

CANADA  
Province of Ontario  
Court No.: 31-2748284  
Estate No.: 31-2748284

**TRUSTEE’S PRELIMINARY REPORT**  
  
**IN THE MATTER OF THE BANKRUPTCY OF  
ADG ARCHITECTURAL DESIGN GROUP INC.  
OF THE CITY OF MARKAM  
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**

ADG Architectural Design Group Inc. (“**ADG**” or the “**Company**”) is an architectural firm specializing in design, building programming, urban design, interior design computer-aided design, drafting and project and contract administration. ADG was granted a Certificate of Practice by the Ontario Association of Architects in 1997.

The Company attributes its financial difficulties primarily to operational inefficiencies coupled with financial stress related to the COVID-19 pandemic.

On June 28, 2021 (“**Date of Bankruptcy**”), ADG filed an assignment in bankruptcy in which MNP Ltd. (“**MNP**” or the “**Trustee**”) was named as Trustee, subject to affirmation at the First Meeting of Creditors (“**FMOC**”).

On June 29, 2021, 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 (“**BIA**”), the Notice of Bankruptcy was published in the *Toronto Sun* newspaper on June 30, 2021.

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

### **Security Interests**

A search of the *Personal Property Security Act* conducted on June 20, 2021 (the “**PPSA**”) revealed no security registrations against the Company.

Based on the Company's statement of affairs (“**SOA**”), the Company declared the following assets:

Cash at bank	\$25,968.36
Accounts receivables	\$70,000.00

### **Cash at bank**

ADG banked at TD Bank and based on the SOA had cash of approximately \$25,968 on deposit on the Date of Bankruptcy. Immediately prior to the bankruptcy, the Trustee arranged for the Company to transfer \$25,000 of this amount to it, which funds have since been deposited to the estate bank account. On the Date of Bankruptcy, the Trustee advised TD Bank of ADG's bankruptcy and requested it freeze the Company's bank account but permit incoming deposits only. TD confirmed that the account has been frozen.

### **Account Receivable**

ADG's books and records reflect accounts receivable totaling approximately \$90,188, of which \$57,630 was aged greater than 90 days. The Trustee has issued demand letters to all of ADG's debtors. Based on the SOA, ADG estimates \$70,000 of the accounts receivable to be collectible. To date, the Trustee has collected \$1,695.

## **SECTION C – BOOKS AND RECORDS**

MNP has taken possession of the available 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 requested TD Bank to freeze ADG's bank account and has requested ADG's debtors to remit payment of the accounts receivable to the Trustee.

## **SECTION E – PROVABLE CLAIMS**

The claims of creditors as per the SOA and the claims filed as at 5:00 pm on July 12, 2021 are summarized below:

	<u>SOA</u>	<u>Claims as Filed</u>
Secured/Deemed Trust	\$ 4,000.00	Nil
Preferred	Nil	Nil
Unsecured	\$ 141,448.49	\$60,000.00
Contingent	Nil	Nil
	<hr/> <b>\$145,448.49</b>	<hr/> <b>\$60,000.00</b>

The secured claims (the “**Employee Secured Claims**”) on the SOA are in respect of unpaid vacation pay owing to certain of ADG’s former employees, which amounts may represent a secured claim pursuant to s.81.3 of the BIA.

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

## **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 still in the process of completing its review of the Company’s books and records in order to identify any potential transfers at undervalue or preference payments. The scope of the review will be limited to a review of certain disbursements made in the 12 months preceding the Date of Bankruptcy and inquiries with management.

The Trustee will discuss any matters which require attention of the creditors and any findings with the Inspector(s), if appointed at the FMOC.

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

Given the foregoing and the SOA, the Trustee is unable to determine the extent of collections from the accounts receivable, and accordingly, is unable to an opinion on the projected distributions to unsecured creditors. There likely will a distribution in respect of the Employee Secured Claims.

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**WEPP**

The Trustee understands that ADG may have six former employees potentially eligible for the benefits under the Wage Earner Protection Program (“**WEPP**”). The Trustee will administer the WEPP in respect of these employees.

Dated at Toronto, Ontario this 12th day of July 2021.

***MNP LTD.***  
***Trustee of the Bankrupt Estate of***  
***ADG Architectural Design Group Inc***  
***and not in its personal or corporate capacity***

Per:

  
Sheldon Title, CPA, CA, CIRP, LIT  
Senior Vice President