

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

FARM CREDIT CANADA

Applicant

-and-

12175622 CANADA LTD. and GPM FOOD INC.

Respondents

**SUPPLEMENT TO THE FIRST REPORT
TO THE COURT SUBMITTED BY MNP LTD., IN ITS CAPACITY AS
COURT APPOINTED RECEIVER OF
12175622 CANADA LTD. and GPM FOOD INC.**

June 3, 2024

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1.0 Update on Options for Sale of Inventory

- 1.1.1** The Receiver filed its first report to the court (the “**First Report**”) in this matter on April 25, 2024. Among other things, the First Report sought approval to:
- (i) Engage Ken Black (“**Black**”) to remove the bags of completed flour (“**Flour**”) and attempt to sell it, or if he is unable to find a buyer, dispose of it (paragraph 2.4.6 of the First Report); and,
 - (ii) Engage Black to remove the raw material wheat (“**Wheat**”) from the grain silos to be sold to a local grain elevator (paragraph 3.1.5 of the First Report).
- 1.1.2** On April 24, 2024, through his counsel, Santokh Mahal (“**Mahal**”), the director and principal of GPM Food Inc. and 12175622 Canada Ltd. (collectively “**GPM**”) requested to remove four skids of Flour as samples for potential purchasers of the Flour. The Receiver arranged for Mahal to remove the four skids of Flour on April 26, 2024. Mahal advised that he has a prospective purchaser for the remainder of the Flour but has not provided any additional details about the prospective purchaser or the potential sale of the Flour.
- 1.1.3** On May 7, 2024 Mahal filed responding materials, including a sworn affidavit (the “**Mahal Affidavit**”) and requested additional time to seek alternatives to remove and sell the Flour, Wheat, and material-in-process in the Flour Mill Equipment (collectively the “**Inventory**”).
- 1.1.4** The Mahal Affidavit also raised an objection to the Receiver’s proposal to utilize Black to remove and sell the Wheat from the grain silos citing concern over Black’s lack of expertise to remove the Inventory without causing damage to the mill equipment.
- 1.1.5** The Receiver requested clarification from Black regarding his qualifications and history with the Flour Mill. Black advised he is a millwright (not an electrician, as was previously understood by the Receiver), and maintains he worked at GPM for three years and assisted to install the Flour Mill equipment, including the grain silos. The Receiver has requested Black submit a written proposal including his qualifications and is awaiting same.
- 1.1.6** In the Mahal Affidavit, Mahal proposes to operate the mill to remove all material-in-process and rough mill the flour. The Receiver is not prepared to allow Mahal to operate the mill for these purposes. As set out in the First Report, the Receiver has been advised by Mallot Creek the mill should only be operated by someone with the appropriate experience and expertise, and not until it has been thoroughly inspected. The Receiver is not convinced Mahal can safely operate the mill for the following reasons:
- (i) As stated in the First Report, Mahal provided an extensive list of items to be completed at the Flour Mill before it could be operational, in his own opinion; and,
 - (ii) It is unclear to the Receiver if Mahal has ever successfully operated the Flour Mill. As further stated in the First Report, in an affidavit sworn by him on January 8, 2024 and filed with the Court, Mahal stated the Flour Mill became operational on January 5, 2024. On February 1, 2024 the Receiver learned the Flour Mill was not operating. Mahal advised it was run briefly but had to be shut down due to consistency problems with the flour due to too much moisture in the pipes. To our knowledge, the cause of these consistency issues has not been resolved.


- 1.1.7** Sale at a grain elevator (of either raw material wheat or rough milled wheat) requires approval from this Court before the Inventory is transported to the grain elevator as the Inventory will be evaluated on site, given a price (as set out in the First Report) and sold immediately.
- 1.1.8** On May 7, 2024, through his counsel, Mahal made a further request to remove a sample of the Wheat for testing to determine its quality. The Receiver consented to this request and arranged for Mahal to attend on site on May 9 and 14, 2024 to remove Wheat samples to be tested for quality at a lab in Guelph. The Receiver retained a sample of Wheat at the same time but has not sent it for testing.
- 1.1.9** On May 15, 2024, through his counsel, Mahal requested keys to access GPM to tour an individual he was working with to secure funding to pay out Farm Credit Canada. The Receiver responded that it would not provide keys but would meet to allow access. Mahal did not confirm a date for this attendance and this tour has not happened.
- 1.1.10** On May 21, 2024, at a motion to approve the First Report, all parties agreed to adjourn the approval of the Inventory on the following timetable:
- (i) The Respondents (Mahal) will consent to the process described in paragraph 3.1.5 of the First Report or provide a counter proposal for the sale of the Inventory on or before Tuesday, May 28, 2024;
 - (ii) The Receiver will review any counter proposal and determine the appropriate process for disposition of the Inventory in its sole discretion. The Receiver will file a Supplementary Report on or before Thursday, May 30, 2024;
 - (iii) The Respondents will file any responding materials on or before June 3, 2024; and
 - (iv) The motion will be adjourned to Thursday, June 11, 2024.
- 1.1.11** On May 29, 2024 Mahal advised he would receive the lab results of the Wheat testing the next day, and would share same with the Receiver. As this was past the agreed upon deadline for a counter proposal, the Receiver agreed to extend the above timetable to allow him to do so by May 30, 2024.
- 1.1.12** On June 3, 2024, Mahal provided the lab results for the Wheat sample (the “**Lab Results**”) attached at **Appendix “A”**. The Receiver will review the lab results to determine the quality of the wheat and confirm the impact, if any, on the sale of the Wheat.
- 1.1.13** On June 3, 2024, through his counsel, Mahal also advised that he has been working with a prospective purchaser (the “**Prospective Purchaser**”) and indicated the Prospective Purchaser may require proof that the Flour Mill is operational in order to submit a bid. Therefore, Mahal has requested the disposition of the Wheat be delayed. The Receiver will reach out to the Prospective Purchaser to determine the nature and extent of their interest, including any potential conditions of proof of operations, and involve the Prospective Purchaser in the ongoing Sale Investment and Solicitation (“**SISP**”) process.
- 1.1.14** As of the date of this report the Receiver has not received a counter proposal for the sale of Inventory from Mahal. However, as stated above, Mahal has made a blanket request that the Receiver delay the disposition of Wheat.
- 1.1.15** As stated above, the Receiver will speak to counsel for the Prospective Purchaser about its interest, possible proposal and conditions of same. At the same time, the Receiver will review the Black

Proposal and determine the appropriate means for disposition of the Wheat to maximize value of the estate.

- 1.1.16** At this time the Receiver requests the Court approve the sale and/or disposal of the Wheat and Flour by the Receiver, at its sole discretion. This will permit the Receiver to evaluate the disposition options, including a potential sale at a grain elevator or using the Inventory as part of the SISP.

All of which is respectfully submitted this 3rd day of June, 2024.

**MNP Ltd.,
in its capacity as Court Appointed Receiver of
12175622 Canada Inc. and GPM Food Inc.
and without personal or corporate liability**



Per: _____
Robert W. Smith CPA, CA, CIRP, LIT
Senior Vice President

**This is Appendix “A”
to the Supplement to the First Report to the Court
submitted by MNP, Ltd. in its Capacity as Court
Appointed Receiver of 12175622 Canada Ltd. and
GPM Food Inc. dated June 3, 2024**



Analysis Test Report

File No.: 241014
Order No.: 1412519
Analyses ordered by: GPM FOOD INC
Date of sample receipt: 05/25/2024
Date of analysis release: 05/27/2024
Type of sample: CWRS WHEAT GRADE A
Sample reference/identification: CWRS 1747
Comments: CWRS CANADIAN WESTERN RED SPRING WHEAT GRADE A FOR MILLING
This report refers to the submitted sample only, without extending the results to a lot of cargo.

Tests:	Methods:	Analysis Results:	
Grade:	Official Canadian Grain Grading Guide, Rev. August 1, 2023	WHEAT, NO.2 CANADIAN WESTERN RED SPRING	
Grading Factors:			
- Test Weight:	Official Canadian Grain Grading Guide, Rev. August 1, 2023	85.4	Kg/hl
- Moisture:	Canadian Standard Moisture Meter (Perten 5200-A)	9.8	%
- Dockage:	Official Canadian Grain Grading Guide, Rev. August 1, 2023	0.2	%
- Fusarium:	Official Canadian Grain Grading Guide, Rev. August 1, 2023	0.0	%
- Sprouts:	Official Canadian Grain Grading Guide, Rev. August 1, 2023	0.0	%
- Protein:	NIR, FOSS, Infratec 1241 (expressed on an N x 5.7, 13.5% moisture basis)	9.1	%
-Heated:	Official Canadian Grain Grading Guide, Rev. August 1, 2023	0.2	%
-Contrasting Classes:	Official Canadian Grain Grading Guide, Rev. August 1, 2023	0.1	%

The sample(s) to which the findings recorded herein (the "Findings") relate was(were) drawn and/or provided by the Client or by a third party acting at the Client's direction. The Findings constitute no warranty of the sample's representativeness of any goods and strictly relate to the sample(s). The Company accepts no liability with regard to the origin or source from which the sample(s) is(are) said to be extracted.

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Signed and dated in Vancouver, Canada
On XX, 2024

For and on behalf of
SGS Canada Inc