

**IN THE MATTER OF THE BANKRUPTCY OF
LAKESIDE PRODUCE INC.
OF THE CITY OF LEAMINGTON,
IN THE PROVINCE OF ONTARIO**

**REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION
OF THE ESTATE OF
LAKESIDE PRODUCE INC.**

INTRODUCTION

1. On January 17, 2023, Lakeside Produce Inc., (“**Lakeside**”, the “**Company**” or the “**Applicant**”) filed an assignment into bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (the “**BIA**”). Subject to affirmation at the first meeting of creditors, Ernst & Young Inc. (“**EYI**”) has been appointed by the Official Receiver as the licensed insolvency trustee of Lakeside (the “**Trustee**”).
2. We present hereunder our Report on the Trustee’s Preliminary Administration of the Estate of Lakeside (the “**Report**”).
3. In developing this Report, we have relied upon unaudited financial information, the Company records and discussions with representatives of the Company. We have not performed an audit or other verification of such information, and accordingly we express no opinion thereon.
4. This Report has been prepared solely for the use of the Company’s creditors (the “**Creditors**”), as general information on the state of affairs of the Company. Given the nature of the Trustee’s mandate, this information is preliminary only and is subject to change as the mandate progresses. In light of the foregoing, the Report should not be circulated or used for other purposes or reproduced without our knowledge and prior written permission. We will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of the Report contrary to the provisions of this paragraph. We note that all amounts are in Canadian dollars unless stated otherwise.

COMPANY BACKGROUND

Overview and Organizational Structure

5. Lakeside is a corporation incorporated under the laws of Ontario with its registered address at 303 Erie Street North, Leamington, Ontario. Lakeside purchased, marketed and distributed vegetables grown by its grower partners across Canada, the United States and Mexico. Lakeside primarily sold varieties of tomatoes, cucumbers and peppers to customers through a mix of fixed price contract sales and open market price sales. Lakeside's expertise was in the sales and distribution of products to consistently deliver high quality fresh produce to its customers.
6. Lakeside was established as the marketing and sales entity within the larger enterprise group, which includes Lakeside Produce USA Inc., Cervini Farms (1993) Inc., 1869018 Ontario Inc., 2606778 US Holdings Inc., Cervini Farms North Carolina Inc., Cervini Farms Organics Inc., and 2606778 Ontario Limited, collectively with Lakeside known as the Cervini Group of Companies (the "**Cervini Group**"). Certain entities within the Cervini Group operate greenhouses throughout Canada and the United States and sold the produce grown in their greenhouses to Lakeside for sale by Lakeside to third party customers. In determining how to source product to fulfil orders, Lakeside first looked to production through Cervini Group greenhouses, second from product sourced from grower partners and lastly from open market purchases. When Lakeside purchased product from Cervini Group entities, invoices were generated by the Cervini Group entity to record these purchase and sale transactions. Lakeside and the Cervini Group entities also recorded intercompany transactions to reflect other intercompany activities with the intention of settling the intercompany balances at a future point in time. To manage the finances within the Cervini Group, funds were often advanced between Cervini Group entities to fund various operational and capital expenses.

Financing from Secured Creditors

7. The Bank of Montreal as Agent ("**BMO**"), in its capacity as administrative agent (the "**Agent**"), on behalf of BMO, as lender, BMO Chicago Branch, as lender, and Farm Credit Canada lender (collectively, the "**Lenders**"), the Cervini Group and Christopher R. Cervini, as borrowers and guarantors (as applicable), entered into the amended and restated credit agreement, dated September 13, 2019, as amended from time to time (the "**ARCA**") with. The ARCA originally

provided the Cervini Group with access to nine distinct credit facilities (the “**Loans**”) in connection with their business and business transactions. The aggregate credit limit initially available to the Cervini Group under the Loans was \$100,439,221 CAD and \$36,026,168 USD. Lakeside, Cervini Farms (1993) Inc., 1869018 Ontario Inc., Lakeside Produce USA Inc., 2606778 US Holdings Inc. and Cervini Farms North Carolina Inc. are listed as borrowers under the ARCA. As part of the ARCA, the companies in the Cervini Group jointly and severally guaranteed the borrowings under the Loans and provided the Lenders with a first charge on all their assets. In addition, the Christopher Cervini Family Trust provided an amended and restated limited recourse guarantee and indemnity dated September 13, 2019 in favour of the Agent. The Cervini Group entered into the Loans in preparation for a planned large-scale transformation of their business, aimed at expanding their distribution footprint and increasing internal farm production.

Economic Challenges

8. Beginning in mid 2020 and continuing well into 2022, the Cervini Group, and in particular Lakeside, experienced significant operational challenges due to a number of industry specific and global factors, including the on-set of the COVID-19 pandemic in North America, the widespread growth of the rugose virus in tomato plants (“**Rugose**”), supply chain disruption and dramatically increased freight costs, all of which contributed to significant financial difficulties that negatively impacted the business in the last quarter of fiscal 2020 and throughout fiscal 2021 and 2022. Approximately 80% of the Cervini Group’s revenues are from Lakeside’s purchases from grower partners and associated sell-through to customers.
9. Examples of how Canadian agricultural producers, including the Cervini Group, were affected by the on-set of the COVID-19 pandemic include:
 - i. In March/April 2020, the federal and provincial governments implemented numerous public health and workplace safety measures in response to the rapid increase in COVID-19 cases including quarantine requirements for all temporary foreign workers entering the country, the temporary closure of all non-essential workplaces and quarantine requirements for any person testing positive, each of which added significant costs to operations.

- ii. Temporary closures of hotels, restaurants, cruise ships, etc. implemented 'overnight' in North America in March/April 2020 dramatically reduced activity in the foodservice industry and correspondingly eliminated all of Lakeside's sales to this important channel.
 - iii. Seemingly in anticipation of the implementation of these public health and workplace safety measures, certain grower partners harvested their crops earlier in the season apparently due to concerns with market uncertainty related to the COVID-19 pandemic. Supply shortages later on forced Lakeside to purchase produce on the open commodity markets at higher costs to fulfil customer fixed priced contracts, eroding gross margin and negatively impacting Lakeside's financial position.
 - iv. At the same time, certain international suppliers began to cancel contracts to supply produce to Lakeside due to complexity in shipping product associated with COVID-19 restrictions. This resulted in Lakeside either losing sales or sourcing product at higher cost on the open commodity markets in order to fulfil commitments to its customers.
10. While revenues were impaired and costs increased due to the COVID-19 pandemic, Rugose was discovered in the Cervini Group's greenhouses starting in August 2020 as well as at many greenhouse facilities operated by Lakeside's grower partners. Rugose stunts the growth of tomatoes when the infection occurs early on in the growth cycle making the tomatoes unsellable. When infected at later stages of the growth cycle, Rugose damages the tomatoes also rendering them unsellable. Often there is no sign of Rugose in the tomato crop until shortly before maturity resulting in substantially all the costs to grow being incurred and no associated revenue. There are also significant facility clean-out and crop disposal costs related to a Rugose infection. Rugose's emergence in tomato crops in greenhouse facilities in over a dozen countries affected at that time, caused industry wide tomato crop loss and led to significantly lower tomato yields and increased input costs. The result was higher open market prices for affected tomato varieties that were passed along by suppliers for tomato crops successfully harvested.
11. Many of Lakeside's contract grower partners were affected with Rugose in 2020, 2021 and into 2022. Further, output from the Cervini Group greenhouses, output generally sold through at higher margins than purchased products, was dramatically reduced by Rugose. This resulted in a shortfall in supply to Lakeside from third party grower partners as well as Cervini Group grown

product and required Lakeside to purchase tomatoes on the open market at higher than forecast prices in its attempts to fulfil contracts with large customers. Selling prices on certain fixed price contracts to certain Lakeside's customers could not be increased to compensate. This negatively impacted Lakeside's financial performance.

12. In 2021, greenhouse production ramped back up as other industries adversely impacted by COVID-19 resumed operations and the global economy began to show signs of recovery. However, COVID-19 restrictions were still in place for many industries and supply chain disruptions became more evident. Certain activities which contributed to and/or resulted in ongoing challenges, such as shipping backlogs and surging energy prices, directly affected availability and the cost of shipping/ transport. Market pricing for heating fuel increased dramatically raising the cost of products purchased from grower partners and from Cervini Group greenhouses. With these costs significantly increased over previous years and selling prices to customers staying the same, Lakeside's margins were reduced. Further, packaging material expenses increased by approximately 30% in 2021 as market pricing for lumber and paper product costs rose. Lakeside was not able to increase selling prices to customers to recover these incremental costs given market competition and ultimately bore the majority of these cost increases directly. Again, this resulted in Lakeside experiencing gross margin compression and further exacerbated Lakeside's financial difficulties in 2021.
13. In addition to the COVID-19 and Rugose issues, Lakeside experienced challenges executing on its growth plan, primarily in fiscal 2021. Focusing on sales growth resulted in Lakeside relying on open market purchases of tomatoes and peppers to support accepted, non-contract sales opportunities. In certain situations, purchased products were not up to customer standards and Lakeside was not able to recoup all its costs from the grower partner. In other situations, purchase costs were at or more than selling prices. The result was a significant portion of Lakeside's sales in fiscal 2021 were at low or no gross margin.
14. In October 2021, Lakeside began to implement financial and operational turnaround measures specifically focused on improving gross profit through a detailed review of their products and customer relationships. Initiatives implemented included reducing labour costs, focusing on quicker sell through of positive gross margin produce, reducing packaging and handling costs, identifying and reducing sales of low gross margin produce, increasing cube and route utilization

to improve freight efficiency and implementing internal purchasing controls to minimize cost/selling price mismatches. These measures were projected to have a positive affect on Lakeside's financial performance, however, as described below, certain market conditions continued to negatively impact Lakeside's financial performance.

15. Compounding the poor financial results in 2021, the Cervini Group's farming operations are cyclical with a distinct growing season from November to April and harvesting season from May to October. During the growing season, access to cash is needed to procure seeds, growing supplies, and fertilizers to plant and grow crops. This produce is only harvested and sold later in the season, which creates a short-term cash flow gap. Historically, the Cervini Group had access to liquidity through retained earnings and external credit facilities to finance this cash flow gap, however, due to poor prior periods' financial results explained above, Lakeside found itself at the limits of its borrowing capacity with its access to liquidity constrained by the Lenders entering the winter 2022 growing season.
16. Lingering COVID-19, Rugose and energy and freight costs and disruptions to the freight/transport market continued well into 2022. In certain cases, unfortunate events in other parts of the world resulted in continuing and significant upward pressure on energy costs with the direct translation to yet higher freight costs and greenhouse heating costs. The competitive environment remained such that Lakeside was generally not able to pass on the higher freight costs – or higher product purchase costs – to its customers resulting in continuing pressure on its revenues (when it could not source product) and costs. The impact of these issues on Lakeside was compounded with interest rates increasing significantly in Spring 2022 requiring increased funds dedicated to pay interest on its Loans.
17. In addition to the issues noted above, with Rugose disrupting numerous varieties of tomatoes in 2020 and 2021, the Cervini Group made the strategic decision for 2022 to increase the planting, purchasing and selling of seedless cucumber varieties to mitigate the ongoing risks associated with Rugose on tomato production and sales. Acreage previously dedicated to growing tomatoes was uprooted and cucumbers were planted in place. Unfortunately, it appears that many greenhouse operators made the same decision leading into 2022 and replaced much of their tomato acreage with cucumbers to reduce the risk of continuing Rugose crop damage. This

resulted in an oversupply in the market of seedless cucumbers deep into 2022 with pricing significantly reduced resulting in reductions to Lakeside’s revenues and gross margin in 2022.

18. In its fiscal 2020 business plan, Lakeside was forecasting 2020 sales volume to be approximately 12,968,000 cases with forecast revenues of approximately \$258 million. As a result of the effects of COVID-19 and Rugose, actual revenues were approximately \$233.3 million. In 2021, results worsened, and actual revenues fell to approximately \$213.1 million. For fiscal year 2022, Lakeside forecast revenues of approximately \$200.6 million from forecast sales volumes of 10,136,000 cases. For fiscal year 2022, Lakeside’s actual revenues were approximately \$196 million from sales volumes of 9,321,000 cases. Below is a chart presenting selected Lakeside financial information for 2020 - 2022.

	2020 - Actual	2021 - Actual	2022 - Actual
Sales – Cases (Volume)	10,502,000	10,256,000	9,321,000
Sales - Produce	\$233,336,000	\$213,115,000	\$196,023,000
EBITDA	\$2,507,000	(\$4,821,000)	(\$8,594,000)

Additional Funding

19. As Lakeside and the Cervini Group performed significantly below their financial plan in 2020 and 2021, as noted above, Lakeside had reached the limits of its financing and incremental funding was required for 2022. To support Lakeside going into 2022, the Lenders provided an \$8.5 million demand secured credit facility (the “**Over Advance Facility**”) in anticipation of positive financial performance in 2022. Elliott Cogeneration Inc. (“**EC**”), a company not associated with the Cervini Group but owned by Chris Cervini, contributed \$5.9 million in financing to the Cervini Group while Chris Cervini contributed personal funds through \$2.5 million of unsecured shareholder loans, with the funds from both EC and Chris Cervini ranking behind the Lenders. In addition, the Government of Ontario provided AgriStability funds to compensate the Cervini Group for farm production losses in 2021 of \$2.2 million. However, for the reasons noted above, Lakeside’s financial performance in 2022 was well below plan. As a result, these new funds were exhausted towards the end of 2022, the Lenders declined to make any additional funds available to Lakeside and no further sources of funding were identified.

Winding Down Business Operations

20. With the Cervini Group’s poor operational and financial performance in 2022, and the requirement from the Lenders for the repayment of the Loans, the Cervini Group began the process to sell certain assets and conserve cash by winding down business operations. Operations continued in order to provide the opportunity to generate the highest proceeds from asset sales. As noted above, substantially all of the Cervini Group assets are pledged as security to the Lenders. In pursuing asset sales, it became evident that parties interested in the assets were not interested in purchasing the marketing and sale business carried on by Lakeside. It is uncertain at this time if the proceeds from the sale of assets will be sufficient to repay all amounts owing to the Lenders.
21. As a result, on January 17, 2023 (the “**Assignment Date**”), Lakeside filed a voluntary assignment into bankruptcy pursuant to the BIA. Prior to the assignment in bankruptcy, substantially all of Lakeside’s employees were issued termination notices, and the operations of Lakeside were wound down in an orderly manner. The alternative would have been for the Lenders to pursue the appointment of a Receiver to recover the value of Lakeside’s assets (primarily accounts receivable as set out in detail below) covered by their security. Lakeside assigning itself into bankruptcy is expected to be a more efficient process with the same outcome – with all recoveries on Lakeside’s assets being paid to the Lenders.

PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS

22. The following is a summary of Lakeside’s assets, as reflected in the Statement of Affairs sworn on January 17, 2023.

Assets	Net Book Value	Realizable Value (Low Scenario)	Realizable Value (High Scenario)
Cash	\$2,718,233	\$2,718,233	\$2,718,233
Trade Accounts Receivable	\$5,843,435	\$2,800,000	\$3,800,000
Interco Accounts Receivable	\$22,986,648	TBD	TBD

Inventory	\$862,000	\$0	\$400,000
Total Assets (estimated realizable value)		\$5,518,233	\$6,918,233

23. All of Lakeside's assets were pledged as security to the Lenders pursuant to the general security agreement and pledge agreement provided in connection with the ARCA. As of the date of this report, the Lenders have not enforced their security over the assets of Lakeside. The Trustee notes that the Lenders have filed a proof of claim as referenced in paragraph 33 below, however, the Trustee has not yet obtained an opinion from independent legal counsel with respect to the validity and enforceability of the Lenders' security (the "**Independent Legal Opinion**"). The Trustee has identified its independent legal counsel (the "**Estate Solicitor**") and intends to seek the authorization of the estate inspector(s) (once appointed) to retain the Estate Solicitor who, thereafter, will be requested to prepare the Independent Legal Opinion on the validity and enforceability of the Lenders' security as against the Trustee.

Cash

24. Lakeside has three operating bank accounts, all with BMO. These accounts were used to operate Lakeside's business prior to the assignment into bankruptcy. Following the bankruptcy, the Trustee instructed BMO to freeze Lakeside's bank accounts for outgoing debits, but to allow the accounts to continue accepting incoming deposits and electronic funds transfers. Subject to confirmation through the Independent Legal Opinion, the funds in these accounts are purportedly covered by the security held by the Lenders pursuant to the ARCA.

Trade Accounts Receivable

25. Prior to the assignment into bankruptcy, Lakeside's customers included wholesale and retail distributors of fresh vegetables across Canada and the United States.

26. Lakeside's customers pay for purchases by way of cheque or electronic funds transfer to Lakeside's bank accounts at BMO in accordance with varying negotiated payment terms. Certain of these sales were outstanding as of the Assignment Date. The Trustee expects that most customers will continue to remit payments to Lakeside's bank accounts. To the extent required,

the Trustee will work with the accounting team remaining in the Cervini Group to pursue and collect remaining accounts receivable. The realizable value of accounts receivable is lower than the net book value as the Trustee has identified certain balances as uncollectible due to set-off between the same legal entity being both a customer and supplier of Lakeside and certain aged accounts receivables with invoices disputed by customers. Subject to confirmation through the Independent Legal Opinion, all the trade accounts receivable are purportedly covered by the security held by the Lenders pursuant to the ARCA.

Intercompany Accounts Receivable

27. The Cervini Group recorded intercompany transactions (other than sale/purchase transactions for products grown) by journal entries to reflect activities that occurred within the Cervini Group. These journal entries have given rise to a variety of intercompany account receivables that are recorded on Lakeside's financial statements (with offsetting entries on the financial statements of the counterparties). The Trustee will be performing a review of the intercompany balances to identify the nature of these receivables and the likelihood of recovery. Subject to confirmation thru the Independent Legal Opinion, all the intercompany accounts receivable are purportedly covered by the security held by the Lenders pursuant to the ARCA.

Inventory

28. Lakeside currently holds certain dry goods inventory that was used in its distribution and sales of product. This inventory consists primarily of custom Lakeside branded packaging products that were used to package produce for sale to Lakeside customers. The Trustee is currently evaluating options to identify a purchaser for the inventory. Given the customized nature of the packaging products, the Trustee does not expect to recover the full net book value of the inventory and is exploring alternatives to identify the most efficient and cost-effective manner to maximize the value of Lakeside's inventory. Subject to confirmation through the Independent Legal Opinion, all the inventory is purportedly covered by the security held by the Lenders pursuant to the ARCA.

PRELIMINARY EVALUATION OF LIABILITIES

29. The following is a summary of Lakeside’s liabilities, as reflected in the Statement of Affairs sworn on January 17, 2023.

Liabilities	Amount
Secured Creditors (approx.)	\$169,593,677
Unsecured Creditors	\$18,295,565
Total Liabilities	\$187,889,242

30. The Trustee will continue to accept proofs of claim as and when filed. The Trustee will undertake a brief review of the proofs of claim when filed for validity and purposes of voting at the First Meeting of Creditors however the Trustee will not be reconciling the proofs of claim filed with Lakeside’s records at this time.

Secured Creditors

31. List “B” attached to the Statement of Affairs identifies the Lenders’ syndicate as the sole secured creditors.

32. As noted above, subject to the authorization of the estate inspector(s), the Trustee will retain the Estate Solicitor to provide an opinion on the validity and enforceability of the Lenders’ security.

33. The Agent has filed a proof of claim dated February 1, 2023 describing its secured claim in the approximate amount of \$32.4 million. The Agent is under-secured against Lakeside in the approximate amount of \$130.7 million due to Lakeside owing assets only valued in the approximate amount of \$32.4 million. The aforementioned shortfall results in the Agent having an unsecured claim against Lakeside in the approximate amount of \$130.7 million.

34. As of the date of this report, one other secured proof of claim has been filed with the Trustee for a non-possessory lien under the Repair and Storage Liens Act against two trailers owned by Lakeside. No other secured proofs of claim have been filed with the Trustee.

Unsecured Creditors

35. As noted in list “A” attached to the Statement of Affairs, the books and records of Lakeside indicate unsecured creditors in the amount of approximately \$18.3 million which includes approximately \$378,000 owed to the Cervini Group of Companies. As of 5pm on February 1, 2023, unsecured creditor claims in the amount of approximately \$139.2 million have been filed with the Trustee (including the unsecured shortfall of approximately \$130.7 million claimed by the Lenders).

36. Based on information available to the Trustee at this time, it appears that the secured claim of the Lenders is well in excess of the estimated value of potentially recoverable assets making it unlikely that there will be any net proceeds available for distribution to unsecured creditors after payment of the costs of administration of the bankrupt estate and any payment to the secured creditors.

PROVABLE CLAIMS

37. As of 5pm on February 1, 2023, the Trustee has received the following proofs of claim:

	# of Claims	Amount
Secured Creditors	2	\$32,423,091
Unsecured Creditors	71	\$139,231,270
Total	73	\$171,654,361

The Trustee has reviewed the claims filed to date for reasonability in comparison to the amounts set out in Lakeside’s books. The unsecured claims filed have been admitted by the Trustee for voting purposes at the first meeting of creditors.

BOOKS AND RECORDS

38. Following its appointment, the Trustee obtained certain electronic copies of the Applicants’ books and records needed to administer the bankrupt estate. The Trustee will take possession of

additional books and records of the bankrupt, as necessary, and as required for the administration of the Estate.

CONSERVATORY AND PROTECTIVE MEASURES

39. To date, the Trustee has undertaken the following conservatory and protective measures with respect to the property of Lakeside (recognizing that Lakeside's operations had ceased shortly before the bankruptcy):

- a) Notified Lakeside's financial institution of the bankruptcy and had its bank account frozen (with the exception of receiving deposits);
- b) Taken possession of the necessary books and records;
- c) Separate books and records were set up to record the transactions of the Trustee; and
- d) A bank account has been opened in the name of Ernst & Young Inc., Trustee of Lakeside Produce Inc.

LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS & PREFERENCE PAYMENTS

40. A claim was commenced against Lakeside on December 12, 2022, prior to the Assignment Date, by Rahaf Transport (Court file #SC-22-66449). The claimant's action relates to unpaid invoices owing, totalling \$22,358. This claim was recorded on the Statement of Affairs List "A" as an ordinary unsecured creditor and the claim remains subject to the stay of proceedings.

41. Prior to the Assignment Date, on December 19, 2022, a legal proceeding was commenced against Lakeside by JD Factors Corporation (Court file #CV-22-00001061-0000). The claim, in the amount of \$335,100 and \$53,672.91 USD is in respect of outstanding invoices owing to High Source Enterprise Inc., which in turn were assigned to JD Factors Corporation. This claim was recorded on the Statement of Affairs List "A" as an ordinary unsecured creditor and the claim remains subject to the stay of proceedings.

42. The Trustee is not aware of any other active legal proceedings involving the Applicant at the time of this Report.

43. The Trustee has not initiated any legal proceedings during its administration of the bankrupt estate.
44. The Trustee has not conducted a complete review of the books and records of the estate to determine the extent, if any, of any preferences or transactions at undervalue. This matter will be discussed with the Estate Inspectors to determine the extent of any review to be undertaken.
45. As noted above, Lakeside and other companies in the Cervini Group regularly recorded intercompany entries and advanced funds between entities to address funding requirements. Consistent with past operating practice and with the knowledge and agreement of the Lenders, prior to the assignment into bankruptcy, Lakeside transferred approximately \$3.7 million to Cervini Farms 1993 Inc. from funds in Lakeside's bank account that accrued there from the collection of accounts receivable. EYI was aware of this transfer at the time and understands that the nature of the transaction was to provide working capital funding to Cervini Farms (1993) Inc. in support of ongoing asset realization activities given that the Lenders have not consented to providing any further advances to Cervini Farms (1993) Inc. at this time. Subject to confirmation through the Independent Legal Opinion, these funds appear to be subject to the Lender's security. At this time, the Trustee is not aware of any irregularities to report to creditors.

THIRD-PARTY DEPOSITS OR GUARANTEES

46. The Trustee holds a third-party deposit in the amount of \$50,000 from a related company, Cervini Farms (1993) Inc. and a fee guarantee. The deposit and fee guarantee are intended to cover the Trustee's fees and costs in connection with the bankruptcy administration.

ANTICIPATED RESULTS AND PROJECTED DISTRIBUTION

47. Given the information available to the Trustee in respect of the estimated realization value of the assets and the amount owed to the secured creditors, the Trustee anticipates that there will not be any funds available for distribution to unsecured creditors. The amount owed to the Lenders significantly exceeds the Trustee's expectations of the net realizable value of Lakeside's assets.
48. The Trustee is in the process of administering applications to Service Canada under the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1, for severance and termination amounts owing to eligible former employees of the Applicant.

OTHER MATTERS

49. The Perishable Agricultural Commodities Act (“PACA”) is a federal law in the United States that regulates the buying and selling of perishable agricultural products, such as fruits and vegetables. Upon review of the publicly available PACA records, Lakeside appears to have been registered with a PACA license in Texas, Michigan and North Carolina. At the Assignment Date, Lakeside’s PACA license was listed on the PACA website with the status of ‘Early Termination’. The Trustee understands that PACA applies only to companies based in the United States although it appears that Lakeside, a Canadian entity, registered and received a PACA license. Lakeside creditors who have filed PACA claims are included in the listing of unsecured creditors attached to the Statement of Affairs.
50. On or around January 20, 2023, packages were mailed by the Trustee to Lakeside’s creditors listed on the Statement of Affairs. The packages included a notice of the bankruptcy and first meeting of creditors, the Statement of Affairs containing a list of creditors, a proof of claim form and a proxy. Spanish translations of the notice of the bankruptcy and first meeting of creditors and proof of claim form were included with the packages mailed to creditors in Mexico.
51. On January 24, 2023, a newspaper advertisement was placed in the national edition of the Globe and Mail newspaper informing creditors of the bankruptcy and the date and time of the first meeting of creditors.

Dated at Toronto, Ontario this 2nd day of February, 2023.

ERNST & YOUNG INC.

**Trustee of the Bankrupt Estate of
Lakeside Produce Inc.
and not in its personal capacity**

Per:



Stuart Clinton

Senior Vice President