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Division No. 01- Halifax
Court No. 45794
Estate No. 51-3081157

IN THE MATTER OF THE BANKRUPTCY OF

2126995 Nova Scotia Limited (dba MEADOWBROOK MEAT MARKET)

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

2126995 Nova Scotia Limited (dba Meadowbrook Meat Market) ("**Meadowbrook**" or the "**Company**") was a fully integrated pig farm producing, processing, and retailing antibiotic-free pork and related products. Meadowbrook was located on a 59-acre parcel of land in Berwick, Nova Scotia (the "**Land Parcel**").

The Company was established in the 1970s by James B. Lamb ("**Mr. Lamb**"), initially focused on raising beef cattle and weaner pigs for market. In the early 1990s, the farm transitioned to a farrow-to-finish operation with 500 sows and an on-farm feed mill to reduce feed costs.

By the mid-1990s, it added a butcher shop and retail space, selling directly to consumers six (6) days a week with three (3) employees. In the late 1990s, catering services were introduced. Despite facing challenges with pig diseases in 2004, the farm implemented rigorous health protocols and achieved an antibiotic-free designation by 2008. During 2006-2007, Meadowbrook expanded its retail and processing facilities, but a significant fire led to consolidation to a single site.

Since, the farm focused on product development and branding, producing over 100 different products and actively participating in local marketing efforts, becoming known for products like "Jimmie Lamb Ham" and "Jimmie Dog" hot dogs.

Following Mr. Lamb's passing in 2016, the Company continued under the management of Margaret Lamb ("**Mrs. Lamb**") until her retirement in 2019. Mrs. Lamb entered into a shareholder buyout agreement to sell the Company's shares to Michael and Christa Trombley (the "**Trombley's**") in 2019. The shareholder buyout agreement contemplated a gradual transfer of share ownership from Mrs. Lamb to the Trombley's over a number of years as the purchase price was to be paid.

At the date of bankruptcy, shareholding within Meadowbrook was distributed among Mrs. Lamb (60%), Michael Trombley (20%) and Christa Trombley (20%), with all three (3) being directors of the Company.

The Company's financial challenges stemmed from several factors, notably:

- i. **Management and Operational Challenges:** A decline in operational efficiency and oversight including inadequate herd management with respect to health and production, a lack of trained personnel, and poor maintenance of facilities;

- ii. **Financial Mismanagement:** Failure to maintain proper bookkeeping practices and delays in responding to creditor communications, which contributed to financial instability;
- iii. **Decreased Sales and Market Challenges:** A significant decline in sales due to poor product quality, failure to maintain vendor relationships, and inadequate marketing efforts. Additionally, the failure to adjust product pricing in response to rising input costs further strained finances;
- iv. **External Factors:** The impact of COVID-19, including taking on additional debt and experiencing supply chain disruptions, added to the financial burden; and
- v. **High Costs and Compensation:** Significant debt service costs and shareholder compensation further depleted the farm's financial resources.

In an effort to address its financial challenges, Meadowbrook undertook several restructuring initiatives. These included significant staff reductions and a substantial reduction of the herd size to manage operational costs more effectively. The Company also discontinued certain product lines and closed its retail operation at Alderney Landing in Dartmouth, Nova Scotia in early 2024. Additionally, the Trombley's attempted to sell the Company, but the transaction did not close due to unacceptable terms proposed by the prospective purchaser. As financial pressures continued to mount, the Company sought protection through the Farm Debt Mediation Act ("FDMA").

Following acceptance into the FDMA program on February 20, 2024, Meadowbrook undertook various measures to stabilize operations. Mrs. Lamb returned from retirement to assist in navigating the financial difficulties. Due to the demands of suppliers, all purchases shifted to cash on delivery terms, with some suppliers requiring payments on outstanding balances. Certain expenses, such as employee salaries were covered by Mrs. Lamb's personal funds and reimbursed as the Company's cash flow allowed. Christa Trombley ceased working and receiving pay, while Michael Trombley was paid sporadically. Employee medical benefits were maintained through April 2024. Lease payments for equipment continued, essential insurance coverage was maintained and repairs for safety and operations were funded as the Company's cash flow.

Despite these efforts, the cumulative financial pressures, operational missteps, and external economic factors led management to assign the Company into bankruptcy on May 16, 2024.

ASSETS

The following table summarizes Meadowbrook's assets and liabilities as detailed in the Statement of Affairs ("SOA") as at May 15, 2024, including the estimated net realization value of Meadowbrook's assets and deficiency to unsecured creditors. The asset values reflected below are net book values as detailed in the Company records as at September 30, 2023, prior to the FMDA proceedings.

2126995 Nova Scotia Limited Statement of Affairs as of May 15, 2024 In CAD (\$)	Net Book Value	Estimated Net Realization Value
Assets		
Cash	80,564	80,564
Accounts receivable	-	1
Livestock	-	-
Plant and equipment	62,851	1
Real property	203,345	1
Total Assets	346,760	-
Liabilities		
Secured Claims		526,353
Preferred Claims		135,000
Unsecured Claims		603,097
Deferred Claims		288,776
Total Liabilities		1,553,226
Deficiency		TBD

**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

Meadowbrook's cash holdings consist of a Guaranteed Investment Certificate ("GIC") which the Trustee understands are secured against indebtedness (line of credit and credit card facilities) to the Bank of Nova Scotia ("BNS"). It is expected that BNS will be asserting its set-off rights against the GIC.

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.

Livestock

All livestock was sold in the normal course prior to the date of bankruptcy.

Plant and equipment

The equipment is currently being 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.

Real property

The Trustee has engaged an appraiser to assess the liquidation and market values of Meadowbrook's real property assets (buildings). Updates on these valuations will also be provided to inspectors, or to creditors if no inspectors are appointed, as additional information is obtained.

An additional complexity exists regarding the Land Parcel on which the buildings are situated. While the buildings are recorded as assets in Meadowbrook's financial records, the Land Parcel is not recorded as an asset. The mortgage debt related to the Land Parcel was recorded as a long-term debt (incorrectly) and the Trustee understands the mortgage payments were being paid by the Company. However, the deed title of the Land Parcel and the related mortgage is in Mrs. Lamb's name personally with no connection to Company (guarantees of indebtedness, etc.).

To increase the marketability of the Company's assets (buildings and equipment), the Trustee has initiated discussions with Mrs. Lamb and BNS as the mortgage lender to potentially have the Land Parcel subdivided so that a smaller land parcel on which the buildings are situated can be included in a sales process along with assets of the estate. The Trustee understands that any subdivision of the Land Parcel and bifurcation of the related mortgage debt would require the approval of BNS .

To address this complication, including a potential transfer of a portion of the Land Parcel to the estate and to advise and assist in the realization of the estate's assets, the Trustee intends to seek approval to retain legal counsel.

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. The Trustee took possession of the assets of Meadowbrook on May 16, 2024, and in doing so, has taken appropriate security measures to safeguard the assets by changing locks, arranging for the continuation of necessary utilities and adequate insurance coverage;
- ii. The Trustee is party to an agreement between Mrs. Lamb, as the Land Parcel owner, and a third party to lease hayfields for purposes of growing and producing hay. The Trustee's involvement in the agreement was primarily to arrange the emptying of a manure pit during the Spring and Summer of 2024 to remove and properly deal with the potentially hazardous waste;
- iii. The Trustee is party to an agreement between Mrs. Lamb, as the Land Parcel owner, and a third party to lease pastureland for purposes of grazing cattle. The Trustee's involvement in the agreement was primarily to arrange for regular site visits of the estate assets during the Spring and Summer of 2024, a requirement to maintain insurance coverage; and
- iv. The Trustee has engaged appraisers to assess the liquidation and market values of Meadowbrook's equipment, real property and the Land Parcel. A portion of the cost of the appraisal is to be covered by Mrs. Lamb as the Land Parcel owner.

b) Carrying on business

The Company ceased operations on or around April 30, 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 secured creditors are comprise of the following:

- i. BNS holds a first collateral mortgage of approximately \$267,000 on the Land Parcel that the Meadowbrook buildings are situated on (not a liability of the Company). Further, BNS is also owed approximately \$80,000 in credit cards and a line of credit which is secured against the GIC;
- ii. Agri-Commodity Management Association is owed approximately \$170,000 and holds security over livestock. The Company's livestock was sold in the normal course prior to the date of bankruptcy;
- iii. East Coast Capital Inc. with respect to a leased ice machine;
- iv. John Deere Credit Inc. with respect to a leased tractor; and
- v. Mrs. Lamb with respect to a shareholder loan with security registered over the equipment and intellectual property of the Company. The security was registered on the eve of the date of bankruptcy and the Trustee continues to review the proof of claim as filed.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

Once the Trustee has received the appraisals for the equipment and the real property, the Trustee will be in a position to determine the potential realizable value of Meadowbrook'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 a significant shortfall 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, the Company advanced \$10,000 to the Trustee as a retainer. The Trustee anticipates said retainer will cover a "no asset" bankruptcy administration. The Trustee plans to work with BNS and the Canada Revenue Agency to seek coverage of Trustee fees to administer and execute an asset realization process for the benefit of estate creditors.

Dated at Halifax, Nova Scotia this 13th day of June 2024.

BDO CANADA LIMITED

In its capacity as Trustee in Bankruptcy of
2126995 Nova Scotia Limited
and not in its personal capacity

Per:



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