



DISTRICT OF: NOVA SCOTIA
DIVISION NO: 01 - HALIFAX
COURT NO: 2021 HFX NO. 503367
ESTATE NO: 51-126312

**SECOND REPORT OF DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS RECEIVER OF
3304051 NOVA SCOTIA LIMITED**

APRIL 15, 2021

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INTRODUCTION AND PURPOSE OF THIS REPORT

1. On January 22, 2021, Deloitte Restructuring Inc. ("**Deloitte**") was appointed interlocutory receiver and manager (the "**Interlocutory Receiver**") without security, over certain assets, undertakings and properties of 3304051 Nova Scotia Limited operating as Hefler Forest Products ("**Hefler**") pursuant to an order (the "**Interlocutory Receivership Order**") granted by the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**").
2. On February 11, 2021, Deloitte was appointed as the receiver and manager (in such capacity the "**Receiver**") without security, of all of the assets, undertakings and properties of Hefler acquired for, or used in relation to a business carried on by Hefler pursuant to an order (the "**Appointment Order**") of the Court.
3. In addition to the Appointment Order, the Court also issued the following orders on February 11, 2021:
 - (i) an order (the "**Sale Process Order**") authorizing the Receiver to complete the sale and investment solicitation process (the "**SISP**") as outlined in the First Report; and
 - (ii) an order (the "**Bankruptcy Order**") adjudging Hefler bankrupt.
4. The purpose of this second report of the Receiver (the "**Second Report**") is to provide information to the Court with respect to:
 - a) the Receiver's activities and the administration of the estate since the granting of the Appointment Order;
 - b) the Receiver's recommendation that the Court approve the results of the SISP;
 - c) the Receiver's recommendation that the Court issue a sale approval and vesting order (the "**Sale Approval and Vesting Order**");
 - d) the Receiver's recommendation that certain aspects of the SISP, mainly details of the offers received, be provided to the Court in a confidential supplemental report (the "**Confidential Supplement**") and that the Court issue an order (the "**Confidentiality Order**") restricting access to the Confidential Supplement for a period that is six months from the date of the Confidentiality Order; and
 - e) the bankrupt estate of Hefler.

TERMS OF REFERENCE

5. In preparing this Second Report, Deloitte has been provided with, and has relied upon, unaudited, draft and/or internal financial information, Hefler's books and records, discussions with management, and information from third-party sources (collectively, the "**Information**"). Except as described in this Second Report:
 - a) Deloitte has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, Deloitte has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Audit Standards ("**CAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.
 - b) Deloitte has prepared this Second Report in its capacity as Receiver to provide background to the Court for its consideration of the relief being sought. Parties using this Second

Report other than for the purposes outlined herein are cautioned that it may not be appropriate for their purposes.

6. Due to restrictions imposed as a result of the Covid-19 pandemic, the Receiver has been unable to perform usual procedures to verify or test Information provided by Management, including continuous physical attendance at Hefler's premises and meetings with Management.
7. While this Second Report references some of the known impacts of Covid-19 on Hefler's current and future operations, there may be further impacts not yet identified that may affect Hefler's business, which may have an adverse effect on its financial performance. Readers should consider the increasingly broad effects on the financial condition of Hefler as a result of the negative effect on Canada, the global economy and major financial markets from the Covid-19 pandemic.
8. Unless otherwise stated, all dollar amounts contained in this Second Report are expressed in Canadian Dollars.

ACTIVITIES OF THE RECEIVER

9. Since the granting of the Appointment Order, the Receiver's activities have included, but were not limited to:
 - a) executing the SISP in accordance with the Sale Process Order including, but not limited to, the following:
 - i. preparing marketing materials and placing advertisements in local newspapers and online mediums;
 - ii. finalizing SISP related documents including the tender package and non-disclosure agreement;
 - iii. contacting potential interested parties;
 - iv. holding discussions with interested parties as they completed their due diligence;
 - v. facilitating site visits of the property;
 - vi. providing regular updates to the senior secured creditor;
 - vii. reviewing bids received and selecting the successful bid; and
 - viii. discussing the Receiver's recommendation resulting from the SISP with Canadian Imperial Bank of Commerce ("**CIBC**"), the appointing creditor, Burchell's LLP ("**Burchells**"), legal counsel to CIBC, and Wickwire Holm ("**Wickwire**"), legal counsel to the Receiver.
 - b) preparing outstanding Canadian Emergency Wage Subsidy applications and participating in numerous discussions with representatives from the Canada Revenue Agency regarding the same;
 - c) preparing and filing outstanding HST returns with the Canada Revenue Agency for pre-receivership period; and
 - d) participating in discussions with creditors and stakeholders.
10. A summary of estate operating receipts and disbursements (the "**Operating R&D**") as at April 13, 2021 is enclosed as **Appendix A**.

11. As contained in the Operating R&D, significant cash receipts consist of accounts receivable collections of \$446 thousand.
12. Significant disbursements contained with the Operating R&D include:
 - a) payment of professional fees of the Receiver of \$82 thousand;
 - b) payment of contracted workers of \$76 thousand;
 - c) payment of insurance costs of \$56 thousand; and
 - d) payment of utilities of \$27 thousand.
13. With the SISP now complete, the Receiver anticipates that its activities will include, but not be limited to:
 - a) working with Wickwire to close the sale of the assets, subject to the Court granting the Sale Approval and Vesting Order; and
 - b) working with Wickwire in the preparation of motion documents to seek an order from the Court to distribute the funds to CIBC, subject to the closing of the asset sales.

MARKETING AND SALE PROCESS UPDATE

14. As previously discussed herein, on February 11, 2021, the Court granted the Sale Process Order approving the Receiver's plans to market the assets of Hefler.
15. Marketing activities, as set out in the Sale Process Order, completed by the Receiver included:
 - a) Contacting all parties that had previously participated in the SISP during the Consulting Engagement as outlined in Deloitte's Prefiling Report dated January 20, 2021.
 - b) Advertising the Hefler assets in the *Chronicle Herald* on two separate occasions.
 - c) Advertising the Hefler assets in *AllNovaScotia.com* for a period of ten days.
 - d) Advertising the Hefler assets in *Insolvency Insider* for a period of 14 days.
16. These marketing activities resulted in the Receiver having contact with 54 parties including 37 operators and 17 liquidators. In total, the Receiver executed 32 non-disclosure agreements, conducted 15 site visits and received eight offers (the "**Offers**") on or before March 5, 2021 (the "**Bid Deadline**").
17. In order to protect the realizable value of the assets resulting from the SISP, the Receiver has provided the Court with a Confidential Supplement to the Second Report.
18. The Confidential Supplement provides an overview of the Offers. The Receiver is seeking the Confidentiality Order regarding the Confidential Supplement for a period of six months from the date of the Confidentiality Order. A copy of the proposed Confidentiality Order is filed with the Receiver's motion materials.
19. The intent of the Confidentiality Order is to maintain confidentiality regarding the Offers until such time as the Receiver can complete a sale of the assets as contemplated by the Sale Approval and Vesting Order.
20. On March 30, 2021, the Receiver provided correspondence to Burchells (the "**Burchells Correspondence**"), a copy of which is enclosed with the Confidential Supplement. The Burchells Correspondence provides an overview of the SISP and the Receiver's decision regarding the

Offers. The Receiver understands that the Burchells Correspondence was shared with the Guarantors on or around March 31, 2021.

21. Given the information presented herein and contained within the Confidential Supplement, the Receiver requests that the Court grant the Sale Approval and Vesting Order and the Confidentiality Order as enclosed with the Receiver's motion materials.

BANKRUPTCY OF HEFLER

22. As discussed herein, on February 11, 2021 the Court granted the Bankruptcy Order adjudging Helfer bankrupt.
23. On March 2, 2021, the first meeting of creditors (the "FMOC") was held in the bankrupt estate. The appointment of Deloitte as Licensed Insolvency Trustee was affirmed at the FMOC and Mr. Pathik Ravani was appointed as the sole estate inspector.
24. The bankruptcy of Hefler is a non-asset bankruptcy and was completed to align and crystalize various creditor claims.
25. The Receiver will provide updates to the Court on the administration of the Hefler bankruptcy in subsequent reports.

CONCLUSION

26. The Second Report has been prepared to provide this Court with information regarding the Receiver's activities since the granting of the Appointment Order, the Receiver's request for a Sale Approval and Vesting Order, the Receiver's request for a Confidentiality Order and an update on the administration of the Hefler bankruptcy.
27. Based on the foregoing, the Receiver requests the Court grant the Sale Approval and Vesting Order and the Confidentiality Order.

All of which is respectfully submitted on April 15, 2021.

DELOITTE RESTRUCTURING INC.

In its capacity as
Receiver of 3304051 Nova Scotia Limited
and not in its personal capacity.

Per:



James Foran
Senior Vice President

Per:



Kurt MacLeod, MBA, CIRP, LIT
Vice President

SECOND REPORT DELOITTE RESTRUCTURING INC.
COURT NO: 2021 HFX NO. 503367
ESTATE NO: 51-126312
APRIL 15, 2021

Appendix A

Statement of Operating Receipts and Disbursements

District of: Nova Scotia
Division No: 01
Estate No: 51-126312

In the matter of the receivership of
3304051 Nova Scotia Limited
the town of Middle Sackville, in the Province of Nova Scotia

Form 12
Interim Statement of Operating Receipts and Disbursement
for the period from January 22, 2021 to April 13, 2021

RECEIPTS

1. Payment receipts		
Collection of accounts receivable	445,576.72	
Collection of pre-receivership HST refunds	18,458.34	
Sale of inventory	2,040.00	
Collection of receivership HST refunds	<u>306.00</u>	466,381.06
TOTAL RECEIPTS		<u><u>466,381.06</u></u>

DISBURSEMENTS

2. Receiver's remuneration		
Receiver's fees and disbursements	72,762.80	
HST charged on Receiver's fees and disbursements	<u>9,459.16</u>	82,221.96
3. Fees paid		
To official receiver	<u>71.54</u>	71.54
4. Miscellaneous		
Contracted workers	76,100.00	
Insurance	56,498.14	
Utilities	26,659.48	
Legal fees	9,125.85	
Appraisal fees	4,000.00	
Security	3,049.31	
Miscellaneous	2,383.82	
Telephone and internet services	2,273.48	
Locksmith	1,659.67	
Advertising	1,601.50	
Bank charges	<u>910.50</u>	184,261.75
5. Federal and provincial taxes		
HST paid	<u>11,721.22</u>	11,721.22
TOTAL DISBURSEMENTS		<u><u>278,276.47</u></u>
AMOUNT RETAINED IN TRUST ACCOUNT		<u><u>188,104.59</u></u>

DELOITTE RESTRUCTURING INC.

In its capacity as
Receiver of 3304051 Nova Scotia Limited
and not in its personal capacity

Per:



Kurt MacLeod

Dated this 13th day of April, 2021