

**Division of:** Ontario  
**Division No.:** 09 - Toronto  
**Estate Number:** 31-3104973  
**Court Number:** 31-3104973

**IN THE MATTER OF THE BANKRUPTCY OF  
JIMMY GUACO'S INC.  
OF THE CITY OF OSHAWA  
IN THE PROVINCE OF ONTARIO**

**REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION**

**Background**

1. Jimmy Guaco's Inc. ("**JGI**" or the "**Company**") operated a restaurant.

**Introduction**

2. On December 5, 2022 ("**Filing Date**"), JGI 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**"). JGI's restaurant had closed prior to the Filing Date.
3. On January 4, 2023, JGI 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, JGI 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, JGI was assigned into bankruptcy ("**Date of Bankruptcy**") and DLI became Trustee in Bankruptcy of the estate of JGI (the "**Trustee**").

**Causes of Financial Difficulties**

4. JGI, 2359374 Ontario Inc. ("**2359 Ontario**"), 8091463 Canada Inc., and 2798497 Ontario (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 JGI, 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 JGI ("**Management**"), in 2010, the Company opened its Jimmy Guacos restaurant in Oshawa, Ontario and in its early years was profitable. The location first experienced challenges when construction in the area in 2018 restricted access to the restaurant. The onset of the COVID-19 pandemic also proved to be very problematic as the area previously had an active night life that was shut down by the pandemic. After years of struggling, in November 2022 Management finally decided to close the restaurant. It was of the view that the

location would not become profitable again 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 JGI's Proposal Payments, however, the proceeds were ultimately insufficient to meet its obligations 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 JGI 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. JGI 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 eight proofs of claim from unsecured creditors totalling \$173,281.92.
11. The Statement of Affairs lists 20 unsecured creditors with potential provable claims totalling \$746,268.25.

### **Anticipated Realizations and Projected Distribution**

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

### **Transfers at Undervalue and Preferential Payments**

13. To date, the Trustee has not commenced a review of JGI'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 6<sup>th</sup> day of August 2024.

**DODICK LANDAU INC.**

Acting solely as Trustee in Bankruptcy  
of the Estate of Jimmy Guaco's Inc.  
and not in its personal or corporate capacity.

Per: 

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Rahn Dodick CPA, CA, CIRP, LIT  
President