

District of: Ontario
Division No. 04-Owen Sound
Court No. 35-3033170
Estate No. 35-3033170

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF
SUGAR DADDIES BAKERY INC.

Trustee: MNP Ltd.

SECTION A - Background

Sugar Daddies Bakery Inc. ("**Sugar Daddies**" or the "**Company**") was incorporated on March 22, 2019. The registered directors are Gregory Gardner and David Orbon. The Company operated a gluten free, keto-friendly bakery from leased premises in Cambridge, Ontario. Sugar Daddies baked and produced products for resale through retail stores (owned by related companies) and distribution partners.

Since 2022 the Company faced increasing costs due to inflation. Its grocery store customers would not allow Sugar Daddies increase its sale prices to capture these rising input costs. This resulted in a significant decline to sales and mounting cash flow pressure through 2022 and 2023. The Company was not able to pay its source deductions and as of the date of bankruptcy owes approximately \$105,000 to Canada Revenue Agency ("**CRA**"). The Company also had ongoing challenges with its landlord, including disputes over amounts charged and inability to have free access to the loading docks which restricted the ability to receive ingredient deliveries and send shipments on time. The Landlord made multiple threats to change the locks to the leased premises. This prompted the cancellation of trade agreements with national grocery store chains due to inability to maintain reliable delivery-cycle obligations, resulting in a substantial abrupt decrease in revenue.

In early January Sugar Daddies ceased operations. Shortly thereafter the landlord changed the locks. Sugar Daddies made an assignment in bankruptcy on January 22, 2024. MNP Ltd. was appointed as trustee. (the "**Trustee**").

CLASS I - Stocks of merchandise

There was no inventory owned by the Company.

CLASS II - Plant, machinery, equipment, and office

All production and bakery equipment owned by Sugar Daddies was left in the leased premises when it ceased operations. This equipment is now in the possession of the landlord. The equipment is encumbered by the Royal Bank of Canada ("**RBC**"). The Trustee is awaiting a decision from RBC if it will seize the assets for sale or abandon them to be sold by the Trustee. If these assets are to be sold by the Trustee it is expected they would be removed from the leased premises and sold at public auction.

CLASS III - Buildings and real estate

The Company did not own real estate.

CLASS IV - Books and records

The Trustee has received the books and records required to administer the bankruptcy.

CLASS V - Other assets

There are no other assets the Trustee is aware of.

Property of Bankruptcy not divisible amongst creditors by virtue of Section 67(b), of the Bankruptcy and Insolvency Act

None known.

Property placed under the guardianship of the Company

None known.

SECTION B

1. Conservatory and protective measures

The Trustee requested the Company's bank account be frozen. The landlord continues in possession of the Company assets. The Trustee has not yet taken steps to take possession of these assets pending direction from RBC, the secured lender.

2. Carrying on business

The Company's operations ceased prior to bankruptcy.

SECTION C - Legal proceedings

None known.

SECTION D - Provable claims

Creditor Class	Per Statement of Affairs	Proven
Deemed Trust	\$105,950	\$nil
Secured	\$378,764	\$nil
Preferred	\$nil	\$nil
Unsecured	\$136,710	\$973,148
Total	\$621,424	\$973,148

Secured Creditors

CRA will have a statutory deemed trust priority charge over all assets of the Company for the component of source deduction arrears withheld from employees and not remitted. CRA has not yet filed a claim to quantify this amount.

RBC has registered general security against the assets of the Company. RBC is obtaining an appraisal of the Company assets before it determines if it will seize and sell or abandon these to be sold by the Trustee.

Mercedes Benz has security registrations against two leased vehicles. The trustee has confirmed there is no equity in the leases based on the buyouts and black book value. These vehicles will be released to Mercedes Benz.

None of the above have filed proofs of claim.

SECTION F - Anticipated realizations and projected distribution

Should the bakery equipment be liquidated by the Trustee is it expected these will be subject to CRA's deemed trust for unremitted source deductions. The proceeds will not likely be sufficient to satisfy that deemed trust in full, as well as the RBC secured claim. It is unlikely there will be a distribution to unsecured creditors.

SECTION G - Reviewable transactions and preferential payment

The Trustee has reviewed the bank statements for the twelve months preceding bankruptcy and did not find any evidence of preferences or reviewable transactions.

SECTION H - Other matters

The Trustee has received a third-party deposit of \$12,000 from Greg Gardner and David Orbon to cover the fees and disbursements of the bankruptcy in the event asset realizations are insufficient.

Dated at London, Ontario this 12th day of February 2024.

MNP Ltd.

Licensed Insolvency Trustee of
Sugar Daddies Bakery Inc.



Per: Rob Smith CPA, CA, CIRP, LIT
Senior Vice-President



Division No. 04-Owen Sound
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IN THE MATTER OF THE BANKRUPTCY OF
Sugar Daddies Bakery Inc.

Carrying on business in the Town of Tillsonburg
In the County of Oxford
in the Province of Ontario

TRUSTEE'S PRELIMINARY REPORT

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