

DISTRICT OF: NOVA SCOTIA
DIVISION NO: 01 – HALIFAX
COURT NO: Hfx No. 532179

THIRD REPORT OF DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS RECEIVER OF
ATLANTIC ORIENTAL WHOLESALE (AOW) INCORPORATED

DECEMBER 11, 2024

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INTRODUCTION

1. On April 11, 2024, the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**") issued an order (the "**Receivership Order**") pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**") and the equitable jurisdiction of this Court as partially codified by section 43(9) of the *Judicature Act*, appointing Deloitte Restructuring Inc. ("**Deloitte**") as receiver (the "**Receiver**") without security, of all of the assets, undertakings and properties of Atlantic Oriental Wholesale (AOW) Inc. ("**AOW**") acquired for, or used in relation to a business carried on by AOW (the "**Property**").
2. In addition to the Receivership Order, the Court also issued an order (the "**Sale Process Order**") authorizing and approving the Receiver to proceed with the sale and investment solicitation process (the "**SISP**") as outlined in the First Report of the Proposed Receiver dated April 1, 2024 (the "**First Report**"). A copy of the First Report (without appendices) is enclosed as **Appendix A**.
3. On July 29, 2024, the Receiver filed its second report (the "**Second Report**") with the Court that:
 - i. provided an update on the Receiver's activities since the granting of the Receivership Order;
 - ii. provided an update on the outcome of the SISP, including the Receiver's request for a Sale Approval and Vesting Order;
 - iii. requested the Court grant the Confidentiality Order covering the contents of the Confidential Supplement to the Second Report;
 - iv. requested the Court approve the activities of the Receiver as detailed in the First Report and the Second Report; and
 - v. provided an update regarding a potential assignment in bankruptcy of AOW.
4. On August 8, 2024, the Court granted the Sale Approval and Vesting Order and the Confidentiality Order (collectively, the "**August 8 Orders**").

PURPOSE

5. The purpose of this third report (the "**Third Report**") is to provide information to the Court with respect to:
 - i. the Receiver's activities since the granting of the August 8 Orders;

- ii. the Receiver's request for an order approving the sale of the residential house (the "**House**") (the "**House Sale Approval and Vesting Order**");
- iii. the Receiver's request for an order that certain aspects of the House Sale Approval and Vesting Order as contained in the confidential supplement to the Third Report (the "**Confidential Supplement to the Third Report**") be sealed until such time as the transaction closes or upon further order of this Court (the "**Second Confidentiality Order**"); and
- iv. the Receiver's request for an order approving the activities of the Receiver as contained in the Third Report and the Confidential Supplement to the Third Report (the "**Second Activities Approval Order**")

TERMS OF REFERENCE AND DISCLAIMER

- 6. In preparing this Third Report, the Receiver has been provided with, and has relied upon, unaudited, draft and/or internal financial information and information from third-party sources (collectively, the "**Information**"). Except as described in this Third Report:
 - i. The Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Receiver 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 of Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.
 - ii. Deloitte has prepared this Third Report in its capacity as Receiver to provide background to the Court for its consideration of the relief being sought. Parties using this Third Report other than for the purposes outlined herein are cautioned that it may not be appropriate for their purposes.
- 7. Unless otherwise stated, all dollar amounts contained in this Third Report are expressed in Canadian Dollars.

8. Capitalized items not otherwise defined herein are as defined in various materials filed with the Court in these proceedings and can be found on the Receiver's website at www.insolvencies.deloitte.ca/AOW (the "**Receiver's Website**").

ACTIVITIES OF THE RECEIVER

9. Since the issuance of the August 8 Orders, the Receiver's activities have included, but were not limited to, the following:
- i. working with the purchaser of the Property to close the transaction contemplated by the Sale Approval and Vesting Order (the "**Transaction**");
 - ii. engaging in discussions with the insurance agent retained by the Receiver regarding matters affecting the Property;
 - iii. continuing discussions relating to insurance claims filed by AOW prior to the appointment of the Private Receiver;
 - iv. holding discussions with its legal counsel regarding administrative matters relevant to the estate;
 - v. engaging in discussions with the real estate agent (the "**Agent**") regarding the House as further described herein;
 - vi. corresponding with the former principal of AOW regarding the repayment of shareholder loans (the "**Shareholder Payments**") prior to the Appointment Date;
 - vii. holding discussions with RBC, BDC and their respective legal counsel regarding optionality relating to the Shareholder Payments;
 - viii. maintained the Receiver's Website; and
 - ix. filed this Third Report with the Court.

Transaction Closing

10. On August 16, 2024, the Receiver and the Preferred Bidder closed the Transaction.

MARKETING AND SALE PROCESS UPDATE

11. The House was originally contained in the Tender Package as Parcel 3. As outlined at paragraph 17 of the Second Report, the Receiver received no offers as at the Bid Deadline and subsequently engaged the Agent to list the property on MLS.

12. As at the date of the Third Report, the Receiver has entered into an agreement of purchase and sale (the "**House APS**"), further details of which have been provided to this Court in the Confidential Supplement to the Third Report.
13. In addition to the commercially sensitive reasons set out in the Confidential Supplement to the Third Report, the Receiver is of the opinion that:
 - i. the SISP was approved by the Court and conducted by the Receiver in accordance with its terms, including the MLS Listing;
 - ii. the Marketing Activities were robust and exposed the House to a broad universe of potential purchasers for a reasonable period of time;
 - iii. the senior secured creditors of AOW have been consulted continuously throughout the SISP. Such creditors are supportive of the House APS being approved by the Court;
 - iv. the House APS maximizes realizations available to the affected creditors of AOW;
 - v. the House APS is commercially reasonable, contains reasonable conditions and should be accepted; and
 - vi. the Receiver does not believe that further marketing would lead to any greater than those contained in the House APS.
14. The Receiver is seeking the Court's approval to complete a transaction pertaining to the House. To protect sensitive information relating to the proposed transaction, the Receiver has provided the Court with the Confidential Supplement to the Third Report.
15. The Confidential Supplement to the Third Report provides an overview of the MLS Listing Activity along with a market value assessment of the House obtained from the Agent. A copy of the House APS is also included in the Confidential Supplement to the Third Report. The Receiver is seeking the Confidentiality Order regarding the Confidential Supplement to the Third Report until such time as the transaction is closed, or upon further order of this Court if the transaction does not close. A copy of the proposed Confidentiality Order is filed with the Receiver's motion materials.
16. The intent of the Confidentiality Order is to maintain confidentiality regarding the offers and the market value until such time as the Receiver can complete a sale of the House, as contemplated

by the House Sale Approval and Vesting Order. The Receiver is of the view that there is risk that public disclosure of this information could negatively impact realization if the transaction contemplated by the House APS does not close, and the Receiver is required to re-market the House.

17. The Receiver has shared the details of the House APS with both BDC and RBC, the senior secured creditors of AOW and both parties are supportive of the proposed transaction. For the reasons set out in the Confidential Supplement to the Third Report, the Receiver is of the opinion that the transaction with the purchaser is commercially reasonable and should be accepted. Accordingly, the Receiver recommends that the Court grant the House Sale Approval and Vesting Order and the Confidentiality Order.
18. Should this Court approve the House Sale Approval and Vesting Order and the Confidentiality Order, and the sale of the House closes, the Receiver intends to hold the proceeds of sale in trust until such time as a distribution order is granted by the Court.

RECEIVER'S ACTIVITIES

19. The Receiver is currently seeking the Court's approval of the Third Report and the Confidential Supplement to the Third Report, including the conduct and activities described therein.
20. As at the date of the Third Report, the Receiver is not aware of any objection to the Receiver's conduct or activities.

CONCLUSION

21. The Third Report has been prepared in support of the relief requested herein.
22. Based on the foregoing, the Receiver requests the Court grant the requested orders.

All of which is respectfully submitted on December 11, 2024

DELOITTE RESTRUCTURING INC.

Acting sole in its capacity as
Court Appointed Receiver and Manager of Atlantic Oriental Wholesale (AOW) Ltd.
and not in its personal capacity

Per:

A handwritten signature in black ink, appearing to be 'J. Foran', written in a cursive style.

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