

File Reference: SM069259-20

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July 2, 2025

Hand Delivered

The Honourable Justice Darlene Jamieson
Supreme Court of Nova Scotia
The Law Courts
1815 Upper Water Street
Halifax, NS B3J 1S7

Dear Justice Jamieson:

Re: In The Matter of an Application by Blue Lobster Capital Limited et al. for relief under s. 11 of the *Companies' Creditors Arrangement Act* – Hfx No. 538745

Motion: Monday, July 7, 2025 at 9:30 a.m.

We are counsel for Royal Bank of Canada (the “**Bank**”) with respect to the above noted proceeding. As earlier advised, I will not be present in Court for the hearing. The Bank will be represented by my partner, Sara Scott.

Please accept the following as the Bank’s submission with respect to the hearing scheduled for July 7, 2025 at 9:30 a.m.

INTRODUCTION

1. The Bank relies on the Affidavit of Maurice P. Chiasson, K.C. sworn June 30, 2025 (the “**Chiasson Affidavit**”) filed with these submissions.
2. At the hearing, the Court will be asked to address two competing motions:
 - (a) The application of KSV Restructuring Inc., court-appointed monitor (the “**Monitor**”) for Blue Lobster Capital Limited (“**BLCL**”), 3284906 Nova Scotia Limited (“**3284906**”), 3343533 Nova Scotia Limited (“**3343533**”) and 4318682 Nova Scotia Limited (“**4328682**” and together with BLCL, 3284906 and 3343533, the “**Blue Lobster Companies**”) for the approval of two sale agreements (the “**Sale Approval Motion**”) for: (i) the sale of certain assets of 3284906 and 4318682 to Shannon Theresa Lynch, on behalf of a nominee corporation to be incorporated

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(the “**Lynch Transaction**”); and (ii) the sale of certain assets of 3343533 to Coast to Coast Marketing Ltd. and James Roue Beverage Company Ltd. (the “**Coast Transaction**”). The Sale Approval Motion also seeks certain ancillary relief (the “**Ancillary Relief Order**”).

- (b) The application by the Blue Lobster Companies for the termination of these CCAA proceedings to allow for the repayment of all uncontested creditor claims against them (the “**Termination Motion**”).

SALE APPROVAL MOTION

3. The Sale Approval Motion comes before this Court as the conclusion of the Sales and Investment Solicitation Process (“**SISP**”) approved by this Court on March 7, 2025. Under the SISP, bids for the assets of the Blue Lobster Companies as well as refinancing or investment proposals were due on or before May 9, 2025 (the “**Bid Deadline**”). A number of bids were submitted to the Monitor. The Monitor reviewed the bids submitted and, following a short period of additional negotiation with various parties, the Lynch Transaction and the Coast Transaction were identified by the Monitor as the successful bids.
4. The Bank was consulted throughout the SISP by the Monitor and received a summary of the bids prepared by the Monitor. The Bank was satisfied that the offers selected by the Monitor represented the best options for the recovery by the Bank of its outstanding indebtedness. Of note, neither the Lynch Transaction nor the Coast Transaction include the purchase of the real estate assets of BLCL. The Ancillary Relief Order provides for the immediate listing for sale of these assets which it is anticipated will provide further recoveries for the Bank.
5. The Bank is satisfied that the SISP has been conducted by the Monitor in an appropriate and transparent manner and has provided a thorough canvass of the market for the assets of the Blue Lobster Companies. The Bank is prepared to accept the results of the SISP and supports the Sale Approval Motion, including the Ancillary Relief Order.

TERMINATION MOTION

6. Following the Bid Deadline, the Bank was advised that the Blue Lobster Companies had provided a proposal under the SISP to seek a compromise with their creditors. The Bank was not involved in the direct discussions between the Monitor and the Blue Lobster Companies in relation to this proposal. The Bank was advised that this proposal was subject to various conditions – including financing. For those reasons, the Bank was not supportive of the proposal put forward by the Blue Lobster Companies.
7. The Blue Lobster Companies are now proposing a new arrangement with their creditors that appears to be supported by committed financing. That proposal (the “**Termination Proposal**”), as outlined in the affidavit of Kevin Alexander Rice sworn on June 23, 2025 and filed in support of the Termination Motion (the “**Rice Affidavit**”), contemplates payment in full of all uncontested creditor claims against the Blue Lobster Companies. This would appear to include all claims of the Bank. The Bank has not been advised that any of its claims against the Blue Lobster Companies are contested.
8. Insofar as the Termination Proposal seeks to provide for payment in full of the amounts owing to the Bank, the Bank would have no reason to object to its terms. A closer examination of the Termination Proposal, however, prompts various concerns on the part of the Bank.
9. The Bank's concerns with the Termination Proposal relate to the following:
 - (a) Amount Owing to the Bank.
 - (b) Claims of Canada Revenue Agency (“**CRA**”).
 - (c) General Concerns.

Amount Owing to the Bank

10. Exhibit “C” to the Rice Affidavit sets out a summary of various amounts owing to various creditors of the Blue Lobster Companies. The “RBC Debt” as outlined in that exhibit is described as approximately \$5,850,000. Upon receipt of the Rice Affidavit, the undersigned advised counsel for the Blue Lobster Companies that the RBC Debt was in

excess of \$6,100,000 and would be increased by accruing interest and professional costs needed to bring this matter to a conclusion (Chiasson Affidavit, para 4, Exhibit 1).

11. The Termination Proposal, as currently constituted, is unclear as to the manner in which the full extent of creditor claims will be finally determined. There is no mention of a claims process. As a result, there is concern that the Bank will not receive the full amount owing to it in order to retire its debt.
12. Further, there is a suggestion in the Rice Affidavit (at para. 28(d)) that “the Escrow Agent will disburse the Loan proceeds in accordance with Exhibit “C” by way of wire transfer or solicitor’s trust cheque to the parties listed in Exhibit “E”. There is no indication in that statement as to how amounts owing will be determined and, further, as to the manner in which any disagreements in that respect would be resolved.
13. Finally, the above statement refers to payments being made to various parties listed in Exhibit “E” to the Rice Affidavit. There is no reference to the Bank in Exhibit “E” despite its inclusion in Exhibit “C”. We can only assume this is an oversight, but this will need to be confirmed and addressed should this Court be prepared to consider the Termination Proposal.

Claims of Canada Revenue Agency

14. The Sale Approval Motion contemplates a payment to the Canada Revenue Agency (“CRA”) for its priority claim which would be restricted to the employee portion of source deductions. Thus, the matter would be fully addressed before payments are made to the Bank.
15. The Termination Proposal is unclear as to the manner in which CRA claims would be addressed. There is a suggestion that all claims, including those of the CRA, would be paid by the Escrow Agent. However, there is a further suggestion in the Rice Affidavit (at para. 24) that amounts owing to the CRA could be paid over a period of 24 months from the termination of the CCAA proceedings. This lack of clarity is a concern to the Bank. In the event that the Blue Lobster Companies fail to make the requisite payments to CRA, the Bank believes there is a risk the CRA could issue a demand for payment to the Bank

for any amounts the Bank received in relation to any priority claim of the CRA. This is a significant concern for the Bank.

16. Further, under the CCAA, the CRA's priority claim for outstanding GST/HST remittances is reversed. In the event the CCAA proceedings are terminated, the Bank is concerned that CRA priority for such amounts would be revived. Thus, the Bank would potentially be exposed to a greater claim from CRA.
17. The Bank acknowledges that these concerns are speculative as there is little or no caselaw to support CRA's claims in this regard given the uniqueness of what is being proposed here by the Blue Lobster Companies. That being said, the possibility of such claims is sufficient from the Bank's perspective to tip the scales to favour the process contemplated under the Sale Approval Motion.

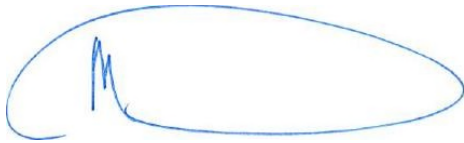
General Concerns

18. Counsel for the Blue Lobster Companies has acknowledged before this Court that what is being proposed may well be without precedent under the CCAA. Further, there will likely be some concerns expressed by the prospective purchasers under the Sale Approval Motion that the Termination Proposal is prejudicial to their interests. The Bank offers no comment on this preferring to leave these comments to those whose interests are directly affected.
19. We will say, however, that what the Termination Proposal would perhaps be best executed under a plan of arrangement. That structure would address many, if not all, of the potential issues at play here. For one, a plan would allow for a claims process which would provide some certainty and finality for all stakeholders. As noted, the Termination Proposal leaves many unanswered questions.
20. The implementation of a plan of arrangement at this stage of the proceedings – namely, following a determination by the Monitor of successful bids under the SISF – is also potentially problematic and may be prejudicial to the interests of bidders and potentially creditors.

CONCLUSION

21. While the Termination Proposal contemplates the payment in full of the amounts owing to the Bank, it is unclear as to what would occur should there be a disagreement between the Bank and the Blue Lobster Companies as to the outstanding amounts. Further, the Bank has concerns that the Termination Proposal could expose the Bank to priority claims from the CRA long after the termination of the CCAA proceedings. As such, the Bank supports the Sale Approval Motion as none of these issues present themselves in that context. Further, as noted, the Bank is satisfied with the manner in which the SISP was conducted and the results thereof.

Yours respectfully,



Maurice P. Chiasson, K.C.

MPC/lms

Enclosures

- c. Myra Janes (Myra.Janes@courts.ns.ca)
Service List