

Division of: Ontario
Division No.: 09 - Toronto
Estate Number: 31-3104956
Court Number: 31-3104956

**IN THE MATTER OF THE BANKRUPTCY OF
2798497 ONTARIO INC.
OF THE CITY OF OSHAWA
IN THE PROVINCE OF ONTARIO**

REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION

Background

1. 2798497 Ontario Inc. ("279" or the "Company") operated a restaurant.

Introduction

2. On December 5, 2022 ("**Filing Date**"), 279 filed with the Official Receiver a notice of intention ("**NOI**") to make a proposal to its creditors and named Dodick Landau Inc. ("**DLI**") as Proposal Trustee ("**NOI Proceedings**"). 279's restaurant closed prior to the Filing Date.
3. On January 4, 2023, 279 filed a proposal with the Proposal Trustee. On June 20, 2023 the Proposal Trustee filed a report to Court to seek approval the Proposal. The matter was heard by the Court but was ultimately adjourned. Subsequently, 279 determined that it was unable to fund the proposal payments contemplated in its Proposal. For this reason, the Court hearing to approve the Proposal was not reconvened, and on July 17, 2024, 279 was assigned into bankruptcy ("**Date of Bankruptcy**") and DLI became Trustee in Bankruptcy of the estate of 279 (the "**Trustee**").

Causes of Financial Difficulties

4. 279, Jimmy Guaco's Inc, 2359374 Ontario Inc. ("**2359 Ontario**"), and 8091463 Canada Inc., (collectively "**Jimmy Guacos**") each operated a restaurant franchise as part of a small chain of Mexican inspired grills operating under the brand name of Jimmy Guaco's. Three of the restaurants, including 279, closed prior to the Filing Date as they could not meet their cash flow obligations as they were coming due. 2359 Ontario's restaurant, which is located in Whitby, Ontario, is the only location that remained open.
5. According to management of 279 ("**Management**") had been operating at a loss. Management advised that the feedback it was consistently receiving from customers was that its location was difficult to find as it had poor street visibility. Furthermore, customers also advised there was regularly a lack of parking, which further exacerbated the restaurants challenges. Management was of the view that the location would not become profitable in the near term and as such it decided that the best course of action was to close its doors as the ownership could no longer finance its losses.

6. As part of its restructuring, subsequent to filing all the NOIs for the different legal entities, Management entered into a purchase and sale agreement for 2359 Ontario. The intention was to use the sale proceeds to fund 279's Proposal Payments, however, the proceeds were ultimately insufficient to meet the Proposal obligations. As there was no alternative source of funding for the Proposal, the director of the Company could not see any feasible path forward and assigned 279 into bankruptcy.

Insolvency Proceeding

7. Following its appointment as Trustee, DLI distributed a Notice of Bankruptcy, a copy of the Statement of Affairs and a Proof of Claim form with instructions to all known creditors by July 18, 2024, as well as placed a Notice of Bankruptcy ad in the Toronto Sun.

Assets

8. 279 had no remaining assets as of the Date of Bankruptcy.

Books and Records

9. The Trustee has received the books and records but has not yet had an opportunity to review all of them.

Provable Claims

10. At the date of this report, the Trustee has received 7 proofs of claim from unsecured creditors valued at \$125,902.40.
11. The Statement of Affairs lists 21 unsecured creditors with potential provable claims totalling \$442,396.40.

Anticipated Realizations and Projected Distribution

12. The Trustee expects that there will be no proceeds for the unsecured creditors of 279.

Transfers at Undervalue and Preferential Payments

13. To date, the Trustee has not commenced a review of 279's records in the Trustee's possession to determine if there are any potential transfers at undervalue or preferential transactions.

Third-Party Deposit

14. The Trustee obtained a retainer deposit totalling \$20,000.00 as security for the costs of the Bankruptcy administration.

Dated at Toronto, Ontario, this 6th day of August 2024.

DODICK LANDAU INC.

Acting solely as Trustee in Bankruptcy
of the Estate of 2798497 Ontario Inc.
and not in its personal or corporate capacity.

Per: 

Rahn Dodick CPA, CA, CIRP, LIT
President