

**IN THE MATTER OF THE BANKRUPTCY
CANKOPY LTD.
IN THE CITY OF MISSISSAUGA,
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S PRELIMINARY REPORT TO THE FIRST MEETING OF CREDITORS

DISCLAIMER:

One of the underlying principles of the Bankruptcy and Insolvency Act, is that of creditors' control. The Act provides for a First Meeting of Creditors to discuss the collective interest of the creditors in the administration of the bankrupt's estate.

The purpose of the First Meeting of Creditors is to consider the affairs of the bankrupt, affirm the appointment of the Trustee (or substitution of same), appointment of 1-5 inspectors and to give further direction to the Trustee as may be necessary.

Readers are cautioned that this report is only to provide creditors information gathered by the Trustee to date, so that their collective interests can be discussed at the First Meeting of Creditors. However, the Trustee has not audited or verified the information provided to it in anyway, unless noted otherwise.

The contents of this report should be considered "for general information purposes only" and not definitive.

CanKopy Ltd. (hereafter called the "company") filed an assignment in bankruptcy on March 2, 2021 and Goldhar & Associates Ltd. was appointed as Trustee of the Estate of the Bankrupt by the Official Receiver. Ken Tessis, CA, CIRP, LIT, is the Licensed Insolvency Trustee responsible for the administration of the estate and Jessie Hue, is assisting in the administration.

BACKGROUND

The company was incorporated in Ontario on August 16, 2007 and operated as a print and graphic design shop from a leased premise located at 1 City Centre Drive, Suite 120, Mississauga, Ontario, until it closed permanently on November 4, 2020. Sales were deteriorating each year as most printing and graphics could be done internally or online and that made operations unprofitable and the shareholders no longer wanted to fund ongoing losses. All the company's leasehold improvements and valueless assets were left at the premises. We were advised that XEROX had commenced a lawsuit in September 2019 against the company and a related (holding company as claimed by

Xerox) company - Scion Holdings Limited with respect to a lease or financing of their equipment and software. The company defended this claim as they took the position that the equipment and software supplied by Xerox did not do the job as promised. As the company was also hopelessly insolvent and it could no longer afford to pay any legal fees to keep defending against Xerox's claim, it allowed Xerox to obtain default judgement in the amount of \$285,419.55 on January 21, 2021. The last financial statement and tax return filed was for the year ended May 31, 2018 and it showed a loss that year of \$59,848 and accumulated losses of \$817,887. According Lucia Toffino she is the sole director and shareholder of the bankrupt corporation and has been since incorporation.

TRUSTEE'S ACTIONS TO DATE

The trustee notified all known creditors as required and published a notice of the bankruptcy and first meeting of creditors in a local newspaper as required and sent a stay of proceedings to Xerox and the court for that matter.

SECURED CREDITORS

A P.P.S.A. search conducted by the Trustee revealed seven registrations as follows:

#	<u>Secured Party</u>	<u>Assets listed in Registration</u>	<u>Comments</u>
1	BMO	All assets	
2	Ford	2016 Lincoln MKC	
3	Ford	2017 Ford Escape	Advised that returned
4	National Leasing	Equipment	Lease may be taken over by another party
5	Loop Funding	All assets	
6	Wells Fargo	Equipment (leased as per list	Taken over by another party
7	Xerox	Equipment	Returned

The Trustee will be seeking instructions from creditors/inspectors on this matter.

LEGAL PROCEEDINGS

The Trustee is only aware of the Xerox matter noted above, and there are no legal proceedings that the trustee is aware of as being issued by or against the trustee or the bankrupt or the bankrupt estate.

EVALUATION OF ASSETS AND ANTICIPATED REALIZATION

As per the sworn statement of affairs it appears that there are no assets capable of generating any realization, and as such creditors should not expect any distributions.

The Trustee will be seeking instructions from creditors/inspectors on this matter.

REVIEWABLE TRANSACTIONS / PREFERENCE PAYMENTS / SETTLEMENTS / TRANSFERS AT UNDERVALUE

From the basic information and trustee's minimal initial investigation to date the trustee cannot comment if any of the above transactions occurred as it has not done any review of the books and records at this time.

The Trustee will seek further directions from creditors and or inspectors if appointed on the above matters.

PROOFS OF CLAIM

Creditor Type	Amount as per the Statement of Affairs		Claims Filed to Date	
	#	\$	#	\$
Trust		Nil		Nil
Secured	(3)	\$25,002.00	(2)	\$71,717.74
Preferred		Nil		Nil
Unsecured	(14)	\$1,693,211.41	(2)	\$547,137.68
Totals	(17)	\$1,718,213.41	(4)	\$618,855.42

OTHER MATTERS

The Trustee has received payment by a third party in the amount of \$12,097.35 plus HST for consultations (i) to third parties re the effect on them of Cankopy Ltd. filing bankruptcy and for (ii) accepting the appointment as trustee under Section 49(4) of the

BIA as reported to the Official Receiver on the Estate Information Summary form when filing the required bankruptcy documents


The Trustee's fees at standard rates in carrying out its required duties to the conclusion of the first meeting of creditors and any required statement of receipts and disbursements will far exceed this amount. As such any instructions and or directions given by creditors or inspectors if appointed may not be possible for the trustee to carry out unless funded by creditors. Due to lack of funding the trustee advises the creditors of their rights under Section 38 of the Bankruptcy & Insolvency Act, a copy of which is attached to this report.

The Trustee will also be seeking directions from the creditors or inspectors if appointed on the following matters:

- i) Approval of all the Trustee's actions to date including the actions outlined in this Preliminary Report and affirmation of Trustee's appointment, and
- ii) Appointment of inspectors, (noting that if none are appointed that the trustee then may do all things that require inspectors approval), and
- ii) Appointment of Estate Solicitor if necessary, and
- iii) Any further directions from creditors and or inspectors if appointed on the matters noted in the Preliminary Report or that arise at the meeting, and
- vi) Any other matters which may arise at this first meeting.

DATED at Mississauga, Ontario this 22nd day of March 2021.

**Trustee of the estate of CanKopy Ltd.
- a bankrupt**


Per: Kenneth Tassis, CA, CIRP, LIT

Attached: Section 38 of the *Bankruptcy and Insolvency Act*

Proceeding by creditor when trustee refuses to act

38. (1) Where a creditor requests the trustee to take any proceeding that in his opinion would be for the benefit of the estate of a bankrupt and the trustee refuses or neglects to take the proceeding, the creditor may obtain from the court an order authorizing him to take the proceeding in his own name and at his own expense and risk, on notice being given the other creditors of the contemplated proceeding, and on such other terms and conditions as the court may direct.

Transfer to creditor

(2) On an order under subsection (1) being made, the trustee shall assign and transfer to the creditor all his right, title and interest in the chose in action or subject-matter of the proceeding, including any document in support thereof.

Benefits belong to creditor

(3) Any benefit derived from a proceeding taken pursuant to subsection (1), to the extent of his claim and the costs, belongs exclusively to the creditor instituting the proceeding, and the surplus, if any, belongs to the estate.

Trustee may institute proceeding

(4) Where, before an order is made under subsection (1), the trustee, with the permission of the inspectors, signifies to the court his readiness to institute the proceeding for the benefit of the creditors, the order shall fix the time within which he shall do so, and in that case the benefit derived from the proceeding, if instituted within the time so fixed, belongs to the estate.