



Court Administration

DEC 11 2024

Halifax, N.S.

ksv advisory inc.

HFX No. 538745

SUPREME COURT OF NOVA SCOTIA

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 AND ARRANGEMENT OF BLUE LOBSTER
CAPITAL LIMITED, 3284906 NOVA SCOTIA LIMITED, 3343533 NOVA SCOTIA LIMITED AND
4318682 NOVA SCOTIA LIMITED

SUPPLEMENT TO PRE-FILING REPORT OF KSV RESTRUCTURING INC.
AS PROPOSED MONITOR

December 10, 2024

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1.0 Introduction

1. This report (the "**Supplemental Report**") supplements the Pre-filing Report of KSV Restructuring Inc. dated November 27, 2024 and should be read in conjunction with the Pre-Filing Report.
2. Unless otherwise stated, capitalized terms used in this Supplemental Report and not otherwise defined herein have the meanings given to them in the Pre-Filing Report.
3. Background information about the Companies is provided in the Rice Affidavit.
4. At the hearing on November 28, 2024, the Court requested that the Companies, who brought a motion for protection pursuant to the CCAA, and RBC, who brought a motion for the appointment of a receiver, consider their respective positions and report back to the Court on a potential consensual path forward by December 11, 2024. The Court also scheduled a further hearing date of December 27, 2024 to either hear contested CCAA and receivership motions, or a consent motion for either of the reliefs.
5. Since the November 28, 2024 hearing, the Companies and RBC, and their respective advisors, discussed, among other things, options for the Companies to restructure and reviewed the Companies' cash flow projections. Those discussions have resulted in RBC agreeing to support the Companies' CCAA motion on the condition that the Companies continue their reporting to RBC, limit the initial period for the stay of proceedings to 75 days, immediately pursue a refinancing strategy and prepare for a SISF early in 2025 if a refinancing is not completed.

1.1 Purposes of this Report

1. The purposes of this Supplemental Report are to:
 - a) comment on the cash flow forecast for the period November 30, 2024 to March 1, 2025 (the "**Cash Flow Forecast**") included in the Companies' materials;
 - b) discuss the rationale for a charge in the amount of \$250,000 (the "**Administration Charge**") on the Companies' current and future property, assets and undertaking (collectively, the "**Property**") to secure the fees and disbursements of the Companies' counsel, the Monitor and its legal counsel: and
 - c) provide the proposed Monitor's recommendations regarding the relief sought by the Companies in their application materials as set out in the draft Initial Order filed by the Companies.

1.2 Restrictions

1. This Supplemental Report is subject to the restrictions set out in Section 1.2 of the Pre-Filing Report.

2.0 Cash Flow Forecast

1. The Pre-Filing Report included a copy of the Companies' cash flow forecast from November 25 to December 21, 2024. The Companies have revised the forecast and extended it to March 1, 2025, which has been reviewed by RBC and its advisors.
2. A summary of the Cash Flow Forecast is provided below.

<u>(unaudited; CAD; \$000s)</u>	
Receipts	
Trade and direct sales	2,289
Other collections	242
	<hr/>
	2,531
Disbursements	
Payroll and benefits	586
Professional fees	450
Raw materials, advertising and other trade vendors	955
Contingency	342
Other	275
	<hr/>
	2,608
Net Cash Flow	<hr/>
	(77)
Opening Cash Balance	138
Net Cash Flow	<hr/>
	(77)
Ending Cash Balance	<hr/>
	61

3. The Cash Flow Forecast reflects that the Companies are projected to have negative cash flow of \$77,000 during the Cash Flow Forecast period; however, they are not projected to require interim financing during that period. A summary of the major assumptions in the Cash Flow Forecast is as follows:
 - a) the Companies' sales and collections are consistent with historical results;
 - b) no headcount reductions are contemplated during the period;
 - c) the Companies' business will be operated on a cash-on-delivery basis, or close to it, from the date of the Initial Order; and
 - d) the Companies may be required to pay certain pre-filing amounts to critical vendors, with the Monitor's prior consent, to mitigate the risk of interrupting the operations of the business.
4. A copy of the Cash Flow Forecast and the statutory report required pursuant to Section 10(2)(b) of the CCAA and the report required by the proposed Monitor is included as **Appendix "A"**.

3.0 Administration Charge

1. An Administration Charge is being sought in an amount not to exceed \$250,000 to secure the fees and expenses of the Companies' counsel, the Monitor and its counsel.
2. The Administration Charge is a customary provision in an initial order in a CCAA proceeding; it is required to provide security to the professionals engaged to assist a debtor company and to protect them if the debtor is unable to pay professional fees and costs during the CCAA process.
3. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the Companies' limited liquidity. Accordingly, the professionals require the benefit of the Administration Charge to protect them for their fees related to preparing for these proceedings, as well as for their fees and costs that will be incurred during these proceedings. Without such protection, the professionals are unlikely to be prepared to continue to provide services in these proceedings.

4.0 Critical Vendor Payments

1. The Companies have advised the proposed Monitor that they anticipate that they may be required to pay to certain critical suppliers their pre-filing arrears to avoid operational disruption. Such vendors considered by the Companies to be critical include certain vendors not located in Canada, and others providing supply of goods that are not easily replaceable.
2. The proposed Monitor understands that the Companies are seeking authorization to make such payments with the prior consent of the Monitor. The Monitor understands that any anticipated payments have been included in the Cash Flow Forecast and the Monitor intends to closely review and monitor such payments. The proposed Monitor recommends that the Companies be permitted to make such payments with the prior consent of the Monitor to avoid disruption to the business and to maximize the going-concern value of the businesses.

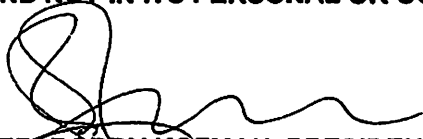
5.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court grant an initial order under the CCAA on the terms of the draft Initial Order set out in the Companies' motion materials.

* * *

All of which is respectfully submitted,

**KSV RESTRUCTURING INC., IN ITS CAPACITY AS PROPOSED MONITOR OF
BLUE LOBSTER CAPITAL LIMITED, 3284906 NOVA SCOTIA LIMITED, 3343533 NOVA
SCOTIA LIMITED AND 4318682 NOVA SCOTIA LIMITED
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**



PER: BOBBY KOFMAN, PRESIDENT

Appendix "A"

Notes	Week ending	Week 1 2024-12-06	Week 2 2024-12-13	Week 3 2024-12-21	Week 4 2024-12-28	Week 5 2025-01-04	Week 6 2025-01-11	Week 7 2025-01-18	Week 8 2025-01-25	Week 9 2025-02-01	Week 10 2025-02-08	Week 11 2025-02-15	Week 12 2025-02-22	Week 13 2025-03-01	Total 2025-03-01
	Opening Cash Balance	137,581	53,888	303,411	164,282	280,018	308,229	350,595	97,684	172,514	111,551	199,469	92,649	151,765	137,581
	Cash Inflows														
1	Trade Sales	172,717	316,493	73,565	139,546	139,546	124,099	124,099	126,599	124,099	124,099	124,099	126,599	124,099	1,839,655
2	Direct Sales	33,419	34,836	36,811	36,811	35,351	35,351	35,351	35,351	33,122	33,122	33,122	33,122	33,122	448,890
3	Shopify	5,082	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150	10,150	126,882
4	Other Sales	234	791	3,463	11,537	20,931	10,042	5,749	9,251	18,645	16,640	2,431	16,640	17,432	115,364
	Total Cash Inflows	211,451	362,270	117,063	198,043	205,978	179,642	163,851	181,351	186,016	184,011	169,802	186,511	184,803	2,530,790
	Cash Outflows														
5	Salaries, wages, and benefits	64,838	-	67,938	-	67,938	-	67,938	-	67,938	-	67,938	-	67,938	472,465
	Payroll - CRA source remittances	-	9,500	15,325	9,500	-	9,500	15,873	9,500	-	9,500	15,873	-	10,000	104,571
	Equitable Life Benefits	-	4,000	-	-	-	-	3,500	-	-	-	1,500	-	-	9,000
	Professional Fees:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Professional Fees - Legal Counsel	10,000	-	20,000	-	-	-	40,000	-	-	-	40,000	-	-	110,000
	Professional Fees - Monitor	12,000	-	25,000	-	-	-	48,000	-	-	-	48,000	-	-	133,000
	Professional Fees - Monitor Legal Counsel	10,000	-	15,000	-	-	-	40,000	-	-	-	40,000	-	-	105,000
	Professional Fees - Review Engagement	10,000	10,000	10,000	-	-	-	-	-	-	-	-	-	-	30,000
	Professional Fees - Accounting	16,857	-	-	-	16,500	-	-	-	16,500	-	-	-	16,500	66,357
	Professional Fees - RBC Legal	5,523	-	-	-	-	-	-	-	-	-	-	-	-	5,523
	Rent	1,438	-	-	-	6,356	-	-	-	-	6,356	-	-	6,356	20,506
	HST	-	-	-	-	-	-	-	-	75,000	-	-	-	75,000	150,000
	Excise Tax	-	-	-	-	-	-	-	-	30,000	-	-	-	30,000	60,000
6	RBC LoC and Debt Servicing	45,000	-	-	-	-	-	-	-	-	-	-	-	-	45,000
	General Operating Expenses	9,899	8,529	4,877	6,360	3,006	14,776	7,131	3,500	3,006	14,776	3,606	2,400	3,001	84,866
	Inventory & Raw Materials Purchases	99,589	55,718	73,052	41,448	20,967	50,000	131,320	60,521	29,535	40,462	34,705	99,995	42,327	779,638
7	Advertising & Promotion	-	-	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	90,000
	Contingency	10,000	25,000	25,000	25,000	53,000	53,000	53,000	23,000	15,000	15,000	15,000	15,000	15,000	342,000
	Total Cash Outflows	295,144	112,747	256,192	82,308	177,766	137,276	416,761	106,521	246,978	96,094	276,622	127,395	276,122	2,607,926
	Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Cash surplus (deficit)	- 83,693	249,523	- 139,129	115,735	28,211	42,366	- 252,911	74,830	- 60,963	87,917	- 106,820	59,116	- 91,319	- 77,136
	Cumulative cash surplus (deficit)	- 83,693	165,830	26,701	142,436	170,648	213,013	- 39,897	34,932	- 26,030	61,887	44,932	14,184	- 77,136	- 77,136
	Ending Cash	53,888	303,411	164,282	280,018	308,229	350,595	97,684	172,514	111,551	199,469	92,649	151,765	60,446	

Notes to Cash Flow Forecast

Purpose This statement of projected cash flow (the "Forecast") has been prepared on a consolidated basis in respect of Blue Lobster Capital Limited, 3284906 Nova Scotia Limited, 3343533 Nova Scotia Limited and 4318682 Nova Scotia Limited section 23(1)(b) of the Companies Creditors' Arrangement Act ("CCAA") for the period November 30, 2024 to March 1, 2025 (the "Period").

Notes

- Trade Sales refers to sales to liquor boards including NSLC, PEI, and LCBO
Payments up to Dec 13 are based on purchase orders fulfilled
Payment amounts after Dec 14 are based on average prior year December sales
- Direct Sales refers to sales to direct customers including restaurants
Payment are based on average prior year December sales; payment terms for 85% of sales are on receipt
- Shopify Sales refers to sales made to direct customers through web or in store retail
Sales is calculated as average \$10,000 per week based on historical results; payment terms are due on receipt/cash basis
- Other Sales refers to sales to private liquor stores
Payment are based on average prior year December sales; payment terms vary
- Future payroll is based on the last payroll run
- Payments are scheduled for prior to Dec. 1
- Advertising and promotion expenses are based on 75% of prior year average expenditures for the period.

**SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY**

**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 BLUE LOBSTER CAPITAL LIMITED,
3284906 NOVA SCOTIA LIMITED, 3343533 NOVA SCOTIA
LIMITED AND 4318682 NOVA SCOTIA LIMITED**

**PROPOSED MONITOR'S REPORT ON CASH FLOW
STATEMENT (paragraph 23(1)(b) of the CCAA)**

The attached consolidated statement of projected cash-flow of Blue Lobster Capital Limited, 3284906 Nova Scotia Limited, 3343533 Nova Scotia Limited and 4318682 Nova Scotia Limited (collectively, the "**Applicants**") as of the 10th day of December, 2024, consisting of a weekly projected cash flow statement for the period November 30, 2024 to March 1, 2025 (the "**Cash Flow Forecast**") has been prepared by the management of the Applicants for the purpose described in the Cash Flow Forecast, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management of the Applicants. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

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 Cash Flow Forecast;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions;
or
- c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose described in the Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, ON this 10th day of December, 2024.

KSV Restructuring Inc.

KSV RESTRUCTURING INC.,

solely in its capacity as proposed monitor of

Blue Lobster Capital Limited, 3284906 Nova Scotia Limited, 3343533 Nova Scotia Limited and 4318682 Nova Scotia Limited

**SUPREME COURT OF NOVA SCOTIA
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**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

The management of Blue Lobster Capital Limited, 3284906 Nova Scotia Limited, 3343533 Nova Scotia Limited and 4318682 Nova Scotia Limited (collectively, the "Applicants") has developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 10th day December, 2024, for the period November 30, 2024 to March 1, 2025 (the "Cash Flow Forecast"). All such assumptions are disclosed in the notes to the Cash Flow Forecast.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow Forecast as described in the Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow Forecast.

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

The Cash Flow Forecast has been prepared solely for the purpose outlined in the Cash Flow Forecast using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Halifax, NS this 10th day of December, 2024.

**BLUE LOBSTER CAPITAL LIMITED, 3284906 NOVA SCOTIA LIMITED, 3343533 NOVA
SCOTIA LIMITED AND 4318682 NOVA SCOTIA LIMITED**



Per: Alex Rice