

**CANADA**  
Province of Quebec  
District of Montréal  
Division No.: 01-Montréal  
Court No.: 500-11-064791-243  
Estate No.: 41-3142526

**SUPERIOR COURT**  
**(Commercial Division)**  
***Bankruptcy and Insolvency Act***

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**IN THE MATTER OF THE BANKRUPTCY OF:**

**MAÏS SOUFFLÉ BAD MONKEY INC. / BAD  
MONKEY POPCORN INC.,**

A corporation under the *Business Corporations Act*  
(Québec), having its registered head office at 9900,  
Louis-H. La Fontaine Blvd., Montreal, QC H1J 2W3

**Bankrupt**

-and-

**RICHTER INC.**

**Trustee**

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**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS**

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On October 7, 2024, pursuant to a motion filed by the Toronto Dominion Bank ("**TD Bank**"), the Quebec Superior Court appointed Richter Inc. ("**Richter**") as receiver in respect of **Maïs Soufflé Bad Monkey Inc. / Bad Monkey Popcorn Inc.** (the "**Company**" or "**Debtor**"), in accordance with the *Bankruptcy and Insolvency Act* (the "**BIA**"), with the customary powers, including but not limited to, the collection of accounts receivable, the sale of assets and control of receipts and disbursements.

On October 18, 2024, the Debtor was assigned into Bankruptcy by the Receiver and Richter was appointed Trustee of the estate of the Bankrupt by the Official Receiver, subject to confirmation by the creditors at the first meeting of creditors.

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and our findings.

**The information contained in this report has been prepared based on the books and records of the Company and from discussions with the Company's Management. The books and records have not been audited or verified by the Trustee at the time of our review. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the accuracy or the reliability of the information contained herein.**

## I. INTRODUCTION

The Company operated in the chip, pretzel and popcorn industry and sold to a wide variety of grocery stores, convenience stores and to the food service industry in Quebec, Ontario, Western Canada and in the USA.

At the time of Richter's appointment as Receiver, the operations had ceased, the shareholders were no longer prepared to fund operations, and there were no employees remaining. The Company was in discussions with an interested party to acquire the business, however the deal was not completed. The Company had no liquidity and with no other alternatives, the Company was assigned into bankruptcy.

The Company's head office and operations were located in a 24,000 square foot leased facility in Anjou, Quebec. Prior to the cessation of operations, the Company had 9 full-time employees.

The Bankrupt attributes its financial difficulties to the following:

- At the end of 2020, the Company moved into a much larger facility with increased overhead costs;
- A high debt service cost burden;
- Loss of 3 major customers in 2023 and 2024 and the failure to increase sales to support the existing cost structure; and
- The inability to raise additional funding to support recurring losses.

## II. ACTIVITIES OF THE RECEIVER

Upon our appointment as Receiver, on October 7, 2024, Richter did the following:

### A) Security and Protective Measures

- Engaged the services of an independent company, Gestion André Meilleur ("Meilleur") to perform a physical inventory count and prepare a list of the assets of the Company;
- Instructed Meilleur to change the locks and secure the premises;
- Secured insurance for the assets through the Receiver's policy; and
- Opened bank accounts.

### B) Company's Operations

- As discussed above, the operations had ceased prior to the Receivership. The Receiver issued collection letters to the Company's customers.

## III. FINANCIAL INFORMATION

The following financial data was extracted from the books and records of the Bankrupt, the unaudited and audited financial statements or from discussions held with Management. This information is submitted solely to assist the reader in assessing the current financial position of the Bankrupt.

The Trustee makes no representation or warranty as to the accuracy of said financial information.

<b>Bad Monkey Popcorn</b>	<b>F24</b>	<b>F23</b>	<b>F22</b>
Income Statement (in \$000s)	<u>10-mths</u> <i>Preliminary</i>	<u>12-mths</u> <i>Unaudited</i>	<u>12-mths</u> <i>Audited</i>
<b>Net Sales</b>	<b>3,308</b>	<b>6,576</b>	<b>5,842</b>
Cost of Sales	<b>(3,701)</b>	<b>(5,819)</b>	<b>(4,607)</b>
<b>Gross Margin</b>	<b>(393)</b>	<b>757</b>	<b>1,235</b>
General & Admin	(676)	(996)	(902)
Selling	(774)	(1,200)	(930)
Financial	(555)	(735)	(491)
<b>Operating Expenses</b>	<b>(2,005)</b>	<b>(2,932)</b>	<b>(2,323)</b>
<b>Other Expenses</b>	<b>(28)</b>	<b>(843)</b>	<b>(204)</b>
<b>Net Loss before Taxes</b>	<b>(2,426)</b>	<b>(3,018)</b>	<b>(1,293)</b>

The Company has reported significant year-over-year losses. The Company was unable to achieve the necessary sales levels to offset the high overhead and other costs. The recurring losses ultimately led to the bankruptcy.

#### IV. STATEMENT OF AFFAIRS

In accordance with the BIA, a Statement of Affairs showing the Bankrupt's assets and liabilities as at the date of bankruptcy ("**Statement of Affairs**") was prepared from the Company's books and records and was completed by Richter, in its capacity as Receiver. The following summarizes the information contained in the Bankrupt's Statement of Affairs or books and records, which has not been validated by the Trustee:

<b>Bad Monkey Popcorn</b>		
Statement of Affairs As at October 18, 2024 (in 000's)	<b>Book value</b>	<b>Estimated Realizable value</b>
<b>Assets</b>		
Accounts receivable	\$ 302	\$ 250
Inventory	513	50
Prepays	68	-
Machinery and Equipment	626	150
Intangible assets	5,100	50
<b>Total Assets</b>	<b>6,609</b>	<b>500</b>
<b>Liabilities</b>		
Secured creditors	1,271	
Preferred creditors	90	
Unsecured creditors	6,007	
Contingent liabilities	-	
<b>Total Liabilities</b>	<b>7,368</b>	<b>7,368</b>
<b>Deficiency</b>	<b>\$ (759)</b>	<b>\$ (6,868)</b>

##### A) Assets

- **Accounts Receivable (\$250K)**

As per the Company's books and records, the gross accounts receivable approximate \$300K of which approximately \$50K is estimated to be uncollectible.

As previously indicated, Richter, in its capacity as Receiver, is attempting to realize on the accounts receivable and has issued collection letters to the Company's customers. The accounts receivable are pledged as security to the TD Bank.

- **Inventory (\$50K)**

Includes finished goods, raw materials and packaging products. The Statement of Affairs reflects a nominal amount for the inventory recovery. The actual realizable value will be determined from a sale process which is discussed in further detail below. The inventory is pledged as security to the TD Bank.

- **Prepays**

The books and records indicate that prepaids consist of prepaid expenses and a rent deposit. The Statement of Affairs does not reflect any recovery of Prepays.

- **Machinery and Equipment (\$150K)**

Included in the machinery and equipment are specialized equipment for popcorn production, office furniture, racking and other warehouse assets. The Statement of Affairs reflects an estimated net realizable value of \$150K. The value of the equipment will be determined from the sale process and the offers will be submitted to the inspectors appointed at the first meeting of creditors (“**Inspectors**”) for their review and approval. The equipment is pledged as security to the TD Bank.

- **Intangible Assets (\$50K)**

As per the Company’s books and records, intangible assets consist of trademarks, customer lists and goodwill. The Statement of Affairs reflects a nominal value for the intangibles, however the actual value of the intangible assets will only be determined through the sale process. All intangible assets are pledged as security to the TD Bank.

## **B) Liabilities**

It is important to note that the exact amount of the Bankrupt’s liabilities as at October 18, 2024, will only be determined once all proofs of claim have been submitted by the creditors and have been compiled and analyzed by the Trustee. Nonetheless, the following is a summary of the Company’s liabilities based upon preliminary information.

- **Secured Creditors / Priority Creditors**

As per the Statement of Affairs and books and records, the Company’s secured/priority creditors are as follows:

- Employees – \$3.5K (security interest over the Company’s short-term assets by virtue of s. 81.3 of the BIA). Amount based on information provided by the Bankrupt for outstanding vacation pay; and
- TD Bank – ~\$1.3 million (first rank security interest on all assets of the Bankrupt).

The Trustee has engaged independent legal counsel to provide a legal opinion as to the validity and enforceability of the security in favour of TD Bank. A copy of this opinion will be provided to the Inspectors.

In the event there is no equity in the realization of the assets (over and above the secured debt, which is likely) the Trustee has made arrangements with TD Bank in respect of Trustee’s fees and expenses.

- **Preferred Creditors**

The Statement of Affairs reflects an amount of \$98K for rent owing to the landlord. The Trustee is not aware of any amounts owing to any government authorities which would be considered a priority. Notice has been sent to all employees and other possible preferred creditors and the ultimate amount of this category of claims will only be subsequently determined. As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to preferred creditors.

- **Unsecured Creditors**

According to the Statement of Affairs, unsecured ordinary creditors total approximately \$6.0 million. As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors.

## **V. SUMMARY OF THE PRELIMINARY ADMINISTRATION**

### **A) Books and Records**

The Trustee took possession of the books and records (all virtual records) and has made copies of the Company's emails and all digital information.

### **B) Security and Protective Measures**

As described above, Richter, in its capacity as Receiver and now in its capacity as Trustee, has taken the necessary security and protective measures including:

- Changing the locks and securing the premises;
- Continuing the insurance through the Receiver/Trustee's policy;
- Engaging a third party to oversee the control of the premises and to perform a physical inventory count and prepare a list of the inventory, machinery and equipment, office equipment and warehouse equipment of the Company.

Richter has opened trust bank accounts in its capacity of Receiver and Trustee and has also redirected the Company's mail to its office.

### **C) Sale by Tender**

Following the assignment in bankruptcy, the Trustee initiated a call for tenders to acquire the assets of the Company. The Trustee proceeded to contact both strategic parties and liquidators in the sale process. The deadline to submit bids is November 5, 2024, and the results of the sale process will be reviewed with the Inspectors.

### **D) Reviewable Transactions and Preferential Payments**

The Trustee will perform a review of the payments to creditors preceding the date of the bankruptcy which may be reviewable, preferential or undervalue as defined within the meaning of the BIA. The Trustee, upon completion of the review, will discuss its findings with the Inspectors.

## **VI. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION**

Without completing a sale process, it is difficult to definitively determine if there will be a distribution to the preferred and ordinary creditors. However, as of the date hereof, based on the estimated realizable value of the assets and the amounts due to the secured creditors, the Trustee believes it is unlikely that there will be any dividends available to the preferred and ordinary creditors.

DATED AT MONTREAL, this 4<sup>th</sup> day of November 2024.

### **Richter Inc.**

Licensed Insolvency Trustee



Olivier Benchaya, CPA, CIRP, LIT  
Administrator of the Bankruptcy