IN THE MATTER OF The Receivership of Chester Basin Seafood Group Inc. pursuant to Section 243(1) of the Bankruptcy and Insolvency Act, RSC 1985, c B-3, as amended, and 43(9) of the Judicature Act, R.S.N.S. 1989, c. 240.

PRE-FILING REPORT OF GRANT THORNTON LIMITED
IN ITS CAPACITY AS PROPOSED COURT APPOINTED RECEIVER
PURSUANT TO SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*
OF CHESTER BASIN SEAFOOD GROUP INC.
Hfx. 530600
February 13, 2024

Grant Thornton Limited,
Licensed Insolvency Trustee

1675 Grafton Street, Suite 1000,
Halifax, Nova Scotia
B3J 0E9

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Appendices

Introduction

1. Grant Thornton Limited ("**GTL**") understands that an application will be made before the Supreme Court of Nova Scotia in Bankruptcy and Insolvency ("**Court**") by 4519497 Nova Scotia Limited ("**451**" or the "**Applicant**") for an order ("**Receivership Order**") appointing GTL as receiver ("**Receiver**"), without security, of all the assets, undertakings, and properties of Chester Basin Seafood Group Inc. ("**CBSG**" or the "**Company**").

2. GTL is a licensed insolvency trustee within the meaning of section 2 of the BIA and has consented to act as Receiver in these proceedings ("**Receivership Proceedings**") should the Court grant the Applicant's requested relief. GTL has prepared this pre-filing report ("**Pre-Filing Report**") as proposed Court-appointed receiver of CBSG ("**Proposed Receiver**") to provide background to the Court in respect of the application on February 15, 2024 and the relief being sought by the Applicant.

3. GTL has engaged BoyneClarke LLP to act as the Proposed Receiver's independent legal counsel. Attached at **Appendix "A"** is GTL's executed consent to act as Receiver.

4. The Purpose of this Pre-Filing Report is to provide information to the Court with respect to:

   (a) Background on the Company, including the Company's previous insolvency proceedings pursuant to 50.4(1) of the BIA which resulted in a deemed bankruptcy on February 8, 2024;

   (b) The Proposed Receiver's understanding of the Company's operations, key assets and liabilities;

   (c) The Proposed Receiver's understanding of the Company's key creditors, including the Applicant, and the independent legal opinion obtained by GTL with respect to the Applicant's security; and

   (d) The Proposed Receiver's plan of action, should the Court grant the Applicant's request for the Receivership Order.

Qualification and Restrictions of this Report

5. In preparing the Pre-Filing Report, the Proposed Receiver has relied upon unaudited financial information, the Company's records, financial information and projections, and discussions with the Company's former management, shareholders and directors ("**Management**"). While the Proposed Receiver reviewed various documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material, as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**"), International Financial Reporting Standards ("**IFRS**"), or Generally Acceptance Auditing Standards ("**GAAS**"). Accordingly, the Proposed Receiver expresses no opinion or other form of assurance pursuant to GAAP, IFRS, or GAAS with respect to such information.

6. To date, nothing has come to the Proposed Receiver's attention that would cause it to question the reasonableness of the information and explanations provided to it by the Company, Management or the Applicant. The Proposed Receiver has requested that Management and the Applicant bring to its attention any significant matters which were not addressed in the course of the Proposed Receiver's specific inquiries. Accordingly, the Pre-Filing Report is based on the information (financial or otherwise) made available to the Proposed Receiver by the Company and the Applicant.

7. This Pre-Filing Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and to assist the Court in determining whether to grant the relief sought by the Applicant. Accordingly, the reader is cautioned that the Pre-Filing Report may not be appropriate for any other purpose. The Proposed Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Pre-Filing Report contrary to the provisions of this paragraph.

8. All references to dollars are in Canadian currency unless otherwise noted. Capitalized terms not otherwise defined herein are as defined in Applicant's materials filed in conjunction with the application for the Receivership Order.

9. This Pre-Filing Report has been prepared with reference to the February 12, 2024 affidavit of Jose Teixeira ("**Teixeira Receivership Affidavit**") filed with the Applicant's motion materials, and the Proposed Receiver encourages readers to review the Teixeira Receivership Affidavit and associated materials for additional information.

NOI Proceedings & Deemed Bankruptcy

10. On November 7, 2023 ("**NOI Filing Date**"), the Company filed a Notice of Intention to Make a Proposal pursuant to Section 50.4(1) of the BIA with the Office of the Superintendent of Bankruptcy ("**OSB**") and GTL, a Licensed Insolvency Trustee, consented to act as the Proposal Trustee (the "**Proposal Trustee**") in those proceedings ("**NOI Proceedings**").

11. On November 24, 2023, the Company made an application to the Supreme Court of Nova Scotia in Bankruptcy and Insolvency for, among other things:

    (a) An extension of the Stay of Proceedings pursuant to Section 50.4(9) of the BIA, to expire on January 21, 2024 (the "**Stay Period**");

    (b) Approval of an interim financing term sheet ("**DIP Financing**") of $1.1 million; and

    (c) Approval of certain charges against the Company's assets, property and undertakings ("**Property**"), in the following order of priority:

        i. First, an administration charge of $50,000 pursuant to Section 64.2 of the BIA to secure the professional fees of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel; and

        ii. Second, a charge against the Property as security for the Company's obligations under the DIP Financing agreement pursuant to Section 50.6 of the BIA.

12. The Company's requested relief was granted pursuant to a November 24, 2024 Order ("**November Order**") of the Registrar of Bankruptcy ("**Registrar**"). The Stay Period was subsequently extended to February 7, 2024 pursuant to an Order of the Registrar on January 19, 2023.

13. Because the Company did not file a proposal to its creditors prior to the end of the Stay Period, nor did it receive an extension of the Stay Period from the Registrar, the Company was deemed to have made an assignment in bankruptcy effective February 8, 2024 ("**Date of Bankruptcy**") by virtue of Section 50.4(8) of the BIA, and Grant Thornton Limited was appointed as Trustee ("**Trustee**").

14. The Report of the Trustee on Non-filing of a Cash Flow Statement or Proposal by the Company is attached at **Appendix "B"**, and the certificate of appointment provided by the OSB is attached at **Appendix "C"**.

15. The first meeting of creditors ("**FMOC**") of the bankrupt estate is scheduled for February 28, 2024. Should the Court grant the Applicant's requested relief, pursuant to the Canadian Association of Insolvency and Restructuring Professionals rules of professional conduct, rule number 4, GTL will seek the creditors approval to continue to act as Receiver at the FMOC. GTL notes that dual appointments of this nature are common, not prohibited at law given that no conflict exists, and GTL's acceptance is commercially reasonable given that GTL has been actively involved with the Company in the NOI Proceedings and had started preparations to launch a sales process prior to the Date of Bankruptcy.

16. GTL as Proposal Trustee filed four Reports in the NOI Proceedings, available to creditors and other interested parties on GTL's case website, www.grantthornton.ca/chesterbasinseafoods, along with other relevant materials pertaining to the bankruptcy proceedings. Readers are encouraged to read the reports of the Proposal Trustee and Trustee, the materials filed in relation to the Company's previous applications and the previous Orders of the Registrar to provide additional information.

Company Background

17. The Company's background, reasons for financial difficulty leading to the NOI Proceedings, an outline of the Company's business and its internal financial statements as of October 31, 2023 are outlined in paragraphs 12-28 of the Proposal Trustee's First Report. The Proposal Trustee's First Report is available on GTL's case website and is attached hereto as **Appendix "E"** for completeness, without appendices.

18. The Company was in the business of harvesting, packaging, marketing and selling groundfish, primarily Atlantic silver hake, and was one of the largest harvesters of silver hake in Atlantic Canada. The Company holds approximately 4.3 million pounds of groundfish quota for silver hake and associated fishing licenses, owns three fishing vessels and had an on-ground transportation fleet comprising of leased and owned trucks and trailers. The Company distributed product domestically and exported product to customers in Europe and the Americas.

19. The Company was formed in June, 2022 through the amalgamation of several entities that were owned, either directly or through certain family trusts, by Jose Teixeira ("**Mr. Teixeira**") to facilitate a transaction whereby Mr. Teixeira sold a majority interest in the underlying entities to a purchaser group led by Herbert Breau ("**Mr. Breau**"). As at the Date of Bankruptcy, Mr. Breau was the chairperson of the Company's board, consisting of Mr. Breau and Jacques Chabot who together control a majority share of the Company. The Company's ongoing operations were run by Mr. Teixeira and Daniel Gaudet, both minority shareholders.

20. For certainty, Mr. Teixeira also controls the Applicant, who provided the DIP Loan in the NOI Proceedings, is an unsecured creditor of the Company through the Teixeira Family Trust and was a former director of the Company.

Release of Estate's Interest in Assets to Secured Creditors by Trustee

21. Pursuant to section 71 of the BIA, at the Date of Bankruptcy the Company ceased to have any capacity to dispose of or otherwise deal with its property, which subject to the BIA and to the rights of secured creditors, immediately passed to and vested in the Trustee.

22. Prior to the deemed Bankruptcy, the Proposal Trustee requested its counsel, BoyneClarke LLP, to complete an independent security review in respect of the enforceability and validity of 451 and TD Bank's security as against the Company's Property. Subject to the customary limitations for opinions of this nature, the Proposal Trustee's counsel advised GTL that 451 and TD Bank both had valid and enforceable security, and that the Company's assets were fully encumbered.

23. The Proposal Trustee previously advised in its reports to the Court and through correspondence to the Company and secured creditors in the NOI Proceedings that the Proposal Trustee was of the view that a liquidation of the Company's assets would result in a significant shortfall to secured creditors. As GTL had obtained an opinion that the security granted to 451 and TD Bank was both valid and enforceable, the Trustee was of the view that the assets of the Company were fully encumbered, and upon liquidation, no distribution would be available to unsecured creditors.

24. Therefore, at 12:30am on the Date of Bankruptcy, the Trustee sent the letter attached at **Appendix "D"** to both 451 and TD Bank (prior to the Trustee being provided evidence that TD Bank had assigned its debt and security to 451), advising that:

(a) The Trustee held an independent legal opinion on the validity and enforceability of both 451 and TD Bank's security over the Property, and that all the Company's assets are fully encumbered by the respective security;

(b) Based on a liquidation analysis initiated by the Proposal Trustee, various asset appraisals reviewed by the Proposal Trustee in the course of its mandate, the fact that the Company had zero cash available in its bank accounts at the Date of Bankruptcy, and the Trustee's understanding that 451 and TD Bank had collective security greater than $7.0 million, the Trustee was of the view there are no unencumbered Assets available for unsecured creditors;

(c) The Trustee therefore released the bankrupt estate's interest in the Property, with the exception of the Company's fishing licenses and quota to which the Trustee intends to further review, to 451 and TD Bank;

(d) The Trustee had not and will not be taking possession of the Property or taking conservatory measures thereon, therefore 451 and TD Bank should take whatever protective measures are deemed advisable in the circumstances, inclusive of insurance if applicable;

(e) Upon the collective realization of the Assets, the Trustee advised it requires an accounting thereon, and any surplus from the realization of the Assets would be for the general benefit of creditors and forwarded to the Trustee.

25. On February 8, 2024, counsel for 451 advised that by assignment agreement effective February 8, 2024 (the "**TD Assignment**"), TD Bank assigned to 451 all the debt owed by the Company to TD Bank, together with all of TD Bank's associated security, except for certain personal guarantees. The Trustee and its counsel were provided copies of the executed TD Assignment, which are attached as Exhibit "I" to the Teixeira Receivership Affidavit. Prior to the NOI Proceedings, TD Bank was the Company's senior secured creditor.

Financial Summary

26. A summary of the Company's financial information as at its most recently available internally prepared records are summarized below, along with the Proposed Receiver's understanding of the Company's assets and liabilities.

CBSG: Draft Internal Balance Sheet	**October 31, 2023**
Assets	
Cash	0
Accounts Receivable	669,019
HST Receivable	263,730
Prepaids	155,511
Total Current Assets	**1,088,260**
Goodwill, transaction costs, and incorporation	3,371,896
Quotas & Licenses	4,318,000
Vessels, net of amortization	4,277,248
Office, equipment, and other	36,823
Land	30,000
Trucks and Trailers, net of amortization	292,495
Accumulated Amortization: Other	(100,016)
Long Term Assets	**12,226,446**
Total Assets	**13,314,706**

Liabilities	
Bank	666,815
Accounts Payable	1,497,016
Employee Benefits	1,451
Total Current Liabilities	**2,165,282**
Bank Loans	4,883,638
Capital Leases	236,944
Government Loans	120,000
Notes Payable	1,000,000
Vehicle Loans	47,894
Subordinated Related Party Loans	5,053,278
Total Long Term Liabilities	**11,341,754**
Total Liabilities	**13,507,036**
Class A Shares 1,000	10
Class B Shares 16,500	1,650,000
Retained Earnings	(1,842,340)
Total Shareholder Equity	(192,330)
Liabilities and Shareholder Equity	**13,314,706**

Liabilities:

27. The Company's books and records as at the Date of Bankruptcy included unsecured creditors of approximately $6,450,518 across 70 creditors, as confirmed in the Company's statement of affairs filed in the bankruptcy proceedings.

28. The Teixeira Receivership Affidavit outlines the secured debt owing to the Applicant of approximately $7.7 million, comprising the following in order of priority:

(a) 4519497 Nova Scotia Limited: Approximately $1.1 million, before interest and costs, from funds advanced to the Company as part of the Court approved DIP Financing in the NOI Proceedings;

(b) TD Assignment: Outstanding balance of approximately $5.5 million before interest and costs, secured by various security documents including, among other things, general security agreements, fishing license assignment agreements, priorities agreements and various marine mortgages; and

(c) 4519497 Nova Scotia Limited: Approximately $1.0 million in secured debt, subordinate to TD Bank, secured by various security documents including, among other things, general security agreements, fishing license assignment agreements, priorities agreements and various marine mortgages. This secured debt was originally owed to Pluto Investments Inc. ("**Pluto**"), however, GTL as Proposal Trustee reported in its second report that it received confirmation from Counsel to Pluto, that Pluto had assigned its debt and security to 451 effective December 18, 2023 ("**Pluto Assignment**").

29. As noted above, the Proposed Receiver has obtained an independent opinion confirming the enforceability and validity of 451's security as against the Company's Property.

30. The Proposed Receiver further obtained a report ("**PPSA Report**") from the Personal Property Registry System on February 7, 2024 outlining the various security filed against the Company's Property pursuant to the *Personal Property Security Act*. The Proposed Receiver notes that the additional secured creditors have registered interests in respect of the Company's leased vehicles and equipment, including:

(a) Bank of Nova Scotia: 2019 Dodge Ram 1500, VIN 1C6RR7LT3KS579799.

(b) BMW Canada Inc: 2023 BMW iX xDrive40, VIN WB513CF08PCK76452.

(c) CWB National Leasing Inc:

i. 2020 Utility VS3RA, VIN 1UYVS3531L6841610;

ii. 2021 VS3RA Trailer, VIN 1UYVS3537M6219210;

iii. 2021 VS3RA Trailer, VIN 1UYVS3532M6219213;

iv. 2018 Utility VS3RA, VIN 1UYVS3532J6451113;

v. 2018 Utility VS3RA, VIN 1UYVS3536J6451115; and

vi. 2020 Utility, VS3RA, VIN 91583609.

(d) Penske Truck Leasing Canada Inc. ("**Penske**"):

i. 2021 Volvo VNL64760, VIN 4V4NC9EH2MN272580;

ii. 2021 Volvo VNL64760, VIN 4V4NC9EH4MN272578;

iii. 2021 Volvo VNL64760, VIN 4V4NC9EH6MN272579;

iv. 2022 Volvo VNL64760, VIN 4V4NC9EH9NN313692;

v. 2022 Volvo VNL64860, VIN 4V4NC9TJXNN313691; and

vi. 2023 Volvo VNL64760, VIN 4V4NC9EH2PN335939.

(e) Royal Bank of Canada: 2019 Dodge Ram 1500, VIN 1C6SRFHT9KN792016.

(f) Wells Fargo Equipment:

i. 2016 Mack AN64T, VIN 1M1AN4GY3KM009022; and

ii. 2018 Mack AN64T, VIN 1M1AN4GYXJM001028

Assets:

31. GTL in its capacity as Proposal Trustee investigated the Company's financial affairs and was preparing to launch a sales and investment solicitation process for the business, prior to the deemed bankruptcy. While the intention was for a going concern sales process, as part of GTL's preparation thereto it reviewed the Company's asset base to consider what might be realized in a liquidation, to have a data point to compare any potential proposal or transaction resulting from a sales process. Based upon that review, the Trustee understands that the only realizable assets available to creditors in a liquidation include the Company's accounts receivable, fishing licenses, groundfish quota, the Company's three fishing vessels (of which two are currently operational, and one resides at the shipyard of A.F. Theriault and is under repair) and potential equity in certain vehicles that are not leased.

32. GTL obtained copies of November 2023 appraisals for the Company's fishing vessels from TD Bank, considered the limited market data for the Company's specific ground quota and fishing licenses, reviewed available data for recent transactions for Property of this nature and consulted with TD Bank in respect of its view on liquidation values during the NOI Proceedings. As a result of this analysis and review, and as noted in the Proposal Trustee's reports, GTL is of the view that the realizable value for the Company's assets in a liquidation is significantly below the value of its secured debt.

33. The Proposed Receiver notes that the appraisals for the Company's fishing vessels, liquidation estimates and discussions with TD Bank in respect of its view on liquidation, were not shared with the Applicant and kept confidential.

Proposed Receivership Plan

34. Should this Court grant the Applicant's requested relief, the Proposed Receiver intends to implement a sales process to market the Company's Property for the benefit of its creditors, including the Applicant.

35. Specifically, the Proposed Receiver does not intend to take possession and control of the Company's Property, which are currently in the possession and control of the Applicant. However, the Proposed Receiver will seek to negotiate an operating agreement with the Applicant that would allow 451 to continue generating revenue from the Company's assets during a sales process. An operating agreement, if finalized, would also allow the Applicant to hire certain former employees of the Company and enable the Proposed Receiver to market the business as a going concern rather than a liquidation of assets, which strategy is anticipated to maximize value in the circumstances.

36. The Proposed Receiver understands the requested Receivership Order includes an administration charge ("**Admin Charge**") of $100,000 to secure the professional fees of the Proposed Receiver and its independent counsel, as well as a receiver's borrowing charge ("**Borrowing Charge**") of $50,000. The Proposed Receiver considers the requested charges reasonable and appropriate in the circumstances.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 13th day of February 2024.

GRANT THORNTON LIMITED,
In its capacity as Proposed Court Appointed Receiver of
Chester Basin Seafood Group Inc.,
And not in its personal or corporate capacity.

Liam Murphy, CPA, CA, CIRP, LIT
Senior Vice President

Appendix A

GTL's Consent to Act as Receiver

2024 Hfx No. ________

SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY

BETWEEN:

4519497 Nova Scotia Limited

APPLICANT

AND:

Grant Thornton Ltd., in its capacity as Trustee in Bankruptcy for Chester Basin Seafood Group Inc.

RESPONDENT

CONSENT TO ACT

Grant Thornton Limited, a licensed insolvency trustee, hereby consents to act as Receiver, without security, of the assets, collateral and undertakings acquired for, or used in relation to a business carried on by the Respondent, if so appointed by the Supreme Court of Nova Scotia in Bankruptcy and Insolvency under both subsection 243(1) of the *Bankruptcy and Insolvency Act* (the "BIA") and the equitable jurisdiction of this Court as partially codified by s. 43(9) of the *Judicature Act*.

Grant Thornton Limited is a Member of the Canadian Association of Insolvency and Restructuring Professionals and carries professional liability insurance.

Dated at Halifax, Nova Scotia this 12th day of February, 2024.

GRANT THORNTON LIMITED

DocuSigned by:
L Murphy
84D899DB5F41456...

Per: ______________________________
Liam Murphy, CPA, CA, CIRP, LIT

Senior Vice President

Appendix B

Report of the Trustee on Non-filing of a Cash Flow Statement or Proposal

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District of	Nova Scotia
Division No.	01 - Halifax
Court No.	45611
Estate No.	51-3007018

FORM 34

Report of Trustee on Non-filing of Cash-flow Statement or Proposal

(Paragraph 50.4(8)(b) of the act)

In the Matter of the Proposal of

Chester Basin Seafood Group Inc.

of the City of Halifax, in the Province of Nova Scotia

We, Grant Thornton Limited, the trustee under a notice of intention to make a proposal filed by Chester Basin Seafood Group Inc., an insolvent person, hereby report to the official receiver as follows:

1. That the insolvent person did, on the 7th day of November 2023, file with the official receiver a notice of intention to make a proposal.

2. That:

☐ a projected cash-flow statement was not filed within the period of 10 days after the filing of the notice of intention.

☒ a proposal was not filed within the period of 30 days after the day on which the notice of intention was filed or within any extension of that period granted by the court under the subsection 50.4(9) of the Act. *(If an extension of the time has been granted by the court, attach a copy of the court order.)*

Dated at the City of Halifax in the Province of Nova Scotia, this 8th day of February 2024.

Grant Thornton Limited - Licensed Insolvency Trustee

DocuSigned by:

84D899DB5F41456...

Nova Centre, North Tower
1675 Grafton Street, Ste. 1000
Halifax NS B3J 0E9
Phone: (902) 421-1734 Fax: (902) 420-1068

Appendix C

Trustee’s Certificate of Appointment

Industry Canada — Industrie Canada
Office of the Superintendent of Bankruptcy Canada — Bureau du surintendant des faillites Canada

District of: Nova Scotia
Division No.: 01 - Halifax
Court No.: 45611
Estate No.: 51-3007018

In the Matter of the Bankruptcy of:

Chester Basin Seafood Group Inc.

Debtor

GRANT THORNTON LIMITED

Licensed Insolvency Trustee

Ordinary Administration

Date of bankruptcy:	February 08, 2024	Security:	$0.00
Meeting of creditors:	February 28, 2024, 14:00 Virtual Meeting - Contact Ben Chisholm at Ben.Chisholm@ca.gt.com or 902-417-2829 to register, Nova Scotia Canada,		
Chair:	Trustee	Designated person:	Jose Teixeira

CERTIFICATE OF ASSIGNMENT - Paragraph 50.4(8)(*b.1*) of the Act

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- a notice of intention in respect of the aforenamed debtor was filed under section 50.4 of the *Bankruptcy and Insolvency Act*;
- the debtor has failed to file a cash-flow statement or a proposal within the provided period following the filing of the notice of intention or within any Court-granted extension and is thereupon deemed to have made an assignment.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: February 13, 2024

E-File/Dépôt Electronique

Official Receiver

Maritime Centre , 1505 Barrington Street, 16th Floor, Halifax, Nova Scotia, Canada, B3J3K5, (877)376-9902

Canada

Appendix D

Letter to Secured Creditors on Date of Bankruptcy

Grant Thornton

Grant Thornton Ltd
Nova Centre, North Tower
Suite 1000, 1675 Grafton Street
Halifax, NS
B3J 0E9

T +1 902 421 1734
F +1 902 420 1068

***Via E-mail**:* stephen.kingston@mcinnescooper.com
gmacdonald@coxandpalmer.com

February 8, 2024

4519497 Nova Scotia Limited	Toronto-Dominion Bank
c/o McInnes Cooper LLP	c/o Cox & Palmer
1300-1969 Upper Water St.	1500-1675 Grafton Street
Halifax, NS B3J 2V1	Halifax, NS B3J 0E8

Attention: Stephen Kingston & Gavin MacDonald

Dear Sirs:

RE: Chester Basin Seafood Group Inc. – in Bankruptcy

On November 7, 2023, Chester Basin Seafood Group Inc. (the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to the *Bankruptcy and Insolvency Act* ("**BIA**") and Grant Thornton Limited ("**GTL**"), a Licensed Insolvency Trustee, consented to act as the Proposal Trustee (the "**Proposal Trustee**") in these proceedings ("**NOI Proceedings**"). Pursuant to several orders of the Supreme Court of Nova Scotia in Bankruptcy and Insolvency ("**Court**"), and most recently on January 19, 2024, the stay of proceedings in the NOI Proceedings was extended to February 7, 2024.

On November 6, 2024, the Proposal Trustee filed with the official receiver and served upon the service list in these NOI proceedings its Fourth Report outlining a material adverse change in the Company's financial circumstances. The Proposal Trustee further advised that the Company had withdrawn its application to be heard by the Court on February 7, 2024 for various relief, including an extension to the stay of proceedings under 50.4(9) of the BIA. By virtue of Section 50.4(8) of the BIA, the Company is deemed to have filed an assignment in bankruptcy effective February 8, 2024, and Grant Thornton Limited appointed as Trustee in Bankruptcy ("**Trustee**").

The Trustee requested its counsel perform an independent review of the validity and enforceability of your clients security over the assets, undertaking and property ("**Assets**") of the Company. The Trustee is advised that your clients have valid and enforceable security, and that all the Company's Assets are fully encumbered by your security. Based on a liquidation analysis initiated by the Proposal Trustee, various asset appraisals reviewed by the Proposal Trustee, the fact that the Company has zero cash available in its bank accounts, and the Trustee's understanding that your client's collective security is greater than $7.0 million, the Trustee is of the view there are no unencumbered Assets available for unsecured creditors.

Accordingly, the Trustee hereby releases the bankrupt estates interest in all Assets, with the exception of the Company's fishing licenses and quota to which the Trustee intends to further review, to your clients, 4519497 Nova Scotia Limited and Toronto-Dominion Bank. The Trustee has not and will not be taking possession of the Assets or taking conservatory measures thereon, so please take whatever protective measures you deem advisable in the circumstances, inclusive of insurance if applicable. For certainty, the Proposal Trustee instructed the Company on February 7, 2024, to ensure all vessels, vehicles and assets were moored and parked in place prior to the deemed bankruptcy and all operations were to be ceased as at the date of bankruptcy.

The Trustee understands that 4519497 Nova Scotia Limited has a senior secured interest as a result of a super-priority DIP Financing Charge in the NOI Proceedings. The Trustee takes no position on how the parties collectively realize on your security, however should you take steps to realize on your security, we request that you make a full accounting to us of the following:

1. Method of realization, if applicable;
2. Gross proceeds;
3. Costs incurred in taking possession; and
4. Surplus or deficit resulting from this realization.

Further, we hereby place you on notice that in the event there is any surplus from realization of these assets, such surplus would be for the general benefit of creditors and must be forwarded to our office.

The Trustee will advise in the coming weeks of its position with respect to the Company's fishing licenses and quota, which have vested in the Trustee, after the Trustee's review thereof.

Please contact the undersigned should you have any questions.

Yours truly,

GRANT THORNTON LIMITED
In its capacity as Trustee in Bankruptcy of
Chester Basin Seafood Group Inc.
and not in its personal or corporate capacity

Liam Murphy, CPA, CA, CIRP, LIT
Senior Vice President

CC: Service List

Appendix E

GTL as Proposal Trustee's First Report in NOI Proceedings

IN THE SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF A Notice of Intention to Make a Proposal of Chester Basin Seafood Group Inc. pursuant to Section 50.4 of the Bankruptcy and Insolvency Act, RSC 1985, c B-3, as amended

FIRST REPORT OF GRANT THORNTON LIMITED
IN ITS CAPACITY AS PROPOSAL TRUSTEE
PURSUANT TO SUBSECTION 50.4 (1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*
OF CHESTER BASIN SEAFOOD GROUP INC.
Estate No.: 51-3007018

November 22, 2023

GrantThornton

Grant Thornton Limited,
Proposal Trustee

1675 Grafton Street, Suite 1000,
Halifax, Nova Scotia
B3J 0E9

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Appendix C – Cash Flow Forecast and Associated Reports per Section 50.4(2)

Appendix D – Demand Letter- TD Bank, November 3, 2023

Appendix E – Creditors Package

Introduction

1. On November 7, 2023 ("**Filing Date**"), Chester Basin Seafoods Group Inc. ("**CBSG**" or the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**") with the Office of the Superintendent of Bankruptcy ("**OSB**") and Grant Thornton Limited ("**GTL**"), a Licensed Insolvency Trustee, consented to act as the Proposal Trustee (the "**Proposal Trustee**"). Attached as Appendix "**A**" is the Proposal Trustee's consent to act in these proceedings ("**NOI Proceedings**").

2. Pursuant to section 69(1) of the BIA, the Company obtained certain relief upon the filing of the NOI, including the imposition of an initial 30-day Stay of Proceedings against the Company and its property, which expires on December 7, 2023 ("**Stay Period**"). Attached hereto as Appendix "**B**" is a copy of the certificate of filing a Notice of Intention to Make a Proposal issued by the Official Receiver.

3. On November 16, 2023 the Company filed the required cash flow forecast ("**Cash Flow Forecast**") pursuant to section 50.4(2)(a), a report containing the prescribed representations with respect to the Cash Flow Forecast required per 50.4(2)(c), and the Trustee's report on the reasonableness of the Cash Flow Forecast per 50.4(2)(b). The Cash Flow Forecast and associated reports are attached at Appendix "**C**".

4. All materials filed with the Supreme Court of Nova Scotia In Bankruptcy and Insolvency ("**Court**") and all orders granted by the Court in connection with the NOI Proceeding will be made available to creditors and other interested parties in electronic format on the Proposal Trustee's website: www.grantthornton.ca/chesterbasinseafoods.

5. This report ("**First Report**") is submitted by the Proposal Trustee in conjunction with the Company's application for Orders of the Court to, amongst other things:

   (a) Extend the Stay Period to January 21, 2024, which is 45 days after the initial Stay Period expires;

   (b) Approval of interim financing ("**DIP Financing**") to provide the Company sufficient liquidity to operate during the Stay Period and allow time to develop a plan to restructure its financial affairs; and

(c) Approval of a certain charges against the Company's assets, property and undertakings ("**Property**"):

i. First, an administration charge ("**Admin Charge**") of $100,000 to secure the professional fees of the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel; and

ii. Second, a charge against the Property as security for CBSG's obligations under the DIP Agreement ("**DIP Lender's Charge**").

6. The purpose of this First Report is to provide the Court with information on:

(a) The Company, its financial position and the reasons for it filing the NOI;

(b) The Proposal Trustee's activities since the Filing Date;

(c) The Proposal Trustee's comments and report on the Company's Cash Flow Forecast for the 13-week through February 3, 2024;

(d) The Proposal Trustee's understanding of the proposed DIP Financing, and the Proposal Trustee's views thereon;

(e) The Proposal Trustee's views on the Company's request to extend the Stay Period for 45 days pursuant to 50.4(9) of the BIA to January 21, 2024; and

(f) The Proposal Trustee's views on the Company's request for the Court to grant certain charges on the Company's Property in respect of the NOI Proceedings.

Qualification and Restrictions of this Report

7. In preparing the First Report, the Proposal Trustee has relied upon unaudited financial information, the Company's records, financial information and projections, and discussions with the Company's management, shareholders and directors ("**Management**"). While the Proposal Trustee reviewed various documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material, as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**"), International Financial Reporting Standards ("**IFRS**"), or Generally Acceptance Auditing Standards ("**GAAS**"). Accordingly,

the Proposal Trustee expresses no opinion or other form of assurance pursuant to GAAP, IFRS, or GAAS with respect to such information.

8. Some of the information used in preparing the First Report consists of financial projections, including the Cash Flow Forecast. The Proposal Trustee cautions that these projections are based upon assumptions about future events and conditions that are not ascertainable. The Company's actual results may vary from the Cash Flow Forecast, even if the hypothetical and probable assumptions contained therein materialize, and the variations could be significant. The Proposal Trustee's review of the future-oriented information used to prepare the First Report did not constitute an audit of such information under GAAP, IFRS, or GAAS. The Proposal Trustee's review and commentary of the Cash Flow Forecast was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Proposal Trustee's Reports on Cash Flow Statements) and pursuant to section 50.4(3)(b) of the BIA.

9. To date, nothing has come to the Proposal Trustee's attention that would cause it to question the reasonableness of the information and explanations provided to it by the Company and its Management. The Proposal Trustee has requested that Management bring to its attention any significant matters which were not addressed in the course of the Proposal Trustee's specific inquiries. Accordingly, the First Report is based on the information (financial or otherwise) made available to the Proposal Trustee by the Company.

10. The First Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company and to assist the Court in determining whether to grant the relief sought by the Company. Accordingly, the reader is cautioned that the First Report may not be appropriate for any other purpose. The Proposal Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

11. All references to dollars are in Canadian currency unless otherwise noted. Capitalized terms not otherwise defined herein are as defined in the Company's application materials filed in conjunction with the initial NOI stay extension application.

Background

12. The Company's background, a discussion of financial difficulties leading to NOI filing, and a summary of its key assets and liabilities are outlined in the November 20, 2023 affidavit of Jose Teixeira ("**Teixeira Affidavit**"). The Proposal Trustee has reviewed the Teixeira Affidavit and discussed the business and affairs of the Company and causes of its insolvency with Management and is of the view that, based on the information reviewed by and provided to the Proposal Trustee, the Teixeira Affidavit provides a fair summary thereof.

13. Similarly, the assets and liabilities of the Company, including the charges, security interests and encumbrances registered against CBSG are also described in the Teixeira Affidavit.

14. For completeness, an abbreviated summary of the Proposal Trustee's understanding of the Company's reasons for the NOI filing and a summary of its financial position is discussed below. Readers of this First Report are encouraged to review the Teixeira Affidavit.

Business:

15. The Company is in the business of harvesting, packaging, marketing and selling groundfish, primarily Atlantic silver hake, and is one of the largest harvesters of silver hake in Atlantic Canada. The Company holds approximately 4.3 million pounds of groundfish quota for silver hake and associated fishing licenses, owns three fishing vessels and has an on-ground transportation fleet comprising of leased trucks and trailers. The Company distributes product domestically and exports to customers in Europe and the Americas.

2022 Amalgamation and Business Plan:

16. The Proposal Trustee understands that the Company was formed in June, 2022 through the amalgamation of several entities that were owned, either directly or through certain family trusts, by Jose Teixeira ("**Mr. Teixeira**") to facilitate a transaction whereby Mr.

Teixeira sold a majority interest in the underlying entities to a purchaser group led by Herbert Breau. CBSG is held by Sustainable Oceans Capital Inc. ("**SOCI**"), which is owned by CBSG's four directors or their designates- Mr. Teixeira, Daniel Gaudet, Herbert Breau, and Jacques Chabot. The Proposal Trustee is advised that Herbert Breau and Jacques Chabot are the majority shareholders of SOCI, and its sole asset, CBSG.

17. The Proposal Trustee understands the business plan by the controlling shareholders when purchasing CBSG included, amongst other things, expanding the business beyond its current focus of silver hake, which could include the purchase of additional fishing quota, fishing licenses and harvesting different species. The Proposal Trustee understands that Mr. Teixeira was intended to continue his role operating the Company as its President, and that Mr. Teixeira's role would eventually shift away from daily management of the business into sales and marketing of the Company's products as the Company fulfilled its intended business plan.

Factors Leading to NOI Filing

18. Prior to the amalgamation, the total secured debt serviced by Mr. Teixeira's various companies was approximately \$3.5 million. Subsequent to the amalgamation, and as at October 31, 2023, the Company's secured debt was approximately \$6.5 million with approximately \$5.5 million owing to the Toronto Dominion Bank ("**TD Bank**"), the Company's senior secured creditor. The Proposal Trustee understands the incremental debt taken on by the Company was used for, among other things, the purchase of Mr. Teixeira's ownership of CBSG, and that monthly interest and principal payments materially increased after the amalgamation as a result of the Company's increased debt load.

19. The Company advises that despite its efforts to raise additional capital to fulfill its business plan, as at the Filing Date it has been unable to secure capital to grow the business beyond its pre-amalgamation form. The Proposal Trustee understands this has resulted in increased cash flow being used to service its expanded debt, without materially changing the underlying business through the intended business plan.

20. The Proposal Trustee understands that the Company's increased leverage and reducing cash reserves was compounded by a challenging year operationally, including material impacts on revenue and operations from, among other things:

(a) Reduced catch rates across the Company's license area in the summer and fall of 2022, resulting in the Company ceasing its fishing operations for approximately two months;

(b) Unbudgeted costs and lost revenue for approximately two months after one of the Company's three vessels, Seaman's Toy 1, required repairs in January of 2023.

(c) Lost revenue and unbudgeted costs after the second of the Company's three vessels, Fortune Pride, required a new engine in July of 2023 and has not yet been able to return to operations;

(d) Lost time and revenue after the third of the Company's three vessels, Atlantic Sea Clipper, required a new engine in September of 2023, which has not yet been replaced and the vessel is therefore unable to return to operations without additional expenditures as at the date of this Report.

21. While the Company advises that the market for silver hake has not experienced the same pricing challenges as the lobster or crab markets in recent years, the Company has not been able to fully offset the increased costs related to fuel, packaging, transport and other direct inputs through increased pricing to customers.

TD Bank Demand Letter

22. The Company advises it was able to continue making payments to TD and its creditors in the ordinary course until September 2023, at which time the impacts of the factors outlined above created significant liquidity challenges. On November 3, 2023, counsel for TD Bank sent the Company a letter ("**Demand Letter**"), attached at Appendix "**D**", demanding the Company repay its indebtedness owing to TD Bank, and including TD Bank's Notice of Intention to Enforce a Security pursuant to subsection 244(1) of the BIA.

Financial Position

23. The Company reported the following financial position from its draft internal financial statements as of October 31, 2023:

CBSG: Draft Internal Balance Sheet	**October 31, 2023**
Assets	
Cash	0
Accounts Receivable	669,019
HST Receivable	263,730
Prepaids	155,511
Total Current Assets	**1,088,260**
Goodwill, transaction costs, and incorporation	3,371,896
Quotas & Licenses	4,318,000
Vessels, net of amortization	4,277,248
Office, equipment, and other	36,823
Land	30,000
Trucks and Trailers, net of amortization	292,495
Accumulated Amortization: Other	(100,016)
Long Term Assets	**12,226,446**
Total Assets	**13,314,706**
Liabilities	
Bank	666,815
Accounts Payable	1,497,016
Employee Benefits	1,451
Total Current Liabilities	**2,165,282**
Bank Loans	4,883,638
Capital Leases	236,944
Government Loans	120,000
Notes Payable	1,000,000
Vehicle Loans	47,894
Subordinated Related Party Loans	5,053,278
Total Long Term Liabilities	**11,341,754**
Total Liabilities	**13,507,036**
Class A Shares 1,000	10
Class B Shares 16,500	1,650,000
Retained Earnings	(1,842,340)
Total Shareholder Equity	(192,330)
Liabilities and Shareholder Equity	**13,314,706**

24. The Proposal Trustee understands the Company's key assets include its three vessels (two of which are currently under repair), its accounts receivables, its leased fleet of trucks and trailers, and its quota and licenses for groundfish.

25. CBSG has been operating as an amalgamated entity of its predecessor companies since June 2022. Externally prepared financial statements have not yet been released for an entire fiscal year, however the retained earnings since amalgamation in the draft internal statements above indicate a loss of approximately $1.8 million since inception.

26. The Company advises it has been unable to meet its revenue targets since incorporation due to the following issues:

(a) Lower than expected catch volumes in its first two quarters of operation (summer / fall 2022). The typically reliable fishing grounds for silver hake yielded little return during that time frame. The Company posits this was due to weather, notably Hurricane Fiona, which caused unusual migration patterns for the species.

(b) Mechanical issues impacting the Company's vessels starting in January 2023, just six months into operation. The Company has not employed all three of its vessels in operation since that time, limiting its ability to land budgeted catch volumes.

(c) The intended business plan of the controlling shareholders to expand the Company's operations into different quota, species and markets not yet occurring.

27. The resulting lower revenue from unexpected low catches and having vessels out of commission, combined with increased maintenance costs associated with the vessels, increased debt servicing payments and increased direct costs in both its seafood and trucking divisions, have significantly impacted the Company's profitability and free cash flow.

28. As a result of the above issues and the liquidity constraints facing the Company, CBSG filed the NOI on November 7, 2023. The Proposal Trustee understands the filing of the NOI is intended to allow CBSG to restructure its balance sheet while maintaining going concern operations to preserve employment, maximize recovery for creditors and stakeholders, and allow the Company time to formulate and present a proposal to its creditors.

Activities of the Proposal Trustee

29. Since the Filing Date the Proposal Trustee has, among other things:

(a) Attended meetings and held discussions with Management to discuss ongoing operations, the reasons for the Company's insolvency, the Company's competitive position in its market and key customers who purchase its product;

(b) Held correspondence and discussions with Management, including the Company's directors and shareholders, to understand pre-filing and continuing efforts to attract a potential equity investment as part of a potential proposal to CBSG's creditors;

(c) Discussed the various restructuring options available to the Company, including a potential sales and investment solicitation process, the implications of each restructuring option, and outlined the Company and Trustee's responsibilities in the NOI Proceeding;

(d) Filed the necessary prescribed forms required under the BIA for the NOI, including the required notices under section 50.4(6) sent to all known creditors, attached in the package sent to creditors on November 9, 2023 at Appendix "**E**";

(e) Monitored the affairs of the Company's business including reviewing its financial information and post-filing transactions, and corresponding with Management, the DIP Lender (as defined below), shareholders and their respective legal counsel on a regular basis;

(f) Contacted TD Bank as the Company's senior secured creditor in respect of its security and the Company's potential restructuring options, to understand TD Bank's view thereon;

(g) Responded to calls and correspondence from various creditors and stakeholders sent to the Proposal Trustee directly or to its inbox, at ChesterBasinSeafoods@ca.gt.com;

(h) Engaged Boyne Clarke LLP as legal counsel for the Proposal Trustee;

(i) Maintained a public website with respect to the NOI Proceedings (www.GrantThornton.ca/ChesterBasinSeafoods)

(j) Assisted the Company in preparing the Cash Flow Forecast, along with the prescribed forms, to satisfy section 50.4(2)(a) of the BIA; and

(k) Prepared this First Report.

Cash Flow Forecast

30. The Company has prepared a weekly Cash Flow Forecast, projecting cash flows for the 13-week period from the Filing Date. The Cash Flow Forecast was filed with the OSB on

November 16, 2023, pursuant to section 50.4(2) of the BIA, and is attached at Appendix "C" along with the Company and Proposal Trustee's reports thereon.

31. The Cash Flow Forecast has been prepared based on the following assumptions:

(a) Receipts are based on the Company's estimated collection of pre-filing accounts receivable and ongoing sales from its seafood and trucking divisions, assuming a collection schedule consistent with historical norms. The Company's sales forecast is predicated on having two fishing vessels in operation and catch rates consistent with previous years.

(b) Additional receipts from HST refunds are expected as the Company's HST paid typically exceeds the HST it collects, as sales from its seafood division is tax-exempt. The Proposal Trustee notes that the Company must file its most recent tax returns to ensure ongoing HST refunds, and engagement with the Company's external accounting firm to facilitate tax filings is ongoing in this regard.

(c) Disbursements are estimated based on historical norms for operations and administration at the level of capacity expected over the 13-week period. Additional one-time disbursements are expected as follows:

i. Week 3 - $22,500 for post filing licensing and compliance in respect of its trucking division;

ii. Week 3 - $450,000 to A.F. Theriault & Son Ltd. ("**AFT**") related to pre-filing and post-filing repair work completed on two of the Company's vessels, the Fortune Pride and Seaman's Toy 1, and to release the Fortune Pride from AFT's boatyard where a new engine was recently installed. The Proposal Trustee understands that the payment to AFT is required to ensure the Company can continue operations in the ordinary course, as AFT may have rights pursuant to the Federal Courts Rules to commence an *in rem* and *in personam* admiralty action in respect of balances owing from repair work on the Seaman's Toy 1 and have the vessel otherwise arrested, and the release of Fortune Pride is required to meet the sales targets in the Company's Cash Flow Forecast.

(d) Restructuring fees are estimated based on standard rates for the Proposal Trustee and legal counsel's services during the proceeding.

32. Interim financing will be required for the Company to maintain a positive or neutral cash flow for the 13-week period. The proposed DIP Facility (defined below) is segregated in two traches:

    (a) $450,000 for the payment to AFT for vessel repairs and release noted above, paid pursuant to the terms of the DIP Agreement;

    (b) $650,000 for operations, including payables incurred during weeks 1-2 on credit terms that allowed the company to continue operations post-filing.

33. The Company estimates it will have sufficient cash flow to fund operations and capital expenditures related to vessels through to the end of the 13-week period provided it receives the required $1.1 million cash injection in the form of DIP Financing.

Debtor in Possession Financing

34. The Teixeira Affidavit outlines the Company's request for approval of an Amended DIP Facility Term Sheet (the "**DIP Agreement**") executed by the Company on November 19 2023 with 4519497 Nova Scotia Limited (the "**DIP Lender**"), which is 100% owned and controlled by Mr. Teixeira, pursuant to which the DIP Lender has agreed to advance to the Company a total amount of up to $1.1 million (the "**DIP Facility**").

35. The Proposal Trustee notes that Mr. Teixeira is also a director, shareholder, and creditor of the Company, and where he acts in his capacity as the DIP Lender, the Company's board of directors has directed that CBSG's interests be represented by its legal counsel and directors Herbert Breau and Daniel Gaudet.

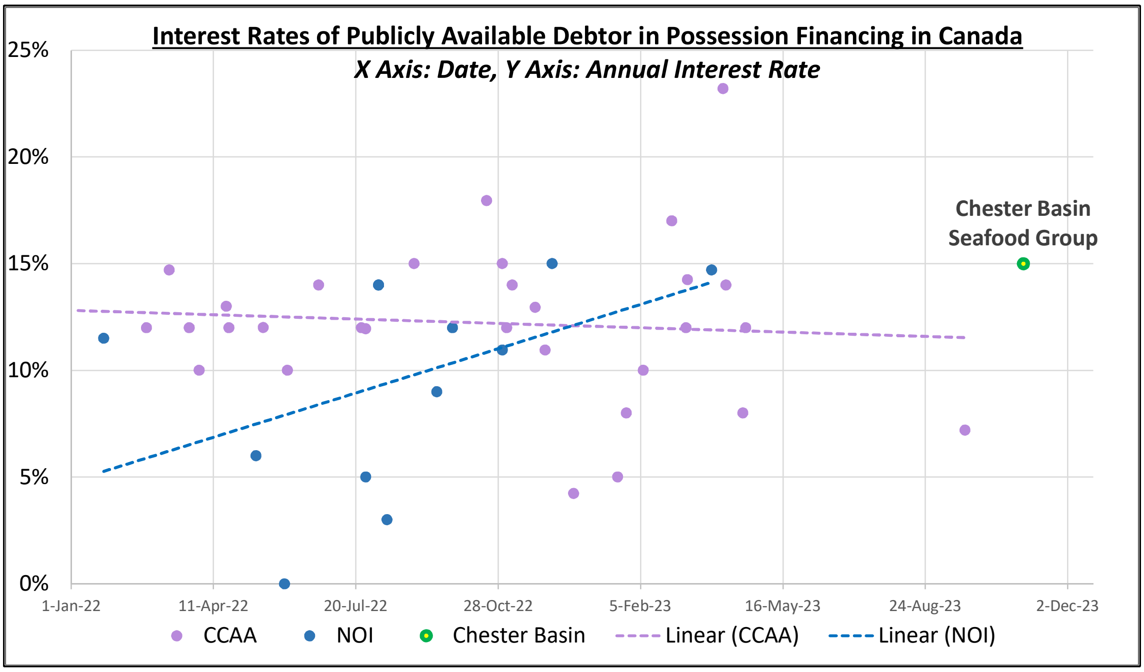
36. The Proposal Trustee has reviewed the DIP Agreement, the Cash Flow Forecast, and engaged in various discussions with the Company and its counsel thereto, and notes the following:

    (a) The DIP Facility is consistent with the Cash Flow Forecast, and without the DIP Facility or similar financing, the Company would not be able to continue operating pursuant to its Cash Flow Forecast;

    (b) As at the date of this Report, the DIP Agreement is the only financing available to the Company to pursue its restructuring in line with the Cash Flow Forecast. The Proposal

Trustee understands that the Company engaged with TD, as the Company's senior secured creditor, prior to executing the DIP Agreement and TD declined to participate or provide interim financing on similar or improved terms at this time;

(c) The DIP Agreement includes a 15% annual interest rate and a 1.5% commitment fee. The Proposal Trustee reviewed recent public data on restructuring mandates across Canada in 2022 and 2023 to determine whether the interest rate and commitment fee are comparable to recently approved interim financings. While the graph below does not purport to include all interim financings approved in insolvency proceedings over the previous two years, it does provide the Proposal Trustee with data and context for its evaluation.



37. The Proposal Trustee notes that, based on the data reviewed, it appears the average interest rate for interim financing in recent restructuring mandates is approximately 12%, ranging from a low of zero to a high of 25%. Furthermore, the Proposal Trustee noted that fees (including commitment fees) were common features of interim financing arrangements in restructuring mandates and existed in approximately 70% of court approved interim financings reviewed by the Proposal Trustee.

38. While the interest rate included in the DIP Agreement is slightly higher than average, the Proposal Trustee notes it is not unreasonable in the circumstances, given that prime rates have increased significantly over the last 12 months and the Company's alternative options for liquidity are limited.

39. The Proposal Trustee has been advised by counsel for TD Bank that it is of the view that secured interim financing advanced by a shareholder should be offered at below market rates, as in TD Bank's view, the shareholder would be advancing the interim financing to protect the shareholder's equity position. The Proposal Trustee understands that TD Bank is of the view that the interest rate and commitment fee pursuant to the DIP Agreement are excessive.

40. After consideration of the above, the Proposal Trustee is of the view the Company's requested relief to approve the DIP Agreement is reasonable in the circumstances, given that:

(a) The DIP Facility provides sufficient liquidity in line with the Company's Cash Flow Forecast, and without the DIP Facility or similar interim financing, the Proposal Trustee will be required to declare a material adverse change in respect of the Company's ability to meet its Cash Flow Forecast;

(b) Approximately $450k of the DIP Facility is restricted to capital expenditures, maintenance and release of the Company's key capital assets, which benefits the Company's ongoing operations as well as the Company's senior secured creditors (such as TD Bank) who have security over the Company's vessels;

(c) Liquidity is required for the Company to continue as a going concern, which the Company contends is key to maximizing value for its business in order to enhance the prospects of developing a viable Proposal to its creditors;

(d) The Company's business and financial affairs are intended to be operated in the ordinary course during the Stay Period and monitored by the Proposal Trustee, an officer of this Court;

(e) The Cash Flow Forecast projects the Company's accounts receivable will increase greater than the operational cash flow requirements during the Stay Period; and

(f) No alternative financing is currently available to the Company.

DIP Lenders Charge

41. The Company is seeking a priority charge ("**DIP Lenders Charge**") on the Company's Property of up to $1,100,000 subject only to the Administration Charge (defined below).

42. Pursuant to section 50.6(1) of the BIA, a court may make an order declaring that all or part of the debtor's property is subject to a security or charge — in an amount that the court considers appropriate — in favour of a person specified in the order who agrees to lend to the debtor an amount approved by the court as being required by the debtor, having regard to the debtor's cash-flow statement. Such order must be made on application by a debtor in respect of whom a NOI was filed under section 50.4 and on notice to the secured creditors who are likely to be affected by the security or charge.

43. The Proposal Trustee notes that notice has been given to the Company's secured creditors with respect to the Company's application and proposed charges on the Property. The Proposal Trustee is of the view the Company's requested relief to approve the DIP Charge in respect of the DIP Agreement is reasonable in the circumstances, given that the Company would cease operations without incremental financing and the approval of the DIP Charge is a requirement of the DIP Lender pursuant to the DIP Agreement.

Administration Charge

44. The Company is seeking a super priority charge ("**Administration Charge**") over its Property in the amount of $100,000, to secure the professional fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel.

45. The Proposal Trustee notes that section 64.2 of the BIA authorizes the Court to grant a super-priority charge on a debtor's property to secure professional fees, and such relief is routinely granted in insolvency proceedings where the assistance of professional advisors is critical to the debtors' ability to advance a successful restructuring or proposal to its creditors. The Proposal Trustee supports the requested Administration Charge on the basis that it provides certainty for the professionals involved such that they can effectively participate in the NOI Proceedings.

46. The Proposal Trustee understands that TD Bank is of the view that an Administration Charge of $100,000 is excessive, and that TD Bank will request that the Administration Charge be limited to $25,000. Respectfully, the Proposal Trustee disagrees with this view, as the Administration Charge is intended to be a backstop for professionals actively engaged in the restructuring to provide certainty of payment in the event the NOI Proceedings do not go as planned and the Company is unable to meet its Cash Flow Forecast. The Proposal Trustee is of the view that an Administration Charge of $100,000 is reasonable in the circumstances, is commensurate with the complexity involved in the restructuring engagement, and is consistent with similar charges granted by the courts across the Country.

Extension of the Stay of Proceedings

47. The Company continues to operate post-filing with oversight by the Proposal Trustee. Since the Filing Date the Company has continued to harvest its quota with the one vessel available to it and continue operating its transportation division.

48. CBSG has also engaged various stakeholders and creditors with the support of the Proposal Trustee, which includes TD Bank as the Company's senior secured creditor, to seek support of the Company through the restructuring process.

49. The Proposal Trustee understands the Company is of the view that continuing to operate as a going concern during the NOI Proceedings is critical to retaining its key customer relationships, which the Company views as fundamental to the overall value of the business and required to develop a viable proposal to its creditors. The Proposal Trustee is advised the Company expects that a liquidation of its assets would result in a significant shortfall to creditors, given the current market for groundfish quota and licenses, and the condition of its capital assets.

50. The Company is seeking an extension of the Stay Period pursuant to s. 50.4(9) of the BIA for a further 45 days (from the expiry of the initial stay period on December 7, 2023) up to and including January 21, 2024, to allow CBSG additional time to develop a proposal for its creditors.

51. The Proposal Trustee has considered the factors outlined in 50.4(9) of the BIA in respect of the Company's request to extend the Stay Period. In the Proposal Trustee's view:

(a) To date the Company has acted in good faith and with due diligence, including in respect of exploring its various restructuring options, working with the Proposal Trustee and engaging with key creditors and stakeholders;

(b) The Company will likely be able to make a viable proposal if the extension is granted. The extension of the Stay Period is required for the Company to explore its various restructuring options, including the continuation of negotiations with a potential equity investor that the Proposal Trustee understands has been engaging with the Company for some time and, as at the date of this Report, has scheduled a site visit for the week of November 24;

(c) No creditor will be materially prejudiced by granting the extension. Pursuant to the Cash Flow Forecast, the Company will pay post-filing expenses incurred in the normal course throughout the extension period. The extension, in concert with the approval of DIP Financing, will allow for the completion of repairs on and the release of the Company's vessels, which will improve the value of the security for the Company's secured creditors. Furthermore, the Company's accounts receivable is expected to increase by approximately $684k through the Cash Flow Forecast, approximately $34k more than the expected DIP Financing required for operations.

(d) Without an extension of the Stay Period, the Company will be unable to continue operations, nor make a proposal to its creditors. The Company is of the view that the value of its business is significantly enhanced as a going concern relative to a liquidation.

52. After consideration of the factors outlined in section 50.4(9) of the BIA, the Proposal Trustee is supportive of the Company's request for an extension of the Stay Period.

Conclusions and Recommendation

53. Granting an extension of the Stay Period to file a proposal will allow the Company time and space to further explore its restructuring options and finalize a restructuring strategy. The Proposal Trustee is of the view that the continuation of these NOI Proceedings is in

the best interest of stakeholders, and preferable to a liquidation in a bankruptcy or receivership.

54. Based on the considerations outlined above, the Proposal Trustee respectfully recommends this Court approve the Company's requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 22nd day of November 2023.

GRANT THORNTON LIMITED,
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF CHESTER BASIN SEAFOOD GROUP,
AND NOT IN ITS CORPORATE OR PERSONAL CAPACITY

L Murphy

Liam Murphy, CPA, CA, CIRP, LIT
Senior Vice President