

District of Ontario
Division No. 10 - Peterborough
Court No. 31-2858238
Estate No. 31-2858238

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
TACCOM RAPID DEPLOYMENT PROTECTION GROUP INC.
OF THE VILLAGE OF BEAVERTON, IN THE TOWNSHIP OF BROCK, IN THE
REGIONAL MUNICIPALITY OF DURHAM IN THE PROVINCE OF ONTARIO**

REPORT OF TRUSTEE TO THE CREDITORS
(Section 50(5) of the Bankruptcy and Insolvency Act)

Enclosed are the following documents:

- ♦ Notice of Proposal to Creditors;
- ♦ Proposal under Part III, Division I, of the *Bankruptcy and Insolvency Act* (the “**BIA**”), dated August 22, 2022 (the “**Proposal**”) lodged with MNP Ltd. (the “**Proposal Trustee**”) by Taccom Rapid Deployment Protection Group Inc. (“**Taccom**” or the “**Company**”) and filed with the Official Receiver on August 22, 2022;
- ♦ a statement of affairs, detailing the Company’s assets and liabilities as August 22, 2022 (“**SOA**”);
- ♦ a proof of claim form;
- ♦ a voting letter if you wish to vote in advance of the meeting; and
- ♦ a general proxy.

The following is an outline of the background and financial position of the Company, including relevant information that should be of assistance to the creditors in considering their position with respect to the Proposal.

In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company’s books and records, discussions with management and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report, the Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook.

Capitalized terms used in this Report are the same as those referenced in the Proposal.

SECTION A - Background

Taccom is an Ontario corporation that began operations on or about June 2020 and primarily provided security guard and patrol services. The Company managed its operations from its leased premises in Beaverton, Ontario.

The principal and owner of the Company was Richard Kevin Benoit ("**Richard**"). Richard and his spouse, Linda Langerak ("**Linda**") are shown to be the directors of Taccom. Although Linda was employed by and provided close protection services for the Company, she was not actively involved in the management of the business; Richard performed this role, as well as was the face of the business.

On March 13, 2022, Richard unexpected and tragically passed away. Following Richard's death, Linda was thrust into the position of managing the operations as she was now the sole surviving director of the Company. Upon assuming this management role, Linda discovered that Taccom was in arrears to Canada Revenue Agency ("**CRA**") for employee source deductions prior to 2022 year, as well as Harmonized Sales Tax ("**HST**").

In April 2022, Linda commenced an evaluation of the viability of the business, wherein it was confirmed that the Company was financially insolvent, and its future financial prospects were negative. The significant indebtedness to CRA, combined with the fact that Richard now no longer there to generate income for the business lead to the unfortunate decision to cease business operations effective May 14, 2022 (the "**Closure**").

Following the Closure and up to date of this Filing, the Company was active in collecting all of its realizable accounts receivables, realizing on its other assets (principally used vehicles) and reducing/cancelling costs, including vacating its leased premises, with the view of maximizing the funds available for the Company's creditors.

Notwithstanding these effort, the total net funds of the Company are not sufficient enough to fully address CRA's deemed trust claim for unremitted source deductions.

On or about August 3, 2022, Taccom and Linda were served with Statements of Claim by Anna Hicks and Amy Hicks claiming among other things wrongful dismissal following the Closure (the "**Actions**").

On August 22, 2022, Taccom filed a Proposal pursuant to the BIA.

The Company commenced these restructuring proceeds as a means to:

- (i) allow for the orderly distribution of the net assets of the Company;
- (ii) maximize the distribution/recovery for all of Taccom's unsecured trade creditors;
- (iii) allow the Company's former employees to participate in the Wage Earner Protection Program ("**WEPP**") and to be compensated for amounts that may be owed for termination pay;

- (iv) stay the Actions and allow the claims process of restructuring proceedings to address such claims made in a timely and cost-efficient manner; and
- (v) allow Linda to address her financial exposures as a director of the Company.

SECTION B - Summary of the Proposal

This section contains a summary of the Proposal, the terms of which would only be effective if the Proposal is being accepted by the creditors and approved by the Court, in accordance with the provisions of the BIA (collectively the “**Implementation Date**”).

As set out in the Proposal, the Proposal provides for the following:

- (i) Funding of the Proposal – Conditional on the acceptance of the Proposal by the Unsecured Creditors of the Company and the Court approving the Proposal and the expiry of all appeal periods, the Proposal Fund shall total no less than \$294,300 and be funded as follows:
 - a. the Company shall pay the sum of no less than \$69,300 to the Proposal Trustee for distribution in accordance with this Proposal;
 - b. the retainer of \$40,000 provided by the Company to the Proposal Trustee shall added to the pool of funds available for distribution in accordance with this Proposal; and
 - c. Linda, as the Proposal Sponsor, shall pay \$185,000 to the Proposal Trustee for distribution in accordance with this Proposal.
- (ii) **Administrative Fees and Expenses** – The fees and expenses of the Proposal Trustee and those of legal counsel for the Company incidental to the preparation, presentation, consideration and implementation of the Proposal, shall be paid in full out of the Proposal Fund and other retainers provided to the Proposal Trustee by the Company prior to distribution to the Unsecured Creditors, to a maximum of seventy-seven thousand dollars (\$77,000) plus disbursements and applicable taxes;
- (iii) **Secured Creditors** - To be paid in accordance with existing arrangements with the Company, or as may be arranged with them, and are not affected by this Proposal;
- (iv) **Crown Creditors** - Unless Her Majesty in Right of Canada or a Province agrees otherwise, the Proven Claims, if any, of Crown Creditors shall be paid within six (6) months after Court approval of the Proposal out of the Proposal Fund. Based on the SOA, the Company’s obligation to Canada Revenue Agency in respect of unpaid source deductions amounts to \$191,650.80;
- (v) **Employee Creditors** - The Proven Claims, if any, of the Employee Creditors who are owed a preferred claim for qualifying wages under subsection 136(1)(d) of the BIA (this does not include termination or severance pay owing), shall be paid immediately after Court approval of the Proposal out of the Proposal Fund. There are two former salaried employees who pursuant to their employment agreement

were paid up to May 14, 2022 but were entitled to be paid until May 31, 2022. The total net amount payable to these two employees is \$5,328.22.

- (vi) **Preferred Creditors** – The Company shall pay to each Preferred Creditor its Proven Claim in the priority established by the BIA. Based on the SOA, the Company does not have any preferred creditors;
- (vii) **Ordinary Creditors** – The Proven Claims of Ordinary Creditors shall be paid by the Proposal Trustee from the remaining balance of the Proposal Fund after payment of the Administrative Fees and Expenses, and the Claims, if any, set out in paragraphs (iii) to (vi) of this Section, their pro rata share of the Proposal Fund;
- (viii) **Related Party Creditors** – Any related party creditors shall not be entitled to vote on the Proposal or receive any distribution under the Proposal;
- (ix) **Levy** – Payments to each Unsecured Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy (the “OSB”) as required by the BIA and the Proposal Trustee shall remit the amount of such levy to the OSB with the distributions to Unsecured Creditors;
- (x) **Preferences and Transactions at Under Value** - Sections 95-101 of the BIA will not apply in respect of this Proposal;
- (xi) **Claims Against Directors** - Any Claims against the Company by any Creditor that are also Claims against the directors and/or officers of the Company that relate to obligations of Company where the directors are under any law liable in their capacity as directors for the payment of such obligations and that claims arose before the commencement of the proposal proceedings shall be, upon Court approval of the Proposal and to the extent permitted by the BIA, released and forever discharged as against the directors of the Company;

The above description of the Proposal is a summary only, and readers are cautioned that if there is inconsistency between this Report and the Proposal, the terms of the Proposal shall govern.

SECTION C - Financial Position and Causes of Difficulties

The below tables summarize the Company’s historical financial results since its incorporation on June 1, 2020.

	Year ended	
	May 31 2021	May 31 2022
Sales	\$532,340	\$1,338,400
Payroll expenses	(426,265)	(1,309,928)
Other expenses	(150,440)	(243,535)
Net Income	\$(44,365)	\$(215,064)

	As at	
	May 31 2021	May 31 2022
Total Assets	\$246,953	\$171,614
Liabilities	\$291,218	\$430,943
Shareholder's Equity	(44,265)	(259,329)
Total Liabilities and Shareholder's Equity	\$246,953	\$171,614

The Company began near the beginning of the Covid-19 pandemic and has not generated positive net income during the short time that the Company has been in existence. The sudden and unexpected death of the Company's owner, Richard, in March 2022 has now led to an uncertain future for its business prospects and its financial viability. An evaluation of the business conducted in April and May 2022 projected negative cash flows and a further erosion of the Company's assets if operations continued past the Closure. The aforementioned operational issues are further compounded by the significant arrears owing to CRA for source deductions and HST, which in aggregate total approximately \$384,000, before accrued interest.

SECTION D - Interim Receiver

Not Applicable.

SECTION E - Identification and Evaluation of Assets

According to the sworn SOA, the Company's only asset is Cash at Bank in the amount \$118,513.65. It should be noted that since August 22, 2022 (the date of the SOA) the Cash in Bank has been reduced by \$40,000 to reflect the payment of a retainer to the Proposal Trustee as contemplated by the Proposal. It is further contemplated that there will be additional disbursements to cover certain outstanding wage amounts and associated government remittance, as well as to pay other professional fees associated with preparing and finalizing all outstanding tax returns. It is contemplated that there will be approximately \$109,400, inclusive of the \$40,000 retainer to be available under the Proposal Fund, should the Proposal be accepted by the Unsecured Creditors and approved by the Court.

SECTION F - Conduct of the Company

The conduct of the Company does not appear to be subject to censure.

SECTION G - Creditors' Claims

As per the sworn SOA, the Company's creditors consist of:

Creditor Classifications	Indebtedness Per SOA
Secured ¹	\$118,514
Preferred ²	0
Unsecured ³	546,035
Contingent ⁴	3
Total	\$664,552

Notes:

- [1] The above figure reflects the only value of the security/net assets subject to the secured claims. The secured creditors claims are shown on the SOA – List “B” to amount to \$196,979.02, representing a claim by CRA for source deduction arrears of \$191,650.80 and \$5,328.22 related to outstanding wages. It should be noted that this claim of CRA for source deduction arrears is principally a deemed trust claim (the portion relating to interest/penalties and the employer's portion of Canada Pension Plan and Employment Insurance remittances are unsecured claims), which ranks in priority to all creditors in the event of a bankruptcy. Additionally, \$4,000 of the wage claims would in a bankruptcy be super priority secured claim pursuant to Section 81.3 of the BIA, with the balance being a preferred a claim under Subsection 136(1) of the BIA.
- [2] There are no preferred creditors pursuant to Subsection 136(1) of the BIA reflected on the SOA. As noted above, the outstanding wage amounts have been reflected as secured but then are subordinated to unsecured claims, given the limited net asset/value of the security.
- [3] A majority of the unsecured creditor claim are associated with the balance of CRA's claim for source deductions arrears, as well as its claim for HST and corporate tax. The balance of the unsecured claims relate to potential termination pay claims by employees, including the potential subrogated claim of Employment and Social Development Canada (“**Service Canada**”) in connection with the Wage Earner Protection Program (WEPP). It should be noted that the employees' termination pays claims have been reflected at \$1 to address privacy concerns and since exact quantification of the claims for WEPP have yet be determined. Similarly, the claim figure for Service Canada on the SOA is an estimate only and based on a number of assumptions.
- [4] The contingent creditors relate to unliquidated damages and other claims associated with wrongful dismissal action commenced by Anna Hicks and Amy Hicks, as well as in relation to loans made by Anna Hicks and Ron Lampman allegedly to the Company. Although the loan agreements show the borrower to be “Tacom Consultants”, another business venture of Richard's, payment of the loans was made by the Company and the loans do appear on internal financial statements of the Company.

SECTION H - Previous Business Dealings with the Company

MNP was initially engaged by the Company on April 17, 2022, as a consultant to assist the Company in reviewing its restructuring options.

SECTION I - Informal Meeting with Major Creditors

None.

SECTION J - Remuneration of Proposal Trustee

The Proposal contemplates the Proposal Trustee's fees and expenses related to the administration of the Proposal, including those its, if applicable, and the Company's legal counsel (the "**Administrative Fees and Expenses**") will be paid out of the Proposal Fund and other retainers provided.

The Proposal contemplates that the Administrative Fees and Expenses will be capped at \$77,000 plus disbursements and applicable taxes.

SECTION K - Other

The Company was recently served with a notice for wrongful dismissal claims from two former employees. They have been subject to a stay of proceedings on account of filing of this Proposal.

SECTION L - Statement of Estimated Realizations

Set-out below is a comparison the Proposal Trustee's estimate of the distribution to the Unsecured Creditors if the Proposal is accepted by the Creditors and approved by the Court versus if the Proposal is rejected by the Creditors and the Company is deemed to have made an assignment in bankruptcy.

	<u>Claims¹</u>	<u>Proposal</u>	<u>Recovery %</u>	<u>Bankruptcy</u>	<u>Recovery %</u>
FUND AVAILABLE FOR DISTRIBUTION					
Cash to contributed by the Company/ Net assets of the Company ^{2,3}		\$ 69,389.19		\$ 69,389.19	
Add: Retainer for MNP ⁴		40,000.00		-	
Contribution by Ms. Langerak ⁵		185,000.00		-	
Gross Funds Available Distribution		294,389.19		69,389.19	
LESS: Professional Fees and Expenses ⁶		(87,010.00)		(33,900.00)	
NET FUND AVAILABLE FOR DISTRIBUTION		\$ 207,379.19		\$ 35,489.19	
CREDITOR CLAIMS AND ESTIMATED DISTRIBUTIONS IN ORDER OF PRIORITY					
CRA - Source deductions claim (deemed trust) ⁷	\$ 191,650.80	\$ 191,650.80	100.00%	\$ 35,489.19	18.52%
Secured Creditors - Wage claims ^{2,8}	-	-		-	
Preferred Creditors ⁹	-	-		-	
Unsecured Creditors ¹⁰	467,513.26	15,728.39	3.36%	-	0.00%
Total to be Distributed to Creditors	659,164.06	\$ 207,379.19		\$ 35,489.19	

Notes:

- 1 Based on amounts as per the sworn SOA.

- 2 Assumes the payment of the outstanding wages in advance of the Proposal's acceptance and approval, which would otherwise need to be paid immediately after Court approval of the Proposal.
- 3 Represents the cash balance and only asset of the Company after the payment of the retainer to the Proposal Trustee and outstanding wages.
- 4 Represents the retainer paid as contemplated in the Proposal and is included in the Proposal Fund if the Proposal is accepted and approved. In the event of a bankruptcy, such retainer would be used to the professional fees and disbursements of the
- 5 Contribution by Ms. Langerak is contingent on the acceptance and approval of the Proposal.
- 6 Represents the estimated professional fees and disbursements and applicable HST. In the event of the bankruptcy, it is assumed that the retainer will be applied against the accounts of the Proposal Trustee.
- 7 Based on indebtedness figure as per SOA. Under the Proposal, the Crown claim is to be paid from the Proposal Funds. In the event of the bankruptcy, CRA claim for unremitted employee source deductions would represent a super priority deemed trust claim that would rank ahead of all creditors of the Company.
- 8 No amounts are estimated to be owing to Secured Creditors. In the event of the bankruptcy, there will be no funds available for distribution to the any creditors, except to CRA for its deemed trust claim.
- 9 No amounts are estimated to be owing to Preferred Creditors.
- 10 Based on indebtedness figure as per SOA. In the event of the bankruptcy, there will be no funds available for distribution to the any creditors, except to CRA for its deemed trust claim.

Preferences and Transactions at Under Value

The Proposal provides that sections 95-101 are not applicable. Accordingly, and to assess the appropriateness of the inclusion of this clause, the Proposal Trustee is carrying out a review of the Company's bank statements and cancelled cheques for the period beginning August 1, 2021, and ending on August 22, 2022, in order to enable it to be able to report to the creditors on any potential preferences or transfers at undervalue identified. As the review is still in process, the Proposal Trustee shall report to creditors on its findings at the meeting of creditors to consider the Proposal.

SECTION M - Recommendations

Based on the above and subject to no material potential preferences or transfers at undervalue being identified, the Proposal Trustee recommends the acceptance of the Proposal as the Proposal contemplates a distribution to the Unsecured Creditors which would not occur if the Company is bankrupt.

SECTION N - Technical Requirements for a Successful Proposal

This Proposal will become effective only if it is accepted by a resolution of the Unsecured Creditors and approved by the Court. To obtain Creditor approval, a simple majority in the number of Unsecured Creditors voting, with this majority representing at least 2/3 of the dollar value of the Unsecured Creditors voting, must vote in favour of the Proposal. If the Unsecured Creditors do not accept the Proposal, then the Company will be deemed to have made an assignment in bankruptcy and a meeting of creditors in the matter of the bankruptcy will immediately take place.

If the Unsecured Creditors vote to accept the Proposal, Court approval of the Proposal must then be sought. If the Court does not approve the Proposal, the Company would be deemed to have made an assignment in bankruptcy and the Trustee of the bankruptcy estate will then call a meeting of creditors in the matter of the bankruptcy.

When completing the Proof of Claim form submitted herewith, Creditors should include all outstanding amounts as of August 22, 2022, the date of the filing of the Proposal. It is expressly noted and should be clearly understood that MNP Ltd., in its capacity as Proposal Trustee, assumes no personal liability for any claims that Creditors may have against the Company, filed, proven, deemed or otherwise, either before or after the filing of the Proposal.

Creditors may attend, in person or by proxy, the meeting to consider the Proposal, which will be held on **Monday, September 12, 2022 at 10:00 a.m. (Toronto, Ontario Time) by video/telephone conference (via Microsoft Teams Meetings)**. To attend/join the meeting you may connect by the following:

Teams: Video Conferencing

https://teams.microsoft.com/l/meetup-join/19%3ameeting_YjRkYmNkNjAtMjJiZC00NjY4LWE2MWYtZDZJMDIjYWYyYT Fj%40thread.v2/0?context=%7b%22Tid%22%3a%22cb3b0d1e-24fb-4847-ba48-2f5e7c2b9b23%22%2c%22Oid%22%3a%22878e28f7-bff8-4bb0-bf76-db348e998b00%22%7d

Telephone (audio only)

1 877 252 9279, Passcode: 549230779#

In order to participate and vote at the meeting, Creditors must file their claims in prior to the start of the meeting (10:00 am (Toronto Time) on September 12, 2022). Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee either by email to Fatemah.Khalfan@mnp.ca or by fax to (416) 596-7894.

Should you have any questions or comments on the Proposal or this report, please do not hesitate to contact the undersigned.

Dated at Toronto, Ontario, the 29th day of August 2022.

MNP LTD.

Trustee acting *in re* the Proposal of
Tacom Rapid Deployment Protection Group Inc. and not in its
personal or corporate capacities

Per:



Matthew Lem
Licensed Insolvency Trustee

Encl.