

A Calculated RISP: Preserving Halifax's Iconic Restaurant and Bar Empire

Introduction

- Case study of the Grafton Connor Group restructuring under the Companies' Creditors Arrangement Act ("CCAA")
- Use of the CCAA as the legislation initially intended in a company successfully refinances its debts
- The Refinancing and Investment Solicitation Process ("RISP")
- Preservation of going-concern value
- Court-supervised restructuring of the long-standing Halifax-based hospitality enterprise

The Grafton Connor Group

- Founded in 1972 and owner-operated for more than five decades
 - Over 50 years of operating history and deep community integration
 - Approximately fifteen restaurants, bars, and entertainment venues.
 - Majority of operations spanning downtown Halifax and Bedford
 - Integrated hospitality operations and real estate ownership
 - Approximately 400 employees at filing date
- Operational viability contrasted against acute balance-sheet stress
- Restructuring driven by pandemic disruption, rising rates, tax and senior secured lenders enforcement

Why This Business Mattered

- Major participant in Halifax's downtown entertainment and tourism economy.
 - Significant regional employment and wage base
 - Substantial purchaser of local food, beverage, and professional services
 - Enterprise value highly dependent on continuity of operations
 - Break-up liquidation would destroy brand, employment, and community value

COVID-19 as the Primary Catalyst

- Government-mandated closures and capacity restrictions from 2020 through early 2022
 - Severe revenue disruption across all venues.
 - Fixed operating costs persisted despite reduced revenues
 - Management prioritized employment retention and operational continuity
 - Traditional bank mortgage loans at maturity and substantially increased interest cost of non-bank lenders
 - Liquidity erosion and deferred statutory obligations accumulated

CRA Deferrals and Enforcement Dynamics

- HST remittances deferred to sustain payroll and essential operations
 - Business encouraged to maintain employment during pandemic through deferred HST remittance
 - Dialogue engaged with CRA on repayment of unremitted HST
 - Dispute with CRA as to the existence of an agreement on a repayment framework
 - Post-pandemic enforcement actions including account and POS sweeps
 - Daily liquidity materially impaired by CRA collections
 - Historic deferrals converted into immediate insolvency pressure

Additional External Factors

- Rapid increase in interest rates post-pandemic
 - Debt servicing costs escalated during operational recovery
 - Traditional lenders exiting hospitality lending markets
 - Permanent closure of the Sunnyside Restaurant following flood damage
 - Loss of a historically strong profit contributor
 - Litigation with landlord initiated adding costs

Capital Structure at Filing

- Multiple operating and property-owning legal entities
 - Cross-collateralized real estate security held by senior lenders
 - Material CRA arrears, primarily HST deferred during COVID-19
 - No conventional operating line of credit available
 - Enforcement pressure from both senior secured lenders and the CRA

Operational Viability vs. Financial Insolvency

- Revenue levels in 2024–2025 exceeded pre-COVID benchmarks.
 - Business viable on a going-concern basis
 - Financial distress driven by legacy debt and enforcement timing
 - Insolvency filing reflected structural imbalance, not operational failure

Filing Under the CCAA

- Initial Order granted in August 2025.
 - Immediate stay of proceedings including CRA enforcement cash sweeps
 - Appointment of Monitor and establishment of priority charges
 - Objective: stabilize operations and assess refinancing alternatives.
 - No asset sale or liquidation strategy proposed at filing
 - No DIP required at filing

Rationale for the Refinance and Investment Solicitation Process (« RISP »)

- RISP deliberately framed as a restructuring tool **and not** a sale process
- The “honest and unfortunate debtor”
- Use of the CCAA as originally intended
- Need to defensibly test the market under court supervision
- Process integrity essential for creditor and court confidence

Court-Approved RISP Structure

- Detailed RISP Procedures approved by the Court.
- Oversight provided by the Monitor and financial advisors.
- Broad market outreach via teaser, NDA, and virtual data room.
- SISP to be implemented swiftly in the event RISP failed to yield satisfactory results.
- Relatively short timeframe, acceptable to secured creditors
- Protection from creditor enforcement maintained during the process.

RISP Structure and Timeline

Step	Description
1. Purpose	Solicit proposals for refinancing or equity investment in the Grafton Connor Group.
2. Execution & Oversight	Conducted by the Company with assistance from Resolve and supervision by the Monitor.
3. Solicitation & Notification	Teaser Letter, RISP Procedures, and NDA distributed; materials posted on Monitor's website.
4. Participation Requirements	Execution of NDA required to participate in the RISP.
5. Qualification	Monitor, Company, and Resolve assess participant capability to complete a transaction.
6. Due Diligence	Qualified Participants granted access to Monitor-managed data room.
7. Final Offers	Final offers due December 5, 2025 with refundable deposit $\geq 10\%$.
8. Evaluation	Offers evaluated on structure, terms, funding certainty, and likelihood of closing.
9. Court Approval	Any transaction subject to Court approval.
10. Redemption Right	Company retains redemption rights until Court approval, closing, or Stay expiry.

Market Feedback on the RISP

- Meaningful interest from strategic and financial parties
- Conventional refinancing solutions proved impractical
- Appetite for the real estate assets was evident
- Two Qualified Offers received
- Negotiation of final refinancing document with Successful Proposed Lender
- Transaction structure pivot: Successful Proposed Lender became Plan Sponsor

Strategic Pivot Enabled by the RISP

- Market feedback supported debt acquisition as viable alternative
- RISP evolved from refinancing to capital structure realignment
- Forced asset sales avoided.
- Going-concern value preserved through process flexibility

Assignment of Secured Debt

- Senior secured debt acquired by the successful RISP participant, as the Plan Sponsor
- Assignments completed outside the CCAA framework
- Plan Sponsor became primary senior secured lender
- Capital structure simplified and enforcement risk eliminated
- RISP formally terminated following completion of assignments

Development of the Plan of Arrangement (the “Plan”)

- Plan structured around debt assignments and Plan Sponsor support
- Secured claims addressed based on appraised collateral values
- CRA treated within unsecured creditor class
- Defined cash distributions funded by Plan Sponsor
- Outcomes designed to exceed liquidation recoveries

Claims Process and Creditor Engagement

- Formal claims process implemented concurrently with the RISP
- Extensive disclosure through Monitor's reports
- Holders of « Convenience Claims » received defined amount, structured as a function of the value of the claim.
- Monitor acted as neutral intermediary facilitating informed voting

Creditor Vote Results

- Statutory double-majority achieved in secured class
- Statutory double-majority achieved in unsecured class
- Overwhelming creditor support by number and value
- CRA opposed the Plan but statutory thresholds satisfied

Court Sanction and Outcome

- Plan sanctioned by the Court in April 2026
- Court confirmed good faith and due diligence
- Plan deemed fair, reasonable, and consistent with CCAA objectives
- Employment, operations, and enterprise value preserved

Key Takeaways for Insolvency Professionals

- RISP can function as a flexible restructuring framework
- Narrative framing is critical in going concern restructurings
- Debt assignment can preserve enterprise value
- Operationally viable businesses benefit from disciplined flexibility