

District of: Ontario
Division No. 09-Toronto
Court No. 31-2851521
Estate No. 31-2851521

TRUSTEE'S PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF
BARNARD CANN LTD.
(hereafter referred to as "Barnard" or the "Company")

Trustee: MNP Ltd.

SECTION A - Background

Barnard was incorporated on January 8, 2019. The Company was an authorized cannabis retailer and operated stores located at 220 Montreal Road, Gloucester, 462 Hazeldean Road, Kanata and 29 Mary Street, Milton (collectively the "**Retail Stores**"). 2707461 Ontario Inc. o/a Camp Cannabis ("**207**"), a subsidiary wholly owned by Barnard, owned and operated a fourth location at 3007 New Street, Burlington (the "**Burlington Store**"). As discussed later in this report, 207 and its personal property are not subject to the Company's bankruptcy proceedings.

Barnard's operations were managed from the personal residence of Mr. Cameron King ("**King**"), the Company's sole registered director.

The Company started operating in 2020 and has not been profitable since. In 2020 and 2021 the Company lost \$108 thousand and \$566 thousand respectively. The Company's year to date loss is expected to be \$340 thousand. King states the Company couldn't gain market share and achieve sales projections due to local market conditions that he believes were 'oversaturated' with cannabis retailers. This ultimately forced the Company to reduce product margins so it could remain competitive.

As Barnard's cash flow position deteriorated, the Company came to rely on high interest credit facilities as a primary source of fixed and working capital.

Lacking sufficient working capital to gain market share and attain profitability, Barnard engaged a third-party broker to market and sell the business. The sale process did not generate interest in the Retail Stores, however, a sale of 207's shares and personal property, including the Burlington Store, was completed June 29, 2022 (the "**207 Transaction**"). The 207 Transaction is discussed later in this report.

Using residual cash on hand, including a portion of cash realized from the 207 Transaction, Barnard wound down the Retail Stores operations. Inventory was liquidated or destroyed in accordance with government regulations and the Retail Stores were eventually vacated.

By June 26, 2022 the Company had vacated all of its Retail Stores and on July 28, 2022 Barnard made an assignment in bankruptcy and MNP Ltd. was appointed trustee (the "**Trustee**").

CLASS I - Stocks of merchandise

Barnard's inventory was liquidated (or destroyed) prior to vacating the Retail Stores and a portion of the proceeds were used to wind down operations. The Company did not own any inventory at the time of bankruptcy.

CLASS II - Plant, machinery, equipment, and office

Nominal store equipment was liquidated prior to vacating the Retail Stores and a portion of the proceeds were used to wind down operations. The Company did not own any plant, machinery, equipment, or office furniture at the time of bankruptcy.

CLASS III - Buildings and real estate

The Company did not own any land or buildings. The Retail Stores were leased premises.

CLASS IV - Books and records

The Trustee is in possession of certain of the Company's books and records and has access to the Company's cloud accounting software, Quickbooks. The majority of historical hard copy books and records remain in King's possession who has undertaken to provide the Trustee with unfettered access to the Company's records upon written request.

CLASS V - Other assets

At the time of bankruptcy, the Company had cash on hand of \$16,831 ("**Cash**"). Cash represents total net deposits in the Company's bank account at July 28, 2022. Cash has been deposited to the estate trust account.

Accounts receivable at July 28, 2022 was \$11,190 and is comprised of \$10,000 representing the residual cash component of the 207 Transaction and \$1,190 for a HST refund. We understand the \$10,000 receivable will be collected within 30 days.

Property of Bankruptcy not divisible amongst creditors by virtue of Section 67(b), of the Bankruptcy and Insolvency Act

None.

Property placed under the guardianship of the Company

None.

SECTION B

1. Conservatory and protective measures

None.

2. Carrying on business

The Company ceased operating prior to its assignment on July 28, 2022.

SECTION C – Legal proceedings

None.

SECTION D – Provable claims

	As per Statement of Affairs	Claims Received to Date
Unsecured	\$140,108	\$89,790
Preferred	nil	nil
Secured	\$1,115,639	nil
Deemed trust	nil	nil
Total	\$1,255,747	\$89,790

SECTION E – Secured creditors

Secured creditors are private investors and include King for \$293,439, Bart King for \$470,028 and Mark Rockett for \$352,172.

SECTION F – Anticipated realizations and projected distribution

We do not anticipate a dividend to unsecured creditors.

SECTION G – Reviewable transactions and preferential payment

The Trustee reviewed the Company's bank records for the period July 2021 to July 2022. It appears payments and transfer occurring in the 12 months preceding bankruptcy are consistent with ordinary Company operations. Accordingly, the Trustee did not identify any transactions requiring further investigation.

Barnard sold 207's shares (including its personal property) to OCH Ontario Consulting Corp. ("OCH") on June 29, 2022 for total consideration of \$650 thousand payable as follows:

- i) an assumption of secured debt owing to OCH of \$300, Donna King of \$180 thousand, and Merchant Capital of \$77 thousand;
- ii) \$50 thousand credit reflecting offsets for cash advances made by OCH to fund Barnard's operations in the months preceding the 207 Transaction;
- iii) \$21 thousand credit in consideration of 207's working capital deficiency; and
- iv) \$25 thousand closing cash payment.

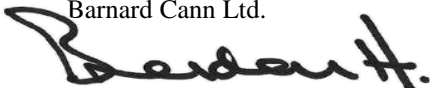
As discussed earlier in this report, King marketed Barnard's business in an effort to sell it as a going concern. According to King, there was no interest in the Retail Stores and OCH was the only viable option to extract value from Barnard's ownership in 207. Given King's unsuccessful sales campaign and quantum of secured creditor claims, it is the Trustee's opinion that unsecured creditors have not been prejudiced by the 207 Transaction; therefore, no further actions is required.

SECTION H – Other matters

None.

Dated at London, Ontario this 17th day of August 2022.

MNP Ltd.
Licensed Insolvency Trustee of
Barnard Cann Ltd.



Per: Brendan T. Hinton, CIRP, LIT
Vice-President

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IN THE MATTER OF THE BANKRUPTCY OF
BARNARD CANN LTD.

Carrying on business in the City of Toronto,
in the Province of Ontario

TRUSTEE'S PRELIMINARY REPORT

MNP Ltd.
1002 – 148 Fullarton Street
London, ON N6A 5P3