

**IN THE MATTER OF THE BANKRUPTCY OF
The Good Fat Co. Ltd.
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

The Good Fat Co. Ltd. ("**Good Fat**" or the "**Company**") is a privately held corporation incorporated in 2015 under the *Business Corporations Act* (Ontario).

Good Fat developed and sold snack products which included health-oriented snack bars and other snack food products under various trade names including Love Good Fats, Love Good Protein, Love Good Sugar Free, Love Good and Suzie's Good Fats. The Company's head office was located in Toronto, Ontario and its production activities were completed through third parties in Markham, Ontario and McMinnville, Oregon, United States. Product sales were historically made through Canadian and U.S. retail and e-commerce channels.

The registered office of the Company is 56 The Esplanade, Unit 200, Toronto, Ontario.

Unfortunately, a combination of factors, including rapid brand expansion, increased competition, Covid-19 related matters, and a class action lawsuit commenced against the Company have negatively impacted the Company's business which has never been profitable.

As the Company was dependent on continuing funding of its ongoing losses, in 2021, the Company engaged RBC Capital Markets ("**RBCCM**") to undertake a sale/investment solicitation process for the Good Fat business (the "**RBCCM SISP**"). The RBCCM SISP, which was terminated in early 2022, did not result in any attractive sale/investment offers for the Good Fat business.

In the summer/fall of 2023, with the Company's secured lenders unwilling to continue funding ongoing losses, the Company reached out a number of potential strategic or financial buyers/investors in connection with the Good Fat business (the "**Company SISP**"). The Company SISP ultimately led to an asset purchase agreement dated December 29, 2023, between Good Fat and 100747000 Ontario Inc. (the "**Purchaser**"), an affiliate Propel Natural Brands, one of Canada's largest brokers of natural and organic brands, for the sale of substantially all the Company's assets (the "**Transaction**"). The Transaction, which would preserve the Good Fat brands, would not produce any cash proceeds for the Company's creditors and the Company's secured creditors would suffer a significant shortfall on the amounts due to them by the Company. Given the Company's financial circumstances, it was contemplated that the Transaction would be completed through formal insolvency proceedings.

On January 2, 2024, the Company filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”), and Richter Inc. (“**Richter**”) was appointed as Proposal Trustee under the NOI proceedings.

On January 16, 2024, the Ontario Superior Court of Justice (Commercial List) issued an order, among other things, approving the Transaction, which closed on January 30, 2024. Subsequent to the closing of the Transaction, the Company had no remaining assets, operations, or employees.

As realizations from the Transaction were insufficient to satisfy the Company's secured obligations or support a distribution to the Company's unsecured creditors, the Company was not in a position to present a proposal to its creditors.

On February 1, 2024 (the “**Date of Bankruptcy**”) the Company filed an assignment in bankruptcy under subsection 49 of the BIA. 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, following the closing of the Transaction and as at the Date of Bankruptcy, the Company had no assets.

SECURED CREDITORS AND PREFERRED CREDITORS

According to the Company's Statement of Affairs, as at the Date of Bankruptcy, there were no reported secured or preferred creditors. However, as noted above, given that realizations from the Transaction were insufficient to repay, in full, the Company's secured creditors, the Company's bankrupt estate continues to have significant obligations to certain creditors with registered security interests against the Company, including Export Development Canada (“**EDC**”) and InvestEco Sustainable Food Fund III, L.P. (“**InvestEco**”). As detailed in the Company's Statement of Affairs, as at the Date of Bankruptcy, approximately \$20 million, in aggregate, was owed to EDC and InvestEco.

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.

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, as the Company had paid all priority claims in respect of outstanding wages/vacation pay prior to the Company's bankruptcy.

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 82 unsecured creditors with claims totaling approximately \$21.75 million.

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 Favour of Trustee (#)	Amount (CAD)
Secured	-	-	-	-
Preferred ¹	1	\$40,731	-	-
Unsecured	4	\$4,470,440	1	\$48,325
TOTAL	5	\$4,511,171	1	\$48,325

1. The preferred claim was filed by the Company's landlord in respect of accelerated rent.

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, the Purchaser has guaranteed the Trustee's fees and disbursements to the maximum amount of \$50,000 should insufficient funds be available from the Company's estate.

OTHER

Further information relating to the Company's NOI and bankruptcy proceedings may be obtained from Richter's website at: <https://www.richter.ca/insolvencycase/the-good-fat-co-ltd/>

Dated at Toronto, Ontario, this 20th day of February, 2024.

RICHTER INC.

in its capacity as Trustee of the estate of
The Good Fat Co. Ltd.
and not in its personal or corporate capacity



Jonathan Joffe, CA, CPA, CFA, CIRP, LIT