

DISTRICT OF: NOVA SCOTIA
DIVISION NO: 01 – HALIFAX
COURT NO: 2023-521470
ESTATE NO'S: 51-126400/51-126401/51-126414



**SECOND REPORT OF DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS RECEIVER OF
MERIDIEN ATLANTIC FISHING LTD.,
ROCKY COAST SEAFOODS LTD. AND 9514228 CANADA INC.**

JUNE 27, 2023

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INTRODUCTION AND PURPOSE OF THIS REPORT

1. On March 9, 2023 (the "**Appointment Date**"), upon application by TD Bank ("**TD**"), the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**") granted an order (the "**Receivership Order**") appointing Deloitte Restructuring Inc. ("**Deloitte**") as receiver (the "**Receiver**") without security, of all the assets, undertakings and properties of Meridien Atlantic Fishing Ltd. ("**Meridien**") and Rocky Coast Seafoods Ltd. ("**Rocky Coast**").
2. On April 14, 2023, upon application by TD, the Receivership Order was amended (the "**Amended Receivership Order**") appointing Deloitte as Receiver without security, over the assets, undertakings and properties of 9514228 Canada Inc. ("**951**") (Meridien, Rocky Coast and 951 are collectively referred to herein as the "**Meridien Group**").
3. Additionally, on April 14, 2023, the Court granted an order approving the proposed sale and investment solicitation process (the "**SISP**") (the "**SISP Order**") as outlined in the Receiver's first report dated April 5, 2023 (the "**First Report**").
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 First Report;
 - b) the Receiver's request that the Court approve the activities of the Receiver to date (the "**Activities Order**");
 - c) update the Court on the outcome of the SISP to date and the Receiver's request that the Court approve an amendment to the SISP Order (the "**Amended SISP Order**"); and
 - d) the Receiver's request for an order increasing the Receiver's borrowing ability as contained within the Amended Receivership Order to \$350,000 (the "**Borrowing Order**").

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, the Meridien Group'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, Deloitte 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. Unless otherwise stated, all dollar amounts contained in this Second Report are expressed in Canadian Dollars.
7. Documents pertaining to the administration of the estate can be found on the Receiver's website at www.insolvencies.deloitte.ca/MeridienGroup.

ACTIVITIES OF THE RECEIVER

8. Since the First Report, the Receiver's activities have included, but were not limited to:
 - a) issuing statutory notices pursuant to sections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") to creditors of 951;
 - b) completing administrative activities pertaining to the Wage Earners Protection Program Act;
 - c) participating in discussions with representatives of TD and its legal counsel regarding the administration of the estate;
 - d) participating in discussions with and assisting Stewart McKelvey, the Receiver's independent legal counsel, with the completion of an independent verification of TD's security;
 - e) participating in discussions with parties holding quota in trust for Meridien and 951;
 - f) participating in discussions with Ernst & Young Inc., financial advisor to the guarantors (the "**Guarantors**") regarding obligations outstanding to TD and the SISP;
 - g) participating in discussions with representatives from the Nova Scotia Department of Fisheries and Aquaculture;
 - h) issuing notices of the appointment to Fisheries and Oceans Canada;
 - i) assisting TriNav Group of Companies ("**TriNav**") with the administration of the SISP including, but not limited to, the following:
 - i. providing additional due diligence documentation to TriNav pertaining to the assets of the Meridien Group;
 - ii. providing copies of the one-page teaser (the "**Teaser**") to potential interested parties and connecting parties with TriNav;
 - iii. participating in discussions with TriNav regarding interest received to date and providing updates to TD and EY regarding the same; and
 - iv. reviewing letters of intent received from interested parties.
9. A summary of estate receipts and disbursements (the "**R&D**") as at June 21, 2023 is enclosed as **Appendix A**. For the purpose of the Second Report, the R&D's of Meridien, Rocky Coast and 951 are presented on a consolidated basis. Once the realization of assets has been completed, the Receiver will marshal certain costs and provide separate R&D's for each estate.
10. As at the date of the R&D, the Receiver has borrowed \$40,000 from TD pursuant to paragraphs 26 through 29 of the Amended Receivership Order (the "**Borrowed Funds**"). Furthermore, as at the date of the R&D, the Receiver is holding \$2,759 in trust representing the current balance of Borrowed Funds net of expenses paid to date.
11. As at the date of the Second Report, the Receiver is not aware of any objection to the Receiver's conduct or activities to date.
12. The Receiver is currently seeking the Court's approval of the First Report and Second Report including the conduct and activities described therein.

13. Based on the activities outlined above and contained within the First Report, the Receiver anticipates that moving forward its activities will focus on the execution and completion of the SISP as amended herein.

MARKETING AND SALE PROCESS UPDATE

14. As previously discussed herein, on April 14, 2023, the Court granted the SISP Order approving the Receiver's plans to market the assets of the Meridien Group via a sales agent (TriNav).
15. Marketing activities as set out in the SISP Order, completed by TriNav to date included:
- a) contacting parties identified by the Receiver who had previously expressed interest in the assets;
 - b) providing the Teaser to TriNav's email distribution network of brokers and buyers (approximately 10,000 parties);
 - c) advertising the SISP in the Chronicle Herald, ALLNovaSoctia.com, Insolvency Insider, The Navigator magazine, and Atlantic Fisherman newspaper; and
 - d) listing parcels on TriNav Marine Brokerage and TriNav Realty websites (collectively the "**Marketing Activities**").
16. These Marketing Activities resulted in the execution of 23 non-disclosure agreements and as at May 31, 2023 (the letter of intent ("**LOI(s)**") deadline) the receipt of eight LOIs.
17. Despite the SISP process garnering significant interest in the assets of the Meridien Group, the unique nature of the assets and the blind tender process (i.e. no advertised list price) utilized has made it more challenging for interested parties to gauge their interest in the assets and submit offers. TriNav has advised Deloitte that establishing a range of appropriate values in the case of fishing quota and licenses, list prices in the case of real estate and equipment and allowing them to negotiate with interested parties will enhance and simplify the realization process.
18. Taking into consideration the initial results of the SISP and feedback provided to the Receiver from TriNav, and with the support of TD and the Guarantors, the Receiver is recommending and requesting the following amendments to the SISP:

Fishing Licenses and Quota

- a) TriNav will establish an appropriate range of values for licenses and quota parcels taking into consideration the estimated value as contained within an appraisal which was completed in 2022.
- b) Once a range has been established, TriNav will enter into negotiations with interested parties.

Fish processing facility, apartment building and equipment

- a) Real estate and equipment assets including the fish processing facility and its various equipment, and a residential apartment building located in Comeauville, Nova Scotia will be listed by TriNav's realty division on the Nova Scotia MLS System.
- b) In both cases, TriNav will establish an appropriate list price in consultation with the Receiver, TD and the Guarantors taking into consideration the estimated value as contained within appraisals which was completed in 2023.

19. The Receiver is of the opinion that assigning value ranges/listed prices and allowing TriNav the authority and time to negotiation with interested parties over a longer period of time will enhance the recoveries of the estate as compared to proceeding to the next phase of the SISP as originally approved by the Court.
20. The Receiver has discussed the proposed amendments to the SISP with TD and the Guarantors and both key stakeholders support the amendments discussed herein.

CHURCH POINT PROPERTY

21. As at the date of the Second Report, the Receiver is in the process of finalizing the terms of an agreement of purchase and sale pertaining to the Church Point Property. To protect sensitive information relating to the proposed transaction, the Receiver intends to provide the Court with a confidential report along with a motion for a sale approval and vesting order as soon as possible.
22. The Receiver has discussed the proposed Church Point Property transaction with TD and the Guarantors and both parties support the transaction.

RECEIVER BORROWINGS

23. As discussed above, as at the date of this Second Report the Receiver has Borrowed Funds in the amount of \$40,000.
24. As at the date of the Second Report, the Receiver has requested additional funding from TD in the amount of \$125,000 (bringing total Borrowed Funds to \$165,000) in order to pay professional fees and projected ongoing holding costs (approximately \$12,000 per month).
25. Considering monthly holding costs, ongoing professional fees of the Receiver and its legal counsel and the proposed amendments to the SISP discussed above, the Receiver is of the opinion that borrowings may exceed the maximum borrowing limit of \$250,000 contained within the Amended Receivership Order.
26. The Receiver has consulted with TD regarding the increase to the borrowing limit and it supports the Receiver's request.
27. As such, the Receiver is seeking approval from the Court to increase its borrowing limit to \$350,000.

SECOND REPORT OF DELOITTE RESTRUCTURING INC.
COURT NO: 2023-521470
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CONCLUSION

28. The Second Report has been prepared to provide this Court with information regarding the Receiver's activities since the First Report, update the Court on the outcome of the SISP to date, advise the Court of the Receiver's intention to bring forward a sale approval motion imminently, and the Receiver's request that the Court approve the Activities Order, an amendment to the SISP Order and the Borrowing Order.
29. Based on the foregoing, the Receiver requests the Court grant the Activities Order, the amended SISP Order, and the Borrowing Order in the form submitted by legal counsel.

All of which is respectively submitted on June 27, 2023.

DELOITTE RESTRUCTURING INC.

Acting in its capacity as
Receiver of Meridien Atlantic Fishing Ltd.,
Rocky Coast Seafoods Ltd. and 9514228 Canada Inc.
and not in its personal capacity.

Per:



James Foran
Senior Vice President

Per:



Kurt MacLeod
Vice President

Appendix A

STATEMENT OF RECEIPTS AND DISBURSEMENTS

District of: Nova Scotia
Division No: 01- Halifax
Estate No's: 51-126401/51-126400/51-126414

In the matter of the receivership of
Meridien Atlantic Fishing Ltd., Rocky Coast Seafoods Ltd.
and 9514228 Canada Inc.
of the town of Comeauville, in the Province of Nova Scotia, and
the town of Matane, in the Province of Quebec

Consolidated Interim Statement of Receipts and Disbursement
for the period from March 9, 2023 to June 21, 2023

RECEIPTS

Receiver's borrowings	40,000.00	
Rental income	6,117.46	
Interest	2.85	46,120.31

TOTAL RECEIPTS

46,120.31

DISBURSEMENTS

Contracted workers	18,052.71	
Insurance	17,207.95	
Utilities	4,856.51	
Telephone and internet	822.24	
Repair and maintenance	819.60	
HST paid on disbursements	717.09	
Fishing quota fees paid to Fisheries and Oceans Canada	592.13	
Security	120.00	
Bank charges	100.00	
Filing fees paid to the official receiver	72.82	43,361.05

TOTAL DISBURSEMENTS

43,361.05

AMOUNT RETAINED IN TRUST ACCOUNT BY THE RECEIVER

2,759.26

DELOITTE RESTRUCTURING INC.

Acting in its capacity as Receiver
Meridien Atlantic Fishing Ltd., Rocky Coast Seafoods Ltd.
and 9514228 Canada Inc.
and not in its personal capacity

Per:



Kurt Macleod, MBA, CIRP, LIT
Vice President