

**IN THE COURT OF KING'S BENCH OF SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
RIVERIENE FARM LTD.**

TRUSTEE'S REPORT TO CREDITORS

September 26, 2024

1. PURPOSE

On August 22, 2024, Riveriene Farm Ltd. (the "**Company**" or "**Riveriene**") filed a Notice of Intention to file a Proposal (the "**NOI**"). A proposal to creditors (the "**Proposal**") was filed on September 20, 2024. MNP Ltd. has consented to act as Licensed Insolvency Trustee (the "**Trustee**").

The purpose of this report is to provide the creditors with the following:

- a) Background and financial situation of the Company;
- b) Summary of the Proposal;
- c) Summary of the assets and liabilities;
- d) Estimate of the realization under a bankruptcy and the Proposal; and,
- e) Trustee's recommendation to accept the Proposal.

2. BACKGROUND AND FINANCIAL SITUATION

Company Background

Riveriene operates a business for the manufacture and distribution of quality raw whole animal (frozen and freeze-dried) pet food under the trade name 'Carnivora'. The Company currently employs approximately 17 people. The Company was incorporated on September 5, 2000, pursuant to the laws of Saskatchewan, and has its head office located in Saskatoon, Saskatchewan. Riveriene operates from both leased and owned premises. The Company's

assets include cash, accounts receivable, inventory, equipment, prepaid expenses, and land and building.

Financial Situation

The Company has experienced financial difficulty and continued losses over the past three years due to the high cost of goods sold, supply chain issues, and a failure to pass along necessary pricing increases and shipping costs to its customers. As a result, the Company had insufficient cash flow to fund operations and was unable to service its client's needs in a timely manner resulting in decreased sales.

The Company has been working diligently over the past 6 months to address its operational inefficiencies and return to profitability. Specifically, the Company has established relationships with key suppliers to address and stabilize the cost of goods sold, increased pricing across all product lines, negotiated shipping agreements to reduce transportation costs, reduced staffing overhead, and invested in new equipment to bring a new freeze-dried product to market. After consideration of available options, the Company also determined it was necessary to file a NOI to address the accumulation of debt while preserving the value of the business in the best interest of all stakeholders.

3. SUMMARY OF PROPOSAL

The purpose of the Proposal is to enable the Company to continue its operations as a going concern while compromising, in an orderly fashion, the debts owed by the Company. The Proposal contemplates the following:

- a) The proposal fund (the "**Proposal Fund**") will be funded by quarterly payments made to the Trustee from the Company throughout a 42-month period (the "**Proposal Period**") and distributed to creditors by the Trustee as follows;
 - i. Within six months of Court approval of the Proposal, or as otherwise agreed to between the Company and the Crown, payment of all Crown Claims as described at section 60(1.1) of the *Bankruptcy and Insolvency Act* (the "**BIA**");

- ii. Within six months of Court approval, payment to each proven creditor that has executed and delivered to the Trustee an election form on or before the claims bar date (as defined below) the value of its proven claim or \$1,500, whichever is less;
 - iii. No later than 9 months following Court approval of the Proposal, 12 quarterly proportional payments comprised of the maximum amount of 20% of the aggregate proven claims of critical suppliers (as defined in the Proposal) AND, the maximum amount of 2% of proven claims of the unsecured creditors.
- b) Use of the Proposal Fund for payment of the following:
- i. Any Proposal costs, including reasonable professional fees and disbursements of the Trustee and the legal counsel, if any;
 - ii. The levy payable to the Superintendent of Bankruptcy;
 - iii. Within 6 months, or as otherwise agreed to by the Crown, payment of all Crown claims that were outstanding as at the filing date, if any; and,
 - iv. Distributions to the proven creditors as detailed in the section above.

The Proposal is not being made to secured creditors and as such any claims by secured creditors are unaffected by the Proposal.

Creditors must file a valid Proof of Claim and an Election Form (if applicable) with the Trustee within 2 months of Court approval (the "Claims Bar Date").

Notwithstanding the distribution scheme set out above, the Company shall be at liberty to pay any and/or all payments contemplated in the Proposal prior to the corresponding dates for such payments, with the permission of the Trustee and Inspectors, if any, appointed pursuant to section 56 of the BIA.

Cash Flow

The Company has prepared a quarterly cash flow forecast that supports the proposed payments to the Proposal Fund for the period October 2024 to March 2028. The cash flow is summarized in Table 1 below and is appended to the Proposal as "Schedule A".

Trustee's Report to Creditors

	Quarter 1 - 4	Quarter 5 - 8	Quarter 9 - 12	Quarter 13 - 14	Total
	000's	000's	000's	000's	
Sales/Receipts	10,674	11,472	12,403	6,467	41,016
Operating Expenses	10,488	11,239	12,158	6,256	40,141
Proposal Fund - Crown claims per 60(1.1)	10	-	-	-	10
Proposal Fund - \$1,500 Convenience Class	24	-	-	-	24
Proposal Fund - Critical Suppliers	66	122	122	70	380
Proposal Fund - Unsecured	4	7	7	4	21
	104	129	129	74	435
Cash Flow	82	104	116	138	439

Management has indicated the collection of receivables is based on historical timelines and revenue projections over the 3.5 years. The cash flow assumes the Company continues to employ 15-17 people. The cash flow also assumes that in months where there is a negative ending balance, the Company will have access to and will use a bank loan, or in the alternate make shareholder injections to cover the shortfall.

The Trustee has reviewed the Company's cash flow projections and believes the projections are reasonable and achievable based on prior year financial performance and discussions with management. The Trustee believes the Company will be able to make the payments contemplated in the Proposal.

4. CREDITOR'S CLAIMS

Secured Creditors

Table 2 provides a listing of secured claims as provided by the Company and per review of the Personal Property Registry:

Creditor	Assets Secured	Table 2 Estimated Claim (\$000's)
Receiver General - Canada Revenue Agency (Source deductions)	Property Claim - Deemed Trust	10
Business Development Bank of Canada	General Security Agreement - all present and after-acquired property	285
Bank of Montreal	General Security Agreement - all present and after-acquired property	750
Reiser (Canada) Co.	Specific Serial Numbered Assets	NIL
Bodkin, a division of Bennington Financial Corp.	Specific Serial Numbered Assets	16
CWB National Leasing Inc.	Specific Serial Numbered Assets	73
Meridian Onecap Credit Corp.	Specific Serial Numbered Assets	58
De Lage Landen Financial Services Canada Inc,	Specific Serial Numbered Vehicles	10

The Company is indebted to the Canada Revenue Agency ("CRA") for prefilling employee source deduction obligations of approximately \$10,000. Pursuant to section 60(1.1) of the BIA the Proposal must contemplate payment of this amount in full within six months of Court approval.

Business Development Bank of Canada has a secured claim for a loan extended to the Company. The loan is secured by a general security agreement over all present and after-acquired property and a mortgage over the Company's real property.

Bank of Montreal has a secured claim for a loan extended to the Company. The loan is secured by a general security agreement over all present and after-acquired property.

Reiser (Canada) Co., Bodkin, a division of Bennington Financial Corp., CWB National Leasing Inc., Meridian Onecap Credit Corp., and De Lage Landen Financial Service Canada Inc. are all leasing creditors with specific security in respect of equipment and/or vehicles.

All secured creditors are unaffected by the Proposal and as such, no payments will be made to them from the Proposal Fund. These secured creditors will be paid in accordance with their respective agreements.

Preferred Creditors

The Company is not aware of any indebtedness to preferred creditors.

Unsecured Creditors

The Company has identified 32 unsecured creditors. The balance identified to date of unsecured creditors participating in the Proposal totals approximately \$2,932,000 based on the Company's records. The major unsecured creditors are:

Creditor	Table 3 Estimated Claim (\$000's)
Larson's Abattoir Co.	1,251
R&F Livestock Inc.	676
Receiver General - CRA (GST)	184
Bank of Montreal	185
102085497 Saskatchewan Ltd.	140
Aero Delivery Ltd.	128

The unsecured amount owing to CRA relates to pre-filing GST.

The unsecured creditors are to be paid in accordance with the terms of the Proposal outlined on pages two and three of this report.

5. IDENTIFICATION AND VALUATION OF ASSETS

Table 4 identifies the book value of the Company's assets and the estimated gross realizable value in a bankruptcy as of the date of filing of the Proposal:

	Book Value as at August 22, 2024	Estimated Realization
	(000's)	
Cash on hand	8	8
Accounts receivable	167	80
Inventory	186	90
Prepaid expenses	25	25
Equipment and vehicles	680	320
Land and building	430	900
Investment in 10203800 Saskatchewan Corp.	25	0
Due from shareholders / related parties	285	0
	1,806	1,423

The estimated realization values presented above are before payment of any post-filing obligations, professional fees, and costs associated with the administration of the estate.

Cash on hand represents the Company's bank account balance as of the date of filing the Proposal.

Accounts receivable represent outstanding amounts owing to the Company based on the books and records. In a bankruptcy, we estimate approximately 50% would be collectible.

Inventory includes finished product, and we estimate the realizable value in a liquidation would be less than 50%.

Prepaid expenses include deposits and other prepaid expenses and are expected to be fully collectible in a liquidation.

Equipment and vehicles include specific manufacturing and shop equipment such as grinders, stuffers, freeze driers, and trucks. Estimated forced liquidation value based on a recent appraisal is \$320,000.

The Company owns land and building located at 516-518 45A Street East, Saskatoon, Saskatchewan (legal description: Lots A&B, Block 389, Plan 101883955). Realizable value is based on a real estate appraisal dated July 12, 2024.

Investments and amounts due from related parties and shareholders are assumed to be uncollectible in a bankruptcy.

6. STATEMENT OF ESTIMATED REALIZATION

Table 5 compares the estimated recovery to creditors under a bankruptcy and the Proposal.

		Table 5	
		Bankruptcy	Proposal
		\$000's	
Assets			
Cash on hand		8	-
Accounts receivable		80	-
Inventory		90	-
Prepaid expenses		25	-
Equipment and vehicles		320	-
Land and building		900	-
Investment in 10203800 Saskatchewan Corp.		-	-
Due from shareholders / related parties		-	-
Proposal fund		-	435
Professional fee retainer		40	40
		<u>1,463</u>	<u>475</u>
Recovery costs - commissions, insurance, utilities etc.		150	-
Professional fees		125	60
		<u>275</u>	<u>60</u>
Net funds available for distribution		<u>1,188</u>	<u>415</u>
CRA priority crown claims		10	10
Business Development Bank of Canada		285	-
Bank of Montreal		750	-
Leasing creditors		150	-
Net funds available for distribution - unsecured		<u>(7)</u>	<u>405</u>
Total unsecured creditors		<u>2,932</u>	<u>2,932</u>
Estimated recovery to unsecured creditors		-	.02 - 1.00

Based on our review of the Company's current assets and liabilities and our discussions with the Company's management, in the event of a bankruptcy, it is our view that the liquidation of the Company's assets would provide the unsecured creditors a recovery of NIL. All realizations would be subject to the claims of secured creditors.

The recovery to proven unsecured creditors under the Proposal is estimated to be between \$.02 and \$1.00 per every \$1.00 dollar of unsecured claim, depending on the value and classification of the claim. The Proposal Fund will vary slightly depending on claims filed with the Trustee.

7. CONDUCT OF THE DEBTOR

We have reviewed the financial information and bank statements of the Company for the period of January 1, 2024, to August 22, 2024. We are not aware of the Company being party to any reviewable transactions or fraudulent preferences as set out in the BIA.

8. LEGAL ACTIONS

The Trustee is not aware of the Company being party to any legal proceedings.

9. CONFLICT OF INTEREST

The Trustee is not aware of any conflict of interest.

10. REMUNERATION OF THE TRUSTEE


The Trustee has received a retainer from the Company in the amount of \$40,000 for payment of professional fees in these proceedings. The Trustee estimates total fees and disbursements, including those of its legal counsel (if any), to be approximately \$50,000 - \$60,000. We note that the cash flow includes sufficient professional fees to cover the cost of these proceedings beyond the retainer received.

11. CONCLUSION

The Proposal offers creditors a greater recovery than they would otherwise receive in a bankruptcy. Consequently, the Trustee recommends acceptance of the Proposal.

MNP Ltd.

Licensed Insolvency Trustee under the Proposal of Riveriene Farm Ltd.

Per: 

Kristin Gray, CPA, CA, CIRP, LIT