

# Deloitte.

Deloitte Restructuring Inc.  
Purdy's Wharf Tower II  
1969 Upper Water Street  
Suite 1500  
Halifax NS B3J 3R7  
Canada

Tel: +19027215614  
Fax: +19024235820  
www.deloitte.ca

December 11, 2013

Richard W. Cregan, Q.C.  
Registrar in Bankruptcy  
Nova Scotia Bankruptcy Court  
1815 Upper Water Street  
Halifax, Nova Scotia  
B3J 1S7

Dear Registrar Cregan,

**Subject: D'Eon Fisheries Limited ("D'Eon") – Estate #51-1810695**

Please find enclosed the Proposal Trustee's Material Adverse Change report relating to the above estate.

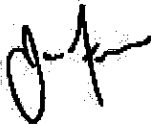
We trust you will find the enclosed to be in order.

If you have any questions please feel free to contact the undersigned at your convenience.

Sincerely,

**DELOITTE RESTRUCTURING INC.**  
**Acting in its capacity as Proposal Trustee of**  
**D'Eon Fisheries Limited**  
**and not in its personal capacity**

Per:



James Foran, CA, CIRP  
Vice President

Enclosure (Proposal Trustees Report)

c: Tim Hill (Boyne Clark)  
Josh McElman (Cox and Palmer)  
John Stringer (McInnes Cooper)

Estate No: 51-1810695  
Court No: 37734

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF:

D'EON FISHERIES LIMITED  
An Insolvent Person

Material Adverse Change of the Proposal Trustee pursuant to sections 50.4(7) (b) of the  
Bankruptcy and Insolvency Act ("BIA")

1. INTRODUCTION AND BACKGROUND

- 1.1. D'Eon Fisheries Limited ("D'Eon Fisheries" or the "Company") was incorporated in Nova Scotia on February 7, 1990. The shares of D'Eon Fisheries are largely owned by the D'Eon family. The directors of Blue Wave are Sylvain D'Eon and Patricia D'Eon (the "Directors").
- 1.2. The organizational structure of D'Eon Fisheries and its affiliates (the "D'Eon Group of Companies") is attached as **Appendix A** to this First Report (as defined herein). The D'Eon Group of companies consists of several operating companies including D'Eon Fisheries, Blue Wave Seafoods Inc. ("Blue Wave"), and D'Eon Fish Market Limited; developmental companies including D'Eon Fisheries Atlantic Limited and SFD Consulting Limited; and holding companies incorporated for purposes of succession planning including SF Holding Limited and 3230827 Nova Scotia Limited.
- 1.3. D'Eon is in the business of securing sources of raw material for the D'Eon Group of Companies' processing operations, Blue Wave. D'Eon Fisheries has developed the silver hake fishery on the south shore of Nova Scotia and owns 25% of the total allowable catch ("TAC") of silver hake. D'Eon Fisheries' 25% of the TAC represents approximately 3,750 metric tonnes of silver hake. The Company is also attempting to develop underutilized species, including waved whelks and arctic surf clams, which are in various development stages.
- 1.4. D'Eon owns a super chiller haddock processing line which is housed in Blue Wave's 54,000 sq. ft. processing facility in Port Mouton, Queens County, Nova Scotia. The Company has a relationship with a fisher who fishes the D'Eon Fisheries TAC, and in turn, this fisher sells the catch to Blue Wave for processing and sale to the European market.
- 1.5. On November 15, 2013, D'Eon Fisheries filed a Notice of Intention to Make a Proposal ("NOI") pursuant to subsection 50.4 of the BIA. Deloitte Restructuring Inc. ("Deloitte" or the "Proposal Trustee") was appointed as the trustee under the NOI and hereto attached as **Appendix B** is a copy of the Certificate of Filing of a Notice of Intention to Make a Proposal as issued by the Office of the Superintendent of Bankruptcy ("OSB").
- 1.6. Further, on November 15, 2013, Blue Wave filed a NOI pursuant to Section 50.4 of the BIA. Deloitte was also named as the trustee appointed under Blue Wave's NOI.

## 2. TERMS OF REFERENCE

- 2.1 In preparing this report ("the Report"), Deloitte has relied upon financial information of the Company, and discussions with the Company's management ("Management") and its financial and legal advisors.
- 2.2 The financial information of the Company has not been audited, reviewed or otherwise verified by the Proposal Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Report may not disclose all significant matters about the Company. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, the Proposal Trustee does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of the Report.
- 2.3 The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of the Report. Any use which any party makes of the Report, or any reliance or decisions to be made on the Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of the Report is to inform this Honourable Court on the status of:
  - i. Material Adverse Change in the operations of the Company; and
  - ii. The Proposal Trustee's intended course of action

## 3. MATERIAL ADVERSE CHANGE

- 3.1 On November 22, 2013, the Proposal Trustee was advised by representatives of BDC that, without the prior knowledge of the Proposal Trustee and the Company's professional advisors, BDC had issued demand notices and notices to enforce security (the "Notices") on May 10, 2013 pursuant to subsection 244 of the BIA. The Company provided the Proposal Trustee with copies of the Notices that same day.
- 3.2 The Proposal Trustee engaged Burchell MacDougall to act as the estate legal counsel. On November 27, 2013 the Proposal Trustee received a security opinion (the "Opinion") from Burchell MacDougall advising that the BDC security was valid as registered against the silver hake quota (the "Hake Quota"), the ground fish license (the "License") and the haddock line equipment (the "Equipment").
- 3.3 As a result of the Notices and the Opinion, the Proposal Trustee is of the view that BDC is not stayed by the Company's NOI filing by virtue of subsection 69.1(2)(b) of the BIA.
- 3.4 Since the filing of the NOI, the Proposal Trustee has engaged in several telephone conversations and email exchanges with representatives of BDC regarding the NOI of the Company, the effect of the BDC Notices and the intentions of BDC.

- 3.5 On December 6, 2013 the Proposal Trustee received correspondence from McInnes Cooper, (the "McInnes Cooper Letter") hereto attached as **Appendix C**. The McInnes Cooper letter advised that BDC had decided to proceed with the realization over all of its security by way of a private appointment of PwC Inc. ("PwC) as Receiver.
- 3.6 Since receiving the BDC Letter, the Proposal Trustee has spoken directly with representatives from McInnes Cooper and PwC and on December 10, 2013 sent correspondence (the "Deloitte Letter") hereto attached as **Appendix D** to PwC asking them to advise the Proposal Trustee of their intentions.
- 3.7 On December 11, 2013 the Proposal Trustee received correspondence from PwC (the "PwC Response") hereto attached as **Appendix E** stating that "the Receiver intends to immediately move to take control of, and sell by way of public process, the licenses and associated quotas. Net proceeds from this sales process will be remitted to BDC in satisfaction of its indebtedness. It is anticipated that this sales process will take 60-90 days to complete. The Receiver has not yet determined a plan to realize upon the equipment subject to BDC's security".

#### 4. INTENDED COURSE RECOMMENDATIONS OF THE PROPOSAL TRUSTEE

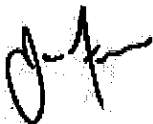
- 4.1 The Proposal Trustee is of the view that the appointment of PwC as Receiver by BDC is a material adverse change to the financial circumstances of the Company.
- 4.2 It is the Proposal Trustee's intended course of action to:
- (i) pursuant to subsection 50.4(7)(b)(ii) of the BIA to file this report with the Honorable Court on December 11, 2013; and
  - (ii) pursuant to subsection 50.4(7)(c) of the BIA distribute this report to the known creditors of the Company and post on the Proposal Trustee's website.
- 4.3 The Proposal Trustee is advised that the Company will not seek an extension and as such will be deemed bankrupt effective December 17, 2013.

All of which is respectively submitted to this Honourable Court this 11<sup>th</sup> day of December, 2013.

#### DELOITTE RESTRUCTURING INC.

In its capacity as Trustee under the Proposal of  
D'Eon Fisheries Limited  
and not in its personal capacity.

Per:



James Foran, CA, CIRP  
Vice President

**APPENDIX A**  
**ORGANIZATIONAL STRUCTURE OF D'EON GROUP OF COMPANIES**

**D'EON TRUST**

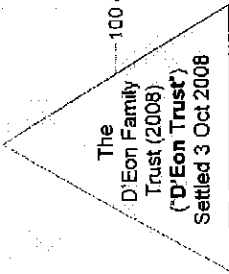
**Settlor**  
John A. Young

**Principal Trustees**  
Sylvain F. D'Eon

**Co-Trustee**  
Patricia M. D'Eon

**Income Beneficiaries**  
Sylvain  
Sylvain's spouse  
Sylvain's children  
Sylvain's grandchildren  
"Qualified Corporations"

**Capital Beneficiaries**  
Sylvain  
Sylvain's spouse  
Sylvain's children  
Sylvain's grandchildren



100 c/s

52 p/s A

79 p/s B

10 c/s

52 c/s

10 c/s

10 c/s

217 c/s

217 c/s

21 c/s

SFD Consulting Limited  
("SFD")  
NS Co., Inc. 6 Sept 1988  
Robert Sciocchetti = D & P  
Sylvain F. D'Eon = D, VP & S  
\*Registered Business Name =  
"Quality Financial Services"

250 c/s



Robert  
Sciocchetti

3230827 Nova Scotia Limited  
("3230827")  
NS Co., Inc. 5 Sept 2008  
Sylvain F. D'Eon = D & P  
Patricia M. D'Eon = D & S

Sherman R.  
D'Eon

Boyd A.  
D'Eon

Wesley J.  
D'Eon

Shelley M.  
Amirault (D'Eon)



Patricia M.  
D'Eon

750 c/s

Sylvain F.  
D'Eon

D'Eon Fish Market Limited  
("DFML")  
NS Co., Inc. 25 Feb 1982  
Sylvain F. D'Eon = D & P  
Patricia M. D'Eon = D & S

D'Eon Fisheries Atlantic Limited  
("DFAL")  
NS Co., Inc. (NB) 3 Nov 2005  
Continued 3 Sept 2010  
Sylvain F. D'Eon = D & P  
Patricia M. D'Eon = D  
Nelson G. Burbridge = S & T

100 c/s

D'Eon Fisheries Limited  
("DFL")  
NS Co., Inc. 7 Feb 1990  
Sylvain F. D'Eon = D & P  
Patricia M. D'Eon = D  
Nelson G. Burbridge = S & T  
Wesley J. D'Eon = VP  
\*Wesley is not VP on R./S.C

S.F. D'Eon Holdings Limited  
("Holdings")  
NS Co., Inc. 11 Dec 1979  
Sylvain F. D'Eon = D, P & S

Blue Wave Seafoods Incorporated  
("Blue Wave")  
NS Co., Inc. 19 Apr 1991  
Sylvain F. D'Eon = D, P, S & T

Real Estate:  
1413 Central Port Mouton Road (PID  
70062138)  
Central Port Mouton Road (PIDs  
70181342, 70204839 & 40235940)  
Unknown street, Port Pouton (PID  
70062146)

D'Eon Group of  
Companies

Corporate Structure

Matter 42027 / JAY  
18 Feb 2013

100 c/s

**APPENDIX B**  
**CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL**



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of        Nova Scotia  
Division No.    04 - Yarmouth  
Court No.        37734  
Estate No.       51-1810695

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

**D'Eon Fisheries Limited**  
Insolvent Person

**DELOITTE RESTRUCTURING INC/RESTRUCTURATION**  
**DELOITT**  
Trustee

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Date of the Notice of Intention:                      November 15, 2013

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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.

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Date: November 15, 2013, 14:17

E-File/Dépôt Electronique

Official Receiver

Maritime Centre, P.O. Box 940, Stn M, 1505 Barrington St., 16th Floor, Halifax, Nova  
Scotia, Canada, B3J2V9, (877)376-9902

**Canada**



**APPENDIX C**  
**MCINNES COOPER LETTER**



John D. Stringer, Q.C.  
Direct 902.444.8608  
john.stringer@mcinnescooper.com

1300-1989 Upper Water Street  
Purdy's Wharf Tower II  
Post Office Box 730  
Halifax, Nova Scotia  
Canada B3J 2V1  
Tel 902.425.6500 Fax 902.425.6350

Our File: JS-108349  
December 6, 2013

**SENT BY EMAIL**

Mr. Tim Hill  
Boyne Clarke LLP  
Metropolitan Place, Suite 600  
99 Wyse Road  
Dartmouth, NS B3A 4S5

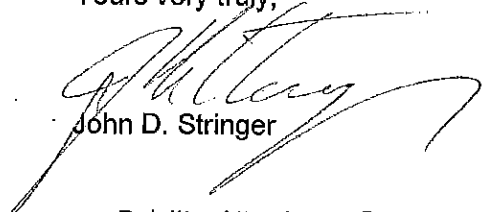
Dear Tim:

**Re: D'Eon Fisheries Limited – Business Development Bank of Canada**

This will confirm that we are counsel to the Business Development Bank of Canada ("BDC") and have been consulted in connection with its security held in D'Eon Fisheries Limited ("D'Eon"). We understand that you are acting for D'Eon and its related company, Blue Wave Seafoods Incorporated ("Blue Wave"), in connection with a Notice of Intention to Make a Proposal ("NOI") that was recently filed.

As you know, BDC previously issued a demand and Section 244 Notice on D'Eon dated May 10, 2013. At the same time, demand was made on the Guarantors, Sylvain D'Eon, Patricia D'Eon and Blue Wave. As a result, BDC is not subject to the NOI and has decided to proceed with the realization over all of its security by way of a private appointment of PwC Inc. as Receiver.

Yours very truly,



John D. Stringer

cc: Deloitte, Attn: James Foran

JDS/ljb (16091689\_1.doc)

**APPENDIX D  
DELOITTE LETTER**

# Deloitte.

December 10, 2013

Via email (p.philip.clarke@ca.pwc.com)

Phil Clarke  
Partner  
PwC Inc.  
1601 Lower Water Street, Suite 400  
Halifax, Nova Scotia B3J 3P6

Deloitte Restructuring Inc.  
Purdy's Wharf Tower II  
1968 Upper Water Street  
Suite 1500  
Halifax NS B3J 3R7  
Canada

Tel: +19027215614  
Fax: +19024235820  
www.deloitte.ca

Dear Mr. Clarke,

**Subject: D'Eon Fisheries Limited ("D'Eon Fisheries" or the "Company") - Estate No. 51-1810695**

As you are aware, on November 15, 2013, D'Eon Fisheries filed a Notice of Intention to Make a Proposal ("NOI") pursuant to Section 50.4 of the Bankruptcy and Insolvency Act ("BIA"). Deloitte Restructuring Inc. (the "Proposal Trustee") was appointed as the trustee under the NOI pursuant to a Certificate of Filing of a Notice of Intention to Make a Proposal as issued by the Office of the Superintendent of Bankruptcy.

We write to follow up on a letter received by the Proposal Trustee from Mr. John Stringer of McInnes Cooper, counsel to the Business Development Bank of Canada ("BDC"), and a subsequent telephone conversation with you on December 9, 2013. A copy of the letter received from McInnes Cooper (the "Letter") is attached to this correspondence.

The Letter confirms that BDC issued a demand under section 244 of the BIA on May 10, 2013. Further, the Letter informs the Proposal Trustee that BDC, as it is not captured by the NOI stay of proceedings, has decided to proceed with realization over all its security by way of an appointment of PwC Inc., as a receiver.

D'Eon Fisheries has a court hearing date on December 13, 2013 with respect to its application for a 45-day extension to the NOI stay of proceedings. As you are aware, the Proposal Trustee has a statutory duty to monitor the affairs of the Company and report to the Court if a material adverse change affects the Company's ability to file a viable proposal. The assets subject to BDC's security, especially the silver hake licence and associated quota, form an integral part of the Company's operations and depending on the method of realization by the receiver, could impede the Company's ability to extend the NOI proceedings.

The Proposal Trustee hereby requests in writing PwC's intentions with respect to taking possession and the method and timing of realization on the assets subject to BDC's security. The Proposal Trustee also inquires as to whether BDC plans to oppose the Company's request for 45-day extension to the stay of proceedings at the December 13, 2013 Court hearing. Due to the timing of the above noted Court hearing, we request a timely response.

If you have any questions related to this request, please contact the undersigned at your convenience.

Sincerely,

**DELOITTE RESTRUCTURING INC.**  
**Acting in its capacity as the Proposal Trustee of**  
**D'Eon Fisheries Limited**  
**and not in its personal capacity**

Per:



Neil Jones, CA, CIRP  
Vice President

Enclosure (McInnes Cooper Letter – December 6, 2013)

c: Tim Hill (Boyne Clarke)  
Pam Clarke (Burchell MacDougall)  
John Stringer (McInnes Cooper)

**APPENDIX E**  
**PwC RESPONSE**



**Via email (neiljones@deloitte.ca)**

December 11, 2013

Neil Jones, CA, CIRP  
Deloitte Restructuring Inc.  
Purdy's Wharf Tower II  
1969 Upper Water Street  
Suite 1500  
Halifax, NS B3J 3R7

Dear Mr. Jones:

***D'Eon Fisheries Limited ("Company")***

Please be advised that on December 10, 2013, the Business Development Bank of Canada ("BDC") appointed PwC Inc. ("Receiver") receiver over all the assets subject to BDC's security which primarily includes (but is not limited to):

- Licences and associated quota's ; and
- Equipment.

The Receiver intends to immediately move to take control of, and sell by way of a public process, the licences and associated quotas. Net proceeds from this sales process will be remitted to BDC in satisfaction of its indebtedness. It is anticipated that this sales process will take 60-90 days to complete.

The Receiver has not yet determined a plan to realize upon the equipment subject to BDC's security.

The Receiver understands that 3,000,000 pounds of the above noted quota is being fished by a third party ("Acadian"). The Receiver hereby requests a complete copy of this agreement and an accounting of any proceeds generated (whether paid or unpaid), and the amount of this quota fished by this agreement to date.

At this time the Receiver is unaware of BDC's position relative to the Company's stay of proceedings. As you are aware, BDC takes the position that it is not captured by the above noted Company's Notice of Intention to Make a Proposal's stay of proceedings.



A copy of this letter has been sent to John Stringer, McInnes Cooper who represents BDC.

Regards,

PwC Inc.  
Receiver of D'Eon Fisheries Limited

11-11-2011 10:11:11 AM

A handwritten signature in black ink, appearing to read "Philip Clarke", written over a faint horizontal line.

Philip Clarke, CA, CIRP  
Senior Vice President

Cc:

Tim Hill (Boyne Clarke)  
Pam Clarke (Burchell MacDougall)  
John Stringer (McInnes Cooper)  
Linda Savoie (Business Development Bank of Canada)