

2016 Hfx. No. 453673

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 or Arrangement of

HEFLER FOREST PRODUCTS LIMITED

FIFTH REPORT OF MONITOR

- SUPPLEMENT TO JANUARY 12, 2017 FOURTH MONITOR'S REPORT

GREEN LANDERS LIMITED.

January 16, 2017

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1. PURPOSE, QUALIFICATIONS AND RESTRICTIONS OF THIS REPORT

- 1.1 This report is the Monitor's fifth report (the "Fifth Report") to the Supreme Court of Nova Scotia (the "Court"). The purpose of this Fifth Report is to supplement the Fourth Report filed with the Court several days ago and dated January 12, 2017. The Fourth and Fifth Report together are intended to provide this Honorable Court with an update on Hefler's activities since the third report of the Monitor dated November 18, 2016 ("Third Report"), and as well to provide information relevant to the January 19, 2017 Court hearing at which time the Court will make a decision on whether the stay of proceedings should be extended. This report and the Fourth report together provide the most current information available as at the time this report was prepared.
- 1.2 The information contained in this Fifth Report has been obtained from the records of Hefler and is based on discussions with, and representations made by, management of Hefler and other professional advisors retained in this matter.
- 1.3 The financial information of Hefler has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about Hefler. Accordingly, the Monitor does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.

- 1.4 The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this report. Any use which any party makes of this report, or any reliance or decisions to be made on this report, is the sole responsibility of such party.

2. STATUS OF RESTRUCTURING

- 2.1 The prospective purchaser (the 'Purchaser') referred to in the Monitor's Third and Fourth Report is a joint venture between a local investment holding company and an operating entity that is already COMFIT (Nova Scotia Program referred to as Community Feed- In Tariff) approved and is currently operating a COMFIT site in Nova Scotia. Hefler's bio-mass power plant is also COMFIT approved and specifics in regard to the COMFIT program (which the province closed on August 6, 2015) can be found in the Monitor's Third Report to the Court.
- 2.2 In the evening of Friday January 13, 2017, Hefler and the Purchaser signed an asset purchase agreement (the "APA"), which, subject to Court approval, will result in the sale of Hefler's fixed assets, parts and bio-mass inventory plus an assignment of the power purchased agreement ("PPA") with Nova Scotia Power.
- 2.3 As directed by the Court in its Order dated November 24, 2016, the Monitor had an involvement in the negotiation of the APA, and both Royal Bank of Canada ("RBC") and Business Development Bank of Canada ("BDC") received periodic and timely updates on the progress of those negotiations.
- 2.4 In the next two weeks, Hefler intends to apply to Court for approval of this APA. The Monitor has conducted oversight on the extensive marketing efforts

employed by Hefler since commencement of the CCAA on July 22, 2016 and the Monitor is satisfied that the asset realizations represented by the APA are realistic in the circumstances and represent the current realizable market value for the Hefler capital assets. Subject to Court approval of the APA, it is expected the actual closing of the sale may not occur until later in February since written approvals are required from the Nova Scotia Department of Energy and from Nova Scotia Power prior to the assignment of the PPA to the Purchaser.

- 2.5** As noted in the Monitors Third Report (dated November 18, 2016), the total Hefler asset realizations now appear to be insufficient to pay in full the debts owed to RBC and BDC. In spite of this, the Monitor is advised that the APA executed on January 13, 2017 has the support of the principal secured creditors being RBC, BDC and AML Communications who are collectively owed approximately \$22,000,000.
- 2.6** In the opinion of the Monitor, Hefler's management has been and is acting in good faith and with due diligence.

3. RECOMMENDATION

- 3.1** After giving consideration to the recent developments outlined herein and outlined in the Monitor's Fourth Report and considering that RBC and BDC are in favor of the extension despite the possibility that they may each have shortfalls in their debt recovery, the Monitor recommends to the Court that a continuation of the CCAA stay of proceeding be granted to February 3, 2017 or such other date as Court may approve.

Dated at Halifax, Nova Scotia this 16th day of January, 2017.

Respectfully submitted

Green Landers Limited

In its capacity as Court Appointed Monitor

In the CCAA Application of Hefler Forest Products Limited

Per:



Ross Landers CPA, CA, CIRP, LIT