



**Estate File No.: 31-2804947**

**31-2804452**

**31-2804954**

**IN THE MATTER OF THE BANKRUPTCIES OF  
JAMES E. WAGNER CULTIVATION CORPORATION,  
JAMES E. WAGNER CULTIVATION LTD. AND GROWTHSTORM INC.  
OF THE CITY OF KITCHENER, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON  
PRELIMINARY ADMINISTRATION**

## **1.0 Introduction**

1. On April 1, 2020, KSV Restructuring Inc.<sup>1</sup> ("KSV") was appointed as monitor (the "Monitor") of James E. Wagner Cultivation Corporation ("JWC"), James E. Wagner Cultivation Ltd. ("JWCL"), JWC 1 Ltd. ("JWC1"), JWC 2 Ltd. ("JWC2"), JWC Supply Ltd. ("JWCS") and GrowthStorm Inc. ("GrowthStorm") (collectively, the "Companies") in their proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA Proceedings").
2. Trichome Financial Corporation ("TFC") was the Companies' senior ranking creditor and the debtor-in-possession ("DIP") lender in the CCAA Proceedings. Pursuant to an order issued on June 2, 2020, the Court approved a transaction (the "Transaction") between the Companies and TFC for the sale of substantially all of the Companies' assets pursuant to an Asset Purchase Agreement dated March 31, 2020 between the Companies and TFC, as amended (the "APA"). In accordance with the APA, TFC directed that title to the assets be vested in Trichome JWC Acquisition Corp. (the "Purchaser").
3. On July 30, 2020, the Court issued an order, *inter alia*, authorizing the Monitor and/or the Companies to file assignments in bankruptcy on behalf of the Companies.
4. In order to reduce the costs of the bankruptcy process and to facilitate the orderly administration of the bankruptcy estates, on January 31, 2022, the Court issued an order authorizing the Monitor to procedurally consolidate the Companies' bankrupt estates (the "Consolidation Order"). This will allow for, among other things, one newspaper notice, one mailing to all creditors of the Companies and one creditors' meeting.

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<sup>1</sup> Effective August 31, 2020, KSV Kofman Inc. changed its name to KSV Restructuring Inc.

5. On February 15, 2022, the Monitor assigned JWC, JWCL and GrowthStorm<sup>2</sup> (collectively, the “Bankrupt Companies”) into bankruptcy pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”). KSV was appointed Licensed Insolvency Trustee (the “Trustee”) of the Bankrupt Companies, subject to affirmation at the First Meeting of Creditors on March 4, 2022.

## 1.1 Restrictions

1. In preparing this Report, the Trustee has relied upon unaudited financial information prepared by representatives and advisors of the Bankrupt Companies and the books and records of the Bankrupt Companies.
2. The Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied upon to prepare this Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance contemplated by the CAS. Any party wishing to place reliance on the financial information should perform its own diligence.

## 2.0 Background

1. JWC’s principal business was the production and sale of cannabis through its wholly-owned subsidiary and license holder, JWCL.
2. JWC’s common shares were listed on the Toronto Stock Venture Exchange and the OTCQX. On July 29, 2020, the Ontario Securities Commission issued a cease trade order in respect of JWC’s common shares.
3. The Companies’ operations were based in Kitchener, Ontario. JWC leased the following three properties: (i) manufacturing facilities located at 855 Trillium Drive, Unit B, Kitchener, Ontario and 530 Manitou Drive, Kitchener Ontario; and (ii) office space located at 860 Trillium Drive, Kitchener, Ontario.
4. JWCL held the following two cannabis licenses (jointly, the “Health Canada Licenses”):
  - a) a license which permitted JWCL to cultivate, process and sell cannabis for the medical market and to sell all of the authorized classes of cannabis to provincially/territorially authorized distributors/retailers and directly to consumers with medical documents, which include cannabis plant seeds, cannabis plants, dried cannabis, fresh cannabis, edible cannabis, cannabis topicals, cannabis extracts and cannabis oil; and
  - b) a license which permitted JWCL to cultivate cannabis and sell plant seeds and cannabis plants to provincially/territorially authorized distributors/retailers.

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<sup>2</sup> Following the issuance of the Consolidation Order, the Monitor learned that JWC1, JWC2 and JWCS never operated and do not have any liabilities. Accordingly, these entities could not be assigned into bankruptcy.

5. As discussed above, the Transaction with the Purchaser closed on August 28, 2020. The Bankrupt Companies ceased all operations effective as of the date of the closing of the Transaction, the Health Canada Licenses were terminated and substantially all of the Bankrupt Companies' employees became employees of the Purchaser.
6. Further information concerning these proceedings is available on KSV's website at <https://www.ksvadvisory.com/experience/case/james-e-wagner-cultivation-corporation>.

### **3.0 Assets**

1. As a result of the Transaction, substantially all of the Companies' assets (including those of the Bankrupt Companies) were conveyed to the Purchaser and the Bankrupt Companies neither carry on any business nor have any assets.

### **4.0 Creditors**

#### **4.1 Secured Creditors**

1. TFC was a secured creditor of the Companies. TFC acquired substantially all of the business and assets of the Companies through a credit bid equivalent to the amount owing by the Companies to TFC, including amounts advanced by TFC under the DIP facility that was approved by the Court in the CCAA proceedings.
2. During the CCAA Proceedings, the Monitor's counsel issued an opinion, subject to the standard qualifications and assumptions, confirming the validity and enforceability of TFC's security interest.
3. On December 29, 2019, JWC entered into a convertible security funding agreement with Lind Global Macro Fund ("Lind") and borrowed approximately \$2 million. On March 10, 2020, JWC entered into a second convertible security funding agreement with Lind and borrowed approximately \$1.2 million. As of the commencement of the CCAA Proceedings, the amount owing to Lind under these agreements was approximately \$3.8 million and was secured by all of the assets of JWC, JWCL and Growthstorm. No amounts were distributed to Lind in these proceedings.

#### **4.2 Unsecured Creditors**

1. According to the Bankrupt Companies' books and records, unsecured creditor obligations total approximately \$7.7 million as at the date of the bankruptcy.

#### **4.3 Property of the Bankrupt Not Divisible Amongst Creditors**

1. The Trustee is not aware of any property that would not be divisible among the Bankrupt Companies' creditors by virtue of subsection 67(1) of the BIA or otherwise.

### **5.0 Books and Records**

1. The Trustee has taken possession of the books and records required to complete its duties and obligations under the BIA, including the Bankrupt Companies' minute books.

## 6.0 Preferences and Transfers at Undervalue

1. As part of its statutory duties, the Trustee is required to conduct a preliminary review for potential preferences and transfers at undervalue by examining the Bankrupt Companies' bank statements and accounting records for the year preceding the date of bankruptcy.
2. The Bankrupt Companies discontinued their operations as of August 28, 2020 when the Transaction closed. The Monitor has overseen the Bankrupt Companies' banking since that time. Accordingly, there do not appear to be any potentially voidable transactions during the review period.

## 7.0 Third Party Guarantee

1. In consideration for KSV agreeing to act as Trustee of the Bankrupt Companies' bankruptcy proceedings, TFC has guaranteed the Trustee's fees and expenses of the bankrupt estate, up to a maximum amount of \$100,000.

## 8.0 Anticipated Realization and Projected Distribution

1. All of the business and assets of the Companies were subject to TFC's security interest through a credit bid. As a result, there will be no funds available for distribution to the Bankrupt Companies' creditors in the bankruptcies.

## 9.0 Other Matters

1. There are no other matters to discuss at this time.

\* \* \*

DATED at Toronto, Ontario, this 3<sup>rd</sup> day of March, 2022.

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF  
JAMES E. WAGNER CULTIVATION CORPORATION,  
JAMES E. WAGNER CULTIVATION LTD. AND GROWTHSTORM INC.  
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITIES**