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C A N A D A
DISTRICT OF NOVA SCOTIA
DIVISION No.: 01 – Halifax
COURT No.: 44649
ESTATE No.: 51-2713526

SUPREME COURT OF
NOVA SCOTIA IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF: **3304051 Nova Scotia Limited**, a Company formed under the laws of Nova Scotia, having its head office at 230 Lucasville Road, Middle Sackville, NS, B4B 1S1
Bankrupt

– and –

DELOITTE RESTRUCTURING INC.
(Kurt MacLeod, MBA, CIRP, LIT)
having its place of business at 1969 Upper Water Street, Suite 1500, Halifax NS, B3J 3R7
Licensed Insolvency Trustee

SECTION A – BACKGROUND

3304051 Nova Scotia Limited, operating as Hefler Forest Products (“**Hefler**”) was founded in March of 2017 when Hawthorne Capital Inc. (“**Hawthorne**”) and Katalyst Wind Inc. (“**Katalyst**”) incorporated RiverRoad Holdings Inc. (“**RiverRoad**”) to acquire the assets of Hefler from a proceeding under the *Companies’ Creditors Arrangements Act*.

The shares of RiverRoad were owned equally by Hawthorne (50%) and by Katalyst (50%), and RiverRoad owns 100% of the shares of Hefler. In September of 2020, a transaction occurred whereby Hawthorne purchased Katalyst’s equity interest in RiverRoad and thus became the sole shareholder of RiverRoad.

Prior to its insolvency, Hefler operated a 3.1MW biomass power plant (the “**Plant**”) that generated and sold energy to Nova Scotia Power Inc. under a power purchase agreement and standard small generator interconnection and operating agreement at predetermined rates contained within the Province of Nova Scotia’s Community Feed-in Tariff program. In addition to the Plant, Hefler also intermittently operated a sawmill.

On January 22, 2021, (the “**Receivership Date**”), the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the “**Court**”) granted an order (the “**Initial Receivership Order**”) appointing Deloitte Restructuring Inc. (“**Deloitte**”) as Interlocutory Receiver without security, over certain assets, undertakings and properties of Hefler.

On February 11, 2021, the Court granted a subsequent order (the “**Receivership Order**”) appointing Deloitte as Receiver and Manager (the “**Receiver**”) without security, over certain assets, undertakings and properties of Hefler.

On February 11, 2021, the Court also granted an order adjudging Hefler bankrupt (the “**Bankruptcy Order**”).

Additional information regarding the Receivership estate can be found at the Receiver’s website, which is www.insolvencies.deloitte.ca/Hefler.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURED CREDITORS

As at February 11, 2021 (the “**Date of Bankruptcy**”), a preliminary evaluation of the book value of Hefler’s assets and liabilities was:

3304051 Nova Scotia Limited (o/a Hefler Forestry Products)	
Summary of assets and liabilities	
(\$CAD)	
As at February 11, 2021	
Assets:	
Current assets	423,560
Non-current assets	5,427,157
	<u>5,850,717</u>
Liabilities:	
Secured creditors	6,793,885
Unsecured creditors	5,816,494
	<u>12,610,379</u>

Note: The information above was provided to the Trustee by Hefler and has not been audited, reviewed or otherwise verified. Asset values presented above are presented on a book value basis and as such, realizations on these assets may vary from the amounts presented.

Hefler's current assets primarily consist of the following:

- Accounts receivable and HST receivable;
- Inventory including finished goods (lumber) and biomass; and
- Deposit held by a supplier.

Deloitte, in its role as Receiver, has engaged Wickwire Holm as independent legal counsel in the receivership estate. Wickwire Holm has provided Deloitte with a legal opinion that confirmed the validity and enforceability of the CIBC security. CIBC's security includes a general security agreement and a collateral mortgage that fully encumbers the assets of Hefler except for a specific piece of equipment encumbered by VSF Canada Inc.

In addition to CIBC's secured claims, other secured creditors include Maritime Pressureworks Limited and VSF Canada Inc.

SECTION C – BOOKS AND RECORDS

The Trustee is in possession of Hefler's books and records. The Trustee has obtained both the physical books and records and those maintained electronically. The Trustee will have access to the books and records and will continue to assess their completeness.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

Deloitte, in its capacity as Receiver, took conservatory and protective measures over the assets of Hefler. These measures included, but were not limited to, the following:

- Securing, insuring and making an inventory of the assets located at 230 Lucasville Road, Middle Sackville, NS, B4B 1S1.
- Engaging Castle Appraisals Limited to complete an appraisal of certain assets owned by Hefler.
- Arranging for 24-hour security over the assets, including engaging an external security company and engaging former employees of Hefler on a time and task basis in order to protect the assets.
- Engaging the former Chief Power Engineer on a time and task basis in order to assist with preserving the assets, to provide technical advice to the Receiver as required and in order to satisfy requirements pursuant to the *Technical Safety Act*.

SECTION E – RELEVANT INFORMATION RELATING TO PROVABLE CLAIMS AND A DESCRIPTION OF CREDITORS

Based on the books and records of Hefler, there are three secured creditors (CIBC, Maritime Pressureworks Limited and VSF Canada Inc.) with amounts owing of approximately \$6.8 million and 74 unsecured creditors with amounts owing of approximately \$5.8 million.

Since its appointment, the Receiver has received and accepted two claims made by suppliers of goods pursuant to section 81.1(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**").

Since its appointment, the Receiver has received and accepted three claims made by parties pursuant to section 81(1) of the BIA.

The Trustee has received two proofs of claim as at the date of this report.

SECTION F – LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

Based on a preliminary review of the books and records of Hefler, the Trustee is not aware of any legal proceedings, reviewable transactions or preference payments against Hefler at this time. The Trustee will continue to review the books and records in order to identify any potential reviewable transactions.

SECTION G – DETAILS OF THIRD-PARTY DEPOSITS OR GUARANTEES

The fees and disbursements of the bankrupt estate will be covered by an administrative charge granted by the Court on January 22, 2021.

SECTION H – TRUSTEE’S INTENTION TO ACT FOR SECURED CREDITORS

On January 22, 2021, the Trustee was appointed Interlocutory Receiver by the Court and was subsequently appointed as Receiver on February 11, 2021.

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

Based on the activities the Receiver to date, namely an appraisal of certain assets of Hefler and certain collections on accounts receivable as compared to the magnitude of registered encumbrances, the Trustee does not anticipate a distribution will be made from the bankrupt estate.

SECTION J – OTHER

On August 4, 2020, Deloitte was retained by CIBC to act as its financial consultant to review the operations and financial position of Hefler.

Dated at Halifax, Nova Scotia this March 1, 2021.

DELOITTE RESTRUCTURING INC

Acting in its capacity as
Licensed Insolvency Trustee of 3304051 Nova Scotia Limited
and not in its personal capacity

Per:



Kurt MacLeod, MBA, CIRP, LIT
Vice President