent: Maint: Other: =NetIncB4Debt:			
Client Remks: The Property is comprised of a 4-storey hotel and single storey motel totaling 102 rooms on a 7.37 acre site. There are two rooms in the hotel that are being used as office space and, if converted, would bring the total to 104. The Property is located on a major thoroughfare within Kingston that leads directly into the Downtown core and is highly accessible. Highway 401 is 2km north of the Property and the Kingston ViaRail station is within walking distance to the east. The Property features an indoor pool, hot tub, sauna, business centre, meeting and event space, and restaurant/bar. Rear portion of site offers tremendous redevelopment potential. Extras: *Legal description cont'd: FR332477, TKU12314; KINGSTON Final sale is subject to Court Approval. Inclusions: Exclusions: Rental Items: Brkage Remks: Further property details available upon execution of NDA. Fees only paid on successful closing. All offers must be submitted on the Vendor's form of APS, available in the data room. Bid date TBD.			
Mortgage Comments: Treat as Clear AVISON YOUNG COMMERCIAL REAL ESTATE SERVICES, LP Ph: 416-955-0000 Fax: 416-955-0724 222 Bay St #2500 Toronto M5K1J5 CURTIS GALLAGHER, Salesperson 416-673-4018 KELLY JOHN AVISON, Broker 416-673-4030 Contract Date: 7/30/2023 Condition: Ad: N Expiry Date: 11/30/2023 Cond Expiry: Escape: Last Update: 7/31/2023 CB Comm: 1.0% - Only Paid On Successful Closing Original: \$9,750,000.00			


KAREA Interboard View

The property was posted on the KAREA interboard on July 31, 2023

Property Member Full

2360 PRINCESS Street, Kingston, Ontario K7M 3G4

Listing	Member Full	Confidential for REALTORS® Only	MLS#: 40462096
Active / Commercial Sale		List Price: \$9,750,000.00/For Sale	New Listing

Frontenac/Kingston/42 - City Northwest	
Investment/Detached	
	Interbd MLS#: X6705766 Bld Area Total (SF): 60,725 Bld Area Total Src: 10,000+ SF Range: 31/31 DOM/CDOM: Survey Lot Size Source: \$110,635.00/2021 Tax Amt/Yr: Recent: 07/31/2023 : New Listing Seller: La Salle Motel Co. (Kingston) Ltd. ARN/PIN: 101108019011500 / 360860103 Legal: Part Lot 14, Conc 3, Kingston as in FR315986; S/T FR3324777, TKU12314; Kingston
Business Type: Freehold/None Common Interest: No Common Elements: No Free Standing Y/N: No	

Remarks/Directions	
Public: The property is comprised of a 4 storey hotel and single storey motel totalling 102 rooms on a 7.37 acre site. There are two rooms in the hotel that are being used as office space and, if converted, would bring the total to 104. The property is located on a major thoroughfare within Kingston that leads directly into the Downtown Core and is highly accessible. All sales subject to final Court Approval. REALTOR®: **** Curtis Gallagher, Salesperson - curtis.gallagher@avisonyoung.com - 416-673-4018 & Kelly John Avison, Broker - kelly.avison@avisonyoung.com - 416-673-4030 - Avison Young Commercial Real Estate Services LP **** Further property details available upon execution of NDA. Fees only paid on successful closing. Rear portion of site offers tremendous redevelopment potential. Directions to Property: This property is located on the North side of Princess Street at Augusta Drive.	

Exterior	
Construct. Material: Cement Property Access: Municipal Road Pool Features: Indoor Garage and Parking: Outside/Surface/Open, Garage Sp/Desc: Lot Shape: Lot Front (Ft): 518.00 Lot Depth (Ft): 624.00 Area Influences: Ample Parking, Highway Access View: Topography: Local Impvmt: #Res Units:	Rd Acc Fee: Outdoor Storage: Utilities: Sewer: Yes Water Source: Sewer (Municipal) Municipal Fronting: North #Other Units: 0

Interior	
Basement: Partial Basement, Unfinished, Cooling: Central Air Heating: Forced Air	Seating Capacity: # Hind Wshrms: Volts:

Commercial/Financial	
-----------------------------	--

Property Information	
Common Elem Fee: No Legal Desc: Part Lot 14, Conc 3, Kingston as in FR315986; S/T FR3324777, TKU12314; Kingston Zoning: N/A Assess Val/Year: \$3,436,000/2016 PIN: 360860103 ROLL: 101108019011500 Possession/Date: Immediate/	Local Improvements Fee: Survey: Available/ 1987 Hold Over Days: 120 Occupant Type: Owner Plus Tenant Deposit: 10%

Marketing	
Showing Requirements: TLSP (List Salesperson) Showings: Showing Remarks: Contact Listing Agents Sign on Prop: No Possession: Immediate	

Brokerage Information	
List Date: 06/30/2023 Financing: Buyer Agency Compensation Remarks: 1% - only paid on successful closing Assignment Of Listing: No Offer Remarks: All offers must be submitted on the Vendor's form of APS, available in Documents. Bid date TBD. Original List Price: \$9,750,000.00 List Brokerage: Avison Young Com. RE Services LP List Salesperson: Curtis Gallagher, Salesperson Email: curtis.gallagher@avisonyoung.com List Brokerage 2: Avison Young Com RE Services LP List Salesperson 2: Kelly Avison, Broker Email: kelly.avison@avisonyoung.com Audit Logs	Expiration Date: 11/30/2023 SPIS: Int Bearing Bkg Trust Account: No Contact After Expired: No Special Agreement: No HST Applicable to Sale: Yes Brkge #: 416-673-4018 Direct #: 416-673-4030 L/SP Cell: Phone: L/SP2 Cell:

2360 PRINCESS Street, Kingston, Ontario K7M 3G4

Listing

Member Full
Active / Commercial Sale

Confidential for REALTORS® Only

MLS® #: 40462096

List Price: \$9,750,000.00/For Sale
New Listing**Frontenac/Kingston/42 - City Northwest**
Investment/Detached

Interbd MLS® #: **X6705766**
 Bld Area Total (SF): **60,725**
 Bld Area Total Src:
 SF Range: **10,000+**
 DOM/CDOM: **31/31**
 Lot Size Source: **Survey**
 Tax Amt/Yr: **\$110,635.00/2023**

Business Type:
 Common Interest: **Freehold/None**
 Common Elements: **No**
 Free Standing Y/N:

Recent: 07/31/2023 : New Listing
Seller: La Salle Motel Co. (Kingston) Ltd.
ARN/PIN: 101108019011500 / 360860103
Legal: Part Lot 14, Conc 3, Kingston as in FR315986; S/T FR3324777, TKU12314; Kingston

Remarks/Directions

Public: The property is comprised of a 4 storey hotel and single storey motel totalling 102 rooms on a 7.37 acre site. There are two rooms in the hotel that are being used as office space and, if converted, would bring the total to 104. The property is located on a major thoroughfare within Kingston that leads directly into the Downtown Core and is highly accessible. All sales subject to final Court Approval.

REALTOR®: **** Curtis Gallagher, Salesperson - curtis.gallagher@avisonyoung.com - 416673-4018 & Kelly John Avison, Broker - kelly.avison@avisonyoung.com - 416-673-4030 - Avison Young Commercial Real Estate Services LP
 **** Further property details available upon execution of NDA. Fees only paid on successful closing. Rear portion of site offers tremendous redevelopment potential.

Directions to Property: This property is located on the North side of Princess Street at Augusta Drive.

Exterior

Construct. Material: **Cement**
 Property Access: **Municipal Road**
 Pool Features: **Indoor**
 Garage and Parking: **, Outside/Surface/Open,**
 Garage Sp/Desc:
 Lot Shape:
 Lot Front (Ft): **518.00** Lot Depth (Ft): **624.00**
 Area Influences: **Ample Parking, Highway Access**
 View:
 Topography:
 Local Impvmt:
 #Res Units:

Rd Acc Fee:
 Outdoor Storage:
 Electrical:
 Site Plan Apprvl:
 Utilities
 Sewer: **Yes**
 Water Source: **Sewer (Municipal)**
Municipal

Fronting: **North**

#Other Units: **0**

Interior

Basement: **Partial Basement, Unfinished,**
 Cooling: **Central Air**
 Heating: **Forced Air**

Seating Capacity:
 # Hnd Wshrms:
 Volts:

Commercial/Financial

Property Information

Common Elem Fee: **No**
 Legal Desc: **Part Lot 14, Conc 3, Kingston as in FR315986; S/T FR3324777, TKU12314; Kingston**
 Zoning: **N/A**
 Assess Val/Year: **\$3,436,000/2016**
 PIN: **360860103**
 ROLL: **101108019011500**
 Possession/Date: **Immediate/**



Local Improvements Fee:
 Survey: **Available/ 1987**
 Hold Over Days: **120**
 Occupant Type: **Owner Plus Tenant**
 Deposit: **10%**

Marketing

Showing Requirements: **TLSP (List Salesperson)**
 Showings:

Showing Remarks: **Contact Listing Agents**
 Sign on Prop: **No**
 Possession: **Immediate**

Brokerage Information

List Date: **06/30/2023** Expiration Date: **11/30/2023** Int Bearing Bkg Trust Account: **No** 132
Financing: SPIS: Contact After Expired: **No**
Buyer Agency Compensation Remarks: **1% - only paid on successful closing** Special Agreement: **No**
Assignment Of Listing: **No** HST Applicable to Sale: **Yes**
Offer Remarks: **All offers must be submitted on the Vendor's form of APS, available in Documents. Bid date TBD.**
Original List Price: **\$9,750,000.00**
List Brokerage: **Avison Young Com. RE Services LP**
List Salesperson: **Curtis Gallagher, Salesperson**  Brkge #: **416-673-4018**
Email: **curtis.gallagher@avisonyoung.com** Direct #:
List Brokerage 2: **Avison Young Com RE Services LP** L/SP Cell:
List Salesperson 2: **Kelly Avison, Broker**  Phone: **416-673-4030**
Email: **kelly.avison@avisonyoung.com** Phone:
L/SP2 Cell:
Audit Logs

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Source Board: Kingston and Area Real Estate Association
Prepared By: Ellen Mallen
Date Prepared: 07/31/2023

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Search Criteria

This search was narrowed to a specific set of Listings.
Property Type is 'Commercial Sale'
Selected 1 of 1 result.

IN THE MATTER OF THE PROPOSAL OF LASALLE MOTEL CO. (KINGSTON) LTD.
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO
STATEMENT OF PROJECTED CASHFLOW

District of: Ontario
Division No. 11 - Kingston
Court No.: 33-2929085
Estate No.: 33-2929085

**12 Week Cash Flow Forecast
September 2 to November 24, 2023**

	Week 1 8-Sep-23 Actual	Week 2 15-Sep-23 Forecast	Week 3 22-Sep-23 Forecast	Week 4 29-Sep-23 Forecast	Week 5 6-Oct-23 Forecast	Week 6 13-Oct-23 Forecast	Week 7 20-Oct-23 Forecast	Week 8 27-Oct-23 Forecast	Week 9 3-Nov-23 Forecast	Week 10 10-Nov-23 Forecast	Week 11 17-Nov-23 Forecast	Week 12 24-Nov-23 Forecast	TOTAL
Opening Cash Balance	(239,915)	(170,536)	(242,532)	(198,513)	(272,645)	(229,992)	(266,596)	(328,645)	(342,234)	(406,692)	(445,733)	(423,050)	(239,915)
Receipts													
Accommodations (Note 1)													
Hotel Rooms	49,427	34,528	35,700	35,700	27,753	26,600	26,600	26,600	24,461	18,900	18,900	18,900	344,068
Motel Rooms	4,436	870	700	700	700	700	700	700	700	700	700	700	12,306
Conference Rooms	1,325	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,325
Food & Beverage													
Food (Note 2)	23,303	27,326	28,700	28,700	29,251	29,400	29,400	29,400	28,018	25,900	25,900	25,900	331,198
Liquor	1,640	2,677	2,800	2,800	2,229	2,100	2,100	2,100	2,100	2,100	2,100	2,100	26,846
Other Receipts	1,788	1,392	1,496	1,496	1,178	1,132	1,132	1,132	1,046	824	824	824	14,264
HST collected (Note 3)	10,029	8,460	8,957	8,957	7,921	7,774	7,774	7,774	7,316	6,318	6,318	6,318	93,917
Sale of Property and Business	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	91,948	75,253	79,353	79,353	70,032	68,706	68,706	68,706	64,642	55,742	55,742	55,742	833,925
Disbursements													
Purchases													
Food (Note 2)	10,801	6,009	10,045	10,045	10,238	10,290	10,290	10,290	9,806	9,065	9,065	9,065	115,009
Liquor	1,685	773	980	980	780	735	735	735	735	735	735	735	10,343
Operating Expenses													
Cleaning & Supplies	1,454	4,000	3,000	3,000	3,000	3,000	4,000	3,000	3,000	3,000	4,000	3,000	37,454
Commission	0	0	12,113	0	0	0	10,041	0	0	0	0	7,334	29,488
Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0
Office Expenses	270	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,270
Repairs & Maintenance (Note 4)	3,741	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	53,741
Royalty Fees	0	20,188	0	0	0	16,735	0	0	0	12,224	0	0	49,147
Utilities & Communications	2,979	14,000	0	17,000	0	8,500	3,500	0	17,000	10,000	4,500	0	77,479
Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Expenses													
Wages - Hotel	0	27,900	0	25,400	0	22,700	0	25,200	0	20,400	0	20,400	142,000
Wages - Restaurant	466	32,100	0	29,600	0	30,300	0	32,800	0	26,700	0	26,700	178,666
Management	0	2,600	0	2,600	0	2,600	0	2,600	0	2,600	0	2,600	15,600
EHT/WSIB/Manulife/Other	0	1,700	0	500	0	0	1,700	500	0	0	1,700	0	6,100
Proposal Trustee (Note 5)	0	0	0	13,000	0	0	25,000	0	0	0	0	0	38,000
Legal-Proposal Trustee (Note 5)	0	0	0	3,400	0	0	15,000	0	0	0	0	0	18,400
Legal-Company (Note 5)	0	20,023	0	25,000	0	0	35,000	0	0	0	0	0	80,023
Accounting	0	450	400	0	0	0	0	0	0	0	0	0	850
BMO Demand Loan Payments	0	0	0	3,176	0	0	0	0	3,176	0	0	0	6,353
Bank Fees, Interest & MasterCard (Note 6)	76	17	0	5,996	6,191	0	0	0	12,304	0	0	0	24,584
Property and Business Sale Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
HST on Expenses (Note 4)	1,098	7,756	2,797	7,787	1,170	4,451	12,810	1,170	2,405	4,059	1,885	2,123	49,511
Tax Remittances (Note 4)	0	8,734	0	0	0	0	6,678	0	74,673	0	5,174	0	95,259
Total Disbursements	22,569	147,249	35,334	153,485	27,379	105,311	130,754	82,295	129,100	94,783	33,059	77,958	1,039,276
Closing Cash Balance (Overdraft)	(170,536)	(242,532)	(198,513)	(272,645)	(229,992)	(266,596)	(328,645)	(342,234)	(406,692)	(445,733)	(423,050)	(445,265)	(445,265)
Available Credit Facility	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	
Surplus (Shortfall) (Note 6)	279,464	207,468	251,487	177,355	220,008	183,404	121,355	107,766	43,308	4,267	26,950	4,735	

Notes and Assumptions for Updated Cash Flow Projection

Note 1 - Accommodations

Hotel revenues are projected to be 15% below the comparable periods last year. The original Cashflow Projection assumed 10% and the Second Cashflow Projection assumed 15%. April through July 2023 results indicate that 15% is a more reasonable expectation. Hotel revenue is heavily dependent on both group bookings (such as sports teams or bus tours) and walk-in business. Motel revenues are projected to be 75% below the comparable period last year due to the Company no longer participating in immigrants' accommodation programs.

Note 2 – Food and Beverage

Food and Beverage revenue is projected to be approximately 12% lower than last year. This is less than the original Cash Flow Projections due to continuing evening dinner service on Friday and Saturday nights. All major food suppliers now require the Company to purchase on a COD basis as a result of unpaid overdue accounts as at the NOI Date. Food purchases are projected to be 35% of revenue.

Note 3 – HST and Taxes

HST is collected in trust for the Receiver General and remitted quarterly net of input tax credits. Tax remittances include both quarterly HST and Municipal Accommodation Tax that is payable monthly.

Note 4 – Repairs and Maintenance

Repairs and Maintenance are projected at \$5,000 per week. Most repairs are minor, but the projection amount also provides for major repairs that may arise, including the kitchen fire suppression system which was recently replaced.

Note 5 – Professional Fees

Professional fee estimates include work performed in August that will be paid in September, along with forecasted costs for a Court appearance in September, closing of the Transaction, and ongoing monitoring by and assistance from the Proposal Trustee. Unanticipated events may increase professional costs.

Note 6 – Bank Fees and Interest

The interest rate on the BMO Operating Loan has been increased from prime + 2.5% to prime + 5.5% at the time of the DIP Facility being made available.

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF LA SALLE MOTEL CO. (KINGSTON) LTD.
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO**

Court/Estate File No. 33-2929085

PROCEEDING COMMENCED AT
KINGSTON

**THIRD REPORT OF LINK & ASSOCIATES INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

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in its capacity as Proposal Trustee