

CANADA  
Province of Ontario  
Division No.: 09- Toronto  
Court No: 31-3101792  
Estate No: 31-3101792

## **TRUSTEE'S PRELIMINARY REPORT**

### **IN THE MATTER OF THE BANKRUPTCY OF MARRIED TO GIANTS INC. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

Licensed Insolvency Trustee (“**Trustee**”): MNP Ltd.

*The information contained in this Preliminary Report has been prepared from the available books and records of the Company (as such term is later defined) and discussions with the Management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information taken from those records contained herein.*

#### **SECTION A – BACKGROUND**

Married to Giants Inc. (the “**Company**” or “**MTG**”) was incorporated under the Ontario Business Corporations Act on April 4, 1997. The Company carried on business principally providing post-production editing services to its clients in the film and television industry.

The Company's main financial issues came from operating losses in the fiscal year ending July 31, 2023. MTG experienced a substantial fall in revenue after its President, Ben Valiquette, took a personal leave for a year starting December 2022, disrupting efforts to secure new business and contracts. In this time, expenses increased, notably staff wages, even as MTG lost crucial employees, leading to operational losses of about \$1.373 million in FY23, persisting until the company ceased operations in April 2024.

On July 8, 2024, the Company filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada and became effective on July 9, 2024 (“**Date of Bankruptcy**”). MNP Ltd. (“**MNP**” or the “**Trustee**”) was appointed as the Licensed Insolvency Trustee of MTG’s bankruptcy estate, subject to affirmation by the creditors at the first meeting of creditors (“**FMOC**”).

On July 11, 2024, the Notice to Creditors advising of the bankruptcy and the FMOC, a list of creditors, and a proof of claim form, along with a proxy, were sent to all known creditors of the Company. Pursuant to subsection 102(4) of the Bankruptcy and Insolvency Act (the “**BIA**”), the Notice of Bankruptcy was published in the *National Post* newspaper on July 12, 2024.

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**SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS**

***Security Interests***

According to the Company's statement of affairs ("**SOA**") and a *Personal Property Security Act (Ontario)* registry search dated June 24, 2024, the following security interests in the Company's assets are disclosed:

Creditor	Description	Amount (\$)
Bank of Nova Scotia	General security	111,449
Bank of Nova Scotia	Equipment/leasehold	311,773
RoyNat Inc.	General security	-
Business Development Bank of Canada	General security	437,615
Benjamin Valiquette and Katherine Janson	General security	36,963

Based on information sourced from Canada Revenue Agency and the SOA, CRA is owed an amount of approximately \$953.93 on account of unpaid source deductions.

Bank of Nova Scotia ("**BNS**") issued a demand for payment and a Notice of Intention to Enforce Security pursuant to section 244(1) of the BIA to Married to Giants dated April 9, 2024.

The Trustee sought an opinion on the validity and enforceability of the BNS' security from Manis Law, who opined that subject to typical qualifications and assumptions, the General Security Agreement given by the Debtor to the BNS dated September 9, 2022 has been validly perfected under the PPSA and constitutes a valid and binding obligation of the Debtor in favour of the BNS and is enforceable by the BNS in accordance with its terms as against the Trustee.

***Cash in Bank***

The Statement of Affairs (SOA) indicates that there is a cash sum of \$38,715 deposited with the as of the bankruptcy date.

On July 9, 2024, the Trustee informed BNS of the bankruptcy and requested that a freeze be placed on MTG's bank account funds, while still allowing deposits into MTG's accounts within Canada. BNS verified that around \$38,635 was held on deposit as of the Date of Bankruptcy.

***Amounts Due from Related Party***

The Statement of Account indicates that 2726960 Ontario Inc. ("**272 ON**") owes \$1,126,311 (termed as the "**272 Receivable**"). 272 ON is the owner of the property located at 581 Wellington Street West, Toronto (referred to as the "**Wellington Property**"). This property was previously utilized by MTG and is presently on the market through Colliers Macaulay Nicolls Inc. A mortgage in favour of RoyNat Inc. is recorded against the property. The likelihood of collecting the 272

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Receivable hinges on whether the net proceeds from the sale of the Wellington Property are greater than the debt owed to RoyNat.

***Accounts Receivable***

On June 25, 2024, the Company recorded approximately \$85,245 in accounts receivable from a total of eight customers. The Trustee has issued letters to all these customers, demanding that they send payment for the amount due to the Trustee.

The SOA indicates that the expected collectible amount from receivables is valued at \$5,198. To date, the Trustee has collected \$9,605.00 in accounts receivable.

***Equipment***

The Company's assets include production and computer equipment as well as furniture situated at the Wellington Property. According to the SOA, this equipment is valued at \$40,000.

Following the declaration of bankruptcy, the Trustee hired an external appraiser to examine and inventory the equipment, which a tenant at the Wellington Property is presently using. The Trustee intends to create a strategy for liquidating this equipment and will review this plan with the Inspectors.

**SECTION C – BOOKS AND RECORDS**

The Trustee has taken possession of the books and records of the Company, which are necessary for the administration of these proceedings.

**SECTION D – CONSERVATORY AND PROTECTIVE MEASURES**

As noted above, the Trustee has frozen the Company's bank accounts.

**SECTION E – PROVABLE CLAIMS**

The claims of creditors as per the SOA and the claims filed as of 5:00 p.m. on July 26, 2024, are summarized below:

<b><u>Type of Claim</u></b>	<b><u>SOA</u></b>	<b><u>Claims as Filed</u></b>
Secured	\$898,757	\$443,698
Preferred	Nil	Nil
Unsecured	\$1,620,823	\$77,361
Contingent	\$2	Nil
<b>Total</b>	<b>\$2,519,580</b>	<b>\$521,059</b>

The Trustee has not determined the admissibility of the above-noted claim for dividend purposes.

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**SECTION F- LEGAL PROCEEDINGS, TRANSFERS AT UNDER-VALUE AND PREFERENCE PAYMENTS**

*Legal Proceedings*

N/A

*Transfers at Under-Value and Preference Payments*

The Trustee has reviewed the Company's financial transactions that occurred within one year of the Date of Bankruptcy. The scope of the review is limited to a review of certain disbursements made in the twelve months preceding the Date of Bankruptcy and inquiries with management.

Following the Trustee's examination, no transactions requiring additional investigation or scrutiny have been identified.

**SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION**

As set out in the SOA and the security interests on the assets of the Company as described above, the Trustee anticipates that the realizations of MTG's assets will be insufficient to satisfy the claims of MTG's secured creditors. Accordingly, there will be no funds available for distribution to unsecured creditors.

**SECTION H – OTHER MATTERS**

*Administrative Costs*

Prior to the Date of Bankruptcy, the Trustee and BNS agreed that BNS would subordinate its interest in MTG's assets to the extent of the administrative costs related to the bankruptcy.

*Wage Earner Protection Program*

The Trustee is aware that before or by April 2024, upon shutting down, the Company terminated certain employees who may qualify to file a claim through the Wage Earner Protection Program. The Trustee is set to begin administering the WEPP shortly.

*MNP's Prior Involvement*

In December, 2023, MTG retained MNP LLP's Performance Improvement team to undertake a review of MTG's operations. In February, 2024, MNP Ltd. was appointed to assist the Company as a consultant in providing certain information to its lenders. This engagement continued until MTG ceased carrying on business in April, 2024.

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Dated in Toronto, Ontario, this 26th day of July 2024.

***MNP LTD.***  
***in its capacity as Trustee of the Estate of Married to Giants Inc., a Bankrupt***  
***and not in its personal or corporate capacity***  
Per:



Sheldon Title, CIRP, LIT, CPA, CA  
SENIOR VICE-PRESIDENT