

District of: Ontario  
Division No. 06 - Windsor  
Court No. 35-2735687  
Estate No. 35-2735687

## TRUSTEE'S PRELIMINARY REPORT

### IN THE MATTER OF THE BANKRUPTCY OF RAND SOLUTIONS INC. *oa* IMAGINATIVE IMAGING (hereafter referred to as "Rand" or the "Company")

Trustee: MNP Ltd.

#### SECTION A - Background

Rand was incorporated on October 22, 2009. The Company operated from leased premises at 2571 Jefferson Boulevard, Windsor, Ontario (the "Premises"). Mr. Gregory Mark Plante ("Plante") is the Company's sole registered director.

Since 2017 the Company has seen a significant drop in sales. Declining sales together with working capital constraints have resulted in several unprofitable years. In 2020 the global pandemic impacted many of the Company's key customers and several print contracts were lost. As a result, in FY20 the Company sustained a \$213 thousand operating loss.

In addition to financial struggles, management attributes a lack of employee morale and staff retention issues to the Company's poor operating results. Plante states a legal proceeding initiated against the Company by the deceased estate of Mr. Randall Humbolt ("Humbolt"), the Company's former chief financial officer, was a contributing factor causing key management, creative, production and sales staff to quit and made it difficult for the Company to attract new talent. Details of the proceeding are discussed later in this report.

Lacking sufficient working capital to maintain normal operations or to restructure its business, in December 2020 the Company decided to stop operating. In the months that followed, the Company liquidated machinery and equipment and vacated the Premises. On May 7, 2021 the Company made an assignment in bankruptcy and MNP Ltd. was appointed trustee (the "Trustee").

#### CLASS I - Stocks of merchandise

The company did not own any inventory at the time of bankruptcy.

#### CLASS II - Plant, machinery, equipment and office

The Company sold the majority of owned machinery and equipment to an arms-length buyer netting sale proceeds of \$34,707 ("Equipment Proceeds"). The remaining pieces of equipment (comprised of two Xerox printers) are scheduled to be sold at public auction on May 27, 2020.

Plante states leased Xerox equipment was returned to Xerox. The balance of leased equipment, comprised of six units leased from CWB National Lease including three printers, a laminator and trimmer

were assigned to an arms-length party. Plante states the Company had no equity in leased equipment. The Trustee is in the process of confirming Plante's representations.

### **CLASS III - Buildings and real estate**

The Company did not own any land or buildings.

### **CLASS IV - Books and records**

The Trustee is in possession of certain of the Company's books and records. The majority of books and records remain in Plante's possession. Plante has undertaken to provide the Trustee with unfettered access to the Company's records upon written request.

### **CLASS V - Other assets**

At the time of bankruptcy, the Company had cash on hand of \$64,748 ("Cash"). Cash represents total net deposits in the Company's bank account at May 6, 2021 from Equipment Proceeds and the collection of residual Government wage subsidies and account receivables.

### **Property of Bankruptcy not divisible amongst creditors by virtue of Section 67(b), of the Bankruptcy and Insolvency Act**

The Canada Revenue Agency ("CRA") has a super-priority deemed trust claim for unremitted source deductions, estimated to be \$43,244 based on the Company's records. CRA's trust claim forms a first priority charge against the Company's property (mainly Cash). Accordingly, this portion of Cash does not constitute property divisible amongst the Company's creditors.

The Trustee has requested a payroll audit to ascertain CRA's trust claim, if any, against the Company's property.

### **Property placed under the guardianship of the Company**

None.

## **SECTION B**

### **1. Conservatory and protective measures**

No conservatory measures were necessary. As discussed above, the majority of equipment was sold prior to the Company's bankruptcy.

### **2. Carrying on business**

The Company ceased all operations December 2020.

## **SECTION C - Legal proceedings**

In October 2017, the legal guardian for the sole beneficiary of the Humbolt estate sought Court relief against the Company and Plante (collectively the "Defendants") for, among other things:

- i) An Order directing Defendants to call a director's meeting to elect directors and to re-issue and transfer shares to the Humbolt estate (such shares purportedly purchased by the Company for cancellation following Humbolt's untimely death) (the "Shares");
- ii) An Order directing a third-party valuation of the Shares;

- iii) An Order directing Defendants to deliver certain financial information;
  - iv) An Order for payment of general damages, punitive and exemplary damages in aggregate sum of \$350 thousand (the “Humbolt Claim”); and;
  - v) An order removing Plante as officer and director of the Company.
- (the “Humbolt Proceeding”)

The Humbolt Proceeding is stayed against the Company by operation of section 69.3 of the Bankruptcy and Insolvency Act (the “Act”).

The Trustee opines that the general body of creditors are unaffected by the Humbolt Proceeding until CRA’s trust claim is settled. If it becomes obvious that a distribution will be made to unsecured creditors and/or the Humbolt estate proves its claim in accordance with the Act, the Trustee will review the Humbolt Claim and may i) admit the full value of the claim as provable for the purpose of the dividend calculation, or ii) disallow the claim in whole or part.

**SECTION D - Provable claims**

	As per Statement of Affairs	Claims Received to Date
Unsecured	\$728,169	\$45,560
Preferred	nil	nil
Secured	nil	nil
Deemed trust	nil	nil
<b>Total</b>	<b>\$728,169</b>	<b>\$45,560</b>

**SECTION E - Secured creditors**

As discussed earlier in this report, CRA holds a deemed trust property claim for unpaid source deductions. CRA’s claim forms a secured charge against the Company’s property, not limited to Cash.

**SECTION F - Anticipated realizations and projected distribution**

It is too early in the process to determine if a dividend will be available for unsecured creditors.

**SECTION G - Reviewable transactions and preferential payment**

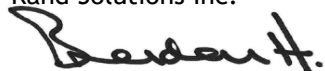
The Trustee reviewed the Company’s bank records for the period January 2020 to March 2021 and did not identify any reviewable transactions or preferential payments to creditors.

**SECTION H - Other matters**

None.

Dated at London, Ontario this 26<sup>th</sup> day of May 2021.

MNP Ltd.  
 Licensed Insolvency Trustee of  
 Rand Solutions Inc.

  
 Per: Brendan T. Hinton, CIRP, LIT  
 Vice-President

Windsor  
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IN THE MATTER OF THE BANKRUPTCY OF  
RAND SOLUTIONS INC.

Carrying on business in the town of Windsor,  
in the Province of Ontario

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1002 - 148 Fullarton Street  
London, ON N6A 5P3