

Court File No. 31-208039-T

Court File No. 31-208040-T

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

**IN THE MATTER OF THE BANKRUPTCY OF SHS SERVICES  
MANAGEMENT INC./GESTION DES SERVICES SHS INC. and SHS  
SERVICES LIMITED PARTNERSHIP of the City of Toronto, in the Province of  
Ontario**

**REPLY MOTION RECORD OF THE TRUSTEE  
PRICEWATERHOUSE COOPERS INC  
(returnable April 21, 2015)**

April 20, 2015

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# INDEX

Court File No. 31-208039-T

Court File No. 31-208040-T

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

**IN THE MATTER OF THE BANKRUPTCY OF SHS SERVICES  
MANAGEMENT INC./GESTION DES SERVICES SHS INC. and SHS  
SERVICES LIMITED PARTNERSHIP of the City of Toronto, in the Province of  
Ontario**

**REPLY MOTION RECORD OF THE TRUSTEE  
PRICEWATERHOUSE COOPERS INC  
(returnable April 21, 2015)**

**INDEX**

<b>Tab No.</b>	<b>Document</b>	<b>Page No.</b>
1	Supplementary Report to the First Report of the Trustee to the Court dated, April 20, 2015	1-6

TAB 1

|

**Court File No. 31-208039-T**  
**Court File No. 31-208040-T**

**SHS Services Management Inc. /**  
**Gestion des Services SHS Inc.**  
**SHS Services Limited Partnership**

**SUPPLEMENTARY REPORT TO THE**  
**TRUSTEE'S FIRST REPORT TO THE COURT**

**April 20, 2015**



Court File No. 31-208039-T  
Court File No. 31-208040-T

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE BANKRUPTCY OF SHS SERVICES MANAGEMENT INC.  
/ GESTION DES SERVICES SHS INC.**

**AND**

**IN THE MATTER OF THE BANKRUPTCY OF SHS SERVICES LIMITED  
PARTNERSHIP**

**SUPPLEMENTARY REPORT TO THE  
FIRST REPORT TO THE COURT  
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.  
IN ITS CAPACITY AS TRUSTEE**

**TABLE OF CONTENTS**

<b>INTRODUCTION .....</b>	<b>2</b>
<b>OBSERVATIONS ON DRISCOLL EXAMINATION .....</b>	<b>2</b>

## INTRODUCTION

1. The purpose of this supplement (the “**Supplementary Report**”) to the Trustee’s First Report to the Court dated March 13, 2015 (the “**First Report**”) is to update the Court on the Trustee’s application for an order of the Court (the “**Examination Order**”) pursuant to section 163(1) of the BIA, compelling the Verhoeffs to attend at an examination pursuant to the Revised Notices and to produce the Examination Information.
2. The Supplementary Report should be read in conjunction with the First Report. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars and exclude harmonized sales tax (“**HST**”). Capitalized terms not otherwise defined are as defined in the First Report.

## OBSERVATIONS ON DRISCOLL EXAMINATION

3. As indicated in the First Report, the Trustee consulted with the Verhoeffs to obtain information as part of its review of the Voidable Transactions. The Trustee received limited disclosures from the Verhoeffs in the course of these discussions. The Trustee reported its findings from the review of the Voidable Transactions to the inspectors in the Bankruptcy Proceedings on January 7, 2015, based on the information in its possession at that time.
4. On or about January 23, 2015, counsel for the Trustee discussed the intention to issue Notices of Appointment for Examination with counsel for the Verhoeffs. The purpose of the examinations is, *inter alia*, to obtain information in respect of:
  - a) The Voidable Transactions reviewed by the Trustee;
  - b) The development of the business plan for SHS;
  - c) Why the business plan was not executed;
  - d) What decisions were made, and when, to deviate from the business plan;
  - e) Why the decision was made to pay off debts which were not due rather than use available cash for operations;
  - f) Why the decision was made to pay certain employee obligations when they were not

due;

- g) How a company that appears to have been adequately capitalized felt it was necessary to file for Receivership after only nine months of operations;
  - h) What role the Verhoeffs played in the management of SHS following their resignation as directors in October of 2013;
  - i) The location of any assets of SHS that were disposed of through the Voidable Transactions;
  - j) What relationship the Verhoeffs and Theresa Lea have with other entities that may have received SHS's assets;
  - k) Whether any parties yet unknown to the Trustee were involved in the Voidable Transactions; and
  - l) Whether any further assets of SHS were disposed of prior to SHS's insolvency that are yet unknown to the Trustee.
5. With respect to point 4(h) noted above, based on its discussions with former staff of SHS, the Trustee has been informed that the Verhoeffs continued to play an active role in the operational and strategic decisions of the Company following their resignation as directors.
  6. Pursuant to the Notices and the Revised Notices, the Verhoeffs were requested to produce certain information (the "**Examination Information**") as part of the March 9 Examination. The Examination Information requested is detailed in Schedule "A" of the Notices.
  7. On April 15, 2015, counsel for the Verhoeffs examined Darren Driscoll, one of the Inspectors in the Bankruptcy Proceedings (the "**Driscoll Examination**"), in connection with the Verhoeffs seeking to stay the application for the Examination Order.
  8. The Trustee has the following observations on the overall responses provided as part of the Driscoll Examination. The Trustee may make further observations on those responses in due course:

- a) Counsel for the Verhoeffs took the position that the enquiries posed or proposed to be made of the Verhoeffs were already within the knowledge of the Trustee. The Trustee disagrees. It conducted a review of the records of the Company in its possession related to the Voidable Transactions, and consulted with both Sears and Alaris on their understanding of the Voidable Transactions. From this review and consultation, the Trustee is of the view that further information necessary to analyse the Voidable Transactions would likely be in the possession of the Verhoeffs, thereby making the Examinations necessary and prudent.
  - b) Counsel for the Verhoeffs asked several questions regarding Mr. Driscoll's understanding (by virtue of his employment by Alaris) of the existence of the Dividends. The Trustee notes that the existence of the Dividends is not in dispute. The Trustee does have further questions about the details of the Dividends for which the knowledge and understanding of the Verhoeffs is relevant, which questions have not previously been answered by the Verhoeffs.
  - c) Counsel for the Verhoeffs questioned whether Alaris had agreed that the Dividends could be paid. This is irrelevant to the Trustee's consideration of the Voidable Transactions. The opinion of Mr. Driscoll and Alaris regarding the Voidable Transactions is not relevant to the legal analysis of whether they constitute voidable transactions. Even if their opinion was relevant, it does not constitute the entire factual matrix in which such the legal analysis would be made. The Trustee believes that the Verhoeffs have knowledge of that larger factual matrix.
  - d) In the examination, Mr. Driscoll confirmed that neither he nor Alaris was part of the decision-making process for payments made to the Shareholders, including the Verhoeffs, following the initial funding by Alaris to an HSBC bank account controlled by SHS. Those payments included the Dividends.
  - e) Mr. Driscoll also confirmed that neither he nor Alaris played a role in the operational decisions of the Company, or in the decision by SHS to make certain payments to employees immediately prior to the commencement of the Interim Receivership Proceedings.
9. The Trustee notes that the documents noted for identification purposes by counsel for the Verhoeffs as part of the Driscoll Examination do not comprise all of the Examination

Information requested by the Trustee as part of the Notice and Revised Notice. Further, Mr. Driscoll could not confirm that he had received all of the information that the Company and its management had in connection with the transaction to acquire the home service business from Sears.

10. The Trustee remains of the view that it is appropriate for the Court to make the Examination Order, and that the requests for the Examination Information and the Voluntary Disclosure are reasonable and appropriate in the circumstances.

All of which is respectfully submitted on this 20<sup>th</sup> day of April, 2015.

**PricewaterhouseCoopers Inc.**

In its capacity as Trustee of SHS Services Management Inc. / Gestion des Services SHS Inc. and SHS Services Limited Partnership

A handwritten signature in black ink, appearing to read "Mica Arlette", with a stylized flourish at the end.

Mica Arlette  
Senior Vice President

IN THE MATTER OF THE BANKRUPTCY OF SHS SERVICES MANAGEMENT INC./GESTION DES SERVICES SHS INC. AND  
SHS SERVICES LIMITED PARTNERSHIP

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243 OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-5, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

Court File No. 31-208039-T

Court File No. 31-208040-T

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**REPLY MOTION RECORD OF THE  
TRUSTEE  
(RETURNABLE April 21, 2015)**

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