

CANADA
Province of Ontario
Division No.: 09 - Toronto
Estate and Court No: 31-2889551

**TRUSTEE'S PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF
SHOP MABOUTIQUE ECOMM LTD.
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

Shop Mboutique Ecomm Ltd. (“**ShopM**” or the “**Company**”) operated a women’s clothing distribution business for a related company, MBoutique Inc. as well as an ecommerce site from leased premises at 496 Gilbert Avenue, York, Ontario (the “**Premises**”).

On 29th day of November 2022, ShopM filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada and became effective on November 30, 2022 (“**Date of Bankruptcy**”), MNP Ltd. (“**MNP**” or the “**Trustee**”) was appointed as the Licensed Insolvency Trustee of ShopM’s bankruptcy estate, subject to affirmation by the creditors at the first meeting of creditors (“**FMOC**”). MNP was contemporaneously appointed as receiver and manager (the “**Receiver**”) of all of the assets, property and undertaking of (the “**Assets**”) by its senior secured creditor, Norjan Ventures Inc. (“**Norjan**”).

On December 2, 2022, 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 BIA, the Notice of Bankruptcy was published in the *Toronto Sun* newspaper on December 6, 2022.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS

Security Interests

A search of the *Personal Property Security Act* conducted on August 6, 2022 (the “**PPSA**”) revealed that their security interest registered against the Company in favour of Norjan, Jan Kaplan and Norma Caron, and TD Canada Trust. The Trustee has obtained an independent legal opinion that subject to the usual assumptions and qualifications, confirms Norjan’s security is valid and enforceable against the Trustee.

Cash at bank

As set out on the Company’s Statement of Affairs dated November 29, 2022 (the “**SOA**”), its primary asset represents the cash remaining on deposit of approximately \$278,000 at the Date of Bankruptcy. The Receiver has taken steps to obtain these funds from the Company’s bank.

Shop MBoutique Ecomm Ltd.
Estate No: 31-2889551 Trustee's Preliminary Report

Accounts Receivable

Prior to the Date of Bankruptcy, the Company's accounts receivable as per books and records were approximately \$76,000 (principally credit card receipts), that was recovered by the Receiver.

Inventory

The Receiver is in the process of liquidating the Company's inventory having a book value of approx. \$420,000. A substantial portion of the inventory is obsolete or unsaleable, accordingly the expected recovery is not considered to be material.

Prepaid expenses

Approximately \$9,500 in respect of prepaid insurance and \$85,000 is expected to be recovered from the Company's deposit held by TD Canada Trust for the balance due on the Company's credit cards.

Office Furniture and Equipment

As set out below, substantially all of the Company's office furniture and equipment was abandoned at its Premises. However, the Receiver expects to recover approximately \$2,000 subject to sales process expenses.

Intellectual property and computer equipment

The Receiver is exploring a sale of the Company's website and ecommerce software. The anticipate recoveries are not know at this time.

SECTION C – BOOKS AND RECORDS

MNP is in the process of taking possession and control of available books and records of the Company which are necessary for the administration of these proceedings.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

Other than the items noted above, the MNP in its capacity as Receiver has taken possession and control of the remaining Assets in accordance with the terms of its appointment letter.

SECTION E – PROVABLE CLAIMS

The claims of creditors as per the SOA and the claims filed as at 10:00 a.m. on December 14, 2022, are summarized below:

	<u>SOA</u>	<u>Claims as Filed</u>
Secured	\$ 1,701,000	Nil
Preferred	90,395	Nil
Unsecured	128,492	\$ 51,616
Contingent	Nil	Nil
	<hr/> \$ 1,957,984	<hr/> \$ 51,616

Trustee has not determined the admissibility of the above-noted claims.

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

Legal Proceedings

N/A

Transfers at Under-Value and Preference Payments

The Trustee is in the process of the preceding years financial records and will discuss any matters which require the attention of the creditors or the Inspector(s), if appointed at the FMOC.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

Based on the expected realizations as compared to the quantum of the secured debt, there will likely not be any distribution to unsecured creditors.

SECTION H – WEPP Claims

All amounts due to employees for wages and vacation pay up to and including the Date of Bankruptcy. The Trustee anticipates claims under Wage Earner Protection Program (“**WEPP**”) for unpaid termination pay.

SECTION H – OTHER MATTERS

N/A

Dated at Toronto, Ontario, this 14th day of December 2022.

MNP LTD.
Trustee of the Bankrupt Estate of Shop MBoutique Ecomm Ltd.
and not in its personal or corporate capacity

Per:



Jerry Henechowicz, CIRP, LIT, CPA, CA
SENIOR VICE-PRESIDENT