

Estate No: 51-1810705  
Court No: 37735

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

**BLUE WAVE SEAFOODS INCORPORATED**

**First Report of the Proposal Trustee pursuant to sections 50.4(7)(b)(ii) and 50.4(9) of the  
Bankruptcy and Insolvency Act ("BIA")**

**1. INTRODUCTION AND BACKGROUND**

- 1.1. Blue Wave Seafoods Incorporated ("Blue Wave" or the "Company") was incorporated in Nova Scotia on April 19, 1991. The shares of Blue Wave are largely owned by the D'Eon family and the sole director of Blue Wave is Sylvain D'Eon (the "Director").
- 1.2. The organizational structure of Blue Wave 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 operating companies including: Blue Wave, D'Eon Fisheries Limited ("D'Eon Fisheries"), 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. Blue Wave is in the business of processing silver hake and other fish species which it primarily sells to the European market. Management intended Blue Wave to also process underutilized fish species such as arctic surf clams and waved whelks. However; aside from silver hake, the processing of underutilized species has yet to reach commercial viability.
- 1.4. Blue Wave owns a 54,000 sq. ft. processing facility in Port Mouton, Queens County, Nova Scotia. The facility houses a super chiller haddock processing line owned by D'Eon Fisheries. The Company has one major supplier of fish who secures raw material through its own quota and a quota owned by D'Eon Fisheries.
- 1.5. On November 15, 2013, Blue Wave filed a Notice of Intention to Make a Proposal ("NOI") pursuant to Section 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, D'Eon Fisheries filed a NOI pursuant to Section 50.4 of the BIA. Deloitte, the trustee appointed under D'Eon Fisheries' NOI, is submitting a separate report to this Honourable Court with respect to the D'Eon Fisheries' proceeding.

**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. The financial position of the Company and the causes of its financial difficulties;
- ii. The actual results to date against the initial statement of projected cash flows filed on November 22, 2013 ("NOI Cash Flow") and forecasted cash flows for the remaining period of consideration ("Current Cash Flow");
- iii. The Company's preliminary efforts to develop a restructuring plan;
- iv. The appointment of a receiver by BDC over the assets of D'Eon Fisheries,
- v. The Company's Operating lease with BMO;
- vi. Discussions between the Company and potential investor;
- vii. The Company's request for an administrative charge order, and
- viii. The Proposal Trustee's position on the Company's application for a 30 day extension to the stay of proceedings.

### **3. FINANCIAL POSITION AND CAUSES OF FINANCIAL DIFFICULTY**

3.1 The Company has experienced operational success in the past. In fiscal 2008, Blue Wave reported revenues of approximately \$8.2 million and earnings before taxes, depreciation and amortization ("EBITDA") of \$436,000.

3.2 From 2009 through 2011, Blue Wave's reported revenues and EBITDA decreased year over year to a low in fiscal 2011 of \$5.7 million and \$179,000, respectively. Financial performance rebounded in fiscal 2012, with revenues in excess of \$6.8 million and earnings before EBITDA of \$462,000. Although revenues decreased by approximately 15% from 2008 to 2012, EBITDA appeared to have had returned to a stable level.

3.3 Blue Wave has experienced liquidity issues as evidenced by its working capital ratio which deteriorated from 1.6:1 at year end fiscal 2008 to 1.1:1 in fiscal 2012. The working capital ratio has continued to deteriorate as reflected in internal financial statements provided by Management as of November 22, 2013, reflecting a working capital ratio of 0.86:1. The Company's financial position is summarized as follows:

Category:	\$ 000's
<b>Current Assets</b>	1,449
<b>Fixed Assets</b>	1,925
<b>Other Assets</b>	1,223
<b>Current Liabilities</b>	1,691
<b>Long Term Debt</b>	2,792
<b>Shareholder Equity</b>	114

3.4 Management attributes the causes of financial difficulty to:

- i. The Nova Scotia haddock Total Allowable Catch decreased significantly subsequent to D'Eon Fisheries' \$1.5 million investment in a modern super chiller haddock processing line in 2009. The decreased supply of raw material resulted in an increased competitive pricing environment for whole haddock and a trend of shipping whole haddock to the United States ("U.S.") for processing due to a combination of a strong Canadian dollar and low U.S. labour rates. The underutilized processing line is currently idle, resulting in a significantly underutilized 54,000 sq. ft. processing facility;
- ii. Blue Wave has an account receivable of \$987,825 from Acme Seafoods Limited, a former sales broker that Blue Wave engaged to sell silver hake and other species to the European market. Despite collection efforts taken by the Company to date, collection of this account remains uncertain;
- iii. The Other Assets consist of deferred development expenses and research and development costs related to the development of new production processes involving underutilized fish species. Canada Revenue Agency ("CRA") allows such investments to be capitalized as an asset for tax purposes and amortized over a 10 year period. To date, Blue Wave has yet to earn a material return on this investment as the processing of underutilized species has yet to reach commercial viability; and
- iv. Macroeconomic events including the "Global Financial Crisis" in late 2008 and early 2009, and the "Arab Spring" in 2013 resulted in a declining end market in Europe for silver hake, reducing Blue Wave revenues.

3.5 Blue Wave has an operating line of credit with the Bank of Montreal ("BMO"). The Trustee understands that Blue Wave has been in violation of BMO banking covenants since early 2013. The operating line was recently transferred to BMO's Special Accounts Management Unit for close monitoring of performance. The operating line has a margin limit of \$800,000 and is secured by a General Security Agreement ("GSA") and a personal guarantee from Sylvain D'Eon.

3.6 The Company is in arrears on \$3 million of debt owing to Nova Scotia Business Inc. ("NSBI"). The Company used the debt to purchase the 54,000 sq. ft. processing facility in Port Mouton, purchase new plant equipment, fund wharf repairs and refinance existing debt. NSBI holds a fixed and floating debenture on all assets of Blue Wave, subject to the priority of BMO's GSA as it relates to accounts receivables and inventory.

3.7 The Company was in arrears on employee payroll remittances to CRA in the amount of \$286,548 as reflected on a statement from CRA dated November 18, 2013. The Company is of the view that \$217,548 is currently outstanding. Management has advised that there are \$62,802 of duplicate entries, a \$6,180 adjustment applied by CRA, and \$7,760 paid as per section 4.4 below.

- 3.8 On November 6, 2013, BMO issued a demand notice pursuant to subsection 244 of the BIA, demanding repayment of the Company's outstanding aggregate indebtedness of \$306,556.
- 3.9 As stated above, on November 15, 2013, Blue Wave, along with its affiliate, D'Eon Fisheries, filed a NOI to allow the Company sufficient time to present a proposal to its creditors.
- 3.10 On November 22, 2013, the Proposal Trustee was advised by BDC representatives that, contrary to the knowledge of the Proposal Trustee and its advisors, BDC had on May 10, 2013 had issued a demand for repayment and notices of intention to enforce security pursuant to section 244 of the BIA pursuant to its security. As a result, BDC does not appear to be stayed by the filing of the NOI from enforcing its security.
- 3.11 The Proposal Trustee has received an opinion from its independent legal counsel that the BDC security appears to be valid and enforceable against the collateral identified therein.

#### 4. CASH FLOW PROJECTIONS AND PRELIMINARY RESULTS

- 4.1 Cash flow projections prepared by the Company for a 13 week period from November 16, 2013 to February 14, 2014 were filed with the OSB on November 22, 2013. A copy of the NOI Cash Flow is hereto attached as **Appendix C**.
- 4.2 The NOI Cash Flow was prepared based on the following assumptions:
- i. The Company's major suppliers would continue to support the Company through the restructuring process;
  - ii. BMO would continue to provide access to the operating line (to a maximum of \$306,000) to fund the Company's operations; and
  - iii. BDC would continue to support the Company's restructuring efforts and not take action under the rights available under its security.
- 4.3 The Proposal Trustee has monitored the actual cash flow results for the two week period ending November 29, 2013 and hereto attached as **Appendix D** is an actual to budget variance analysis ("Variance Analysis"). Actual cash flows over the two week period had an unfavourable variance of approximately \$57,000 relative to the NOI Cash Flow. The difference is primarily attributable to timing differences. Collections of accounts receivable were approximately \$133,000 less than projected, resulting from the delayed supply of raw material for processing due to unfavourable offshore weather. Approximately \$76,000 of projected payments were also delayed due to less supply of raw material than anticipated.
- 4.4 The Proposal Trustee wishes to advise the Court that \$21,328 of payroll related payments to employees and CRA relating to the pre-filing period were made by the Company between November 15, 2013 and the date of this report.
- 4.5 The Proposal Trustee also wishes to advise the Court that \$23,122 of payments related to pre-filing charges were made to creditors during the period November 15, 2013 and the date of this report. Of this total, \$13,522 represents a payment made to Acadien Fish Processors to secure the supply of raw materials.
- 4.6 Attached as **Exhibit E** is a cash flow projection for the period ending February 28, 2014.

#### 5. PRELIMINARY RESTRUCTURING PLAN

- 5.1 The ability of the Company to file a viable proposal will largely be dependent on the following:

- i. Continued support from BMO during the NOI period;
- ii. Continued access to product supply originating from the Quota (as defined below);
- iii. Continued support from major suppliers during the NOI period; and
- iv. Management's ability to secure debtor-in-possession financing, if required.

5.2 The Company has taken the following steps to date in respect to its restructuring plan:

- i. Paul Leroux has been engaged by the Company as Interim CEO to oversee the Company's restructuring efforts. Mr. Leroux is an experienced financial executive with experience in similar situations;
- ii. Management implemented salary reductions for Company employees related to the D'Eon family;
- iii. Management are having regular discussions with its major suppliers to confirm their continued support and the timely supply of raw material, packaging materials and freight services during the NOI period;
- iv. Management and the Proposal Trustee have held preliminary discussions with a prospective purchaser regarding the purchase all of the assets of Blue Wave and D'Eon Fisheries (including the Port Mouton facility, the silver hake license, associated quota (the "Quota") and the super chiller haddock processing line), as detailed later in this report.
- v. Management has held preliminary discussions with existing lenders and a short-term operating lender regarding the possibility of obtaining debtor-in-possession financing should additional capital be required.

5.3 A summary of the Company's creditor profile as at November 15, 2012 is provided below:

Category:	No. of Creditors:	Balance:
Secured	2	\$3,784,308
Preferred	1	\$ 210,054
Unsecured	51	\$2,150,638

The creditor balances have been extracted from the records of the Company and may be subject to adjustment once reconciled with creditor claims. The Proposal Trustee has been contacted by creditors who have advised that the amount listed in the NOI filing is different than their respective books and records. The Proposal Trustee advises that it is not aware of any material discrepancies from the books and records of the Company.

5.4 The Proposal Trustee notes that post-filing Accounts Payable total \$133,722 and attached hereto as **Appendix F** is a listing of post-filing accounts payable as of November 30, 2013 provided by the Company. The Company is paying post-filing obligations in the normal course of operations and within negotiated credit terms.

## 6. APPOINTMENT OF A RECEIVER

6.1 On December 6, 2013, the Proposal Trustee received a letter from McInnes Cooper on behalf of BDC advising that BDC has decided to proceed with realization over all of its security held in D'Eon Fisheries by way of a private appointment of PWC Inc. ("PWC") as receiver.

- 6.2 On December 10, 2013, the Proposal Trustee requested 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.
- 6.3 On December 11, 2013, the Proposal Trustee received correspondence from PWC stating that the receiver intends to i) immediately move to take control of, and sell by way of public process, the licenses and associated Quota and equipment; ii) initiate a sales process that will take 60 to 90 days to complete, and iii) distribute net proceeds from this sales process to BDC in satisfaction of its indebtedness.
- 6.4 It is not yet known how the appointment of a receiver will affect the ability of Blue Wave to file a proposal. BDC does not have security over the assets of Blue Wave. Realization on the Quota may or may not affect the supply of raw material available to Blue Wave for processing and, therefore, the generation of sufficient cash flow to operate during the NOI period. Further, if the Quota continues to be fished in the interim period (whether by D'Eon Fisheries, a receiver, an agent of any of these entities, or a new owner) and the resulting catch is sold to Blue Wave for processing, as has been the usual practice, then the immediate impact on Blue Wave may be minimal. Alternatively, the appointment and asset realization by BDC could possibly be carried out in conjunction with an overall liquidation proposal should that be the most viable and reasonable proposal for the two companies. The Proposal Trustee continues to have discussions with Management, BDC and its representatives to determine the effect the appointment of the receiver will have on Blue Wave operations.

## **7. BMO OPERATING LINE**

- 7.1 The Proposal Trustee is advised that counsel for the Company and BMO agreed that the Company would have access to the BMO line of credit to a maximum of \$306,000 subsequent to the filing of the NOI.
- 7.2 This agreement was subject to the following:
- i. The Company was to close its bank account at RBC and transfer remaining funds to the BMO account;
  - ii. Provide BMO with details of the RBC bank account activity;
  - iv. Provide normal margin reports detailing the Company's current assets, and
  - v. Maintain insurance on the assets pledged to BMO.
- 7.3 The Company provided BMO with a margining report as at December 6, 2013, with support, on December 10, 2013. A comparison of the Company's margin reports, as at October 30, 2013 and December 6, 2013; show that the Company's net position has slightly improved from \$392,470 to \$393,670.
- 7.4 BMO appointed Ernst & Young Inc. ("EYI") as its consultant on December 9, 2013. EYI requested access to the Company's Point Mouton facility for purposes of reviewing inventory as reflected on the December 6, 2013 margin report. Access was provided to EYI on December 12, 2013. EYI has since made additional information requests related to supporting documentation attached to the December 6, 2013 margin report and the Company is working diligently to provide the information requested.

## **8. DISSUSSIONS WITH A POTENTIAL INVESTOR**

- 8.1 The Proposal Trustee was advised by Paul Leroux that he was contacted in late November by an interested party (the "Party") regarding their interest in the consolidated operations of Blue Wave and D'Eon.
- 8.2 In early December, after both parties had executed a Non-Disclosure Agreement, the Company and its professional advisor met with the Party to better understand the interest of the Party and to obtain preliminary financial information.
- 8.3 On December 11, 2013 the Proposal Trustee along with Paul Leroux met with the principals of the Party to further discuss a potential transaction. The Proposal Trustee is of the view that the Party's interest is real but some time will be required to work through the details in the coming weeks.
- 8.4 On December 12, 2013 the Proposal Trustee held a conference call with representatives of Nova Scotia Business Inc. and the Nova Scotia Department of Economic and Renewal Development and Tourism regarding the Party and a potential transaction. Both parties advised the Proposal Trustee that they are interested in moving forward with a discussion with the Party in the next week.
- 8.5 On December 12, 2013 the Proposal Trustee spoke with PWC regarding the prospective purchaser and the intent of BDC on the realization as against the Quota. PWC advised they would speak to their client and its legal counsel and report back to the Proposal Trustee.

## **9. ADMINISTRATIVE CHARGE**

- 9.1 The Proposal Trustee understands that Blue Wave is requesting from this Honourable Court that an order be granted that provides for a charge that ranks in priority over the claim of any secured creditor or persons in these proposal proceedings (the "Proposed Administration Charge").
- 9.2 Specifically, Blue Wave is requesting that the Proposal Trustee, counsel to the estate and the Company's counsel (the "Insolvency Professionals"), shall be entitled to the benefits of and are hereby granted a charge on all of the property of Blue Wave, which charge shall not exceed an aggregate amount of \$75,000 as security for their professional fees and disbursements incurred at the normal rates and charges of the Insolvency Professionals, both before and after the making of this Proposed Administration Charge Order in respect of these proposal proceedings.
- 9.3 Blue Wave believes it is critical to the success of their restructuring to have such a charge in place to ensure that its Insolvency Professionals are protected with respect to its fees and costs.

## **10. STAY EXTENSION APPLICATION**

- 10.1 In the Proposal Trustee's view, the Company has acted and continues to act in good faith and with due diligence. The Company has taken the following initiatives to ensure operations were not negatively affected by the NOI filing and to position itself to present a proposal to its creditors:
  - i. Corresponded with major suppliers to ensure adequate sources raw material, packaging supplies and freight services;
  - ii. Corresponded with key customers to ensure adequate sales channels for processed fish;
  - iii. Corresponded with secured lenders to provide updates on financial position and understand whether there was any opposition to its intention to request an extension to the stay of proceedings;

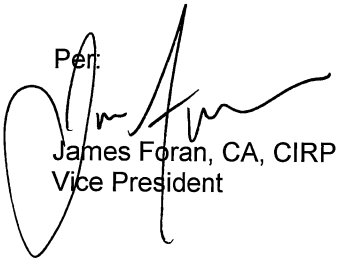
- iv. Corresponded with potential lenders in its continuing efforts to secure debtor-in-possession financing, if required;
  - v. Arranged for several meetings with a potential purchaser and engaged the Proposal Trustee in these discussions;
  - vi. Taking measures to maximize cash flow by appraising redundant assets not required for future operations and continuing to market the super chiller haddock processing line owned by D'Eon Fisheries; and
  - vii. Exploring various options to maximize value to Blue Wave's stakeholders by taking initial steps in developing a proposal to creditors.
- 10.2 In the event that this Honourable Court does not grant an extension, the Company will become bankrupt effective December 17 2013. The Proposal Trustee is of the view that more time is required to allow the Company to assess its options in drafting a proposal which the Proposal Trustee believes will result in a higher return to unsecured creditors as compared to a liquidation scenario in the event the Company is deemed bankrupt.
- 10.3 Based on the foregoing, the Proposal Trustee supports the Company's application for an Order extending the amount of time for the Company to file its Proposal to creditors.

All of which is respectively submitted to this Honourable Court this 12<sup>th</sup> day of December, 2013.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Trustee under the Proposal of  
Blue Wave Seafoods Incorporated  
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 Trustee**  
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

The  
D'Eon Family  
Trust (2008)  
("D'Eon Trust")  
Settled 3 Oct 2008

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



Patricia M.  
D'Eon

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



Sylvain F.  
D'Eon

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. Burbidge = S & T

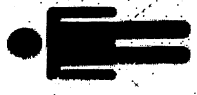
**Real Estate:**  
1314 Argyle Sound Road, West  
Pubnico (PID 90072513)  
746 Highway 335, West Pubnico  
(PID 90072521)  
Old Abbots Harbour Road, West  
Pubnico (PIDs 90073693,  
90073727, 90073966 & 90249293)  
425 Abbots Harbour Road, Middle  
West Pubnico (PID 90075441)  
Abbots Harbour Road, West  
Pubnico (PID 90321340)

100 c/s

Sherman R.  
D'Eon



Boyd A.  
D'Eon



Wesley J.  
D'Eon



Shelley M.  
Amirault (D'Eon)



217 c/s

217 c/s

21 c/s

10 c/s

10 c/s

10 c/s

10 c/s

52 c/s

10 c/s

79 c/s

79 p/s B

52 p/s A

1 c/s

750 c/s

100 c/s

8 c/s

10 c/s

10 c/s

10 c/s

10 c/s

10 c/s

10 c/s

10 c/s

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10 c/s

10 c/s

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

1,000 p/s A

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

**D'Eon Group of  
Companies**

**Corporate Structure**

Matter 42027 / JAY  
18 Feb 2013

**BOYNECLARKE**  
LAW FIRM LLP

**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. 37735  
Estate No. 51-1810705

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

**Blue Wave Seafoods Inc.**  
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)

-- AMENDED --

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, 14:22

E-File/Dépôt Electronique

Official Receiver

**Canada**

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

**APPENDIX C**  
**NOI CASHFLOW STATEMENT – FILED NOVEMBER 22, 2013**

# 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

November 22, 2013

**Via e-file**

Office of the Superintendent of Bankruptcy  
1505 Barrington Street  
Halifax NS B3J 2V9

To whom it may concern:

**Subject: Estate No. 51-1810705 - Notice of Intention to file a Proposal for Blue Wave Seafoods Inc.**

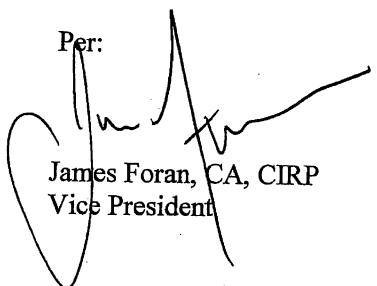
Please find enclosed the Statement of Projected Cash Flow for the above noted company.

Please contact the undersigned at your convenience with any questions.

Sincerely,

**DELOITTE RESTRUCTURING INC.**  
**Acting in its capacity as Proposal Trustee of**  
**Blue Wave Seafoods Incorporated**  
**and not in its personal capacity**

Per:



James Foran, CA, CIRP  
Vice President

Enclosure (Statement of Projected Cash Flow)

**District of Nova Scotia  
Division No. 04 – Yarmouth  
Court No. 37735  
Estate No. 51-1810705**

**Blue Wave Seafoods Inc.  
Notes to Statement of Projected Cash Flow**

Note A: The statement of projected cash flow is being filed pursuant to Bankruptcy and Insolvency Act s. 50.4(2) in association with the Notice of Intention to file a Proposal for Blue Wave Seafoods Inc.(the “Insolvent Person”).

Note B: The following assumptions were used by management in the preparation of the statement of projected cash flow of the Insolvent Person:

**Opening cash**

- The opening cash position for the week ended November 15, 2013 pertains to money held with various financial institutions

**Receipts**

- Projected receipts are based on management’s estimates of sales with existing customers and timing of receipt
- Management has assumed that credit terms with existing customers will not materially change

**Disbursements**

- Disbursements are based on management’s estimates of costs required to continue operations and are based on historical information with the following exceptions:
  - Supplier payment terms will be consistent with terms available with suppliers prior to filing the Notice of Intention to file a Proposal or may become cash on delivery (“COD”)
  - Professional fees contained within the attached are based on management estimates.

District of Nova Scotia  
Division No. 04 - Yarmouth  
Court No. 37735  
Estate No. 51-1810705

The Management of Blue Wave Seafoods Inc. (the "Insolvent Person") have developed the assumptions and prepared the attached statement of projected cash flow as of the week ending November 22, 2013, consisting of weekly projections through the week ending February 14, 2014.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note A, and the probable assumptions are suitably supported and consistent with the plans of the Insolvent Person and provide a reasonable basis for the projection. All such assumptions are disclosed in Note B.

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 Note A, using a set of hypothetical and probable assumptions set out in Note B. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at RIVERVIEW NB this 22<sup>nd</sup> day of NOVEMBER 2013

Blue Wave Seafoods Inc.  
An Insolvent Person

  
Per:

PAUL LEROUX  
Name

INTERIM  
CEO  
Title



**District of Nova Scotia**  
**Division No. 04 - Yarmouth**  
**Court No. 37735**  
**Estate No. 51-1810705**

The attached statement of projected cash flow of Blue Wave Seafoods Inc. (the "Insolvent Person") as of the week ending November 22, 2013, consisting of weekly projections through the week ending February 14, 2014, has been prepared by the management of the Insolvent Person for the purpose described in Note A, using the probable and hypothetical assumptions set out in Note B.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by management and employees 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 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 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.

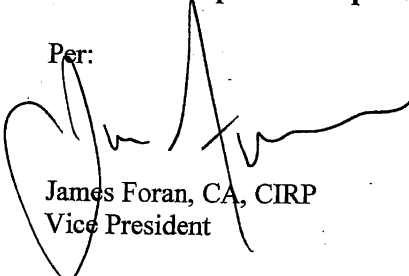
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia, this 22<sup>nd</sup> day of November, 2013.

**DELOITTE RESTRUCTURING INC.**  
**Acting in its capacity as Proposal Trustee of**  
**Blue Wave Seafoods Incorporated**  
**and not in its personal capacity**

Per:



James Foran, CA, CIRP  
Vice President

Blue Wave Seafoods Inc.  
WEEKLY CASH FLOW PROJECTION

	22-Nov-13	29-Nov-13	06-Dec-13	13-Dec-13	20-Dec-13	27-Dec-13	03-Jan-14	10-Jan-14	17-Jan-14	24-Jan-14	31-Jan-14	07-Feb-14	14-Feb-14	Total
<b>A</b>														
Opening cash balance	(247,022)	(177,344)	(175,655)	(206,581)	(186,535)	(175,685)	(138,409)	(170,936)	(176,954)	(189,931)	(193,037)	(252,889)	(208,427)	(247,022)
<b>Receipts</b>														
Collection of accounts receivable	128,498	92,683	221,707	182,662	182,094	182,379	177,741	109,766	105,666	86,093	76,193	139,000	168,708	1,832,190
Miscellaneous receivables		41,025				54,500		19,750						115,275
<b>Total Receipts</b>	128,498	123,708	221,707	182,662	182,094	236,879	177,741	129,518	105,666	86,093	76,193	139,000	168,708	1,947,465
<b>B</b>														
Disbursements														
Cost of goods sold	32,130	68,576	184,639	117,673	133,851	151,260	132,191	82,513	69,097	53,022	62,772	66,522	95,320	1,249,465
Operating expenditures	11,250	38,450	8,750	30,050	15,750	33,590	17,450	34,850	19,950	24,550	26,050	8,750	25,350	294,750
Compensation	15,440	14,893	14,893	14,893	14,893	14,893	17,626	18,173	16,173	17,826	16,173	19,266	19,266	218,208
Professional fees			44,400		6,550		43,000		4,626		29,050			140,225
<b>Total Disbursements</b>	66,820	121,819	252,732	182,616	171,144	199,703	210,267	135,536	112,645	95,198	135,045	93,538	152,486	1,902,648
<b>C</b>														
Net weekly cash flows	59,678	1,789	(31,026)	20,046	10,950	37,176	(32,526)	(6,019)	(6,977)	(9,105)	(59,852)	44,462	6,222	44,817
<b>D = B - C</b>														
Cumulative cash from operations	(177,344)	(175,555)	(206,581)	(186,535)	(175,585)	(138,409)	(170,936)	(176,954)	(183,931)	(193,037)	(252,889)	(208,427)	(202,205)	(202,205)
<b>A+D</b>														
Operating loan availability	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000
Surplus/Deficit	128,656	130,445	99,419	119,465	130,415	167,591	135,064	129,046	122,069	112,953	53,111	97,573	103,795	103,795
<b>Ending cash balance</b>	(177,344)	(175,555)	(206,581)	(186,535)	(175,585)	(138,409)	(170,936)	(176,954)	(183,931)	(193,037)	(252,889)	(208,427)	(202,205)	(202,205)

Blue Wave Seafoods Inc.  
Insolvent Person.

Deloitte Restructuring Inc.  
Trusted under the Notice of Intention to file a Proposal for  
Blue Wave Seafoods Inc.  
and not in its personal capacity

11/22/2013

**APPENDIX D**  
**CASH FLOW VARIANCE ANALYSIS – TWO WEEKS ENDING NOVEMBER 29, 2013**

Blue Wave Seafoods Inc.

WEEKLY CASHFLOW PROJECTION COMPARISON TO ACTUAL

	Forecast 22-Nov-13	Actual 22-Nov-13	Variance 22-Nov-13	Notes	Forecast 29-Nov-13	Actual 29-Nov-13	Variance 29-Nov-13	Notes
Opening cash balance	A	(247,022)	(247,022)		(177,344)	(216,040)		
<b>Receipts</b>								
Collections		128,498	62,071	(66,427)	82,683	52,962	(29,721)	3
Miscellaneous receivables		-	1,150	1,150	41,025	3,296	(37,729)	4
<b>Total Receipts</b>	<b>B</b>	<b>128,498</b>	<b>63,221</b>	<b>(65,277)</b>	<b>123,708</b>	<b>56,258</b>	<b>(67,450)</b>	
<b>Disbursements</b>								
Cost of goods sold		32,130	21,186	10,944	68,576	44,382	24,194	5
Operating expenditures		11,250	3,364	7,886	38,450	10,695	27,755	5
Compensation		15,440	7,689	7,751	14,893	17,302	(2,409)	5
Professional fees		-	-	-	-	-	-	
<b>Total Disbursements</b>	<b>C</b>	<b>58,820</b>	<b>32,239</b>	<b>26,581</b>	<b>121,919</b>	<b>72,379</b>	<b>49,540</b>	
<b>Net weekly cash flows</b>	<b>D = B-C</b>	<b>69,678</b>	<b>30,982</b>	<b>(38,696)</b>	<b>1,789</b>	<b>(16,121)</b>	<b>(17,910)</b>	
<b>Cumulative cash from operations</b>	<b>A+D</b>	<b>(177,344)</b>	<b>(216,040)</b>	<b>(38,696)</b>	<b>(175,555)</b>	<b>(232,161)</b>	<b>(17,910)</b>	
Operating loan availability		306,000	306,000	-	306,000	306,000	-	
Surplus/Deficit		128,656	89,960	(38,696)	130,445	73,839	(17,910)	
Ending cash balance		(177,344)	(216,040)	(38,696)	(175,555)	(232,161)	(56,606)	

Notes

- 1 Variance due to a frozen silver hake shipment delayed until mid-December, 2013.
- 2 Variance due to timing differences partially related to delayed silver hake shipment.
- 3 Variance due to timing differences related to silver hake processing.
- 4 Variance due to late start to lobster fishery.
- 5 Variance due to timing differences partially related to delayed lobster fishery and silver hake processing.

**APPENDIX E**  
**CURRENT CASH FLOW STATEMENT**  
**WEEKS ENDING DECEMBER 6, 2013 THROUGH FEBRUARY 28, 2014**

Blue Wave Seafoods Inc.  
WEEKLY CASH FLOW PROJECTION

WEEK ENDING														
	6-Dec-13	13-Dec-13	20-Dec-13	27-Dec-13	3-Jan-14	10-Jan-14	17-Jan-14	24-Jan-14	31-Jan-14	7-Feb-14	14-Feb-14	21-Feb-14	28-Feb-14	Total

<b>A</b>	(175,555)	(206,561)	(186,535)	(175,565)	(138,409)	(170,936)	(176,954)	(185,754)	(196,663)	(258,358)	(215,719)	(212,337)	(232,977)	(175,555)
Opening cash balance														
<b>B</b>	221,707	182,662	182,094	182,379	177,741	109,768	105,688	86,093	76,193	138,000	156,708	138,796	106,500	1,866,305
Receipts														
Collections				54,500		19,750								106,350
Miscellaneous receivables				236,879	177,741	129,518	105,688	86,093	76,193	138,000	156,708	138,796	106,500	1,866,305
	221,707	182,662	182,094	236,879	177,741	129,518	105,688	86,093	76,193	138,000	156,708	138,796	106,500	1,866,305
<b>C</b>	184,639	117,673	133,951	151,260	132,191	82,513	71,720	54,845	64,595	67,345	98,160	82,220	87,000	1,328,111
Disbursements														
Cost of goods sold	8,750	30,050	15,750	33,550	17,450	34,850	19,850	24,550	26,050	8,750	25,350	27,950	25,250	298,250
Operating expenditures	14,893	14,893	14,893	14,893	17,626	18,173	18,173	17,626	18,173	19,266	19,266	19,266	19,266	226,407
Compensation	44,450	-	6,550	-	43,000	-	4,625	-	29,050	-	12,550	-	37,050	177,275
Professional fees														
Overdue CRAWCB remittances														
	252,732	182,616	171,144	199,703	210,267	135,536	114,468	97,021	137,668	95,361	155,326	159,436	168,566	2,080,043
<b>D = B - C</b>	(31,026)	20,046	10,950	37,176	(32,526)	(6,018)	(8,800)	(10,929)	(61,675)	42,639	3,382	(20,640)	(29,966)	(87,388)
Net weekly cash flows														
<b>A+D</b>	(206,581)	(186,535)	(175,585)	(138,409)	(170,936)	(176,954)	(185,754)	(196,683)	(258,358)	(215,719)	(212,337)	(232,977)	(262,943)	(262,943)
Cumulative cash from operations														
Operating loan availability	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000
Surplus/Deficit	99,419	119,465	130,415	167,591	135,064	129,046	120,246	109,317	47,642	90,281	93,663	79,023	43,057	43,057

Blue Wave Seafoods Inc.  
Insolvent Person

Deloitte Restructuring Inc.  
Trustee under the Notice of Intention to file a Proposal for  
Blue Wave Seafoods Inc.  
and not in its personal capacity

**APPENDIX F  
POST-FILING ACCOUNTS PAYABLE LISTING**

**Blue Wave Seafoods Inc.**  
**Post Nov 15, 2013 Vendor Summary As at 30-11-13**

Name	Accts Payable	
	Total	Post filing Amts
Z-Acadian Fish Processors-L'Acadie 2000	9,237.30	9,237.30
Z-Allstream Inc	70.48	70.48
Z-Amos & Andy Fisheries Ltd	4,730.06	4,730.06
Z-AON Reed Stenhouse Inc	43,156.85	43,156.85
Z-B.Harris Welding Services Ltd	174.17	174.17
Z-Bell Aliant - 683-2044	289.55	289.55
Z-Bell Aliant - 683-2366	128.86	128.86
Z-Bell Aliant 683-9909	41.56	41.56
Z-BLL Enterprises 792	108.74	108.74
Z-Bluewave Energy	686.64	686.64
Z-Boyne Clarke Lawyers	18,473.21	18,473.21
Z-De La Tour Co-Op	206.95	206.95
Z-Deringer Managing Logistic	76.00	76.00
Z-Glenn Fitzgerald Trucking Ltd.	1,539.00	1,539.00
Z-Guillevin International Co.	81.19	81.19
Z-Irving Energy (Propane)	3,245.86	3,245.86
Z-Irving Energy Diesel	5,884.09	5,884.09
Z-Liverpool Home Hardware	147.97	147.97
Z-Lyreco Canada Inc	619.55	619.55
Z-OEC Overseas Express Consolidators (Montreal) Inc.	6,079.20	6,079.20
Z-Provincial Equipment Ltd	1,000.47	1,000.47
Z-Royal Bank Visa - Boyd	4,936.49	4,936.49
Z-Scotiabank Visa Wesley	907.06	907.06
Z-Tech Pak Inc	18,090.14	18,090.14
Z-Thomas L. Swaine Ltd	23.00	23.00
Z-W.R. Bolivar Transport Ltd	13,788.26	13,788.26
<b>Total outstanding:</b>	<b>133,722.65</b>	<b>133,722.65</b>