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C A N A D A
DISTRICT OF NOVA SCOTIA
DIVISION No.: 01 – Halifax
COURT No.: 43925
ESTATE No.: 51-2612348

SUPREME COURT OF
NOVA SCOTIA

IN THE MATTER OF THE BANKRUPTCY OF: **3246628 Nova Scotia Limited** a Company formed
under the laws of Nova Scotia, having its head office
at 232 Ravines Drive, Bedford, NS, B4A 0A3

-Bankrupt-

- and -

DELOITTE RESTRUCTURING INC.

(James Foran, CPA, CA, CIRP, LIT)

having its place of business at 1969 Upper Water
Street, Suite 1500, Halifax NS, B3J 3R7

-Licensed Insolvency Trustee-

SECTION A – BACKGROUND

3246628 Nova Scotia Limited (“324NS” or the “Company”) was incorporated in Nova Scotia on June 28, 2010. Since its incorporation, 324NS operated a used automobile dealership located at 452 Sackville Drive, Lower Sackville, NS, B4C 2R8 under various business names including Stop By Auto Sales, Great Buys Auto Sales and Best Buys Auto Sales. The shares of the 324NS are wholly owned by Rebecca Blumenthal.

According to discussions with various stakeholders and research completed by the Trustee, the Trustee understands the causes of insolvency to be as follows:

- In June 2016, CBC news reported that Darren Blumenthal (husband of Rebecca Blumenthal and the 324NS’s primary employee) was being charged with fraud. These allegations related to a transaction which occurred in August 2015 whereby Darren Blumenthal failed to repay the outstanding loan on a used vehicle which he purchased. In January 2019, Darren Blumenthal was found guilty of this offence and sentenced to two years in prison for fraud exceeding \$5,000; and
- In April 2017, the two primary secured creditors of the 324NS, being the Royal Bank of Canada (“RBC”) and NextGear Capital Corporation (“NextGear”), filed separate legal actions against the 324NS alleging that 324NS was selling vehicles out of trust¹. These allegations resulted in the assets of the dealership being repossessed on April 19, 2017 and a subsequent raid conducted by the Sheriff’s Office on April 26, 2017.

Deloitte understands that no further operations of the business have taken place since the raids on the dealership in 2017. With the purpose of inverting the priority of excise tax liabilities owed by the 324NS, NextGear filed an application with the Supreme Court of Nova Scotia (the “Court”) requesting that the 324NS be adjudged bankrupt and a Bankruptcy Order be made. On January 24, 2020, the Court granted NextGear’s request and issued a Bankruptcy Order against 324NS.

On January 31, 2020, Deloitte was appointed as the Licensed Insolvency Trustee (the “Trustee”) of the estate by the Official Receiver.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURED CREDITORS

Despite numerous attempts, as at the date of this report Deloitte has been unable to contact Rebecca Blumenthal or locate the books and records of the Company. Based on discussions with legal counsel of NextGear, representatives from NextGear and Deloitte’s research into causes of the Company’s insolvency, it is believed that all assets of the Company have either dissipated and/or been realized upon.

As Deloitte has not had an opportunity to review the books and records of the Company, the magnitude and structure of the Company’s debts is unknown at this time. The Trustee has performed searches under the *Personal Property Security Act* (“PPSA”) and the Nova Scotia Property Online database and advises the following parties have registered secured interests over personal property of the Company:

- Toronto Dominion Bank;
- Automotive Finance Canada Inc.;
- CWB National Leasing Inc.;
- GE Canada Equipment Financing G.P.; and
- NextGear Capital Corporation.

Furthermore, Deloitte has been advised by legal counsel of NextGear that an excise tax liability of approximately \$270 thousand owing to Canada Revenue Agency (the “CRA”) exists dating back to February 2017.

¹ Selling a vehicle out of trust happens when a vehicle is financed with lender, sold to the consumer, and the proceeds of the sale are subsequently not reported or provided to the lender to pay out the loan.

SECTION C – BOOKS AND RECORDS

The Trustee has not been able to obtain copies of the books and records at this time. The Trustee is currently working with various stakeholders in order to locate and/or confirm the existence of the books and records.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

As there are presently no unencumbered assets which vest with the Trustee, the Trustee has not taken any conservatory or protective measures at this time.

SECTION E – PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS

As of the date of this report, due to the limited number of proofs of claims received to date and the lack of financial information available from the Company, the Trustee is unable to determine if there will be a material difference between the books and records of the Company and proven claims filed by creditors.

SECTION F – LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee is not aware of any legal proceedings at this time.

SECTION G - DETAILS OF THIRD PARTY DEPOSITS OR GUARANTEES

On January 8, 2020, the Trustee entered into an agreement whereby NextGear agreed to provide up to \$15 thousand in funding in order to cover the costs of administering the bankruptcy estate.

SECTION H - TRUSTEE'S INTENTION TO ACT FOR SECURED CREDITORS

The Trustee has not agreed to act on behalf of any secured creditors at this time.

SECTION I - PROJECTED DISTRIBUTION AND TRUSTEE COMMENTS ON ANTICIPATED ASSET REALIZATIONS

As discussed above in Section B, there are no assets available for realization by the Trustee and as such no distributions are anticipated to unsecured creditors at this time.

SECTION J – OTHER

Nothing at this time.

Dated at Halifax, Nova Scotia this 13th day of February, 2020.

DELOITTE RESTRUCTURING INC

Acting in its capacity as
Licensed Insolvency Trustee of 3246628 Nova Scotia Limited
and not in its personal capacity

Per:



James Foran, CPA, CA, CIRP, LIT
Vice President