

**IN THE MATTER OF THE BANKRUPTCY OF
TruHarvest Meats Inc.
of the City of Toronto
in the Province of Ontario**

**TRUSTEE’S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION**

BACKGROUND AND CAUSES OF BANKRUPTCY

TruHarvest Meats Inc. (“**TruHarvest**” or the “**Company**”) was a privately held corporation that was incorporated on July 23, 2020, and began operations in March 2021. Based in Ontario, TruHarvest was a Canadian-owned abattoir specializing in the processing and sale of beef products. TruHarvest was funded primarily from equity drawn from a related company, Eusi Farms Ltd. (“**Eusi**”), which operates a beef and cash crop business operation in Ontario. The Company conducted its operations from two leased locations i.e., 70 Glen Scarlet Road, Toronto, Ontario leased from Tri-Pet Holdings Ltd. and 145a Bethridge Road, Etobicoke, Ontario leased from Gen Evo Investments Inc. The lease agreements for both locations were between 2805463 Ontario Ltd., a related holding company (the “**Hold Co**”), and the respective landlords.

The Company’s primary products/services included ritual harvesting (Kosher & Halal products), rail product (swinging beef), custom harvesting tailored to customer specifications, and specialized products such as corn-fed, non-hormone-treated, and antibiotic-free beef, supported by its network of more than 140 producers. The Company distributed its products through retailers, food service providers, and distributors across Canada and the United States. Additionally, TruHarvest had the capability to process lamb and was developing lamb and veal programs to maximize production and capital efficiency.

Despite its efforts, TruHarvest was unable to achieve the level of production that would make its business profitable due to substantial start-up costs, the increased cost of beef production and reduced margins. Consequently, the Company experienced negative cashflow on a month-to-month basis.

In an attempt to stabilize its financial situation, TruHarvest explored various options including partnerships, sale of the business, and wind-down of its operations. In 2022, TruHarvest also engaged KPMG Corporate Finance Inc. (“**KPMG**”) to undertake a sale/investment solicitation process for its business (the “**KPMG SISP**”). The KPMG SISP, which was concluded in early 2023, did not result in any viable sale or investment offers. TruHarvest ultimately ceased operations in January 2023, laid off all employees and abandoned the leases held through the Hold Co.

On January 3, 2024, the Company was found liable by the Ontario Labour Relations Board in relation to a successor employer liability claim and ordered to pay approximately \$1.6 million to the United Food and Commercial Workers Canada (an employee union) and other claimants in the proceedings.

On August 29, 2024 (the "**Date of Bankruptcy**"), the Company filed an assignment in bankruptcy under subsection 49 of the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**"). Richter Inc. ("**Richter**") was appointed trustee (the "**Trustee**") of the Company's bankrupt estate by the Office of the Superintendent of Bankruptcy, subject to affirmation by the creditors at the first meeting of creditors.

FINANCIAL POSITION/ASSETS

As detailed in the Company's Statement of Affairs, the Company's assets, as at the Date of Bankruptcy, include an intercompany receivable from Meat & Co (the "**Meat & Co Receivable**") that has a book value of approximately \$1.6 million as per the books and records of the Company. The Trustee will review and assess whether the Meat & Co Receivable is expected to yield any recoveries for the unsecured creditors at an appropriate time.

SECURED CREDITORS AND PREFERRED CREDITORS

According to the Company's Statement of Affairs, as at the Date of Bankruptcy, Eusi is a secured creditor with a claim of approximately \$5.3 million and holds security interest over all assets of the Company.

Further, as detailed in the Company's Statement of Affairs, as at the Date of Bankruptcy, approximately \$328,400 is owed to Tri-Pet Holdings Ltd. and Gen Evo Investments Inc., as preferred claims in relation to accelerated rent claims under the leases. The Trustee will be reviewing these claims to determine their right to preference at an appropriate time, when necessary.

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Trustee is not aware of any potential claims pursuant to section 81.3 of the BIA.

According to the Company's Statement of Affairs, as at the Date of Bankruptcy, no amounts were owed to the Company's former employees that would qualify as claims under section 81.3 of the BIA.

The Trustee is in receipt of a claim from a former employee of the Company in the amount of approximately \$4,758.75 that has been filed as a preferred claim in relation to unpaid termination and vacation pay pursuant to section 81.3 of the BIA. The Trustee will be reviewing this claim to determine any right to preference at an appropriate time, when necessary.

The Trustee, where applicable, will comply with the requirements of the *Wage Earner Protection Program Act*.

UNSECURED CREDITORS

The Company's Statement of Affairs indicates that there are 30 unsecured creditors with claims totaling approximately \$18 million and 2 preferred creditors with claims totaling approximately \$328,400.

CLAIMS FILED

As at 10:00 a.m. on the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Claims Filed (#)	Amount (CAD)	Proxies in Favor of Trustee (#)	Amount (CAD)
Secured	1	5,345,131.16	1	5,345,131.16
Preferred	1	4,758.75	-	-
Unsecured	5	12,442,742.26	3	10,910,542.02
TOTAL	7	17,787,983.42	4	16,255,673.18

PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not performed a review of the Company's books and records with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the inspectors, if any, appointed at the first meeting of creditors.

TRUSTEE'S FEES

In consideration for consenting to act in these proceedings, Eusi has guaranteed the Trustee's fees and disbursements to the maximum amount of \$75,000 should insufficient funds be available from the Company's estate.

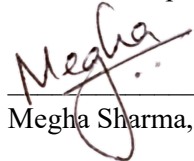
OTHER

Further information relating to the Company's bankruptcy proceedings may be obtained from Richter's website at: <https://www.richter.ca/insolvencycase/truharvest-meats-inc/>

Dated at Toronto, Ontario, this 18th day of September 2024.

RICHTER INC.

in its capacity as Trustee of the estate of
TruHarvest Meats Inc.
and not in its personal or corporate capacity



Megha Sharma, CPA, CA, BSL LLB, CIRP, LIT