



Telephone: (902) 425-3100  
Fax: (902) 425-3777  
Toll Free: (800) 337-5764  
debtsolutions-halifax.ca

BDO Canada Limited  
255 Lacewood Drive  
Suite 201  
Halifax NS B3M 4G2 Canada

Province of        Nova Scotia  
Division No.     01- Halifax  
Court No.        45818  
Estate No.       51-3091827

**IN THE MATTER OF THE BANKRUPTCY OF**  
**TERRADYNE WELLNESS CENTRE LTD.**  
**TRUSTEE'S PRELIMINARY REPORT**

**PURPOSE AND DISCLAIMER**

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and findings of the bankrupt estate. Readers are cautioned that the Trustee has relied upon third parties for information in the preparation of this report and that such information may be incomplete and inaccurate. The Trustee's review of this information as part of the preparation of this report does not constitute an audit, nor has the Trustee extensively verified any of the information provided, unless otherwise noted. Therefore, the contents of this report should be considered "for general information purposes only".

**BACKGROUND AND CAUSES OF INSOLVENCY**

Terradyne Wellness Centre Ltd. ("Terradyne" or the "Company"), established in November 2017, operated as an addiction treatment center. The Company operated from a lease premises located in Head of Jeddore, Nova Scotia. Paul Wrathall is the sole director of Terradyne.

Terradyne specialized in addiction, substance abuse, and chronic relapse, offering inpatient care and continuing aftercare. Their inpatient program typically lasted between 21 and 90 days. Terradyne's mission was to provide evidence-based personalized treatment for addiction and empower clients to re-engage with society. They facilitated the reintegration of their clients into normal life through professional recovery coaching and occupational transition planning.

Terradyne faced significant financial challenges leading to its insolvency, driven by multiple factors:

*Impact of COVID-19:*

The onset of the COVID-19 pandemic had a profound impact on Terradyne's operations. The restrictions and lockdown measures imposed to curb the spread of the virus severely limited the number of people who could enter the center. This resulted in a substantial decrease in admissions, directly affecting revenue. The inability to operate at full capacity for extended periods placed immense financial strain on the company.

*High Operational Costs:*

Operating a luxury addiction center came with high costs. The expenses associated with maintaining state-of-the-art facilities, providing comprehensive care, and employing a highly qualified clinical team were substantial. Personnel costs, in particular, were significant, given the need for specialized staff with expertise in various therapeutic approaches. Additionally, the upkeep of comfortable and updated furnishings, as well as outdoor lounge and recreational spaces, added to the financial burden.

*Tax Liabilities:*

Initially, Terradyne operated under the understanding that, as a medical provider, it was not required to collect or remit Harmonized Sales Tax ("HST"). However, the Canada Revenue Agency ("CRA") later determined that Terradyne owed \$253,000 in uncollected and unremitted HST. Although the Company successfully overturned this decision and reversed the liability, the Company incurred significant professional costs. Furthermore, during this period, potential capital investments were lost as potential lenders and investors were deterred by the contingent liability associated with the CRA claim.

**Remote Location:**

Terradyne's remote location in Nova Scotia posed additional operational challenges. Attracting and retaining qualified staff willing to relocate or commute to the center was difficult. This issue further strained the Company's ability to provide consistent and high-quality care.

**Economic Downturn:**

The economic downturn following the pandemic affected the disposable income of potential clients, leading to a decrease in the number of individuals able to afford luxury addiction treatment services. The reduced demand for high-end rehabilitation services during economic hardship further strained the company's financial resources.

**Unprofitable Business Model:**

Despite the premium services offered, Terradyne's business model proved unsustainable in the long term. The combination of high operational costs and fluctuating revenue streams made it difficult for the Company to achieve profitability. The reliance on a luxury market segment, which became increasingly volatile during economic downturns, further highlighted the vulnerabilities in their business model.

These factors collectively contributed to Terradyne's financial insolvency. The Company struggled to maintain a balance between high operational costs and reduced revenue, ultimately leading to its financial collapse.

**ASSETS**

The following table summarizes Terradyne's assets and liabilities as detailed in the Statement of Affairs ("SOA") as at June 12, 2024, including the estimated net realization value of Terradyne's assets.

<b>Terradyne Wellness Centre Ltd. Statement of Affairs as of June 12, 2024 In CAD (\$)</b>	<b>Net Book Value</b>	<b>Estimated Net Realization Value</b>
<b>Assets</b>		
Cash	34,902	34,902
Accounts Receivable	1	1
Computers	1	1
Furniture and Equipment	1	1
Vehicles	40,566	21,472
Leasehold Improvements	1	1
<b>Total Assets</b>	<b>75,472</b>	<b>56,378</b>
<b>Liabilities</b>		
Secured Claims		19,094
Unsecured Claims		24,542
Deferred Claims		1,072,472
<b>Total Liabilities</b>		<b>1,116,107</b>
<b>Deficiency</b>		<b>(1,059,730)</b>

**\*Disclaimer:** The SOA was prepared by using the internal records of the Company. The information contained and discussed herein has not been audited, reviewed, or otherwise verified by BDO Canada Limited ("BDO"), and as such BDO expresses no opinion, whether expressed or implied, regarding the accuracy of the information contained herein.

#### *Cash*

The Trustee has requested that the Company's financial institution, the Royal Bank of Canada ("RBC"), freeze its bank account and have it temporarily remain open to accept deposits only. The Trustee has also requested the funds in Terradyne's bank account be transferred to the Trustee to be held in trust for the general benefit of Terradyne's creditors. Said transfer of funds has yet to be completed as at the date of this report.

Prior to the date of bankruptcy, the Nova Scotia Labour Standards Board ("NSLSB") issued a demand order to RBC, Terradyne's banking institution, to remit \$109,457.40. This amount was intended to cover outstanding severance and wages owed to Terradyne's employees who had been laid off prior to the bankruptcy. Following the bankruptcy filing, the Trustee informed the NSLSB of the stay of proceedings that was in effect. As a result, the NSLSB rescinded the demand order. This withdrawal is currently being processed by RBC, and the Trustee expects to soon receive the funds held in the account of approximately \$35,000.

#### *Accounts Receivable*

The Trustee will initiate efforts to ascertain if any accounts receivable remain outstanding and collect on them if applicable. However, at this time, the Trustee has not determined the collectability of these amounts.

#### *Computers, Furniture and equipment, Vehicles*

The Trustee intends on having these assets assessed by an appraiser to determine both liquidation and market values. Further updates regarding the valuation of these assets will be provided to inspectors, or to creditors if no inspectors are appointed once more information becomes available.

#### *Leasehold Improvements*

The Company operated out of a leased premises located in Head of Jedorre, Musquodoboit owned by Magnadyne Ltd. a deferred creditor that is owned by the director of Terradyne. The leasehold improvements are of marginal value; therefore, it is the Trustee's view that the cost of realizing upon these assets would outweigh the benefit of any potential recovery.

### **CONSERVATORY AND PROTECTIVE MEASURES**

#### a) Conservatory and protective measures

The Trustee has taken the following conservatory and protection measures since the date of appointment:

- i. organized the safe storage of patient files located at the Company's leased premises through working with the Company principal;
- ii. took possession of the Company's computers and vehicles on June 14, 2024 and secured the Company's assets; and
- iii. requested the Company's bank accounts be frozen and remain open on a deposit-only basis.

#### b) Carrying on business

The Company ceased operations on or around May 17, 2024. The Trustee has no plans to operate the business.

#### c) Books and records

Paper and electronic books and records of the Company that are relevant to the bankruptcy administration are under the custody and control of the Trustee.

### **LEGAL PROCEEDINGS**

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

### **PROVABLE CLAIMS**

The Trustee continues to review the proofs of claim being advanced by the Company's creditors and has not at this time completed an adjudication of the claims.

### **SECURED CREDITORS**

The Trustee understands that the Company's sole secured creditor is the Bank of Nova Scotia ("BNS"). BNS is owed approximately \$19,000. The debt is secured against a motor vehicle, specifically a 2021 Buick Enclave.

### **ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION**

Once the Trustee has received the appraisals for the assets, the Trustee will be in a position to determine the potential realizable value of Terradyne's assets and a strategy to realize on those assets. The Trustee will provide an update to inspectors, or to creditors if no inspectors are appointed, as more information becomes available. However, the Trustee anticipates that there would be a recovery to unsecured creditors.

### **PREFERENCES AND TRANSACTIONS AT UNDERVALUE**

The Trustee is not aware of any preferential payments or transactions at undervalue. The Trustee will report any findings to the estate inspectors, if any, for further consideration in due course. Should any creditors have knowledge of potential preferential payments or transactions at undervalue, they are encouraged to contact the Trustee.

### **SECTION J - OTHER MATERIAL MATTERS NOT COVERED ABOVE**

Prior to the bankruptcy assignment, Paul Wrathall, the sole director and officer of Terradyne, advanced \$25,000 to the Trustee in his personal capacity as a third-party deposit to cover professional fees and any additional costs, or a portion thereof, related to the administration of the estate.

Dated at Halifax, Nova Scotia this 2<sup>nd</sup> day of July 2024.

#### **BDO CANADA LIMITED**

In its capacity as Trustee in Bankruptcy of  
Terradyne Wellness Center Ltd.  
and not in its personal capacity

Per:



Neil Jones, CPA, CA, CIRP, LIT  
Senior Vice President