

**Canada
District of Nova Scotia
Division No. 01 – Halifax
Court No. 43999
Estate No. 51-2649515**

REPORT OF TRUSTEE'S PRELIMINARY ADMINISTRATION

IN THE MATTER OF THE BANKRUPTCY OF

**Scotian Distribution Services Limited
Of the City of Halifax,
in the Province of Nova Scotia.**

**Section A - The Trustee's duties under Section 16(3) of the Bankruptcy and
Insolvency Act ("BIA").**

On February 28, 2020, Scotian Distribution Services Limited ("Scotian") filed a Notice of Intention to Make a Proposal ("NOI"), pursuant to s. 50.4 of the Bankruptcy and Insolvency Act ("BIA").

On March 27, 2020 Scotian applied to the Supreme Court of Nova Scotia (the "Court") and was granted an Order extending the time for filing a proposal to May 11, 2020. On May 8, 2020 Scotian made a second application for an Order extending the time for filing a proposal which was granted extending the time to June 26, 2020.

On May 14, 2020, MNP Ltd., who was the Trustee in the Proposal proceedings issued a Notice of Material Adverse Change in Financial Circumstances. Subsequently, On the 3rd day of June, 2020 Scotian made a voluntary Assignment for the General Benefit of Creditors which was filed with the Official Receiver. MNP Ltd was named as the Trustee pending confirmation at the first meeting of creditors.

Notice of the assignment and first meeting of creditors was sent to all creditors listed on the statement of affairs on June 8, 2020.

Notice of the first meeting of creditors was published in the Chronicle Herald on June 17, 2020.

Erville Ellsworth, the President of Scotian owns and operates a related company named Brae Transport Limited. It was incorporated in 2004 and continues to operate from the leased premises located at 35 Duke St. Bedford, Nova Scotia.

The bankrupt's property is as follows:

Class I Stocks of Merchandise, including Raw Material, Work in Progress and Finished Goods, etc.

N/A

Class II Plant Machinery and Equipment, Office Equipment, etc.

The statement of affairs indicated that Scotian had machinery, plant and equipment at an estimated value of \$2,251,351.54. This consists mainly of rolling stock, the majority of which is subject to lease agreements. The Trustee had had an appraisal prepared by Castle Appraisals Ltd. which indicated a distressed value for the rolling stock of \$3.75 Million. The Trustee is in the process of reviewing the various leases and proofs of claims to determine if there is any potential equity.

Scotian also has office furniture and equipment as well as Geotab Fleet tracking devices having a distressed value of \$6,175.00.

Class III Buildings and Real Estate

Prior to its bankruptcy, the company was operating from leased premises at 35 Duke Street, Bedford, Nova Scotia and did not own any real property.

Class IV Books and Records

A copy of the internal accounting records has been provided to the Trustee. The Trustee will be reviewing the records in due course. The Company's CFO has been cooperative in providing information to the Trustee as requested.

Class V Other Assets

The Company has accounts receivable with an estimated value of \$504,638.00, as well as a TD term deposit with an estimated value of \$206,358.00, both of which are encumbered by the TD Bank's General Security Agreement. It is likely TD Bank will offset the term deposit and the accounts receivable will be collected by MNP Ltd. in its capacity as agent for the TD Bank as noted below.

Property of Bankrupt not Divisible Amongst Creditors by Virtue of Section 67(1)(b) of the BIA

N/A

Property Placed Under the Guardianship of the Debtor

Erville Ellsworth, through his company Brae Transport Limited has maintained custody of the assets. He has been fully co-operative with the Trustee.

Section B

a) Conservatory and Protective Measures

The Trustee has not taken physical possession of the assets which are being used by Brae Transport Limited. The Trustee has confirmed insurance coverage is in place. The Trustee will be meeting with the Company's management in due course, given the COVID 19 scenario, to review and discuss the benefit Brae may have enjoyed from the use of these assets with the potential of getting some compensation.

b) Carrying on Business

N/A

Section C - Legal Proceedings

The Trustee is not aware of any current legal proceedings against the Company.

Section D - Provable Claims

A list of proven claims as of the date of this report is attached as Exhibit A.

Section E - Secured Creditors

Bank of Montreal	\$1,127,828.18 *
Bennington Financial Corp	\$18,348.48
BODKIN	\$397,147.08*
Brae Transport	\$1.00
Canadian Western Bank Leasing	\$228,025.97
Coast Capital Equipment Finance	\$65,291.68
CRA – Tax – Atlantic	\$3,600.95
CWB National	\$282,645.64
De Lage Landen Financial Services Canada Inc.	\$62,329.73
Element Financial	\$282,421.48
GE Canada Leasing Services	\$154,637.93
Jim Pattison Leasing	\$1,186,559.42
JP Leasing	\$238,643.79
Mercedes Benz Financial	\$29,654.25
O'Regan's National Leasing	\$9,988.06
TD Bank	\$1,419,645.73*
VFS Canada Inc	\$1.00
Wells Fargo Equipment	\$1.00

* Per Proof of Claim

Section F - Anticipated Realization and Projected Distribution

The vast majority of the Company's assets are fully encumbered either by lease agreements with secured creditors listed in Section E or by the TD Bank's General Security Agreement. Based upon the information to date, the Trustee does not anticipate any realization in the bankruptcy estate for the benefit of the unsecured creditors.

Section G - Reviewable Transactions and Preference Payments

A review of the Personal Property Security Act Registry of Brae Transport Limited ("Brae"), a related company, as noted above, determined that 32 leases had been transferred from Scotian to Brae since March 2020. The trustee will review these transfers to determine if any equity may have existed at the dates of transfer.

As noted in Section A, the Trustee in the Proposal, MNP Ltd., issued a report to notify creditors of a material adverse change in financial circumstances on May 14, 2020. The Report indicated that the Company had transferred a contract with Canada Post to Brae and that the transfer would have a material effect on the revenues of Scotian.

The Trustee is in the process of determining whether there was a benefit that was transferred from the Company to Brae Transport Limited from the contract with Canada Post.

Section H - Other Matters

As at the date of bankruptcy, the Company was indebted to several of its former employees for outstanding vacation pay and termination pay. The Trustee is in the process of administering the Wage Earners Protection Program.

The Trustee has been appointed as TD Bank's Agent for the purpose of collection of the outstanding accounts receivable and realization of other assets subject to their security agreements. As required by the Bankruptcy and Insolvency Act in order to act in a dual capacity, the Trustee has obtained an opinion from independent legal counsel, Burchell's LLP, which indicates that the security is valid and enforceable against the estate.

DATED at Halifax, Nova Scotia this 23rd day of June, 2020.

MNP Ltd

Trustee for the Estate of Scotian Distribution Services Limited, in Bankruptcy



Derek Cramm, FCPA, FCMA, FCIRP, LIT

Exhibit A”

MNP Ltd.
Claims Register
 In the matter of the bankruptcy of
 Scotian Distribution Services Limited
 of the City of Bedford, in the Province of Nova Scotia

Insolvency Date: 02-Jun-2020
 Estate Number: 51-2624515

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
Secured creditors						
1. Bank of Montreal 9106901001	Yes	Admitted		625,000.00	1,127,828.18	
2. Bodkin, A Division of Bennington Financial Corp. 50003638	Yes	Admitted			140,427.78	
3. Bodkin, A Division of Bennington Financial Corp. 50003905	Yes	Admitted			91,263.12	
4. Bodkin, A Division of Bennington Financial Corp. 50006961	Yes	Admitted		36,764.00	41,398.92	
5. Bodkin, A Division of Bennington Financial Corp. 50008567	Yes	Admitted			106,057.26	
6. TD Canada Trust Attn: CC&R Insolvency and Credit Counselling	Yes	Admitted		754,245.00	1,419,645.73	
Total : Secured creditors				1,416,009.00	2,926,620.99	
Unsecured creditors						
1. Atlantic Truck & Equipment Repair Ltd Multiple Invoices	Yes	Admitted		18,401.91	14,682.55	14,682.55
2. Bank of Montreal 9106901001	Yes	Admitted		355,720.70		
3. Brayon, James M.	Yes	Admitted		5,094.46	5,094.46	5,094.46
4. Clairmont, Mark	Yes	Admitted		446.18	446.18	446.18
5. Classic Truck & Trailer Limited Multiple Invoices	Yes	Admitted		17,933.45	15,917.81	15,917.81
6. Concept Staffing Inc Multiple Invoices	Yes	Admitted		1,527.90	5,347.64	5,347.64
7. Disco Tire Limited	Yes	Admitted		4,510.52	2,367.85	2,367.85
8. EZ Service Multiple Invoices	Yes	Admitted		11,656.09	13,068.42	13,068.42
9. George, Lorin	Yes	Admitted		243.01	243.01	243.01
10. J.B. Nicoll Mechanics 806995791	Yes	Admitted		14,874.10	5,916.75	5,916.75
11. Jones, Robert R	Yes	Admitted		716.97	716.97	716.97
12. LeBlanc, John J	Yes	Admitted		580.76	580.76	580.76
13. MacKay's Truck & Trailer Center Limited 4152	Yes	Admitted		37,093.32	42,760.83	42,760.83
14. MacKay's Truck Leasing & Rental Limited L4152	Yes	Admitted		25,931.35	194,399.93	194,399.93
15. Miller Tire Commercial Centre Multiple Invoices	Yes	Admitted		2,282.79	4,510.52	4,510.52
16. NB Power 6468492-8	Yes	Admitted		1,467.68	2,603.24	2,603.24

Claims Register for Scotian Distribution Services Limited - Concluded

Insolvency Date: 02-Jun-2020

Estate Number: 51-2624515

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>
17. Penske Truck Leasing Canada Inc. 649611	Yes	Admitted		2,406.39	30,135.58	30,135.58
18. Robert Flemming 713 7970439	Yes	Admitted		1,980.45	7,897.40	7,897.40
19. TD Canada Trust Attn: CC&R Insolvency and Credit Counselling	Yes	Admitted		896,181.62		
20. Toner, Leigh	Yes	Admitted		7,762.19	7,762.19	7,762.19
21. Universal Truck & Trailer Attn: Jennifer Ramsay 106094	Yes	Admitted		2,112.05	3,035.16	3,035.16
22. Waterman, Sheri-Lynn	Yes	Admitted		850.38	850.38	850.38
23. Weatherdon, James T	Yes	Admitted		1,212.37	3,422.37	3,422.37
Total : Unsecured creditors				1,410,986.64	361,760.00	361,760.00
Grand Total:				2,826,995.64	3,288,380.99	361,760.00