

Our File: 172068

November 30, 2018

Via Courier

The Supreme Court of Newfoundland and Labrador
PO Box 937
309 Duckworth Street
St. John's, NL A1C 5M3

Attention: Application Registry

Dear Sir/Madam:

**RE: The Proposal of British Bazaar Company Limited and British Confectionary
Company Limited
Court Nos. 22375 and 22376
Our Client: Bank of Montreal**

With respect to the above-noted matter, please find enclosed the affidavit of Anna Graham for filing today with respect to British Confectionary Company Limited and British Bazaar Company Limited.

We trust this is in order.

Yours truly,


Geoffrey Spencer
Regional Lead Partner

GS/ss
Encl.

cc. Creditors

Estate No: 51-2440231
Court No. 22376
District: Newfoundland & Labrador
Division: 01-Newfoundland & Labrador

2018 01G ____
**IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
GENERAL DIVISION
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF the Bankruptcy
& Insolvency Act, RSC, 1985, c. B-3
as amended

AND IN THE MATTER OF the Proposal
Of British Confectionary Company Limited

Estate No: 51-2440230
Court No. 22375
District: Newfoundland & Labrador
Division: 01-Newfoundland & Labrador

IN THE MATTER OF the Bankruptcy
& Insolvency Act, RSC, 1985, c. B-3
as amended

AND IN THE MATTER OF the Proposal
Of British Bazaar Company Limited

AFFIDAVIT of ANNA GRAHAM

SUMMARY OF CURRENT DOCUMENT

Court File Number(s):	201801G ____
Date of Filing of Document:	November 30, 2018
Name of Party Filing or Person:	Bank of Montreal
Application to which Document being filed relates:	Interlocutory Application for an Order pursuant to section 50.4(9) of the <i>Bankruptcy and Insolvency Act</i> ("BIA")
Statement of Purpose in filing:	Affidavit in response to the Interlocutory Application

I, Anna Graham, of the City of Halifax in the Province of Nova Scotia, make oath and say that:

1. I am a senior account manager with the special accounts management unit of Bank of Montreal ("BMO") and as such I have personal knowledge of facts deposed to herein except as otherwise stated.

Background

2. Beginning with margin calculation for July 31, 2018, British Confectionary Company Ltd. ("Confectionary") was in a significant margin deficit with BMO in relation to its operating advances, which deficit grew to approximately \$1,245,000.00 as of August 31, 2018 and was maintained at the level until October 29, 2018 (the "Margin Deficit"). It took some time for the maximum amount of the deficit to be accurately determined as Confectionary was unable to provide accurate financial data. BMO retained David Boyd, of PricewaterhouseCoopers Inc., who met with Confectionary management, assessed their operations and assisted in the development of cash flows for BMO's review. Once the Margin Deficit was accurately determined, Confectionary requested that BMO allow Confectionary to continue in a deficit position and draw additional credit, while slowly reducing the Margin Deficit over time.
3. BMO agreed to work with Confectionary in order to set up a payment plan that would allow the Margin Deficit to be paid out over time. After several discussions regarding the terms of such an arrangement, BMO outlined the essential details of the proposed arrangement in a teleconference call with the principals of Confectionary on October 29, 2018 and confirmed same in email correspondence to the principals of Confectionary on October 29, 2018. The Margin Deficit was to be immediately reduced to \$1,195,000 with further weekly reductions of \$10,000.00 beginning November 2, 2018. Included in these details was the requirement for demand letters to be issued and a Forbearance Agreement to be entered into with respect to the payment plan. The principals of Confectionary agreed to these details in the teleconference call.

4. On October 31, 2018, BMO issued demand letters to Confectionary and the guarantors, including British Bazaar Company Limited (“Bazaar”), while at the same time preparing a draft Forbearance Agreement for their review. Following some discussion on the terms of the Forbearance Agreement, Confectionary and Bazaar (the “Companies”) filed Notices of Intention to Make a Proposal pursuant to section 50.4 of the BIA (the “NOI Filings”).
5. BMO was surprised to receive the NOI filings as BMO had been working cooperatively with the Companies to reach an arrangement that would allow the Margin Deficit to be paid out over time.

Administrative Consolidation Order

6. I note that the Companies are seeking an order for an “administrative consolidation” and not a “substantive consolidation”. While BMO has no objection to a procedural consolidation to allow matters involving the two separate estates to be heard together, BMO does object to any substantive consolidation of these matters. A substantial consolidation would not be appropriate as the Companies have different creditors, different bank accounts and have not operated as a single entity. Any substantial consolidation order would prejudice BMO as it would reduce the value of BMO’s vote in relation to Bazaar and it would subject Bazaar’s assets and revenues to the liens of Confectionary’s creditors.
7. Since the Companies are only seeking an administrative consolidation, there is no change to the separate nature of the estates of Confectionary and Bazaar. As each company filed its own Notice of Intention to make a Proposal and as there are different creditors for each company, and separate creditor packages for each company, there should be a separate cashflow for each company. BMO has requested separate cashflow statements for each company but they have not been provided to date.

Administrative Charge

8. BMO objects to the requested \$100,000.00 administrative charge. The Companies’ cashflow statement shows that such a charge is unnecessary even after the allocated

payments for professional fees. Moreover, in paragraph 9.7 of its Report, the Trustee states that, based on the cashflow statement, the Administrative Charge may not be required.

9. Based on Confectionary's latest Margin Reports for October 31, 2018, Confectionary's operating margin deficiency has increased by \$77,000.00. An Administrative Charge will prejudice BMO by increasing this deficiency by a further \$100,000.00 in priority over BMO's security.

Servi-Jeux

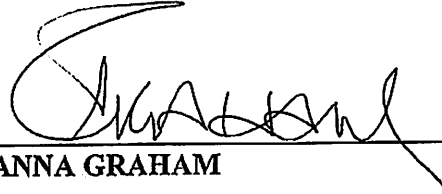
10. The Trustee has noted that Carosielli Enterprises Inc., which operates as Bingo Servi-Jeux ("Servi-Jeux"), is a related party and the Companies currently owe Servi-Jeux \$632,176.00.
11. The latest financial information provided to BMO by the Trustee shows the bi-weekly payments to Servi-Jeux increasing from \$30,000 bi-weekly (in the original October – December cashflow provided by Confectionary) to \$80,000 bi-weekly (in the November – February cashflow provided by the Trustee). This is a significant change in expenditures for materials that was not previously included in Confectionary's cashflow statement.
12. BMO objects to these payments due to the risk that Servi-Jeux may seek to exercise a right of set-off against materials purchased for the Companies or otherwise use the proceeds to reduce the Companies' indebtedness to Servi-Jeux.
13. In the circumstances, it is BMO's position that the Companies should be purchasing its materials directly from third party suppliers rather than using Servi-Jeux as an intermediary. Direct dealings with the suppliers would remove any risk that the purchase funds, or a portion thereof, would be used to pay down the Companies' indebtedness to Servi-Jeux.
14. I make this affidavit in response to the interlocutory application filed by the Companies on November 28, 2018.

SWORN TO at Halifax
in the Province of
Nova Scotia on the 30 day
of November, 2018, before me:



A Notary Public in and for
the Province of Nova Scotia

KATHERINE R. WILLYARD
A Notary Public in and for the
Province of Nova Scotia



ANNA GRAHAM

