

Court No.: 31-3206655, 31-3206654, 31-3206652, 31-3206653

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**IN THE MATTER OF THE BANKRUPTCIES OF
1000921087 ONTARIO INC., HERITAGE CANNABIS
EXCHANGE CORP., 1005477 B.C. LTD. AND MAINSTRAIN
MARKET LTD.**

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

A. BACKGROUND

Heritage Cannabis Exchange Corp. (“**HCEC**”) and 1005477 B.C. Ltd. (“**1005**”) were non-operating holding companies who were previously 100% owned by Heritage Cannabis Holdings Corp (“**Heritage**”) along with a number of other direct or indirect wholly-owned subsidiaries (please see below for further details). Mainstrain Market Ltd. (“**Mainstrain**”) was an entity established to open a Cannabis retail store that never became operational and was an indirect wholly-owned subsidiary of Heritage. 1000921087 Ontario Inc. is an entity formed in conjunction with the sale of Heritage, as described further below.

Purefarma Solutions Inc. (“**Purefarma**”), 333 Jarvis Realty Inc. (“**333**”), 5450 Realty Inc. (“**5450**”), Premium 5 Ltd. (“**Premium**”), Heritage Cannabis East Corporation (“**Heritage East**”), and Heritage Cannabis West Corporation (“**Heritage West**”), are certain other direct or indirect wholly-owned subsidiaries of Heritage (collectively, the “**Heritage Group**”).

Causes of Financial Difficulty

The Heritage Group experienced significant consolidated net losses totaling \$48 million over its last two fiscal years (ending October 31, 2023 and 2022) in part due to high general and administrative expenses (relative to gross margins) and an impairment of intangible assets and goodwill. These operating losses had resulted in the Heritage Group being cash flow insolvent as they were no longer able to pay debts as they became due. These debts included obligations to its secured creditor, BJK Holdings Ltd. (“**BJK**”), and the Canada Revenue Agency for both Excise Tax and GST / HST.

CCAA Proceedings

On April 2, 2024, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an Order (the “**Initial Order**”) pursuant to the *Companies' Creditors Arrangement Act* (“**CCAA**”). The Initial Order provided for certain relief, including a stay of proceedings against the Heritage Group and ordered that KPMG Inc. (“**KPMG**”) be appointed as Court-appointed monitor of the Heritage Group (in such capacity, the “**Monitor**”). The CCAA proceedings are referred to herein as the “**CCAA Proceedings**”.

On April 11, 2024, the Court granted orders that, among other things, approved (i) the sale and investment solicitation process (the “**SISP**”) for the business and/or assets of the Heritage Group and (ii) the stalking horse subscription agreement (the “**Stalking Horse Bid**”) among Heritage and Heritage West, as vendors,

BJK, and HAB Cann Holdings Ltd. (“**HAB Cann**”), as purchaser. The Stalking Horse Bid was determined to be the successful bid in the SISP.

On June 17, 2024, the parties entered into the amended and restated stalking horse subscription agreement dated June 17, 2024 (the “**Amended and Restated Stalking Horse Agreement**”) among Heritage, Heritage East and Heritage West, as vendors, HAB Cann, as purchaser, and BJK, and the transactions contemplated thereunder (the “**Transactions**”). On June 26, 2024, the Court granted an order (the “**Approval and Reverse Vesting Order**”) that, among other things, approved the Transactions contemplated by the Amended and Restated Stalking Horse Agreement.

Pursuant to the Approval and Reverse Vesting Order, all Excluded Liabilities (as defined in the Amended and Restated Stalking Horse Agreement) with respect to the Heritage Group were transferred and “vested out” to 1000921087 Ontario Inc. (“**ResidualCo**”) upon closing of the Transactions. Further, ResidualCo became an applicant in the CCAA Proceedings and as a result, the stay of proceedings (as provided for in the Initial Order and subsequently extended to the conclusion of the CCAA Proceedings, pursuant to the CCAA Termination Order (as defined below)) thereafter applied to ResidualCo. Further, Heritage, Heritage East, Heritage West, Purefarma, 333, 5450, and Premium ceased being applicants in the CCAA Proceedings upon closing of the Transactions.

On August 29, 2024, HAB Cann closed the Transactions to acquire 100% of the shares of Heritage, Heritage East, Heritage West, Premium, Purefarma, 333 and 5450 pursuant to the Amended and Restated Stalking Horse Subscription Agreement.

Bankruptcy Proceedings

On September 27, 2024, the Court issued an Order (the “**CCAA Termination Order**”), which among other things, authorized the Monitor to file on behalf of ResidualCo, HCEC, 1005 and Mainstrain (collectively, the “**Debtors**”), assignments in bankruptcy, and authorized KPMG to act as trustee in bankruptcy of the Debtors (in such capacity, the “**Trustee**”). Further, the CCAA Termination Order authorized the Trustee to administer the bankruptcy estates of the Debtors as if such estates were in respect of a single bankrupt for the purposes of carrying out its duties and responsibilities as trustee under the *Bankruptcy and Insolvency Act*, as amended (the “**BIA**”), including without limitation, authorizing the Trustee to:

- a) administer the bankruptcy estates of the Debtors under a single court file number and title of proceedings;
- b) send a consolidated notice of the first meeting of creditors, and conduct and convene the first meetings of creditors of the Debtors jointly, provided that the results of any creditors’ vote shall be separately tabulated for each bankrupt estate;
- c) use a consolidated form of proof of claim that directs creditors to identify the bankrupt estate in which a claim is made for voting and distribution purposes;
- d) maintain a consolidated bank account with respect to the Debtors’ respective bankruptcy estates;
- e) issue consolidated reports in respect of the Debtors;
- f) deal with all filings and notices related to the bankruptcies of the Debtors on a consolidated basis; and
- g) appoint a single group of inspectors to be the inspectors for the consolidated bankruptcy estates of the Debtors.

On April 2, 2025, (the “**Bankruptcy Date**”) the Monitor filed assignments in bankruptcy on behalf of each of the Debtors (herein referred to as the “**Bankruptcy Proceedings**”) and KPMG was appointed as Trustee

of the estates of each of the Debtors by the official receiver, subject to affirmation by the creditors of the Trustee's appointment or substitution of another trustee by the creditors at the first meeting of creditors.

On April 7, 2025, a notice of the first meeting of creditors, a list of creditors, proof of claim form and proxy were sent to all known creditors of the Debtors on a consolidated basis, and on April 8, 2025, a notice of the bankruptcy and the first meeting of creditors was published in the National Post. The first meeting of creditors (for each of the Debtors, conducted jointly) will be convened on April 17, 2025, at 2:00pm EST.

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

B. ASSETS, CREDITORS AND SECURITY INTERESTS

Assets

Each of the Debtors have no realizable assets in their respective estates.

Creditors

As at the Bankruptcy Date, per the Debtors' books and records, there were no secured creditors.

As at the Bankruptcy Date, per the Debtors' books and records, ResidualCo had 141 unsecured creditors with amounts owing of approximately \$21,387,106 in aggregate. HCEC had one unsecured creditor with an amount owing of \$200,000, 1005 had three unsecured creditors with an amount owing of approximately \$1,107 and Mainstrain had three unsecured creditors with an amount owing of approximately \$2,309.

C. BOOKS AND RECORDS

The Trustee has taken possession of the books and records of the Debtors that support the Debtors' assets and liabilities.

D. CONSERVATORY AND PROTECTIVE MEASURES

There are no assets within the estates of the Debtors and as such, the Trustee has not taken any conservatory and protective measures in respect of the Debtors' estates.

E. PROVABLE CLAIMS

As at 1pm on the date of this report, the Trustee had recorded 2 unsecured Proof of Claims filed in the amount of \$28,235.33. Neither Proof of Claim included a Proxy.

F. REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has not performed a review of each of the Debtors' 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, should Inspectors be appointed at the first meeting of creditors.

G. THIRD-PARTY DEPOSITS AND GUARANTEES

Pursuant to the CCAA Termination Order, the Trustee's fees will be funded by a reserve established within the CCAA Proceedings.

H. DISCLOSURE OF DETAILS RELATING TO THE TRUSTEE'S INTENTION TO ACT FOR SECURED CREDITORS

The Debtors' have no secured creditors.

I. PROJECTED DISTRIBUTION AND ANTICIPATED ASSET REALIZATION

There are no assets in the estates of the Debtors and as such, there will be no funds available for distribution to any creditors of the Debtors in these Bankruptcy Proceedings.

J. OTHER

Further information related to the CCAA Proceedings and these Bankruptcy Proceedings may be obtained from KPMG's website at: <https://kpmg.com/ca/Heritage>.

Dated at Toronto, Ontario, this 17th day of April, 2025.

KPMG Inc.

in its capacity as Trustee of the Estates of 1000921087
Ontario Inc., HCEC, 1005, and Mainstrain
and not in its personal capacity

Per:



Pritesh Patel, LIT
Senior Vice-President