

CANADA
Province of Ontario
Division No.: 03- Barrie
Court No: 31-3051821
Estate No: 31-3051821

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF CREDIT BUREAU COLLECTIONS LTD. OF THE CITY OF BARRIE, IN THE PROVINCE OF ONTARIO

Licensed Insolvency Trustee: MNP Ltd. ("**MNP**")

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 AND CAUSES OF FINANCIAL DIFFICULTIES

Credit Bureau Collections Ltd. ("**CBCL**" or the "**Company**") was a registered collection agency with the Ministry of Public and Business Service Delivery and governed by the provisions of the Collection and Debt Settlement Services Act ("**CDSSA**"). CBCL operated from leased premises located at 125 Bayfield Street, Unit 1, Barrie, Ontario (the "**Premises**"). CBCL was incorporated under the Business Corporations Act of Ontario.

The cost of operations had increased significantly for CBCL, but the commissions they earned from their collection services did not. This caused financial difficulties for the Company. In addition, a legal dispute with a former employee worsened their cash situation.

Accordingly, on March 5, 2024, the Company filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada ("**OSB**") on that date. MNP was appointed as the licensed insolvency trustee (the "**Trustee**") of the Company's bankrupt estate, subject to affirmation by creditors at the first meeting of creditors (the "**FMO**").

On March 7, 2024, the Notice to Creditors advising of the bankruptcy and the FMO, a list of creditors and a proof of claim form, along with a proxy, were sent to all of CBCL's known creditors. Pursuant to subsection 102(4) of the *Bankruptcy and Insolvency Act* (the "**BIA**"), the Notice of Bankruptcy was published in the *National Post* newspaper on March 12, 2024.

The various public documents related to the Company and its bankruptcy proceedings are posted at the Trustee's case website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/credit-bureau-collections-ltd>.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS/PRIORITY CLAIMS

Security Interests

An Ontario *Personal Property Security Act* registry search conducted on February 26, 2024 (the “PPSA”) shows a registration in favour of Royal Bank of Canada (“RBC”) over the Property. The Trustee has not obtained an opinion on the validity of the RBC’s security at this time.

Priority Claims

CRA might have a claim for the unpaid source deductions in 2024 of about \$9,428 (“Deemed Trust Claims”). These amounts could change based on the completion of the 2024 T4s and CRA reviewing CBCL’s payroll records.

Assets - Summary

CBCL’s assets and their estimated realizable values, according to its sworn Statement of Affairs (“SOA”) are summarized as follows:

Asset Description	Estimated Realizable Value (\$)
Accounts Receivable	\$ 4,786
Deposits in financial institutions	501
Funds held in CDSSA trust account	42,071
Furniture	1
Vehicle	12,000
Total	\$59,359

Assets – Accounts Receivable

Sometimes, debtors paid CBCL’s customers directly leaving CBCL unpaid on its commissions. The SOA reflects accounts receivable of \$4,786.

Assets – Deposits in financial institutions

These are comprised of the following:

- 1) *General account* – The Trustee notified RBC of the bankruptcy. RBC informed the Trustee that there is approximately \$411 held on deposit in CBCL’s current accounts and RBC will be exercising its right of offset against CBCL’s indebtedness; and
- 2) *CDSSA Trust account* -The Company maintained a trust account at RBC which was designated as a “Collection and Debt Settlement Services Act - Trust Account” (the “Trust Account”). Prior to the bankruptcy, CBCL carried out its required month end procedures and paid out the persons entitled to receive the funds, namely the beneficiaries of the Trust Account. The payments were made by cheque. At the date of bankruptcy, many of those cheques remained uncashed.

On March 6, 2024, the Trustee wrote to RBC and asked that it stop any further deposits into the

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account, and only allow withdrawals.

On March 12, 2024, RBC advised the Trustee that it froze the Trust Account and asked to send the funds to the Trustee. The property of a bankrupt divisible among his creditors does not comprise property held by the bankrupt in trust for any other person. Therefore, the Trustee has not taken possession of the funds held in the Trust Account because it has the following concerns:

1. There are 97 cheques, with the average cheque being under \$500; 78 cheques comprise a total of \$10,000 of the total balance in the Trust Account;
2. The BIA requires that a person claiming property in the possession of a trustee to file with the trustee a proof of claim verified by affidavit giving the grounds on which the claim is based and sufficient particulars to enable the property to be verified;
3. The onus is on the claimant to establish its claim, with many of the beneficiaries unlikely to possess the particulars to support a claim;
4. The cost and time the beneficiaries will spend in having to file a sworn claim per the BIA will outweigh the benefits; and
5. The outcome will likely result in a significant portion of the money held in the Trust Account having to be forwarded as unclaimed and unpaid funds to the Government of Ontario after the passage of the prescribed six months, severely delaying the receipt by the beneficiaries.

The CDSSA does not apply to a trustee appointed under the BIA. Regardless, the funds in the Trust Account are considered trust property, and not property divisible among the creditors. The Trustee will further consider this matter with the Inspectors.

Assets – Vehicle

- 2014 Chevrolet Express 2500 LT Cargo Van which has been valued on the SOA at \$12,000.
- The Trustee has arranged for the vehicle to be secured pending directions by the creditors/Inspector.

Assets – Furniture

Upon the bankruptcy, the Trustee arranged for third party appraiser to provide it with an estimate of the value of the furniture. Based on these discussions, the value of the furniture is less than the costs of moving/liquidating the assets.

Assets - Leased

The Company rented a mailing system from Rival Office Solutions and printers from Kempenfelt Imaging Systems. Both of these are for more than 12 months and have not been recorded under the PPSA. However, according to the information that the Trustee has, the equipment is worth less than the expenses of handling it.

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SECTION C – BOOKS AND RECORDS

The Trustee is in possession and control of available books and records of the Company which are necessary for the administration of these proceedings. The Company has a server that contains, among other things, a collection software called FACS (Flexible Automated Collection System), the customer lists and all customer accounts. There is a possibility to sell the server to another collection agency that uses the same software system, and the Trustee may consider this option, subject to the advice and directions received from the Inspectors after the FMOC.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

Given the diminutive value of the assets situated on the Premises, the Trustee has not taken possession of the Premises.

SECTION E – PROVABLE CLAIMS AND CREDITOR GROUPS

The claims of creditors as per the SOA and the proof of claims filed and admitted for voting purposes only, if appropriate, as of 5:00 p.m. (EDT) on March 25, 2024, are summarized below:

Creditor Group	SOA	Claims as Filed
Secured	\$51,499.00	Nil
Contingent	\$1	Nil
Preferred	Nil	\$13,394.28
Unsecured	\$40,474.00	\$ 14,800.00
Total	\$91,974.00	\$ 28,194.28

Please note that the Trustee has not determined the admissibility or value of the above-noted claims for dividend purposes.

Unsecured Creditors – The unsecured creditors include, among other things, \$14,800 owing to the shareholder, \$2,339 owing on account of the final HST period, and various trade creditors.

Contingent claims - The contingent claim is a claim made by a former employee who alleges that she was wrongfully dismissed, discriminated against under the Ontario Human Rights Code, and entitled to punitive damages and aggravated damages, as well as special damages resulting from and related to her termination of employment.

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

Legal Proceedings

As noted above, the Company was sued by a former employee for, among other things, wrongful dismissal.

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As of the date of this Report, the Trustee has not commenced, continued or taken steps to defend any legal proceedings. Any actions to be taken in the future will be subject to creditor, inspector and/or court approval.

Transfers at Under-Value and Preference Payments

The Trustee has completed its review of potential transfers at undervalue or preference payments. The scope of the review was limited to a review of certain disbursements made in the twelve (12) months preceding the Date of Bankruptcy through the bank account or the corporate credit cards and inquiries with management.

On January 18, 2024, the Company repaid its Canada Emergency Business Loan ("**CEBA**") The CEBA program offered interest-free loans of up to \$60,000 to small businesses. For eligible CEBA loan holders in good standing, repaying the balance of the loan on or before January 18, 2024 resulted in loan forgiveness of up to \$20,000. CBCL repaid the loan on January 18th to obtain the loan forgiveness. Besides this payment, the Trustee has not identified any other transactions worthy of further consideration.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

As discussed earlier in the report, the assets in the estate are subject to a potential Deemed Trust Claim, and the claims of the Company's secured creditors. It appears unlikely that there will be funds available for distribution to creditors.

SECTION H – OTHER MATTERS

3rd Party Deposit Agreement and Guarantees

Prior to the filing of the bankruptcy, MNP received a retainer of \$16,950 from Dan Herbert and entered into a 3rd Party Deposit Agreement with them to cover its professional fees and disbursements associated with the administration of the bankruptcy.

Dated in Toronto, Ontario, this 26th day of March 2024.

MNP LTD.

Trustee of the Estate of
Credit Bureau Collections Ltd., a Bankrupt
and not in its personal or corporate capacity

Per:



Sheldon Title
Senior Vice President