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District of: Ontario
Division No.: 07 - Hamilton
Court File & Estate # (Upper Canada Growers Ltd.): 32-3175820
Court File & Estate # (UCG Land Inc.): 32-3175819

IN THE MATTER OF THE BANKRUPTCIES OF
UPPER CANADA GROWERS LTD. AND UCG LAND INC.
OF THE CITY OF NIAGARA-ON-THE-LAKE
IN THE PROVINCE OF ONTARIO

PRELIMINARY REPORT OF THE TRUSTEE

PURPOSE OF MEETING

Section 102(5) of the *Bankruptcy and Insolvency Act* sets out specifically the purpose of the first meeting of creditors:

- (a) to consider the affairs of the bankrupt;
- (b) to affirm the appointment of the Trustee or substitute another in place thereof;
- (c) to appoint inspectors; and
- (d) to give such directions to the Trustee as the creditors may see fit with reference to the administration of the estate.

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

On January 17, 2025, Upper Canada Growers Limited ("UCG OpCo") and UCG Land Inc. ("LandCo" together with UCG OpCo as "UCG" or the "Companies") each filed a Notice of Intention to Make a Proposal ("NOI") pursuant to section 50.4 of the *Bankruptcy & Insolvency Act, R.S.C. 1985, c. B-3* (the "BIA"). BDO Canada Limited ("BDO") was named proposal trustee (the "Proposal Trustee") in each of the Companies' proposal proceedings.

On May 15, 2025, BDO was appointed Receiver of UCG OpCo and LandCo by the Ontario Superior Court of Justice (Commercial List) (the "Court") by an Order of the Honourable Justice Bordin. The Companies did not file a proposal nor seek an extension of the NOI by May 16, 2025, and therefore were deemed to have filed an assignment in bankruptcy on May 17, 2025, where BDO was appointed as Trustee in bankruptcy. The Court authorized the Trustee to administer the bankruptcy estates

of UCG OpCo and LandCo on a consolidated basis. The receiverships and bankruptcies are administered concurrently.

UCG OpCo and LandCo are privately held corporations, provincially incorporated in Ontario on June 10, 2016, and October 17, 2016, respectively. UCG OpCo operated a nursery and orchard business primarily in its main premises at 1116 Ridge Rd, Harrow, Ontario, with a sales office at 921 Concession 2 Rd, Niagara-on-the-lake, Ontario. UCG OpCo's primary business activities were the acquisition and multiplication of disease-free rootstock for resale to fruit farmers in Canada and the USA, and the development and maintenance of fruit orchards (mostly apple) through the resale of the Companies' own root stock products and third-party infrastructure for the purpose of harvesting and selling the fruit to the Ontario wholesale market.

LandCo operated as a real estate holding company for the land and buildings located in Harrow, Ontario that are used by UCG OpCo in its nursery and orchard business. The real estate holding company consisted of (i) approximately 62 acres of land; (ii) two (2) commercial greenhouses; (iii) one (1) high-tech laboratory; (iv) one (1) climate-controlled warehouse (cooler); and (v) an office building with attached storage facility.

CAUSES OF INSOLVENCY

According to Management, the Company's insolvency resulted from various unfortunate events, including the following:

- a sharp reduction in revenue during the 2024 fiscal year from UCG OpCo's orchard division. This was primarily due to the inability to reach a binding agreement with a selected orchard partner, considering that the capacity of UCG OpCo's nursery production and cost structure assumes that each year, an orchard will be established through the purchase of fruit trees from the nursery division and the purchase and resale of hail netting and other orchard infrastructure;
- due to the aforementioned failed agreement, the Companies were unable to plant an orchard and missed out on estimated sales of approximately \$7 million and a profit of approximately \$2.5 million in 2024;
- the Companies' significantly undercapitalized balance sheet, with only \$3.1 million of combined equity;
- to fund their business in 2024, the Companies drew additional funds on a credit facility from the primary secured creditor, the Bank of Nova Scotia ("BNS"), resulting in an over-advance of approximately \$3.6 million beyond the Companies' limits. This financial strain led to stretched trade suppliers and past-due accounts payable of approximately \$3.7 million.

During the NOI proceedings, the Proposal Trustee assisted the Companies and undertook various activities in conjunction with the NOI, including conducting a Sale and Investment Solicitation Process ("SISP"), which was approved by the Court on February 6, 2025. Under the SISP, the Proposal Trustee reached out to over 174 interested parties consisting of 68 strategic and 106

financial buyers. On or before March 28, 2025, five (5) of the interested parties provided non-binding expressions of interest to purchase the Companies or a part thereof. However, by the bid deadline of April 25, 2025, none of the parties submitted an offer for the purchase of the Companies or part thereof. Due to the failure of the SISP the Companies' prospects of filing a proposal were diminished and it did not seek an extension of the proceedings.

CONSERVATORY AND PROTECTIVE MEASURES

a) Conservatory and protective measures

BDO as Receiver took possession and control of the assets of the Companies, including but not limited to, changing the locks, taking an inventory of assets, backing up the IT system, etc.

b) Carrying on business

The Trustee did not carry on the Company's business.

ACTIVITIES OF THE TRUSTEE

The Trustee has not taken possession or control of the Companies' property as it is currently in the control of BDO in its capacity as Receiver over the assets and undertakings of the Companies'

On May 26, 2025, notice of the first meeting of creditors, a list of creditors, a proof of claim form and a proxy form were sent to all known creditors of the Company. On May 28, 2025, notice of the bankruptcy and the first meeting of creditors was published in the Financial Post.

The activities of the Trustee since its appointment consisted of completing its statutory obligations in accordance with the BIA, and the following:

- communications with key stakeholders including creditors, and former employees with respect to the administration of the bankrupt estates;
- preparation of claims in accordance with the *Wage Earner Protection Program Act* ("WEPPA"); and
- preparing this preliminary report.

Further information on the bankruptcy proceedings can be accessed on BDO's website at: <https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/upper-canada-growers-ltd>

ASSETS

Given the appointment of the Receiver and the quantum of secured debt, all assets are being dealt with under the receivership, and the Trustee has not taken possession of any assets.

As detailed in the Statement of Affairs ("SOA") dated May 21, 2025, the Company estimated its assets had the following values at the time of bankruptcy:

Assets	Estimated Value
Cash in the bank	\$0
Accounts receivable	1,318,091
Inventory	11,530,784
Trade fixtures	372,532
Machinery and equipment	3,043,747
Real property	12,382,600
Furniture	9,342
Other assets	11,508,101
Total Assets	\$ 40,165,197

**Disclaimer: The above table was prepared by using the internal records of the Companies. The information contained and discussed herein has not been audited, reviewed, or otherwise verified by BDO, and as such BDO expresses no opinion, whether expressed or implied, regarding the accuracy of the information contained herein.*

Accounts Receivable

The accounts receivable is in the possession of the Receiver, and not the Trustee.

Inventory

The Trustee did not take possession of any of the inventory, as the Receiver has taken possession of the inventory on a limited basis.

Machinery and Equipment

The machinery and equipment are in the possession of the Receiver, and not the Trustee.

Real-Property

The real-property is in the possession of the Receiver, and not the Trustee.

PRIORITY CREDITORS

The Trustee has been advised that the UCG OpCo was current with its filings and remittance of source deductions with respect to the UCG OpCo's payroll accounts. The Trustee understands that there are no deemed trust priority claims for Canada Revenue Agency ("CRA") for source deductions.

The Trustee understands that CRA will not be conducting a trust examination, as there appears to be no priority amounts due to CRA.

SECURED CREDITORS

Pursuant to the Companies' books and records and registrations against them on the Ontario Personal Property Security Act ("PPSA"), we note the following secured creditors.

Secured Creditors (UCG OpCo)	Amount (CAD \$)
Bank of Nova Scotia	27,960,972
Agricultural Credit Corporation / Agriculture and AgriFood Canada	1,058,235
Kubota Canada Ltd	876,578
Farm Credit Canada	304,608
Ford Credit Canada Company	265,174
Minister of Finance (EHT)	173,198

Secured Creditors (UCG LandCo)	Amount (CAD \$)
Bank of Nova Scotia	27,960,972
Canada Revenue Agency	249,688

The secured interest of BNS is comprised of:

- a debtor in possession ("DIP") facility;
- a revolving working capital loan facility;
- a letter of credit in favour of Royal Bank of Canada;
- a Guaranteed Investment Certificate; and
- among other things, a general security interest against all of the Companies' assets, which has been registered under the PPSA.

SECURITY FOR UNPAID WAGES

Certain employees may be owed wages and accrued vacation pay as of the date of bankruptcy and may have secured claims in accordance with subsection 81.3 of the BIA to a maximum of \$2,000 per employee. The Trustee is currently evaluating these claims in conjunction with the WEPPA claims process administration.

PREFERRED CREDITORS

The Company's SOA indicates that, with the exception of employees, there were no other known preferred creditors as at the date of bankruptcy pursuant to section 136 of the BIA.

UNSECURED CREDITORS

The Company's SOA indicates that, as of May 17, 2025, there were approximately 130 unsecured creditors with potential claims totaling approximately \$21.5 million.

PROVABLE CLAIMS

As at the date of this report, the Trustee has recorded Proof of Claims filed for UCG OpCo and LandCo, as follows:

	Per SOA (May 17)	Amount (CAD \$)	Claims filed as at 12:00 p.m. Jun 5	Amount (CAD \$)
Secured	2	\$38,243,572	2	\$64,994
Unsecured	130	21,510,423	14	\$1,865,965
Contingent	1	822,468	0	\$0
TOTAL	133	\$60,576,463	16	\$1,930,959

Based on the Companies' statement of affairs, the Trustee estimates the deficiency to approximate \$20.4 million, suggesting that creditors may not be paid in full.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

The Trustee anticipates the Companies' secured creditors will suffer a shortfall as asset realizations are expected to be less than the amounts owing to the secured creditors. Accordingly, the Trustee is of the view that there will be no excess proceeds from the Receivership proceedings to distribute to unsecured creditors.

PREFERENCE PAYMENTS AND TRANSFERS AT UNDER VALUE

The Trustee is not currently aware of any preferential payments, settlements 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.

LEGAL MATTERS

There have been no legal proceedings initiated by or against the Trustee or the estates at this point in time.

CONFLICT OF INTEREST AND DEPOSITS

The Trustee is not aware of any conflict.

TRUSTEE'S FEES



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The Trustee's fees will be based on its actual time charges at its normal hourly rates and disbursements, which fee will be paid from the assets of the estate. The Trustee's fees will be subject to taxation by the Court upon conclusion of the administration.

DATED at Toronto, Ontario, this 5th day of June, 2025.

***BDO Canada Limited
solely in its capacity as Licensed Insolvency Trustee of
Upper Canada Growers Ltd. & UCG Land Inc.
and not in its personal or corporate capacity
Per:***

A handwritten signature in black ink, appearing to read 'Michael Basso', written over a horizontal line.

Michael Basso, CPA, CA, CIRP, LIT
Senior Vice President



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