

Court / Estate File Nos: 31-3051650
31-3051654
31-3051653
31-3051656
31-3051657

IN THE MATTER OF BANKRUPTCY OF
ORGANIC GARAGE (CANADA) LTD, 2412383 ONTARIO INC., 2347018 ONTARIO INC., 2507158
ONTARIO INC., AND 2581751 ONTARIO INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

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

I BACKGROUND

Organic Garage (Canada) Ltd. ("**Organic Garage**"), 2412383 Ontario Inc. ("**Junction LeaseCo**"), 2347018 Ontario Inc. ("**Bathurst LeaseCo**"), 2507158 Ontario Inc. ("**Oakville LeaseCo**"), and 2581751 Ontario Inc. ("**Liberty LeaseCo**" and together with Organic Garage, Junction LeaseCo, Bathurst LeaseCo and Oakville LeaseCo, the "**Companies**") were each formed under the laws of the Province of Ontario.

Organic Garage, a company founded in 2006, was an operating entity that carried on business as an independent retailer of natural and organic products throughout the Greater Toronto Area with wholly owned subsidiaries (Junction LeaseCo, Bathurst LeaseCo and Oakville LeaseCo and Liberty LeaseCo) established for the purpose of holding applicable real property lease agreements. Organic Garage is a wholly owned subsidiary of Oragin Foods Inc. ("**Oragin**"), a reporting issuer listed on the NEX (a subsidiary of the TSX-V), the OTC QX, and the Frankfurt stock exchange. The registered head office for the Companies was located at 42 Hanna Avenue in Toronto, Ontario.

On application by a creditor of Oragin, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued a Bankruptcy Order against Oragin on March 25, 2024. Zeifman Partners Inc. was appointed trustee of the estate of Oragin. The Oragin bankruptcy proceedings are under Court/Estate File No. 32-3061572 and are separate and apart of these proceedings.

Organic Garage had approximately 100 employees operating the various grocery store locations and head office.

Pursuant to the Procedural Consolidation (as defined herein) approved by the Court on March 14, 2024, this report has been prepared on a consolidated basis for the Companies.

II RESTRUCTURING PROCEEDINGS

On March 5, 2024 (the "**NOI Filing Date**"), each of the Companies filed a Notice of Intention to Make a Proposal ("**NOI**") under subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**"). KPMG Inc. ("**KPMG**") was appointed as trustee (in such capacity, the "**Proposal Trustee**") under the Companies' proposal proceedings (the "**Proposal Proceedings**").

On March 14, 2024, the Court granted an order approving, among other things:

- (a) that the NOI proceedings for the Companies be administratively consolidated and continued under one title of proceedings, bearing Court/Estate File No. 31-3051650 (the "**Procedural Consolidation**");
- (b) a sale solicitation process in respect of business and assets of the Companies (the "**Sales Process**"), including a description of the bidding procedures to be used in connection therewith;
- (c) an Asset Purchase Agreement dated March 7, 2024 between Organic Garage, Oakville LeaseCo, Bathurst LeaseCo and Liberty LeaseCo, as vendors, and MAAB Global Ltd. ("**MAAB**"), as purchaser, for the purpose of acting as the stalking horse sale agreement (the "**Stalking Horse APA**") in the Sales Process, subject to higher or otherwise better offers; and
- (d) an extension of the stay of proceedings provided for under section 69 of the BIA, and an extension of the time for the Companies to each file a proposal pursuant to section 62(1) of the BIA, to April 30, 2024.

On April 26, 2024, the Court granted Orders approving, among other things, an extension of the stay of proceedings provided for under section 69 of the BIA and an extension of the time for each of the Companies to file a proposal pursuant to section 62(1) of the BIA, to May 17, 2024 (the "**Stay Period**").

On May 5, 2024, the Court granted Orders approving, among other things, the sale transactions (the "**Transactions**") that resulted from the Sales Process and as contemplated by the following three asset purchase agreements between:

- (a) Organic Garage, Bathurst LeaseCo, and Oakville LeaseCo (collectively, the "**OG Transaction Vendors**"), as vendors, and Organic Garage Holdings Ltd. ("**OG Holdings**") (as assignee of MAAB), as purchaser (the "**OG Transaction**");
- (b) Organic Garage and Liberty LeaseCo, as vendors, and 1000858769 Ontario Inc., as purchaser (the "**Liberty Transaction**").
- (c) Organic Garage and Junction LeaseCo, as vendors, and Junction Road Nominee Inc., as purchaser (the "**Junction Transaction**").

On May 13, 2024, the Junction Transaction closed, realizing proceeds of \$100,000. On May 15, 2024, the Liberty Transaction closed, realizing proceeds of \$750,000. On May 17, 2024, the OG Transaction closed

with the OG Transaction Vendors taking a secured promissory note in the principal amount of \$154,250 (the "**Promissory Note**") to satisfy the balance of the purchase price owing under the OG Transaction. The Promissory Note was repaid by OG Holdings, including accrued interest, on May 24, 2024. The OG Transaction generated proceeds of \$225,000.

On May 17, 2024, the Court granted Orders approving, among other things:

- (a) the reports, activities and conduct of the Proposal Trustee described therein; and
- (b) the fees and disbursements of the Proposal Trustee and its counsel incurred in the Proposal Proceedings.

During the Proposal Proceedings, the Proposal Trustee filed four (4) reports with the Court, which among other things provided the Court with background information on the Companies, the Proposal Proceedings, the Companies' cash-flow, the Sales Process and the results thereof, the Transactions and the Proposal Trustee's fees, activities and conduct. Copies of these reports and the orders granted by the Court during the Proposal Proceedings can be obtained from the Proposal Trustee's website at <https://kpmg.com/ca/organicgarage>.

III CAUSES OF INSOLVENCY

As detailed in the materials filed in the Proposal Proceedings, the Companies had experienced significant financial difficulties in the 12 months leading up to the proposal proceedings due to the highly competitive market, supply chain pressures, and the inability to raise capital. As such, the Companies determined that the best value maximizing option was to proceed with a sale of substantially all of the assets of the Companies through a court-supervised process pursuant to the Sales Process as described above.

As a proposal must give creditors more than they would receive in a bankruptcy, following the closing of the Transactions, the Companies had no material assets with which to satisfy its obligations or present a viable proposal to its creditors (other than the sale proceeds). On May 18, 2024 (the "**Date of Bankruptcy**"), Organic Garage, Junction LeaseCo, Bathurst LeaseCo and Oakville LeaseCo and Liberty LeaseCo were each deemed to have made an assignment in bankruptcy pursuant to section 50.4(8) of the BIA as each of the Companies failed to file a viable proposal within the prescribed time period. KPMG was appointed as the trustee (the "**Trustee**") of the Estate of each of the Companies by the Official Receiver, subject to affirmation by the creditors of Trustee's appointment or substitution of another trustee by the creditors.

On May 24, 2024, all known creditors of the Companies were provided with notices of the first meeting of creditors, condensed statements of each of the Companies' assets and liabilities, including a list of known creditors, a proof of claim form and proxy. On May 30, 2024, a notice of the bankruptcy and the first meeting of creditors was published in the National Post.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

IV FINANCIAL POSITION/ASSETS

The assets as of the date of bankruptcy as detailed in the Statement of Affairs ("SOA") of each of the Companies are set out in the table below:

	Organic Garage (Canada) Ltd.	Liberty LeaseCo	Junction LeaseCo	Oakville LeaseCo	Bathurst LeaseCo
Cash/Deposits in Financial Institutions	845,128.01	205,520.25	75,000.00	-	-
Security Deposit	-	-	-	29,754.51	13,504.54
Promissory Note	154,250.00	-	-	-	-
Shares	313,280.95	-	-	-	-
Total	1,312,658.96	205,520.25	75,000.00	29,754.51	13,504.54

Cash/Deposits in Financial Institutions: Represents cash held in the Companies' bank account and, in trust, with the Proposal Trustee as at the Date of Bankruptcy.

Security Deposit: the net balance on the security deposit held by the landlords of Oakville LeaseCo and Bathurst LeaseCo, as applicable, after deducting for any unpaid post-filing rent up to the closing date of the OG Transaction. These amounts would be released to the Trustee, on behalf of the Oakville LeaseCo and Bathurst LeaseCo, as applicable, upon the effective date of the assignment of the leases to OG Holdings.

Promissory Note: secured note issued by OG Holdings to Organic Garage as described above. The Promissory Note was repaid in full on May 24, 2024 with the proceeds held by the Trustee.

Shares: Organic Garage has 100% ownership of its subsidiaries, Junction LeaseCo, Bathurst LeaseCo and Oakville LeaseCo and Liberty LeaseCo. As per the SOA, as at the Date of Bankruptcy, the shares had an estimated net equity value (i.e. after payment of all claims) of approximately \$313,000 due to the surplus SOA balances in each of the entities.

A claims process has been initiated by the Trustee and it is anticipated that there will be funds available for distribution to the creditors of Organic Garage with proven claims.

V SECURED CREDITORS

Three (3) parties registered security interests over the assets of Organic Garage pursuant to the Personal Property Security Act ("**PPSA**"):

- (a) The Toronto Wholesale Produce Association ("**TWPA**") - the SOA details the TWPA had a balance outstanding of approximately \$148,000;
- (b) SIR Solutions ("**SIR**") - the SOA details SIR had a balance outstanding of approximately \$18,000; and
- (c) Royal Bank of Canada ("**RBC**") – the SOA did not list any amounts owing to RBC as at the Date of Bankruptcy.

During the Proposal Proceedings, RBC debited the Organic Garage account for approximately \$89,000. Counsel to RBC advised the Proposal Trustee and Organic Garage that RBC exercised its right to set-off the amounts owed to RBC under certain corporate credit cards against Organic Garage's cash balances on deposit with RBC. Since the Date of Bankruptcy, RBC debited the Organic Garage account for an additional approximately \$3,000 on account of legal fees incurred by RBC. The Trustee has received a copy of RBC's security documents but, as at the date of this report, has not requested a legal opinion on the validity and enforceability of the security granted by Organic Garage in favour of RBC. It is the intention of the Trustee to seek instructions from the Inspectors to be appointed at the First Meeting of Creditors with respect to what further actions, if any, the Trustee should take in this regard.

VI 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. Organic Garage's employees were terminated prior to the Date of Bankruptcy and all amounts owing in respect of wages and/or vacation pay was paid to Organic Garage's employees prior to the Date of Bankruptcy.

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

VII PREFERRED CREDITORS

According to the SOA for Bathurst LeaseCo, the landlord for the premises, 8000 Bathurst Street Realty Inc. c/o M&R Holdings, has a preferred claim in the bankruptcy proceedings in the amount of approximately \$6,000 related to unpaid rent owing prior to the NOI Filing Date.

According to the SOA for Oakville LeaseCo, the landlord for the premises, Szeto Ping c/o Gip Sing International Ltd., as a preferred claim in the bankruptcy proceedings in the amount of approximately \$4,000 related to unpaid rent owing prior to the NOI Filing Date.

VIII UNSECURED CREDITORS

As reflected on the SOA, Organic Garage estimates it has 157 unsecured creditors (excluding potential claims of former employees in respect of severance and/or termination pay) with claims totaling approximately \$9.4 million at the Filing Date, the largest of which relates to a potential intercompany claim from Oragin.

The other Companies do not have any unsecured creditors.

IX CLAIMS FILED

As at 9:00 a.m. on the date of this report, the Trustee has received Proof of Claims filed against Organic Garage, as follows:

	Claims Filed (#)	Amount (\$)	Proxies in Favour of Trustee (#)	Amount (\$)
Secured	Nil	Nil	Nil	Nil
Preferred	Nil	Nil	Nil	Nil
Unsecured ⁽¹⁾	29	\$ 8,626,946.67	11	\$579,078.90
TOTAL	29	\$8,626,946.67	11	\$579,078.90

Note (1): Includes claim filed by Oragin, a creditor related to Organic Garage, in the amount of \$6,760,280.89.

X BOOKS AND RECORDS OF THE BANKRUPT

As at the date of this report, the Trustee is in the process of gaining access to the books and records of the Companies which are held solely in a virtual QuickBooks accounting system. The Trustee has taken steps to preserve same in accordance with statutory requirements.

XI PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not performed a review of the Companies' 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.

XII TRUSTEE'S FEES

The Trustee's fees and disbursements will be funded out of the bankrupt estate of the Companies, subject to the provisions of the BIA and taxation by the Court.

XIII OTHER MATTERS

Further information relating to the Company's bankruptcy proceedings may be obtained from KPMG's website at <https://kpmg.com/ca/organicgarage>.

Dated at Toronto, Ontario, this 6th day of June, 2024.

KPMG INC.

in its capacity as Trustee of the estate of

Organic Garage (Canada) Ltd., 2412383 Ontario Inc., 2347018 Ontario Inc., 2507158 Ontario Inc.
and 2581751 Ontario Inc

and not in its personal capacity



Pritesh Patel, CIRP, LIT
Senior Vice President