

DISTRICT OF: NOVA SCOTIA
DIVISION NO: 01 – HALIFAX
COURT NO: 2020 HFX NO. 501252

Court Administration

DEC 04 2023

Halifax, N.S.

**SECOND REPORT OF DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER OF
11016946 CANADA INC.**

NOVEMBER 30, 2023

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INTRODUCTION

1. On January 13, 2023, the Business Development Bank of Canada ("**BDC**") filed a Notice of Motion (the "**Motion**") with the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "**Court**") seeking an order (the "**Receivership Order**") appointing Deloitte Restructuring Inc. ("**Deloitte**") as receiver and manager (the "**Receiver**") without security, of the assets, collateral and undertakings of 11016946 Canada Inc. ("**1101**") and certain real property located at 123-125 Prince William Street and 60 Water Street in Saint John, New Brunswick (the "**Property**"). As part of the Motion, BDC also requested that the Court grant an order (the "**Sale Process Order**") approving the sale and investment solicitation process (the "**SISP**") as outlined in Deloitte's pre-filing report dated January 13, 2023 (the "**Pre-Filing Report**").
2. BDC's Motion was scheduled to be heard on January 27, 2023, which was adjourned until February 9, 2023. In the interim, BDC and 1101 reached an agreement to provide the debtor with additional time to enact a transaction involving the Property (the "**Forbearance Agreement**").
3. As part of the Forbearance Agreement, 1101 consented to the appointment of Deloitte as Receiver if it was unable to close a sale transaction on or before March 31, 2023.
4. Between February and August 2023, the Forbearance Agreement was extended and amended on numerous occasions providing 1101 with additional time to enact a transaction.
5. On August 4, 2023 (the "**Appointment Date**"), at the request of BDC, the Court granted the Receivership Order.
6. On September 6, 2023, the Court granted an order (the "**Sale Process Order**") that amongst other things:
 - i. approved the sale investment and solicitation process (the "**SISP**") as outlined the First Report of the Receiver dated August 24, 2023 (the "**First Report**"); and

- ii. approved the conduct and activities of the Receiver as set out in its First Report.
7. The purpose of this report (the "**Second Report**") is to provide information to the Court with respect to:
- i. the Receiver's activities since the granting of the Sale Process Order, including an update on the financial position of the estate (the "**Interim R&D**");
 - ii. an update on the SISP, including:
 - a) the Receiver's request for an order approving the sale of the Property (the "**Sale Approval and Vesting Order**");
 - b) the Receiver's request for a Confidentiality Order (the "**Confidentiality Order**") as regards to the Receiver's Confidential Supplement to the Second Report (the "**Confidential Supplement**"), on the terms set out in the draft Confidentiality Order being provided to the Court; and
 - iii. the Receiver's request for approval of the Receiver's activities as set out in the Second Report and the Confidential Supplement.

TERMS OF REFERENCE AND DISCLAIMER

8. In preparing this Second 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**").

9. Except as described in this Second 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 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 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.

10. Unless otherwise stated, all dollar amounts contained in this Second Report are expressed in Canadian dollars.

11. Capitalized terms not otherwise defined herein are as defined in the Receivership Order, the Sale Process and Activities Order, and the First Report.

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12. Documents pertaining to the administration of the estate can be found on the Receiver's case website at www.insolvencies.deloitte.ca/11016946CanadaInc.

ACTIVITIES OF THE RECEIVER

13. Since the granting of the Sale Process Order, the Receiver's activities have included, but were not limited to the following:
- i. engaging a real estate appraiser to appraise the Property and to provide an appraisal report (the "**Appraisal Report**");
 - ii. administering the SISP as further discussed herein;
 - iii. participating in discussions with representatives of BDC regarding the administration of the estate, including the SISP;
 - iv. participating in discussions with Receiver's legal counsel regarding the SISP;
 - v. participating in discussions with representatives of the Canada Revenue Agency regarding the non-compliant status of 1101's various tax accounts;
 - vi. participating in discussions with the principal of 1101; and
 - vii. participating in discussions with the property manager and tenants of the Property.
14. A copy of the Interim R&D as at November 24, 2023 is attached as **Appendix A**. The Receiver wishes to provide the following commentary with respect to the Interim R&D:
- i. the estate has borrowed \$50,000 of the \$100,000 limit approved from BDC as part of the Receivership Order. These borrowings were used to fund holding costs of \$12,472.05 and SISP related costs of \$8,580.00;
 - ii. the estate has collected rental income of \$27,813.02; and

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- iii. the estate has paid professional fees (exclusive of HST) of \$40,895.92, broken down as \$34,685.67 to the Receiver and \$6,210.25 to McInnes Cooper, legal counsel to the Receiver.
15. As at the date of the Second Report, the Receiver is holding \$203,833.67 in its trust account (the **"Trust Funds"**). A portion of the Trust Funds will be returned to unsuccessful bidders who participated in the SISP.

MARKETING AND SALE PROCESS UPDATE

16. Subsequent to the granting of the Sales Process Order, the Receiver undertook the following marketing activities pursuant to the SISP (the **"Marketing Activities"**):
- i. identified 40 parties involved in the greater Saint John area real estate markets and provided each with correspondence, including the Teaser, on September 11, 2023;
 - ii. advertised the Property for sale in the September 16, 2023, and September 30, 2023 provincial editions of the Chronicle Herald;
 - iii. advertised the Property for sale in the September 16, 2023, and September 30, 2023 editions of the Telegraph Journal;
 - iv. advertised the property for sale with AllAtlantic for the period September 18 to September 29, 2023; and
 - v. advertised the Property for sale with Insolvency Insider commencing on September 18, 2023.

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17. As a result of the Marketing Activities, the Receiver executed 15 non-disclosure agreements and participated in several site visits with prospective bidders.
18. On November 6, 2023 (the "**Bid Deadline**"), the Receiver received two offers on the Property. Subsequent to the Bid Deadline, and in consultation with BDC, the Receiver wrote to both parties and asked them to submit their best and final offer by November 13, 2023. On November 13, 2023, the Receiver received improved offers from both parties and subsequently selected the most favorable offer (the "**Successful Offer**"), subject to Court approval.
19. The Receiver is seeking the Court's approval to complete the proposed sale transaction in accordance with the terms and conditions of the Successful Offer, and the vesting of title in the purchaser free and clear of all claims, liens, or encumbrances, as set out in the draft Sale Approval and Vesting Order being provided to the Court.

CONFIDENTIALITY ORDER

20. The Confidential Supplement is intended to assist the Court in evaluating the proposed transaction, and provides an overview of the offers received and the appraised value of the Property. It contains sensitive commercial information regarding the Property and the offers received, and appends copies of the Appraisal Report and the Successful Offer.
21. The Receiver is seeking a Confidentiality Order as regards the Confidential Supplement, on the basis that it contains sensitive commercial information which, if disseminated, could negatively affect any future transactions in the event that the Successful Offer does not close. A draft copy of the proposed Confidentiality Order is being filed with the Receiver's Motion materials.
22. The Receiver is of the opinion that the proposed sale transaction is commercially reasonable and should be accepted and approved by this Honourable Court. Accordingly, the Receiver recommends that the Court grant the Sale Approval and Vesting Order and the Confidentiality Order.

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23. Should the Court granted the requested relief, and the proposed sale transaction closes, the Receiver shall hold the net sale proceeds in trust pending further Order of this Honourable Court.

RECEIVER'S ACTIVITIES AND CONSOLIDATED R&D

24. The Receiver is seeking the Court's approval of the Second Report and the Confidential Supplement, including the conduct and activities of the Receiver as described herein.
25. As at the date of this Second Report, the Receiver is not aware of any objection to the Receiver's conduct or activities.

CONCLUSION

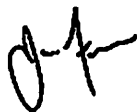
26. The Second Report has been prepared to provide the Court with the Receiver's activities since the First Report and in support of the relief requested herein.
27. Based on the foregoing, the Receiver request the Court grant the requested relief.

All of which is respectively submitted on November 30, 2023.

DELOITTE RESTRUCTURING INC.

Acting in its capacity as
Court Appointed Receiver and Manager of 11016946 Canada Inc.
and not in its personal capacity

Per:



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

APPENDIX A – INTERIM RECEIPTS AND DISBURSEMENTS

District of: Nova Scotia
Division No: 01- Halifax
Estate No's: 51-126436

In the matter of the receivership of
11016946 Canada Inc.
of the City of Halifax, in the Province of Nova Scotia

Interim Statement of Receipts and Disbursement
for the period from August 4 to November 24, 2023

RECEIPTS

Tender deposits received	191,350.00	
Borrowings from Receiver's Certificate	50,000.00	
Collection of rental income	27,813.02	
HST collected	4,171.98	
Refund	2,515.38	
Interest	291.54	276,141.92

TOTAL RECEIPTS

276,141.92

DISBURSEMENTS

Receiver's fees and disbursements	34,685.67	
HST paid on disbursements	8,222.99	
Insurance	6,440.90	
Legal fees and disbursements	6,210.25	
Utilities	4,034.48	
Appraisal fees	3,500.00	
Data room costs	3,200.00	
HST remitted	1,959.99	
Advertising	1,880.00	
Locksmith	1,050.63	
Lease payments	946.04	
Interest and bank charges	102.00	
Filing fees paid to the official receiver	75.30	72,308.25

TOTAL DISBURSEMENTS

72,308.25

AMOUNT RETAINED IN TRUST ACCOUNT BY THE RECEIVER

203,833.67

DELOITTE RESTRUCTURING INC.

Acting in its capacity as
Court Appointed Receiver and Manager of 11016946 Canada Inc.
and not in its personal capacity

Per:



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