

RICHTER

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-060138-217
ESTATE NO.: 41-2759890

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE BANKRUPTCY
OF:

TREND SAVVY INC.

a corporation duly incorporated having its
head office at 5320 Royalmount Avenue,
Suite 2B, Montreal, QC H4P 2S8

Bankrupt

- and -

RICHTER ADVISORY GROUP INC.

Trustee

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS ON PRELIMINARY ADMINISTRATION

The purpose of this report is to inform all interested parties about our preliminary administration of the bankrupt estate.

We caution readers that the information contained in this report is based upon Management's representations as well as the data reflected in the available unaudited books and records of the Bankrupt. The books and records have not been audited or verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the accuracy, reliability, or completeness of the information contained in this report.

I. BACKGROUND

Trend Savvy Inc. ("**Trend Savvy**" or the "**Company**") is a privately held corporation incorporated under the *Business Corporations Act* (Quebec) on July 11, 2017. The Company's principal place of business was located at 5320 Royalmount Avenue, Suite 2B, Montreal, Quebec.

The Company was selling various fashion products to consumers through its online platform, including sunglasses, clothing and accessories. Most of the customers' orders were fulfilled by the Company's vendors who shipped goods directly to Trend Savvy's customers after an order was placed. In certain instances, the Company also purchased inventory directly from vendors who were not set up for drop ship.

The Company experienced significant losses since its inception, as significant marketing and customer acquisition expenses were incurred to increase its customer base and establish its e-commerce platform. These losses were mostly funded by equity injections and loans from the Company's shareholders.

The following table summarizes the Company's results for the past three (3) fiscal years:

Trend Savvy Inc.			
Summary of Operating Results			
For the year ended June 30			
(\$000's)	2021	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)
Sales	\$ 3,248	\$ 1,827	\$ 1,112
Cost of goods sold	2,658	1,351	818
Gross margin	590	476	294
General and administrative	1,084	583	487
Marketing	1,599	453	468
EBITDA	(2,093)	(560)	(661)
Financial expenses	169	29	-
Depreciation and amortization	59	34	-
Net loss	\$ (2,321)	\$ (623)	\$ (661)

In July 2021, the Company retained the services of Richter Advisory Group Inc. ("**Richter**") to assist in raising capital. Unfortunately, the Company did not receive any binding commitments through this process.

On August 18, 2021, as a result of the Company's continuing net operating losses and declining liquidity position, Trend Savvy filed an assignment in Bankruptcy under the *Bankruptcy and Insolvency Act* ("**BIA**") and Richter was appointed as trustee (the "**Trustee**") of the estate of the Bankrupt by the Official Receiver, subject to affirmation by the creditors at the first meeting of creditors.

On August 24, 2021, all known creditors of Trend Savvy were provided with notice of the first meeting of creditors, the Statement of Affairs, a proof of claim form, a form of proxy, a registration form, and a link to the Trustee's website. On August 25, 2021, the notice of the bankruptcy and the first meeting of creditors was published in The Gazette and Le Devoir.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

II. CAUSES OF INSOLVENCY

As noted previously in this report, Trend Savvy had experienced significant net losses since its inception and, as of June 30, 2021, the Company had an accumulated retained earnings deficit of approximately \$4.1 million. In addition, prior to the bankruptcy, the Company's line of credit was fully drawn (\$250,000). The Company explored the possibility of obtaining additional financing, either from existing shareholders or other third parties, but this process was unsuccessful and did not result in any binding commitments.

III. FINANCIAL POSITION/ASSETS

As per the BIA, a representative of the Bankrupt is required to inform the Trustee, by way of a declaration, of the Company's assets and liabilities as at the date of the bankruptcy ("**Statement of Affairs**"). The following summarizes the information contained in the Statement of Affairs:

Trend Savvy Inc. Statement of Affairs As at August 18, 2021	Estimated Amount
Assets	
Inventory	\$ 1,000
Other assets	1,000
	2,000
Liabilities	
Secured	632,000
Unsecured	1,424,311
	2,056,311
Deficiency	\$ (2,054,311)

Assets

- Inventory (\$1,000) – Management estimated the book value of the remaining inventory on hand at approximately \$5,000, which is mainly comprised of sunglasses and a small variety of clothing. Based on the Trustee's review of the inventory, the estimated net realization value is only \$1,000 (20%) since most of this inventory is comprised of returned items from customers.
- Other assets (\$1,000) – The other assets are mainly comprised of 12 clothing racks and the intellectual property.

Following the creditors meeting, the Trustee intends to initiate a short sale process to interested parties to monetize and realize the Company's assets, including the intellectual property. The final realization from these assets is unknown at this moment and the actual amount realized may differ from the amount presented on the Statement of Affairs.

Liabilities

Liabilities are discussed in detail below. It is important to note that the actual amount of the liabilities as of August 18, 2021 will only be determined once Proofs of Claims are submitted by the creditors, compiled and reviewed by the Trustee.

IV. SECURED CREDITORS

The Statement of Affairs indicates that there are three (3) secured creditors who are owed a total of \$632,000, described as follows:

- Employee - \$2,000 (security interest over the Company's inventories and accounts receivable by virtue of s. 81.3 of the BIA). Amount based on the maximum secured portion per employee (\$2,000) to be adjusted based on the actual amounts owed. Based on Management's representations, all amounts owing in respect of wages and/or vacation pay to the Company's former employees as secured by section 81.3 of the BIA were paid by the Company on or prior to the bankruptcy, except for one (1) employee. The Trustee will comply with the requirements of the *Wage Earner Protection Program Act*, as applicable;
- CIBC - ~\$250,000 (first ranking security on all property, including inventories, accounts receivable, fixed assets and Intellectual Property); and
- Investissement Quebec - ~\$380,000 (second ranking security on all property, including inventories, accounts receivable, fixed assets and Intellectual Property).

The Trustee has not obtained written opinions from an independent legal counsel as to the validity and enforceability of the security of CIBC and Investissement Quebec. Based upon the offers received for the assets, the Trustee intends to seek instructions from the appointed inspectors with respect to this matter.

V. PREFERRED CREDITORS

The Statement of Affairs indicates that there are no known preferred creditors as at the date of the bankruptcy.

VI. UNSECURED CREDITORS

The Statement of Affairs indicates that there are approximately 99 unsecured creditors with claims totaling approximately \$1,424,311.

VII. CLAIMS FILED

As of September 7, 2021, the Trustee has recorded Proofs of Claims filed, as follows:

	<u>Claims Filed (#)</u>	<u>Amount (\$)</u>	<u>Proxies in Favour of Trustee (#)</u>	<u>Amount (\$)</u>
Secured	0	-	0	-
Preferred	0	-	0	-
Unsecured	20	665,748.38	1	5,985.00
TOTAL	20	\$665,748.38	1	\$5,985.00

The trustee will review the Proofs of Claims received and will analyze any deviations in consultation with the appointed inspectors, if applicable.

VIII. CONSERVATORY MEASURES

Since August 18, 2021, the Trustee has implemented the following conservatory and protective measures:

- Opening of a trust bank account;
- Obtaining available books and records relevant to his administration. However, as per Management, many of the Company's books and records were held by the Company's external accountant at its premises. The Trustee communicated with the external accountant on August 20, 2021 and was informed that he had no books and records in his possession pertaining to the Company. The Trustee intends to seek instructions from the appointed inspectors, if any, with respect to this matter. In the interim, the Trustee was able to obtain from the Company the records required to fulfill our statutory requirements as per the BIA;
- Assisting Management in performing an inventory count;
- Sending the notice of the bankruptcy and the first meeting of creditors to the creditors; and

- Publishing the notice of the bankruptcy and the first meeting of creditors in the newspapers (The Gazette and Le Devoir).

IX. PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not yet performed a review of the Company's books and records, with respect to potential fraudulent preferences, settlements, or transfers at undervalue, as defined in the BIA. Following its review, the Trustee will report its findings to the appointed inspectors, if any.

X. TRUSTEE'S FEES

In consideration for consenting to act in these proceedings, the Trustee received a fee guarantee from the Company's main shareholder to ensure payment of the Trustee's fees and expenses for statutory work in accordance with the provisions of the BIA.

XI. PROJECTED DIVIDEND

As the Company's secured lenders will suffer a shortfall on their advances, the Trustee does not foresee any distribution of a dividend to the ordinary unsecured creditors.

XII. OTHER

Further information relating to the Company's bankruptcy proceedings may be obtained from Richter's website at: <https://www.richter.ca/insolvencycase/trend-savvy-inc/>

Dated at Montreal, this 8th day of September 2021.

**Richter Advisory Group Inc.
Licensed Insolvency Trustee
Of the Estate of Trend Savvy Inc.**



Patrick Ifergan, CPA, CA, CFA, CIRP, LIT