

IN THE COURT OF KING'S BENCH OF NEW BRUNSWICK

TRIAL DIVISION

JUDICIAL DISTRICT OF SAINT JOHN

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SOUTH SHORE SEAFOODS LTD.,
CAPTAIN COOKE'S SEAFOOD INC., BY THE WATER
SHELLFISH (2012) INC., CAN-AM LOBSTER & SHELLFISH
LTD., SOUTH SHORE SEAFOODS INTERNATIONAL LTD.,
BRIDGE LOBSTERS LIMITED, ARSENAULT'S FISH MART
INC. (each a "Company" and collectively the
"Companies")**

BETWEEN:

THE TORONTO-DOMINION BANK

APPLICANT

- and -

**SOUTH SHORE SEAFOODS LTD., CAPTAIN COOKE'S
SEAFOOD INC., BY THE WATER SHELLFISH (2012) INC.,
CAN-AM LOBSTER & SHELLFISH LTD., SOUTH SHORE
SEAFOODS INTERNATIONAL LTD., BRIDGE LOBSTERS
LIMITED, ARSENAULT'S FISH MART INC.**

RESPONDENTS

**REPORT OF THE PROPOSED MONITOR,
DELOITTE RESTRUCTURING INC.**

DATED SEPTEMBER 18, 2023

INTRODUCTION

1. Deloitte Restructuring Inc. ("**Deloitte**" or the "**Proposed Monitor**") understands that the Applicant, Toronto-Dominion Bank (the "**Applicant**") intends to bring an application before the Court of King's Bench of New Brunswick Trial Division (the "**Court**") for various orders (the "**Proposed Initial Orders**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") granting, *inter alia*, a stay of proceedings (the "**Stay of Proceedings**") in favour of the Debtors up to and including October 1, 2023. The Applicant proposes that Deloitte be appointed as Monitor of the Debtors (in such capacity, the "**Monitor**") in these CCAA proceedings (the "**CCAA Proceedings**").
2. In the event the Proposed Initial Orders are granted, the Applicant intends to return to Court within ten days (the "**Comeback Hearing**") to seek the Court's approval of amended and restated Proposed Initial Orders (the "**ARIO**") that would, among other things:
 - i. extend the Stay of Proceedings until December 15, 2023;
 - ii. grant enhanced powers to the Monitor in respect of certain operations of the Debtors;
 - iii. approve the Monitor's proposed sale and investment solicitation process (the "**SISP**");
and
 - iv. increase the amount of the Court ordered super priority charges (the "**Court Ordered Charges**") granted by the Proposed Initial Orders and/or seek further Court Ordered Charges as deemed necessary.
3. This report (the "**Pre-Filing Report**") has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in these CCAA Proceedings to provide information to the Court for its consideration regarding the Applicant's CCAA application.

PURPOSE

4. The purpose of this Pre-Filing Report is to provide information to the Court on:
 - i. Deloitte's qualifications to act as Monitor;
 - ii. background information with respect to the Debtors, including an overview of the security granted by the Debtors;
 - iii. background on the circumstances leading to the Applicant's decision to commence these CCAA Proceedings;
 - iv. an overview of the Debtors' 13-week cash flow projection (the "**Cash Flow Statement**") and the Debtors' request for an order sealing certain information contained within the Pre-Filing Report (the "**Sealing Order**");
 - v. the Debtors' engagement of a chief restructuring officer (the "**CRO**");
 - vi. the proposed Court Ordered Charges; and
 - vii. the Proposed Monitor's comments on the Proposed Initial Orders and the relief being sought.

TERMS OF REFERENCE AND DISCLAIMER

5. In preparing this Pre-Filing Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, audited and unaudited financial information, books and records and financial information prepared by the Debtors, discussions with management of the Debtors ("**Management**"), and information from other third-party sources (collectively, the "**Information**").

6. Except as described in this Pre-Filing Report in respect of the Cash Flow Statement:
 - i. The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor 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 Generally Accepted Assurance Standards ("**Canadian GAAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.
 - ii. Some of the information referred to in this Pre-Filing Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
7. Future oriented financial information referred to in this Pre-Filing Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
8. Unless otherwise indicated, the Proposed Monitor's understanding of the factual matters expressed in this Pre-Filing Report concerning the Debtors and their businesses is based on the Information and not independent factual determinations made by the Proposed Monitor.
9. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

10. In the event the Proposed Initial Orders is granted, and Deloitte is appointed as Monitor in these CCAA Proceedings, Deloitte intends to make copies of material documents pertaining to the CCAA Proceedings available at the following case management website:

<https://www.insolvencies.deloitte.ca/SouthShoreSeafoods>

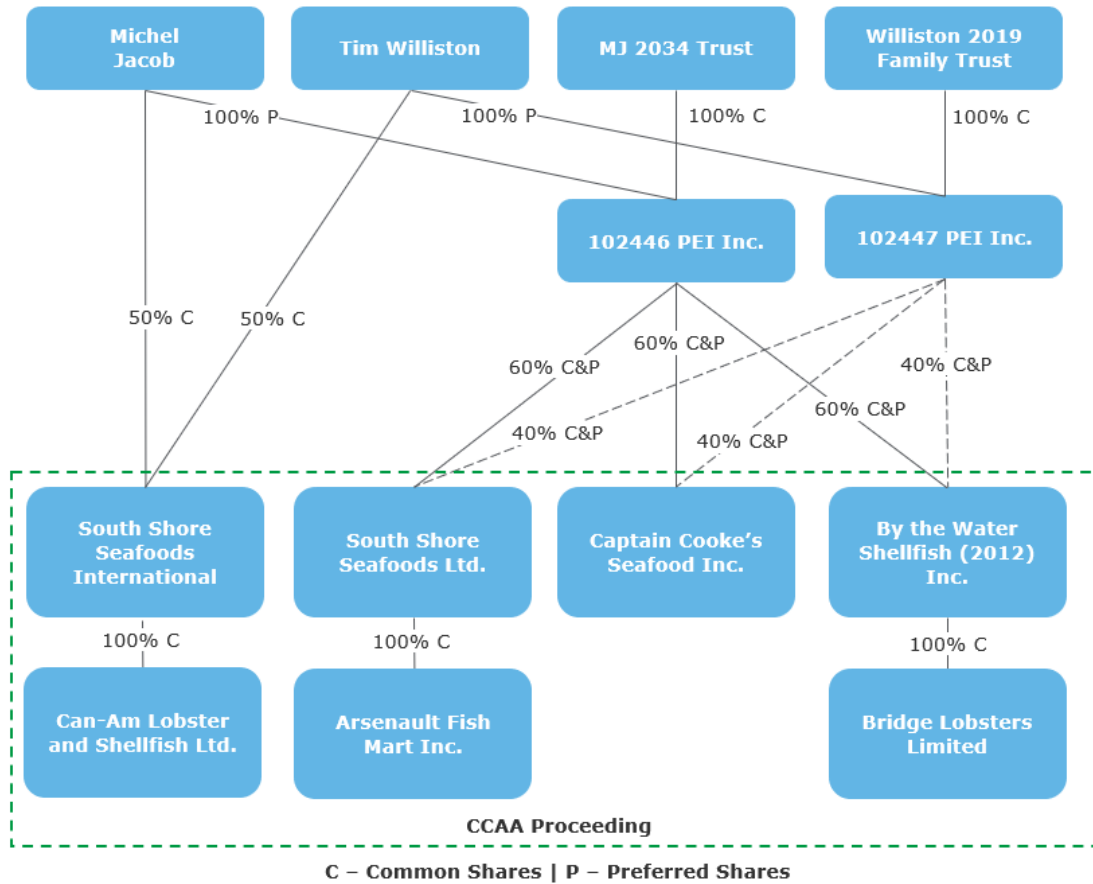
DELOITTE'S QUALIFICATIONS TO ACT AS MONITOR

11. Deloitte is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. C-3, as amended. Deloitte is not subject to any of the restrictions set out in section 11.7(2) of the CCAA on who may be appointed as Monitor.
12. As discussed herein, Deloitte has obtained a detailed understanding of the Debtors' businesses as it has been engaged as financial advisor to the Applicant since March 17, 2023 (the "**Advisory Mandate**"). In preparation for the potential appointment as Monitor, Deloitte has spent time with Management to understand the Debtors' operations and debt structure as more fully described in this Pre-Filing Report. The Advisory Mandate also included consultation with independent financial advisors and the recently engaged chief restructuring officer (the "**CRO**"). Deloitte is, therefore, in a position to immediately assist the Applicant and the Debtors in these CCAA Proceedings.
13. Deloitte has consented to act as Monitor, should the Court grant the Applicant's request for the Proposed Initial Orders and attached as **Appendix A** is our consent letter.
14. The Proposed Monitor has retained Cox & Palmer ("**Monitor's Counsel**") to act as its independent counsel in the event Deloitte is appointed as Monitor. Monitor's Counsel has been engaged to provide an opinion confirming the validity and enforceability of the Applicant's security and Monitor's Counsel has retained agent counsel in Maine to opine on security provided by CanAm (as later defined) to the Applicant, which opinion is presently outstanding.
15. With respect to all Debtors other than CanAm, the security in favour of the Applicant charges all of their present and after-acquired personal property and the charge is perfected by

registration in the Province of New Brunswick, Prince Edward Island and Nova Scotia. With respect to all real estate mortgaged by the Debtors to the Applicant, Monitor’s counsel has reviewed title to those parcels and found that the Applicant has a valid and enforceable first mortgage charge.

BACKGROUND INFORMATION WITH RESPECT TO THE DEBTORS

- 16. This Pre-Filing Report should be read in conjunction with the Affidavit of Ms. Andrea Jamnisek sworn September 18, 2023 (the “**Jamnisek Affidavit**”) for additional background information with respect to the Debtors, upon which the Proposed Monitor relies.
- 17. The organizational structure of the Debtors is as follows:



18. As presented above, the ownership of the Debtors, either held directly or indirectly, is Mr. Michel Jacob ("**Jacob**") and Mr. Tim Williston ("**Williston**") (collectively the "**Shareholders**").
19. Between March 2019 and April 2021, the Shareholders acquired certain of the Debtor companies from various parties through several transactions.
20. An overview of the operating activities of each of the Debtors is as follows:
 - i. South Shore Seafoods International ("**SSSI**") – an entity incorporated under the laws of New Brunswick which is equally owned by the Shareholders. SSSI has no operating activity and owns 100% of the equity of Can-Am Lobster and Shellfish Ltd. ("**CanAm**").
 - ii. CanAm – an entity incorporated under the laws of Maine, USA which is wholly owned by SSSI. CanAm had previously participated in the US lobster industry however ceased operations in January 2023.
 - iii. South Shore Seafoods Ltd. ("**SSSL**") – an entity incorporated under the laws of Prince Edward Island ("**PEI**") and is 60% owned by Jacob and 40% by Williston, both via holding companies. SSSL operates two processing plants in Alberton, PEI that process raw tails and cooked lobster meat. SSSL wholly owns the equity of Arsenault's Fish Mart Inc. ("**AFM**").
 - iv. AFM – an entity incorporated under the laws of PEI which is owned by SSSL and operates as a buying agency for the related group and conducts limited business outside procuring lobster for the Debtors.
 - v. Captain Cooke's Seafoods Inc. ("**CCSI**") – an entity incorporated under the *Canada Business Corporations Act* (Canada) and registered extra-provincially under the laws of PEI, which is owned 60% by Jacob and 40% by Williston, both via holding companies. CCSI processes whole cooked lobster using canner lobsters for the European market.
 - vi. By the Water Seafood (2012) Inc. ("**BTW**") – an entity incorporated under the laws of PEI which is 60% owned by Jacob and 40% owned by Williston, both via holding

companies. Based in Borden, PEI, BTW participates in the live lobster market buying and selling live lobster for sale to foreign and domestic markets. BTW owns 100% of the equity of Bridge Lobsters Limited ("**Bridge**").

vii. Bridge – an entity incorporated under the laws of Nova Scotia ("**NS**"). Bridge is wholly owned by BTW and had previously purchased and sold lobster to BTW using their NS buyer's license. Bridge has not operated since the 2022 season.

21. The Debtors employ upwards of 300 individuals as follows:

i. the executive office which includes 10 employees, including the Shareholders, the accounting function, are based on Cap Pele, New Brunswick where all strategic decisions regarding the Debtors businesses are made;

ii. approximately 20 full-time employees in SSSL, BTW and CCSI based in PEI; and

iii. approximately 270 part-time/seasonal employees, the majority of which are employed by SSSL and of which approximately 80% are temporary foreign workers.

22. None of the Debtors' employees are unionized nor do the Debtors currently maintain any registered pension plans.

23. The fiscal year end ("**FY**") of the Debtors is February 28 of each calendar year.

Cash Management Systems

24. The Proposed Monitor understands the cash management systems (the "**CMS**") of the Debtors are as follows:

i. Each Debtor maintains several bank accounts (the "**Accounts**"); however, the majority of these accounts are held with the Applicant. Accounts not held with the Applicant are legacy accounts with minimal commercial activity.

- ii. The Debtors take a centralized approach to cash management with most payments and transfers being directed from the executive office located in Cap Pele, NB. The only instance where payments are not physically processed in Cap Pele relate to payments to fishers which are processed in PEI at AFM. As the TD Credit Agreement (as later defined) is shared amongst the Debtors but is in the name of SSSL, funds are often received in one entity and then transferred between entities to support ongoing operations.
 - iii. The structure of Accounts for each Debtor is as follows:
 - a) Canadian domiciled accounts – each Debtor (except for Bridge and AFM) maintains two locked deposit Accounts (Canadian dollar and US dollar) (the “**Locked Accounts**”) and two unlocked payment accounts (Canadian dollar and US dollar). All collections from customers must be made to one of the Locked Accounts, disbursements from these Locked Accounts are controlled by the Applicant. Periodically, the Debtors request advances from the Applicant for funds to be added to the unlocked payment accounts to facilitate payments.
 - b) United States (“**US**”) domiciled accounts – certain Debtors, specifically SSSL, BTW, CCSI, and CanAm, maintain locked treasury deposit accounts and unlocked treasury payment accounts located in the US. These accounts are held with the Applicant and operate similarly to the Canadian domiciled accounts. These accounts are primarily utilized to facilitate collections from US customers. Funds collected into locked treasury deposit accounts are periodically swept to locked accounts in Canada.
25. Throughout the Advisory Mandate, the Proposed Monitor has monitored the cash flow activities of the Debtors and has reviewed the CMS with the Debtors. As such, the Proposed Monitor believes that it will be able to monitor and report on the cash flow activities of the Debtors.

Senior Secured Debt

26. The Proposed Monitor understands the long-term debt structure of the Debtors is as follows (amounts presented below are as at August 31, 2023):

Lender	Borrower				Total
	BTW	CCSI	SSSL	SSSI	
TD					
TD equipment loan	-	-	309,854	-	309,854
TD term loan	-	-	13,000,000	-	13,000,000
BDC					
BDC equipment loan	-	682,791	1,448,344	-	2,131,135
BDC mortgage loan	825,700	-	-	-	825,700
BDC Capital	1,800,000	1,200,000	-	-	3,000,000
Cooke Group	1,800,000	1,200,000	-	-	3,000,000
Arsenault	-	-	2,500,000	-	2,500,000
MTTCI	-	-	375,000	-	375,000
ACOA	-	191,672	838,498	-	1,030,170
Shareholders	(100)	(100)	3,660,701	(20)	3,660,481
Vehicle Loans	-	-	189,559	-	189,559
	<u>4,425,600</u>	<u>3,274,363</u>	<u>22,321,956</u>	<u>(20)</u>	<u>30,021,899</u>

Note: Debtors not presented above do not maintain long-term debt balances.

27. In addition to the obligations presented above, as at August 31, 2023 the Debtors had trade accounts payable of approximately \$12,830,000.
28. As at August 31, 2023, obligations outstanding to the Applicant pursuant to an asset-based operating facility (the "**Existing Credit Facility**") were approximately \$14,088,000.
29. The Applicant is the senior secured lender of the Debtors pursuant to an asset-based lending agreement dated May 19, 2022 (as amended, the "**TD Credit Agreement**"). SSSL, CCSI, BTW and CanAm are borrowers under the TD Credit Agreement while SSSI, AFM and Bridge have provided guarantees to the Applicant. As at the date of the Pre-Filing Report, the Debtors have outstanding secured loan and guarantee obligations owing to the Applicant in the principal amount of approximately \$26,000,000 (i.e., the TD long-term debt presented in the table above and the Existing Credit Facility).
30. Further information regarding the TD Credit Agreement is contained within the Jamnisek Affidavit.

31. In addition to the TD Credit Agreement and as summarized herein, the Proposed Monitor understands the Debtors have entered into the following lending agreements:

*Business Development Bank of Canada ("**BDC**") and BDC Capital Inc. ("**BDC Capital**"), summarized as follows:*

- i. SSSL have entered into an equipment loan facility with BDC that, as at the date of the Pre-Filing Report, has an outstanding balance of approximately \$1,448,000;
- ii. BTW have entered into a mortgage loan with BDC that, as at the date of this Pre-Filing Report, has an outstanding balance of approximately \$826,000;
- iii. CCSI and BTW have entered into a consolidated equipment loan facility with BDC that, as at the date of this Pre-Filing Report, has an outstanding balance of approximately \$683,000;
- iv. CCSI and BTW have entered into a consolidated mezzanine loan facility with BDC Capital that, as at the date of this Pre-Filing Report, has an outstanding balance of approximately \$3,000,000.

Other lenders summarized as follows:

- i. As part of the acquisition of CCSI from Dewis Cooke, Randy Cooke, Murphy's Limited Liability, and BTW Holdings Inc. (collectively, the "**Cooke Group**"), CCSI and the Cooke Group entered into a vendor takeback agreement that, as at the date of this Pre-Filing Report, has an outstanding balance of approximately \$3,000,000.
- ii. As part of the acquisition of AFM from Mr. Robert Arsenault ("**Arsenault**"), AFM and Arsenault entered into a vendor takeback agreement that, as at the date of this Pre-Filing Report, has an outstanding balance of approximately \$2,500,000.
- iii. As part of the acquisition of real property from the Maplewood Trust and Thunder Cove Investments Inc. (collectively, "**MTTCI**"), SSSL entered into a collateral mortgage

agreement with MTTCI that, as at the date of this Pre-Filing Report, has an outstanding balance of approximately \$375,000.

- iv. SSSL and CCSI have entered into several loan agreements with the Atlantic Canada Opportunities Agency ("**ACOA**") that, as at the date of this Pre-Filing Report, has an outstanding balance of \$1,030,000.
- v. Amount outstanding to the Shareholders of approximately \$3,660,000 primarily consisting of a promissory note provided by SSSL to Jacob that, as at the date of the Pre-Filing Report, has an outstanding balance of \$2,250,000 and accrued interest of \$330,000.
- vi. SSSL also maintains four vehicle loans with various lenders totalling approximately \$190,000.

Causes of insolvency

- 32. The Debtors experienced a period of significant growth from FY2020 to FY2022, driven in part by the acquisitions of CCSI, BTW and CanAm which resulted in combined revenue and EBITDA growing from approximately \$78,600,000 and \$4,400,000 in FY2020 to \$297,200,000 and \$7,800,000 in FY2022 respectively.
- 33. The Proposed Monitor understands the Debtors were experiencing another positive EBITDA period up to October 31, 2021, however macro economic factors quickly changed market conditions and key products experienced a selling price decline of up to 50%. At the time of this market change, the Debtors were holding approximately \$30,000,000 worth of inventory, approximately 80% of which was frozen product susceptible to the declining market conditions. The Proposed Monitor understands that the Debtors suffered an approximate 50% decline in FY2022 EBITDA between October 31, 2021 and February 28, 2022.
- 34. In and around May 2022, the Debtors and the Applicant agreed to convert the Debtors' traditional operating facility to the Existing Credit Facility (i.e., an asset-based lending product).

The purpose of this conversion was to provide increased access to working capital during a period when market prices remained depressed.

35. The Proposed Monitor understands that in and around October 2022, the Debtors realized the severity of their liquidity constraints and were forced to curtail operations by not participating in the Southwest Nova Scotia lobster season from December 2022 to April 2023.
36. In January 2023, the Debtors engaged Bonfire Capital Advisors to assist with assessing their financial options to support their immediate working capital requirements (the "**Bonfire Mandate**"). The Bonfire Mandate resulted in a brief marketing effort to source additional financing or a potential equity investment. While Bonfire was able to garner some preliminary interest, it was unable to consummate a transaction.
37. In February 2023, in preparation for its annual financial statement audit, the Debtors discovered inventory was overstated by approximately \$2,700,000 which caused an over-advance position on the Existing Credit Facility.
38. On March 17, 2023, as the Applicant's concerns regarding the Debtors' financial predicament grew, Deloitte was retained under the Advisory Mandate.
39. On May 2, 2023 and as subsequently amended on June 2, 2023, the Applicant and the Debtors entered into a forbearance agreement (the "**Forbearance Agreement**") which, among other things, provided the Debtors with access to the Existing Credit Facility until August 31, 2023. From the Applicant's perspective, the primary intent of the Forbearance Agreement was to allow the Debtors sufficient time to improve operating performance as certain macro-environmental factors had improved. The Applicant believed that allowing the Debtors time under improved operating conditions would result in a reduction of the over-advance position.
40. Due to several factors, both internal and external, the Debtors were unable to achieve key performance indicators contained within the Forbearance Agreement; accordingly operating performance remained challenged, and the over-advance position was not materially reduced.

41. As the Forbearance Agreement deadline approached, and with the over-advance position still present, the Applicant outlined several conditions precedent required to provide the Debtors with further time under forbearance, primarily a request for additional collateral from related entities outside the Debtors.
42. On August 31, 2023, the Applicant and the Debtors extended and amended the forbearance up to and including September 15, 2023 (the "**Second Amended Forbearance**"). From the Applicant's perspective, the primary intent of the Second Amended Agreement was to provide the Debtors with additional time to complete due diligence regarding a transaction. As part of the Second Amended Forbearance, the Debtors consented to these CCAA Proceedings.
43. The potential transaction did not materialize.
44. The Debtors are insolvent and unable to meet their liabilities as they become due evidenced by the continued existence of the over-advance position and the inability of the Debtors to pay creditors in the normal course of operations.
45. The Debtors require the protection included in the Proposed Initial Orders to stay creditors such that liquidity can be used to continue operations while allowing them to effect a going concern sale of their businesses.

OVERVIEW OF THE DEBTORS' CASH FLOW STATEMENT

46. The Debtors have requested that a Sealing Order be sought from the Court with respect to the Cash Flow Statement as part of the Proposed Initial Orders. The Proposed Monitor has discussed the reasoning behind this request with Management, Debtors' counsel and the CRO and understands the Debtors concern about competitive information regarding its operations becoming public knowledge, and the effect this could have on the proposed SISP. The Proposed Monitor understands that the Applicant is requesting an interim sealing order pending the Comeback Hearing. The Proposed Monitor supports this interim request. If appointed, the Proposed Monitor plans to coordinate further with the Applicant and the Debtors in respect of a further sealing request at the Comeback Hearing.

47. The Proposed Monitor has supplied the Court, the Applicant and BDC with a copy of Cash Flow Statement along with an unredacted copy of the Pre-Filing Report.
48. The Debtors, with the assistance of the Proposed Monitor and the CRO, have prepared the Cash Flow Statement for the 13-week period from September 23, 2023 to December 22, 2023 (the “**Cash Flow Period**”) for the purposes of projecting the estimated results of the Debtors’ planned operations and other activities during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix “B”** to this Pre-Filing Report, and summarized herein:

South Shore Seafoods Group Consolidated 13-week cash flow forecast For the 13-week period ending December 22, 2023			
Week ending	Week 1 & 2 Pre-Comeback	Weeks 3 - 13 Post Comeback	Total
Opening line of credit position	(12,600,427)	(9,676,517)	(12,600,427)
Operating inflows			
Collection of pre-filing accounts receivable	3,307,845	1,550,474	4,858,318
Collection of post-filing sales	2,128,969	14,765,746	16,894,715
Collection of HST	171,433	168,059	339,492
	<u>5,608,247</u>	<u>16,484,279</u>	<u>22,092,526</u>
Operating outflows			
Critical pre-filing cost of goods sold	892,117	-	892,117
Cost of goods sold	979,364	5,746,577	6,725,941
Fixed operating expenses	-	343,856	343,856
Compensation, remittances and benefits	297,680	890,558	1,188,238
Operating leases	-	6,720	6,720
Insurance	49,737	350,471	400,208
Bank charges	2,710	8,174	10,884
Rent and Property taxes	7,529	53,643	61,172
Other	4,322	22,644	26,966
	<u>2,233,459</u>	<u>7,422,643</u>	<u>9,656,102</u>
Non-operating outflows			
Interest payments	123,178	488,153	611,331
Restructuring costs			
Professional fees	327,700	1,152,350	1,480,050
Net weekly cash flow	2,923,910	7,421,133	10,345,043
Ending line of credit position	(9,676,517)	(2,255,384)	(2,255,384)
Existing Credit Facility			
Opening balance	(13,085,832)	(7,477,585)	(13,085,832)
Add: Cash receipts	5,608,247	7,477,585	13,085,832
Ending Existing Credit Facility balance	(7,477,585)	-	-
DIP Facility			
Opening balance	-	(2,684,337)	-
Less: Draws	(2,684,337)	(9,063,146)	(11,747,483)
Add: Repayments	-	9,006,694	9,006,694
Ending DIP Facility balance	(2,684,337)	(2,740,789)	(2,740,789)
Add: excluded accounts	485,405	485,405	485,405
Total net indebtedness	(9,676,517)	(2,255,384)	(2,255,384)

49. The Cash Flow Statement is presented on a weekly basis during the Cash Flow Period and represents Management's best estimate of the projected cash flow during the Cash Flow Period. The Cash Flow Statement has been prepared by Management, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Statement (the "**Assumptions**").
50. The Proposed Monitor has reviewed the Cash Flow Statement through inquiries, analytical procedures and discussions, and a review of the supporting documents relating to the Information supplied to the Proposed Monitor by Management of the Debtors. Based on the Proposed Monitors review, nothing has come to its attention that causes it to believe, in all material respects, that:
- i. the Assumptions are not consistent with the purpose of the Cash Flow Statement;
 - ii. as at the date of the Pre-Filing Report, the Assumptions are not suitably supported and consistent with the plans for the Debtors or do not provide a reasonable basis for the Cash Flow Statement, given the probable and hypothetical assumptions; or
 - iii. the Cash Flow Statement does not reflect the Assumptions.
51. Since the Cash Flow Statement is based on Assumptions regarding future events, actual results will vary from the information presented even if the Assumptions occur, and the variations could be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. In addition, the Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Cash Flow Statement, or relied upon by the Proposed Monitor in preparing this Pre-Filing Report.
52. The Cash Flow Statement has been prepared solely for the purposes described above, and readers are cautioned that it may not be appropriate for other purposes.
53. The Cash Flow Statement indicates that the Debtors may require interim financing of up to \$9,000,000 during the Cash Flow Period, which is to be provided by the Applicant, pursuant to

the terms of a second forbearance and fourth amendment to the credit agreement dated September 18, 2023 (the "**DIP Facility Agreement**" and "**DIP Facility**") discussed further herein.

54. During the period of time from the inception of the filing until the Comeback Hearing, the Cash Flow Statement indicates draws under the DIP Facility to be approximately \$2,600,000.

Existing Credit Facility

55. As noted in paragraph 25 herein, the operations of the Debtors are currently financed by the Existing Credit Facility.
56. Under the TD Credit Agreement, and as amended by the terms of the Forbearance Agreement, the Debtors were previously permitted to borrow up to a maximum \$20,000,000.
57. Borrowings under the Existing Credit Facility are subject to agreed borrowing base thresholds set out in the TD Credit Agreement and as previously discussed, the Existing Credit Facility has been in an over-advance position since February 2023.
58. As at the date of the Proposed Initial Orders, borrowings under the Existing Credit Facility are estimated to be approximately \$13,000,000 as contained in the Cash Flow Statement.
59. Borrowings under the Existing Credit Facility are secured by, among other things, a first ranking general security interest over substantially all assets of the Debtors.

DIP Facility

60. In order to provide the Debtors with the required liquidity needed to fund operations during the CCAA Proceedings, the Applicant is seeking approval of the DIP Facility. The material terms of the DIP Facility have been set out in the Jamnisek Affidavit and the DIP Facility Agreement filed by the Applicant and are not repeated in their entirety herein; however, the Proposed Monitor highlights the following for consideration by the Court:

- i. Pursuant to the terms of the DIP Facility Agreement all cash receipts collected subsequent to the granting of the Proposed Initial Orders will be applied against the balance of the Existing Credit Facility.
 - ii. Post filing operating disbursements will be funded by draws on the DIP Facility which will increase during the CCAA Proceeding.
 - iii. The DIP Facility will not be used to pay down the balance of the Existing Credit Facility.
 - iv. As part of the DIP Facility Agreement, total borrowings on the Existing Credit Facility and the DIP Facility shall at no times exceed \$15,000,000 until November 30, 2023 and \$10,000,000 during the period from December 1, 2023 until the termination of the DIP Facility Agreement. Additionally, the over-advance cannot exceed \$2,500,000 at any time.
 - v. The interest rate contemplated in the DIP Facility Agreement is the Applicant's Prime lending rate (as defined in the TD Credit Agreement) plus 1%.
61. The Proposed Monitor has been involved in the discussions regarding the terms of the DIP Facility Agreement and is of the view that the financing is critical to continuing the operations of the Debtors during these CCAA Proceedings and is consistent with interim financing arranged in other CCAA proceedings involving asset-based lending products.
62. Furthermore, taking into consideration the quantum of borrowings under the Existing Credit Facility and the secured position of the Applicant, arranging for alternative interim financing would be challenging and could result in extensive changes being required to the Debtors' CMS if sought.
63. The Proposed Monitor is satisfied that the mechanics of the DIP Facility do not appear to materially prejudice other lenders or financial stakeholders.
64. The Proposed Monitor supports the terms of the DIP Facility Agreement and the use of the DIP Facility in these CCAA Proceedings.

APPOINTMENT OF CHIEF RESTRUCTURING OFFICER

65. The Proposed Initial Orders provide for the appointment of David Boyd, as a representative of Resolve Advisory Services Ltd. ("**Resolve**") as CRO to oversee the interim businesses of the Debtors, to assist with stakeholder communication as well as the implementation of the proposed SISP. The Proposed Initial Orders authorize and empower the CRO to exercise the duties, services and powers set out in the engagement letter between the Debtors and Resolve dated September 13, 2023 (the "**CRO Engagement Letter**").
66. Mr. Boyd has the necessary background and qualifications to act as CRO of the Debtors. Prior to founding Resolve, Mr. Boyd spent approximately 28 years with a national restructuring firm and has previous experience in restructuring mandates under the CCAA. Mr. Boyd is a Fellow Chartered Professional Accountant, a Fellow Chartered Accountant, a Chartered Insolvency and Restructuring Professional, a Licensed Insolvency Trustee and a member of the Insolvency Institute of Canada.
67. The Proposed Monitor is aware of Mr. Boyd's qualifications, and the terms of his engagement provided for in the CRO Engagement Letter. The Proposed Monitor is of the view that the appointment of a CRO is necessary and just in the circumstances to ensure an orderly restructuring under these CCAA Proceedings. The Proposed Monitor is of the opinion that Mr. Boyd is well suited for the role based on his past qualifications.
68. The Proposed Monitor has reviewed the terms of the CRO Engagement Letter and in the circumstances, having regard for CRO appointments in other CCAA Proceedings, appear reasonable.
69. The Proposed Monitor supports the appointment of the CRO as contained within the Proposed Initial Orders.

PROPOSED COURT ORDERED CHARGES

70. The Proposed Initial Orders provides for three Court Ordered Charges on the current and future assets, undertakings and properties of the Debtors, wherever located, including all proceeds thereof that rank in the following order (each as defined below):
- i. first, the Administration Charge;
 - ii. second, the Directors' Charge; and
 - iii. third, the DIP Charge;
71. Based on the Proposed Initial Orders, each of the Court Ordered Charges shall constitute a charge on all property of the Debtors and the Court Ordered Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise in favour of any person, other than any existing secured creditors who have not been served with this CCAA application prior to this hearing, and provided that the DIP Charge shall not rank in priority to any of the security interests, liens, charges and encumbrances granted by the Debtors in favour of BDC in respect of any BDC Priority Loans and BDC Priority Collateral (as both terms are defined in the DIP Facility Agreement) or in respect of any Crown claims which have priority in bankruptcy. Each of the Court Ordered Charges are discussed in more detail below.

Administration Charge

72. The Proposed Initial Orders provide for a charge up to a maximum of \$250,000 (the "**Administration Charge**") in favor of the Proposed Monitor, the Proposed Monitor's Counsel, Applicant's Counsel, Debtors' Counsel (further discussed below) and the CRO (collectively, the "**Professionals**") as security for the professional fees and disbursements incurred while planning for and after the commencement of these CCAA Proceedings.
73. The Administration Charge in favor of Debtors' Counsel shall be limited to an aggregate maximum amount of \$25,000 pending further order of the Court.

74. The Proposed Monitor is of the view that the Administration Charge is necessary for the effective participation of the Professionals in these CCAA Proceedings, and the quantum of the Administration Charge is reasonable.
75. The magnitude of the Administration Charge is limited to the amount necessary to ensure the Professionals have adequate protection up to and including the date of the Comeback Hearing. The Proposed Monitor anticipates the Applicant will seek an increase of the Administration Charge to \$500,000 as part of the ARIO.
76. The Proposed Monitor supports the Administration Charge as contained within the Proposed Initial Orders.

Directors' Charge

77. The Applicant is also seeking approval of the directors' charge (the "**Directors' Charge**") to a maximum of \$375,000.
78. The Proposed Monitor understands that the Debtors' directors may be liable for payroll and vacation pay amounts and statutory remittances withheld at source in an amount up to \$375,000 up to and including the date of the Comeback Hearing.
79. Given the potential liabilities facing the Debtors' directors and officers, they are at risk should the Debtors not be able to fund its operations going forward. The benefit of the Directors' Charge will provide additional comfort to allow the directors and officers to remain in place and assist with the administration of these CCAA Proceedings. The Proposed Monitor has been advised that the Debtors do not have a directors and officers insurance policy.
80. The magnitude of the Directors' Charge is limited to the amount necessary to ensure the directors have adequate protection up to and including the date of the Comeback Hearing. The Proposed Monitor does not anticipate the Applicant will seek an increase of the Directors' Charge to as part of the ARIO.

81. The Proposed Monitor supports the Directors' Charge as contained within the Proposed Initial Orders.

DIP Charge

82. The Proposed Monitor understands that the Applicant will be seeking a charge over interim financing provided under the DIP Facility Agreement (the "**DIP Charge**") as part of the Proposed Initial Orders. As set out in the Cash Flow Statement, the Debtors anticipate that draws under the DIP Facility of approximately \$2,600,000 will be required between the date the Proposed Initial Orders are granted and the date of the Comeback Hearing and is requesting a DIP Charge to secure obligations under the DIP Facility Agreement to the maximum borrowing limit of \$3,000,000 as part of the Proposed Initial Orders.
83. The Proposed Monitor is of the view that the DIP Facility represents a necessary and timely financing solution which affords the Debtors the opportunity to reorganize their financial affairs and as such, it is not unreasonable to expect that obtaining a DIP Charge would be a condition of the DIP Facility.
84. The magnitude of the DIP Charge is limited to the amount necessary to ensure the Applicant has adequate protection up to and including the date of the Comeback Hearing. The Proposed Monitor anticipates the Applicant will seek an increase of the post-filing maximum borrowing limit to \$10,000,000 as part of the ARIO.
85. The Proposed Monitor supports the DIP Charge as contained within the Proposed Initial Orders.

Pre-Filing Amounts

86. In addition to the Court Ordered Charges, the Proposed Initial Orders permits the Debtors to make certain pre-filing payments in the ordinary course to trade suppliers deemed essential for the continued operations of the businesses.
87. The Cash Flow Statement forecasts these amounts to be approximately \$892,000 relating to estimated purchases from fishers, third-party lobster supplies and packaging and transportation

service providers (collectively, the “**Essential Suppliers**”) incurred on the eve of the CCAA Proceedings.

88. Maintaining an uninterrupted supply of product and services from these Essential Suppliers is necessary to maintaining the going concern value of the business during these CCAA Proceedings and as such, the Proposed Monitor supports the request to make certain pre-filing payments.

89. As part of these CCAA Proceedings, the Proposed Monitor will work in conjunction with Management and the CRO to ensure the validity of all such payments.

CONCLUSION

90. The Proposed Monitor has reviewed the Applicant’s materials and has consented to act as Monitor of the Debtors in these CCAA Proceedings should this Court grant the Proposed Initial Orders.

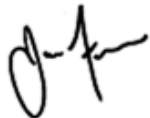
91. For the reasons contained herein, the Proposed Monitor believes it is appropriate for the Debtors to be granted protection under the CCAA and respectfully requests the Court grant the relief sought under the Proposed Initial Orders.

All of which is respectfully submitted this 18th day of September 2023.

Deloitte Restructuring Inc.

Acting in its capacity as Proposed Monitor of South Shore Seafoods Ltd., Captain Cooke’s Seafood Inc., By the Water Shellfish (2012) Inc., South Shore Seafoods International Inc., Can-Am Lobster and Shellfish Ltd., Bridge Lobsters Limited and Arsenault’s Fish Mart Inc., and not in its personal capacity

Per:



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

Per:



Kurt Macleod, MBA, CIRP, LIT
Vice-President

**APPENDIX A
CONSENT TO ACT**

IN THE COURT OF KING'S BENCH OF NEW BRUNSWICK

TRIAL DIVISION

JUDICIAL DISTRICT OF SAINT JOHN

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SOUTH SHORE SEAFOODS LTD.,
CAPTAIN COOKE'S SEAFOOD INC., BY THE WATER
SHELLFISH (2012) INC., CAN-AM LOBSTER & SHELLFISH
LTD., SOUTH SHORE SEAFOODS INTERNATIONAL LTD.,
BRIDGE LOBSTERS LIMITED, ARSENAULT'S FISH MART
INC. (each a "Company" and collectively the
"Companies")**

BETWEEN:

THE TORONTO-DOMINION BANK

APPLICANT

- and -

**SOUTH SHORE SEAFOODS LTD., CAPTAIN COOKE'S
SEAFOOD INC., BY THE WATER SHELLFISH (2012) INC.,
CAN-AM LOBSTER & SHELLFISH LTD., SOUTH SHORE
SEAFOODS INTERNATIONAL LTD., BRIDGE LOBSTERS
LIMITED, ARSENAULT'S FISH MART INC.**

RESPONDENTS

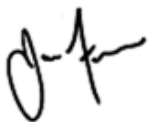
CONSENT TO ACT AS MONITOR

Deloitte Restructuring Inc. hereby consents to act as Monitor of the Respondents with respect to the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36*, as amended proceedings to be commenced on or about September 21, 2023 or following.

DATED at the City of Halifax, in the Province of Nova Scotia, this 18th day of September 2023.

Deloitte Restructuring Inc.

Per:



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

APPENDIX B
CASH FLOW STATEMENT

**IN THE MATTER OF
THE COMPANIES' CREDITOR ARRANGEMENT ACT,
AND
IN THE MATTER OF
THE COMPROMISE OR ARRANGEMENT OF
SOUTH SHORE SEAFOODS LTD., CAPTAIN COOKE'S SEAFOOD INC., BY THE WATER
SHELLFISH (2012) INC., SOUTH SHORE SEAFOODS INTERNATIONAL LTD., CAN-AM LOBSTER
& SHELLFISH LTD., BRIDGE LOBSTERS LIMITED, AND ARSENAULT'S FISH MART INC.**

The management of South Shore Seafoods Ltd., Captain Cooke's Seafood Inc., By The Water Shellfish (2012) Inc., South Shore Seafoods International Ltd., Can-Am Lobster & Shellfish Ltd., Bridge Lobsters Limited, and Arsenault's Fish Mart Inc. (collectively, the "**Debtors**") has developed the assumptions and prepared the attached consolidated statement of projected cash flow of the Debtors, as of the September 18, 2023, consisting of weekly cash flows for the period September 23, 2023 to December 22, 2023 (the "**Cash Flow Statement**").

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow Statement described in Note A, and the probable assumptions are suitably supported and consistent with the plans of the Debtors and provide a reasonable basis for the Cash Flow Statement. All such assumptions are disclosed in Note B.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The Cash Flow Statement has been prepared solely for the purpose described in Note A, using a set of hypothetical and probable assumptions set out in Note B. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Cap Pele, New Brunswick this 18th day of September 2023.

**SOUTH SHORE SEAFOODS LTD., CAPTAIN COOKE'S SEAFOOD INC., BY THE WATER
SHELLFISH (2012) INC., SOUTH SHORE SEAFOODS INTERNATIONAL LTD., CAN-AM LOBSTER
& SHELLFISH LTD., BRIDGE LOBSTERS LIMITED, AND ARSENAULT'S FISH MART INC.**

Per:



Tim Williston
Chief Operations Officer – Vice President

South Shore Seafoods Group
Consolidated 13-week cash flow forecast
For the 13-week period ending December 23, 2023

	W1	W2	W3	W4	W5	W6	W7	W8	W9	W10	W11	W12	W13	TOTL
	9/29/2023	10/6/2023	10/13/2023	10/20/2023	10/27/2023	11/3/2023	11/10/2023	11/17/2023	11/24/2023	12/1/2023	12/8/2023	12/15/2023	12/22/2023	
Operating inflows														
Collection of pre-billed accounts receivable	1,970,524	1,337,311	396,343	123,280	804,824	74,520	65,000	71,550	1,344,503	5,440	4,080	5,440	479,292	4,858,238
Collection of new and pre-billing sales	978,299	1,150,920	1,454,348	1,729,423	1,741,279	1,862,551	1,830,132	1,839,842	1,838,842	945,861	820,895	831,895	716,895	16,359,735
Collection of HST	2,549,833	2,659,414	1,874,719	1,853,186	2,546,100	1,957,738	1,534,457	1,312,075	1,344,463	950,801	908,872	908,872	723,837	22,092,536
Operating outflows														
Critical pre-billing costs of goods sold	892,117	855,386	1,437,759	1,617,180	1,629,675	776,653	747,600	23,600	11,900	1,100	-	-	-	6,725,941
Cost of goods sold	123,976	46,386	1,437,759	1,617,180	1,629,675	776,653	747,600	23,600	11,900	1,100	-	-	-	6,725,941
Fixed operating expenses	148,940	148,940	151,669	151,669	151,669	151,669	151,669	151,669	151,669	151,669	151,669	151,669	151,669	1,889,238
Compensation, rent/retailer and benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	400,208
Operating taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	63,665
Bank charges	-	-	-	-	-	-	-	-	-	-	-	-	-	10,894
Rent and Property taxes	2,000	2,322	2,000	2,000	2,000	2,322	2,000	1,518	2,000	2,000	2,322	2,000	1,518	61,172
Other	1,168,933	1,068,525	1,393,637	1,824,750	1,895,127	959,159	405,794	121,062	158,339	128,927	93,441	93,441	60,158	26,916
Non-operating outflows														
Interest payments	333	122,845	66	-	101,157	101,169	51	-	100,830	83,985	55	-	-	100,830
Restructuring costs														
Monitor - Diabra Restructuring Inc.	100,000	-	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	926,000
Legal counsel of Monitor - Cox & Palmer	25,000	25,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	160,000
Chief Restructuring Officer - Resolve Advisory Services	8,850	8,850	8,850	8,850	8,850	8,850	8,850	8,850	8,850	8,850	8,850	8,850	8,850	116,050
Legal counsel of the Company - Stewart McKelvey	150,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	30,000
Legal counsel of TD Bank - Norton Rose	283,850	43,850	153,850	93,850	93,850	123,850	93,850	93,850	93,850	123,850	93,850	93,850	93,850	1,480,050
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net weekly cash flow	1,497,717	1,426,194	126,566	(65,414)	455,965	723,246	1,434,353	1,697,163	991,465	614,029	721,525	569,830	142,382	10,246,042
Ending line of credit position	(11,102,710)	(9,676,516)	(9,549,950)	(9,615,364)	(9,139,299)	(8,426,151)	(6,991,298)	(5,244,635)	(4,603,170)	(3,689,131)	(2,967,605)	(2,397,776)	(2,255,384)	(5,255,384)
Existing Credit Facility														
Opening balance	(13,095,632)	(10,136,999)	(7,477,585)	(5,603,465)	(3,750,279)	(1,204,179)	-	-	-	-	-	-	-	-
Add: Cash receipts	2,848,833	2,659,414	1,747,554	1,853,186	2,546,100	1,204,179	-	-	-	-	-	-	-	-
Ending Existing Credit Facility balance	(10,246,799)	(7,477,585)	(5,603,465)	(3,750,279)	(1,204,179)	-	-	-	-	-	-	-	-	-
DPP Facility														
Opening balance	-	(1,451,116)	(2,684,337)	(4,431,890)	(6,350,490)	(8,440,525)	(8,911,556)	(7,477,203)	(5,780,040)	(4,728,575)	(4,174,535)	(3,453,011)	(2,883,181)	-
Less: Draws	-	(1,233,221)	(1,747,554)	(1,918,600)	(2,090,134)	(1,224,488)	(499,705)	(214,912)	(353,038)	(187,347)	(187,347)	(154,008)	(138,500)	-
Add: Repayments	-	2,659,414	1,874,119	1,853,186	2,546,100	1,204,179	1,934,057	1,912,075	1,344,503	950,801	908,872	723,837	479,292	-
Ending DPP Facility balance	(1,451,116)	(2,684,337)	(4,431,890)	(6,350,490)	(8,440,525)	(8,911,556)	(7,477,203)	(5,780,040)	(4,728,575)	(4,174,535)	(3,453,011)	(2,883,181)	(2,740,789)	-
Add: excluded accounts	485,405	485,405	485,405	485,405	485,405	485,405	485,405	485,405	485,405	485,405	485,405	485,405	485,405	-
Total net indebtedness	(11,102,710)	(9,676,516)	(9,549,950)	(9,615,364)	(9,139,299)	(8,426,151)	(6,991,298)	(5,244,635)	(4,603,170)	(3,689,131)	(2,967,605)	(2,397,776)	(2,255,384)	-

Dated at Cap Pele, New Brunswick this 18th day of September 2023.

SOUTH SHORE SEAFOODS LTD., CAPTAIN COOKER SEAFOOD INC., BY THE WATER SHELLFISH (2012) INC., SOUTH SHORE SEAFOODS INTERNATIONAL LTD., CAN-YAM LOBSTER & SHELLFISH LTD., BRIDGE LOBSTERS LIMITED, AND ARSENAULT'S FISH MART INC.

Tim Williamson
 Chief Operations Officer - Vice President



**SOUTH SHORE SEAFOODS LTD., CAPTAIN COOKE'S SEAFOOD INC., BY THE WATER SHELLFISH (2012) INC., SOUTH SHORE SEAFOODS INTERNATIONAL LTD., CAN-AM LOBSTER & SHELLFISH LTD., BRIDGE LOBSTERS LIMITED, AND ARSENAULT'S FISH MART INC.
(COLLECTIVELY THE "DEBTORS")
ASSUMPTIONS TO THE CASH FLOW STATEMENT
FOR THE PERIOD SEPTEMBER 23 TO DECEMBER 22, 2023**

Note A:

The statement of projected cash flow (the "**Cash Flow Statement**") is being filed pursuant to *the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended* using the probable and hypothetical assumptions set out in Note B.

Note B:

The following assumptions were used by Management in the preparation of the Cash Flow Statement of the Debtors:

General:

The following is an overview of the current operating activities of each of the Debtors. These activities are integral to the assumptions further discussed herein:

South Shore Seafoods International ("**SSSI**") – SSSI has no operating activity outside of its 100% equity ownership of Can-Am Lobster and Shellfish Ltd. ("**CanAm**").

CanAm – CanAm had previously participated in the US lobster industry however ceased operations in January 2023. Assumptions pertaining to CanAm discussed below are limited to fixed operating expenses currently required relating to a leased facility located in Maine, US.

South Shore Seafoods Ltd. ("**SSSL**") – SSSL operates two processing plants in Alberton, PEI that process raw tails and cooked lobster meat. SSSL is currently operating and procures its lobster supply from Arsenault's Fish Mart Inc ("**AFM**") and third-party brokers.

AFM – operates as a buying agency procuring lobster for SSSL and BTW (as defined below). Outside of payments to lobster fishers and related suppliers (e.g. bait, fuel, and fishers' helpers), AFM has minimal fixed operating expenses.

Captain Cooke's Seafoods Inc. ("**CCSI**") – CCSI processes whole cooked lobster using canner lobsters for the European market. Currently, CCSI is not producing product for sale and as such, assumptions discussed below are limited to fixed operating expenses currently required to maintain its processing facility.

By the Water Seafood (2012) Inc. ("**BTW**") – Based in Borden, PEI, BTW participates in the live lobster market (i.e. buying and selling live lobster) selling the majority of its product to Asian and US markets. BTW is currently operating and procures its lobster supply from AFM and third-party brokers.

Bridge Lobsters Limited ("**Bridge**") – Bridge is owned by BTW and had previously purchased and sold lobster to BTW using its Nova Scotia buyers license. Bridge has not operated since the 2022 season and assumptions discussed below are limited to fixed operating expenses currently required to maintain its storage facility.

As at the date of the Cash Flow Statement, Management does not anticipate acquiring lobster or producing new product following the conclusion of the current fishing season in LFA25. At this juncture, it is anticipated that the season in LFA25 will conclude in and around October 31, 2023.

Line of credit position

- The opening line of credit position represents the estimated consolidated cash and line of credit balance (the "**Existing Credit Facility**") of the Debtors as at September 23, 2023.

Operating Inflows

- The accounts receivable balance as at September 1, 2021 is based on the books and records of the Debtors. The collection of these amounts is based on Management expectations taking into consideration existing payment terms with customers and historical collection patterns.
- Collection of new and post-filing sales represents the collection of accounts receivable related to post filing production and sales after September 1, 2023. As at the date of the statement of projected cash flow, SSSL and BTW are the only entities of the Debtors actively producing and selling product to third parties. Further information pertaining to new and post-filing sales is presented below:
 - SSSL/BTW – Timing of new and post-filing sales is forecast based on historically observed inventory turnover (i.e., over the March 2023 to July 2023 period). The collection of new and post-filing sales is based on historically observed collection patterns (i.e., approximately 30 days on average).
- As the Debtors' sales do not attract excise taxes, the Debtors are typically in a net HST refund position. Collection of HST is forecast based on the expenses contemplated in the statement of cash flow taking into account a monthly remittance filing period.

Operating Outflows

- Critical pre-filing cost of goods sold represent estimated production costs incurred during the week ending September 22, 2023. In order to ensure that the Debtors maintain access to key inputs (i.e. lobster, transportation services and packaging) the Debtors are seeking permission from the Court to pay certain pre-filing obligations. Estimated critical pre-filing obligations by type are summarized as follows:
 - Lobster purchased directly from fishers by AFM – During the week ending September 22, 2023, the Debtors are anticipating acquiring approximately \$684,000 worth of lobster directly from fishers.
 - Lobster purchased from third party brokers - During the week ending September 22, 2023, the Debtors are anticipating acquiring approximately \$33,000 worth of lobster from third party brokers.
 - Packaging and transportation services - During the week ending September 22, 2023, the Debtors are anticipating requiring approximately \$175,000 of packaging and transportation services.
- Cost of goods sold during the forecast period is comprised of the following:
 - Lobster – Lobster is anticipated to be sourced from two primary channels during the forecast period, namely AFM and third-party brokers. The cost of lobster is forecast based on recently observed wharf and wholesale prices. The statement of projected cash flows assumes lobster is paid for on a cash on delivery basis from third-party brokers and on seven-day payment terms with fishers. Payment terms with fishers reflect the necessary time to gather landing information (i.e. delivery slips) and determine contra amounts pertaining to fuel, bait, fishers helpers etc.
 - Packaging and transportation – Packaging and transportation costs are estimated based on recently observed percentages of sales and assumed to be paid on a cash on delivery basis.

- As discussed above, Management does not anticipate acquiring lobster or producing new product following the conclusion of the current fishing season in LFA25, which will be in and around October 31, 2023.
- Fixed operating expenses during the projection period are primarily comprised of advertising, repairs and maintenance, vehicle costs, travel, utilities, and office expenses. Fixed operating expenses have been estimated based on actual costs incurred during the period March 2023 to July 2023. No payments are forecast during the first three weeks in order to account for timing of receipt of invoices following the filing.
- Compensation, remittances, and benefits are forecast based on current headcount levels and anticipated production levels at SSSL and BTW. The Debtors utilize the services of the third-party payroll provider so amounts presented in the Cash Flow Statement include all statutory remittances and employer matching amounts. As compensation paid to fishers' helpers on behalf of fishers by AFM is netted against weekly lobster catches, these amounts are included in cost of goods sold discussed above.
- Insurance represents monthly payments of the Debtors existing insurance policy premiums.
- Rent and property taxes are forecast based on current amounts. Currently, the Debtors rent office space in Cap Pele, New Brunswick and a storage facility located in Malne, US relating to CanAm.

Non-operating outflows

- The statement of projected cash flows contemplates the continued payment of post-filing interest charges on secured encumbrances outstanding to TD Bank, Business Development Bank of Canada and miscellaneous vehicle loans. Post-filing interest payments of subordinated creditors is not contemplated in the statement of projected cash flows.
- Non-operating outflows also includes costs associated with servicing the Existing Credit Facility and DIP Facility.

Restructuring costs

- Professional fees are based on consultation with the various professional service firms involved in the administration of this CCAA proceeding.

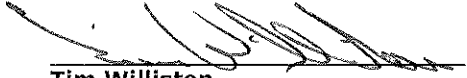
DIP Facility

- Detailed forecast borrowing base and availability amounts and covenant thresholds tests are assumed to be calculated in accordance with the terms of DIP Facility Agreement.

Dated at Cap Pele, New Brunswick this 18th day of September 2023.

SOUTH SHORE SEAFOODS LTD., CAPTAIN COOKE'S SEAFOOD INC., BY THE WATER SHELLFISH (2012) INC., SOUTH SHORE SEAFOODS INTERNATIONAL LTD., CAN-AM LOBSTER & SHELLFISH LTD., BRIDGE LOBSTERS LIMITED, AND ARSENAULT'S FISH MART INC.

Per:

A handwritten signature in black ink, appearing to read 'Tim Williston', written over a horizontal line.

Tim Williston
Chief Operations Officer – Vice President



The attached consolidated statement of projected cash flow of South Shore Seafoods Ltd., Captain Cooke's Seafood Inc., By The Water Shellfish (2012) Inc., South Shore Seafoods International Ltd., Can-Am Lobster & Shellfish Ltd., Bridge Lobsters Limited, and Arsenault's Fish Mart Inc. (collectively, the "**Debtors**"), consisting of weekly projections through the week beginning September 23, 2023 to the week ending December 22, 2023 has been prepared by the management of the Debtors for the purpose described in Note A, using the probable and hypothetical assumptions set out in Note B.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the Debtors. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the probable and hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note A, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, NS this 18th day of September 18, 2023.

DELOITTE RESTRUCTURING INC.

Acting in its capacity as Proposed Monitor of
South Shore Seafoods Ltd., Captain Cooke's Seafood Inc., By the Water Shellfish (2012) Inc., South Shore Seafoods International Inc., Can-Am Lobster and Shellfish Ltd., Bridge Lobsters Limited and Arsenault's Fish Mart Inc., and not in its personal capacity

Per:

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

Per:

Kurt Macleod, MBA, CIRP, LIT
Vice-President