



COURT FILE NUMBER

S230255

COURT

SUPREME COURT OF BRITISH COLUMBIA

DISTRICT

VANCOUVER

**IN THE MATTER OF THE RECEIVERSHIP OF
THE VERY GOOD FOOD COMPANY INC., 1218158
B.C. LTD., 1218169 B.C. LTD., THE CULTURED
NUT INC., THE VERY GOOD BUTCHERS INC.,
LLOYD-JAMES MARKETING GROUP INC., and
VGFC HOLDINGS LLC.**

BETWEEN:

**WAYGAR CAPITAL INC., as agent for NINEPOINT
CANADIAN SENIOR DEBT MASTER FUND L.P.**

PETITIONERS

AND:

**THE VERY GOOD FOOD COMPANY INC., 1218158
B.C. LTD., 1218169 B.C. LTD., THE CULTURED
NUT INC., THE VERY GOOD BUTCHERS INC.,
LLOYD-JAMES MARKETING GROUP INC., and
VGFC HOLDINGS LLC**

RESPONDENT

DOCUMENT

**SECOND REPORT OF BDO CANADA LIMITED,
IN ITS CAPACITY AS RECIEVER OF THE VERY
GOOD FOOD COMPANY INC., 1218158 B.C. LTD.,
1218169 B.C. LTD., THE CULTURED NUT INC.,
THE VERY GOOD BUTCHERS INC., LLOYD-
JAMES MARKETING GROUP INC., and VGFC
HOLDINGS LLC.**

March 9, 2023

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Nathanson, Schachter & Thompson LLP
750 – 900 Howe Street
Vancouver, BC V6Z 2M2

Attention: Peter J. Reardon
Telephone No.: 604-662-8840
Email: preardon@nst.ca

**SECOND REPORT OF THE RECEIVER
BDO CANADA LIMITED
March 9, 2023**

INDEX

I.	BACKGROUND AND PURPOSE OF THE REPORT	1
II.	SISP	1
III.	CONCLUSION	3

I. BACKGROUND AND PURPOSE OF THE REPORT

1. BDO Canada Limited was appointed as Receiver-Manager (“**Receiver**”) of the assets, undertakings and properties of The Very Good Food Company Inc., 1218158 B.C. Ltd., 1218169 B.C. Ltd., The Cultured Nut Inc., The Very Good Butchers Inc., Lloyd-James Marketing Group Inc. and VGFC Holdings LLC. (the “**Companies**”) pursuant to an Order made by the Supreme Court of British Columbia made January 16, 2023 (“**Court Order**”). As part of the Court Order, the Receiver was directed to commence a sales and solicitation process (“**SISP**”). The terms of the SISP formed part of the Court Order.
2. The Receiver has prepared this report to provide the Court with an update on the SISP and to request the Court’s approval to liquidate the assets of the Companies.
3. In addition, the Receiver seeks the authority to cause one or more of the Companies to make an assignment in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3 as amended.

II. SISP

4. The Receiver commenced the SISP on January 18, 2023.
5. On January 25, 2023, the Receiver moved up the LOI Deadline from February 17, 2023 to February 10, 2023.
6. During the SISP, the Receiver:
 - i. Was in contact with 60 prospective purchasers identified by management of the Companies and the Receiver to notify them of the SISP and sent them a non-disclosure agreement (“**NDA**”);
 - ii. Received 17 executed NDA’s and provided access to the virtual data room set up by the Receiver for the 17 prospective purchasers;
 - iii. Advertised the SISP in the Globe & Mail newspaper on January 30, 2023.
7. On the LOI deadline of February 10, 2023, the Receiver had received 3 LOI’s from two different parties, outlined as follows:

- i. An offer to purchase all of the assets (“**Offer A**”);
 - ii. An offer to purchase all of the assets (“**Offer B**”); and,
 - iii. An offer to purchase all of the shares and assume all of the liabilities of the Companies (“**Offer C**”).
8. Offer A was accompanied by proof of funds to complete the purchase and sale as outlined in the LOI. Offer B and Offer C were not accompanied by proof of funds to complete the purchase and sale and the offeror was unable to provide proof of funds. The Receiver did not consider this a valid LOI in accordance with the SISP.
9. The Receiver proceeded with Offer A and worked with them to provide all required documentation to assist them with completing their due diligence in a timely manner. On February 22, 2023, the Receiver was advised by the prospective purchaser that they would be unable to proceed with Offer A. The prospective purchaser cited the following reasons for not being able to move forward with the transaction:
 - i. High fixed costs;
 - ii. High overhead costs;
 - iii. Negative gross margins;
 - iv. High monthly cash burn; and,
 - v. Length of time to get the operation to a breakeven point.
10. The SISP has not resulted in any going concern purchaser. With no prospect of a going concern buyer, the Receiver shut down production and terminated the majority of the employees in order to minimize the cash burn rate.
11. Prior to shutting down production, the Receiver estimates that the cash burn rate was approximately \$200,000 per week, before professional fees.
12. In a liquidation scenario, the Receiver believes the first secured creditor, Waygar Capital Inc. will suffer a significant shortfall on their loan of approximately \$9 million.

13. The Receiver has only kept on the employees necessary to facilitate an orderly wind down of the Companies.
14. The Receiver has reached out to auctioneers to seek liquidation proposals for the assets.
15. The Receiver has had 6 parties tour the premises in order to submit proposals to liquidate the assets or purchase the assets. The Receiver anticipates receiving liquidation proposals from auctioneers in the next three to four days.



III. CONCLUSION

16. The Receiver received one LOI that was complete.
17. The prospective purchaser was unable to move forward with a purchase and sale agreement due to significant working capital requirements of the business.
18. The Receiver believes that it has no option other than to conduct an orderly liquidation of the assets.
19. The Receiver requests the Court's approval to commence a liquidation of the assets either in the receivership or, if the Receiver deems it more appropriate, through the bankruptcy of one or more of the Companies, likely The Very Good Food Company Inc.

All of which is respectfully submitted this March 9, 2023.

BDO Canada Limited

in its capacity as the Receiver of The Very Good Food Company Inc., 1218158 B.C. Ltd., 1218169 B.C. Ltd., The Cultured Nut Inc., The Very Good Butchers Inc., Lloyd-James Marketing Group Inc., and VGFC Holdings LLC and not in its personal or corporate capacity

Per: _____
Chris Bowra, CPA, CA, CIRP, LIT
Vice President