

Division No. : 01-Montreal
Court No. : 500-11-062374-232
Estate No. : 41-2944717

IN THE MATTER OF THE BANKRUPTCY OF:

NAVAYA INC.

TRUSTEE'S REPORT ON PRELIMINARY ADMINISTRATION

SECTION A - History

1. Navaya Inc. (the "**Debtor**" or the "**Company**") was founded and began its operations in March 2019. It operated in the field of the production, the processing and the transformation of cannabis for medical and recreational purposes.
 2. The place of business is located at 3625, Av. des Grandes Tourelles, Boisbriand where it rented a building of approximately 93,450 square feet.
 3. The Debtor employed approximately 50 people, and the majority of them were temporarily laid off before the Debtor's bankruptcy.
 4. The precarious situation of the cannabis industry has resulted in significant losses for the Debtor. The Debtor incurred losses of approximately \$4.6M and \$6.5M for the fiscal year-ends of 2021 and 2022, respectively. The cumulative deficit at the end of the fiscal year 2022 was \$14.4M.
 5. A liquidity crisis led to the filing of a Notice of Intention to Make a Proposal (the "**NOI**") by the Debtor on May 16, 2023, under the *Bankruptcy and Insolvency Act* (the "**Act**").
 6. During the NOI period, the Debtor disposed of its entire inventory. The proceeds of the sale were remitted to the Trustee on the date of bankruptcy.
 7. On June 16, 2023, the Debtor was deemed to have made an assignment of its assets further to the non-filing of a proposal under section 50.4 of the Act.
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SECTION B - Assets

8. At the time of the deemed assignment, the assets of the Debtor were as follows:

Description	Value as per the Statement of Affairs	Realized value to date	Notes
	(\$)	(\$)	
Leasehold improvement	1	Ø	
Intangible property	1	Ø	
Accounts receivable	351,326	47,434	1
Equipment	750,000	Ø	
Equipment leased by RBC	50,000	Ø	
Machinery	13,000	Ø	
Proceeds of NOI	270,544	270,544	2
Bank account balance	21,254	47,026	
Tender deposit	Ø	120,000	3
	1,506,126	485,004	

Notes :

- 1- The accounts receivable consists of \$322,263 that the Trustee expects to recover and \$29,063 in bad debt. Payments from SQDC are received 30 days after the date of sale, so the Trustee anticipates accounts receivable collection until the end of July.
- 2- Money received following the liquidation of inventory during the NOI.
- 3- Deposit received for an offer to purchase (see paragraph #9 below).

9. The Trustee has received an offer for all of the Debtor's equipment (the "Offer") which is subject, *inter alia*, to the acceptance by the inspectors and the principal secured creditor. The sale by mutual agreement, if determined by the inspectors to be advantageous to all creditors, will thus limit the costs related to rent and the solicitation of potential buyers. The Trustee is of the opinion that acceptance of the Offer will optimize the realization of the assets.

10. As previously mentioned, all of the cannabis was subject to a sale prior to the bankruptcy of the Debtor. The Trustee learned after the bankruptcy that the Debtor had inadvertently failed to include in the detailed inventory list used for the sale, a small amount of inventory held by a third party. After verification, the Trustee confirmed that this portion of the inventory was supposed to have been included in the sale and was considered the property of the buyer.

SECTION C - Books and records, conservatory and protection measures and Company's operations

11. The Trustee took possession of the assets on June 16, 2023, following her appointment further to the deemed assignment of the Debtor. The Trustee began taking inventory, a guardian of the property was appointed and employee access cards were deactivated on the date of bankruptcy.

12. The Trustee engaged two former employees as consultants in order to have the necessary support to complete the various legal reports in vertu of the Canadian cannabis laws and to meet the high safety standards related to the industry.

13. The Trustee took possession of the Company's books and records.
14. The Trustee will examine the books and records, and report to the inspectors, if any.
15. The Trustee has blocked access to the Debtor's bank account to prevent any cash outflows while continuing to collect accounts receivable in the account. The Trustee has already received \$69,460 from the Debtor's bank account.
16. The Trustee insured the assets of the Debtor.
17. All utilities were guaranteed by the landlord of the building.
18. A trust account with the Bank of Montreal was opened by the Trustee.
19. There are no business operations being carried out by the Trustee.

SECTION D - Legal proceedings

20. During the NOI, the Trustee issued Notices of stay of proceedings to the following creditors:
 - Vortex Cannabis Inc.
 - Le Groupe Solid Packaging Robotik inc.
21. The Trustee has mandated Jason Dolman of Fishman Flanz Meland Paquin LLP as legal counsel to the estate. The Trustee obtained a legal opinion confirming the validity of the securities of 11249398 Canada Inc.

SECTION E - Provable claims

22. The provable claims are detailed as follows ⁽¹⁾ :

	As per the Statement of Affairs	Received to date
	(\$)	(\$)
Secured Creditors	13,507,435	5,027,391
Preferred Creditors	911,202	396,261
Ordinary Creditors	21,454,458	12,883,250
	35,873,095	18,306,902

Note :

- 1- The Trustee received a property claim, which remains to be analyzed, from Britton Electric Co. Inc.
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SECTION F – Secured claims

23. Secured creditors are as follows ^(1, 2) :

Secured Creditor	Estimated claim (\$)	Nature of Security
11249398 Canada Inc.	10,945,287	Mortgage on the universality of movable property published on April 1, 2020
RBC Royal Bank of Canada	2,498,953	Leasing contract published on July 17, 2020
Employees – vacation	52,195	Security against current assets under the Act (WEPP)
Equipment G.N. Johnston Ltee	11,000	Leasing rights published on March 24, 2021
Le Groupe Solid Packaging Robotik Inc.	1	Retention of title (instalment sale) published on June 15, 2023
	13,507,436	

Notes :

- 1- All properties are subject to rights arising from a secured claim, except third-party's property.
- 2- Any reference to a secured creditor's ranking is based solely on the publications and information contained in the RDPRM and does not constitute an opinion on the ranking or validity of a title.

SECTION G - Anticipated realization and projected dividend

24. Considering that the estimated value of secured claims is higher than the value of realizable assets, the Trustee does not anticipate any distribution to ordinary creditors.

SECTION H - Reviewable transactions and preferential payments

25. The Trustee will review the books and records and bank statements of the Debtor in order to report to the inspectors, if necessary.

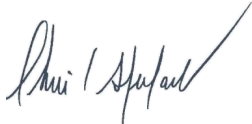
SECTION I – Other subjects

26. The Trustee published the notice of bankruptcy in the Journal de Montréal, on June 24, 2023.
 27. The Trustee will ensure that eligible employees are registered in the *Wage Earner Protection Program* for unpaid vacations and termination pay.
 28. The Trustee has a guarantee from third parties for her fees and disbursements for the bankruptcy administration, if necessary.
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DONE IN MONTREAL, this 6th day of July 2023.

MNP LTD.

In its capacity as Trustee in the bankruptcy of
Navaya Inc.



Sheri L. Aberback, CIRP, LIT, CFE
Senior Vice President
Trustee in Charge