

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**

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

April 14, 2023

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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 Cavalier 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 Cavalier 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



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

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

In the Matter of the Notice of Intention to make a proposal of:

LA SALLE MOTEL CO. (KINGSTON) LTD.

Insolvent Person

LINK & ASSOCIATES INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

April 03, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL

Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 03, 2023, 09:35

E-File/Dépôt Electronique

Official Receiver

Place Bell Canada, 160 Elgin Street, 11th Floor, Suite B-100, Ottawa, Ontario, Canada, K2P2P7, (877)376-9902

Canada 

Link & Associates Inc.

Receivers + Trustees

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

April 4, 2023

To: The Creditors of LA SALLE MOTEL CO. (KINGSTON) LTD.

Re: Notice of Intention to Make a Proposal

TAKE NOTICE THAT 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 (“BIA”) on April 3, 2023.

LINK & ASSOCIATES INC. Receivers + Trustees has consented to act as trustee under the NOI (the “Proposal Trustee”).

Pursuant to Section 69 of the BIA, all proceedings against the Company are stayed effective April 3, 2023.

Attached please find the following documents:

1. Certificate of Filing of the Notice of Intention
2. Notice of Stay of Proceedings
3. A copy of the NOI and a list of creditors owed or claimed to be owed \$250 or more
4. Consent of the Trustee

The Company expects to file a proposal (the “Proposal”) within 30 days of the filing of the NOI, in accordance with the requirements of the BIA, and subject to any extension(s) to the time period for filing of the Proposal that may be granted by the Court. A copy of the Proposal, when filed, will be sent to each of the creditors together with a notice calling a meeting of creditors to consider the Proposal, such meeting to be held within 21 days of the Proposal being filed. A report of the Trustee will also be provided to the creditors.

It is important for all creditors to know that the Company has not filed for bankruptcy. Rather, it is in the process of developing a Proposal to its creditors which is intended to result in a better recovery to the creditors than would otherwise be available in a bankruptcy.

During the Proposal proceedings:

- (i) No person or creditor can commence or continue any action, execution or other proceedings for the recovery of a debt until the Trustee has been discharged, or until the Proposal has been refused, without leave of the Court and on such terms as the Court may impose.

Tel. 416.862.7785 Fax. 416.862.2136
enquiries@linkassociates.ca

7050 Weston Road, Suite #228, Woodbridge, ON Canada L4L 8G7

The firm of Link & Associates Inc. is a Licensed Insolvency Trustee

- 2 -

- (ii) No person or creditor may terminate or amend any agreement with the Company, or claim an accelerated payment, or a forfeiture of the term, under any agreement with the Company by reason only that the Company is insolvent or by reason of the filing of the NOI;
- (iii) Suppliers of goods and services to the Company should discuss directly with its management, the terms of payment for goods and/or services that they will provide to the Company after the date of filing of the NOI.

At present, creditors are not required to file a proof of claim. The Trustee will provide you with further information and a proof of claim form and voting letter at a later date, once the Proposal has been filed.

During these Proposal proceedings, the Company continues to be under the direction of its management.

The above measures are mandated by the BIA and are necessary to ensure that all creditors of the Company are treated equitably in the Proposal process, and no creditor exercises remedies in a manner that it receives preferential treatment relative to other creditors.

Yours truly,

LINK & ASSOCIATES INC.

Proposal Trustee in re

La Salle Motel Co. (Kingston) Ltd.

Per: Robert G. Link, LIT

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For all creditor inquiries, please contact James Merryweather from the office of the Trustee below, or visit our website at www.linkassociates.ca for further information.

James Merryweather, CPA, CGA

Email: jmerryweather@linkassociates.ca

Phone: (416) 473-8356

Fax: (416) 862-2136



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

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

In the Matter of the Notice of Intention to make a proposal of:

LA SALLE MOTEL CO. (KINGSTON) LTD.

Insolvent Person

LINK & ASSOCIATES INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

April 03, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: April 03, 2023, 09:35

E-File/Dépôt Electronique

Official Receiver

Place Bell Canada, 160 Elgin Street, 11th Floor, Suite B-100, Ottawa, Ontario, Canada, K2P2P7, (877)376-9902

Canada 

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

NOTICE OF STAY OF PROCEEDINGS

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

DATE OF FILING OF NOTICE OF INTENTION: April 3, 2023

NOTICE IS HEREBY GIVEN that the above-noted debtor filed a Notice of Intention to Make a Proposal (the "NOI") on April 3, 2023. Every NOI or Proposal made in pursuance of the Bankruptcy and Insolvency Act (the "BIA") takes precedence over all judicial or other attachments, garnishments, certificates having the effect of judgments, certificates of judgment, judgments operating as hypothecs, executions or other process against the property of a debtor, except such as have been completely executed by payment to the creditor or his agent, and except also the rights of a secured creditor.

UPON the filing of an NOI or a Proposal made by an insolvent person or upon the bankruptcy of any debtor, no creditor with a claim provable in bankruptcy shall have any remedy against the debtor or its property or shall commence or continue any action, execution or other proceedings for the recovery of a claim provable in bankruptcy until the Trustee has been discharged or until the Proposal has been refused, unless with the leave of the Court and on such terms as the Court may impose.

WHERE an NOI has been filed or a Proposal has been made, the Sheriff or other officer of any Court or any person having seized property of the debtor under execution of attachment or any other process shall, upon receiving a copy of the NOI or the Proposal certified by the Trustee as a true copy thereof, forthwith deliver to the Trustee all the property of the debtor in his hands.

WHERE the Sheriff has sold the property of the debtor or any part thereof, he shall deliver to the Trustee the money so realized by him, less his fees and the costs referred to in subsection 70(2).

ANY property of a debtor under seizure for rent or taxes shall on production of a copy of the NOI or the Proposal certified by the Trustee as a true copy thereof be delivered forthwith to the Trustee, but the costs of distress are a first charge thereon, and, if such property or any part thereof has been sold, the money realized therefrom, less the costs of distress and sale, shall be paid to the Trustee.

DATED AT the City of Woodbridge, in the Province of Ontario, this 4th day of April, 2023.

LINK & ASSOCIATES INC.

Per: 

Robert Link, LIT

7050 Weston Road, Suite #228
 Woodbridge, ON L4L 8G7
 Phone: (416) 737-6655 Fax: (416) 862-2136

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

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 LA SALLE MOTEL CO. (KINGSTON) LTD.

Take notice that:

1. I, LA SALLE MOTEL CO. (KINGSTON) LTD., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Link & Associates Inc. of 7050 Weston Road, Suite #228, Woodbridge, ON, L4L 8G7, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Kingston in the Province of Ontario, this 1st day of April 2023.


 LA SALLE MOTEL CO. (KINGSTON) LTD.
 Insolvent Person

To be completed by Official Receiver:

 Filing Date

 Official Receiver

IN THE MATTER OF THE PROPOSAL OF
LA SALLE MOTEL CO. (KINGSTON) LTD.

List of Creditors with claims of \$250 or more

Deemed Trust Claims			
1	Canada Revenue Agency (HST)	120,000.00	
	Subtotal Deemed Trust	120,000.00	\$ 120,000.00
Secured Creditors			
2	Bank of Montreal	871,000.00	
3	Master Card (Bank of Montreal)	25,694.15	
4	Employee Vacation Pay (various)	27,012.97	
	Subtotal Secured Creditors	923,707.12	\$ 923,707.12
Unecured Creditors			
5	AMEX Bank of Canada	5,000.00	
6	Aviva Insurance Company of Canada	1,323.00	
7	Bell Canada	333.80	
8	Booking.com B.V	829.70	
9	Breadman of Kingston	2,755.02	
10	Bunzl Canada Kingston	2,362.00	
11	Canada Bread Co.	2,655.58	
12	Canadian Tire	1,739.54	
13	Choquette CKS	303.41	
14	City of Kingston (Property Tax)	3,721.71	
15	Coca Cola Canada Bottling Limited	1,208.86	
16	Cogeco Connexion Inc.	1,005.37	
17	Collections Group of Canada	345.38	
18	Enbridge	20,813.28	
19	Esslinger Foods Ltd.	1,193.30	
20	Evertemp Inc	3,630.86	
21	Expedia Group	752.37	
22	Findlay Foods (Kingston) Ltd.	56,773.90	
23	Gordon Food Service	40,017.79	
24	HTG Sports Services	306.31	
25	Hydro One Networks Inc.	21,924.39	
26	Joe Deodato & Family	11,340.22	
27	John Karkoulis	95,765.20	
28	Kingston Accomodation Partners Inc	11,596.48	
29	Kone Inc.	1,415.50	
30	Mac & Co Environmental solutions	4,862.78	
31	Ontario Ministry of Finance	250.00	
32	Oracle Canada ULC	4,203.45	
33	Peter Karkoulis Sr.	110,000.00	
34	Relm Sports	355.95	
35	St. Lawrence Pools	265.50	
36	Superior Lodging Development TL Corporation	22,866.82	
37	Sysco Food	10,589.37	
38	Sysco Guest Supply Canada Inc.	5,997.48	
39	Telus	940.90	
40	Tony Ferrusi's Dairy	3,530.02	
41	Travelodge Hotels Inc.	30,214.69	
42	Troy Life & Fire Safety Ltd.	290.41	

**IN THE MATTER OF THE PROPOSAL OF
LA SALLE MOTEL CO. (KINGSTON) LTD.**

List of Creditors with claims of \$250 or more

43	Utilities Kingston	11,098.09		
44	Viner Kennedy Frederick Allan Tobias	22,000.00		
45	Workplace Safety Insurance Board	12,072.34		
	Subtotal Unsecured Creditors	<u>528,650.77</u>	\$	528,650.77

Contingent Creditors - Lawsuits

46	Andrea Karkoulis (by her Litigation Guardian)	3,500,000.00		
47	Hao Chen and 1000073686 Ontario Inc.	Unquantified		
48	Peter J. Karkoulis	5,000,000.00		
49	Peter J. Karkoulis	<u>359,000.00</u>		
	Subtotal Contingent Claims	8,859,000.00	\$	8,859,000.00

TOTAL CLAIMS - ALL CATEGORIES

\$ 10,431,357.89

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

**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**

CONSENT

LINK & ASSOCIATES INC., Licensed Insolvency Trustee, hereby consents to act as the Proposal Trustee of LA SALLE MOTEL CO. (KINGSTON) LTD. pursuant to the provisions of the Bankruptcy and Insolvency Act.

DATED at the City of Kingston this 31st day of March, 2023.

LINK & ASSOCIATES INC.

Per:

Robert G. Link LIT

7050 Weston Road, Suite #228
Woodbridge, ON L4L 8G7
Phone: (416) 737-6655 Fax: (416) 862-2136

EXHIBIT “C”

CASH FLOW PROJECTION

AVAILABLE UPON REQUEST

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

**IN THE MATTER OF THE PROPOSAL OF
LA SALLE MOTEL CO. (KINGSTON) LTD.
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO**

**REPORT ON CASH-FLOW STATEMENT BY THE PERSON MAKING THE
PROPOSAL**

(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

Management of LA SALLE MOTEL CO. (KINGSTON) LTD. ("LSMC" or the "Company") has developed the assumptions and prepared the attached Statement of Projected Cash Flow as of the 12th day of April, 2023, covering the period of April 3, 2023 to July 7, 2023.


The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the Notes to Statement of Projected Cash Flow (the "Notes"), and the probable assumptions are suitably supported and consistent with the plans of LSMC and provide a reasonable basis for the projection. All such assumptions are disclosed in the Notes.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the Notes using a set of probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT Kingston, Ontario this 12th day of April, 2023.

**LA SALLE MOTEL CO.
(KINGSTON) LTD.**

Per: 

John Karkoulis, President

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

**IN THE MATTER OF THE PROPOSAL OF
LA SALLE MOTEL CO. (KINGSTON) LTD.
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT ON CASH-FLOW STATEMENT
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of Projected Cash Flow of La Salle Motel Co. (Kingston) Ltd. ("LSMC" or the "Company") as of the 12th day of April, 2023, covering the period of April 3, 2023 to July 7, 2023, has been prepared by the insolvent person for the purpose described in the Notes to Statement of Projected Cash Flow ("Notes"), using the probable and hypothetical assumptions set out in the Notes.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) The hypothetical assumptions are not consistent with the purpose of the projection;
- (b) As at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) The projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved. The projection has been prepared solely for the purpose described in the Notes and readers are cautioned that it may not be appropriate for other purposes.

DATED AT the City of Kingston, this 12th day of April 2023.

LINK & ASSOCIATES INC.
Licensed Insolvency Trustee In Re
Proposal of La Salle Motel Co.
(Kingston) Ltd.

Per: _____

Robert G. Link, LIT

CIVIL CASE CONFERENCE ENDORSEMENT BEFORE LONG MOTION OR APPLICATION

Judge: Tranmer, J.

Court File No.: CV-23-00000080-0000, CV-23-00000044-0000, CV 22-233, CV 23-90

Jurisdiction: Kingston

Short Case Name: ANDREA KARKOULIS BY HER LITIGATION GUARDIAN
VALERIE DEMITT v. KARKOULIS et al

CHEN et al v. KARKOULIS et al

Bryce Geoffrey - Andrea Karkoulis
Richard Worsfold, for Plaintiff(s) Chen
Email address: bgeoffrey@shaw.ca / richard.worsfold@millsandmills.ca

David M. Adams / Zachary Dubeau Peter K. Jr
Kathleen McDormand / Jason Dutrizac, for Defendant(s) for Lasalle Hotel Defs.
Email address: dadams@cswan.com / zdubeau@cswan.com
kmcdormand@blg.com / jdutrizac@blg.com vs Houle for OCH

MOTION/APPLICATION DATE:

LENGTH OF MOTION/APPLICATION:

- gch Calista and
Noo 8/07
James George
Aug 17/11.

TIMETABLE / DIRECTIONS / COMMENTS

Mr. Hsieh - Trustee in
Proposed Bicy of
La Salle Corp.

La Salle corp proposed
Bicy April 4/23 - 1st hearing, April 19/23
before Kerstman, J.
Urgent Motion by Andrea set to
be heard May 24/23 @ 10⁰⁰ hrs Zoom.

Time table:

Date: 28-MAR-2023

Judge's Signature

April 6/23.

Amended Motion materials to be served ^{G2}
on or before April 17th, 2023.

Responding Material to be served on or
before April 25, 2023.

Reply, if any, on or before May 4, 2023.

X-examinations to be completed on
or before May 10/23.

MP Factum to be served on or
before May 12, 23.

Resp Factum to be served on or
before May 17/23.

Before of the matters ~~is~~ adjourned
to ~~that~~ May 24/23 at 10⁰⁰
TBST.

Pl. Granmer, J.

2/2.

**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
OTTAWA

FIRST REPORT OF LINK & ASSOCIATES INC.

RICKETTS HARRIS LLP

181 University Avenue
Suite 800
Toronto ON M5H 2X7

Pavle Masic (62275F)
pmasic@rickettsharris.com
Tel: 647.260.2201

Counsel for Link & Associates Inc.
in its capacity as Proposal Trustee