

Division of: Ontario
Division No.: 06 - Windsor
Estate Number: 35-2866661
Court Number: 35-2866661

**IN THE MATTER OF THE BANKRUPTCY OF
JJK PRINT INC.
OF THE TOWN OF LEAMINGTON
IN THE PROVINCE OF ONTARIO**

**REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION
OF THE ESTATE OF JJK PRINT INC.**

1. JJK Print Inc. ("**JJK**" or the "**Company**") is a privately owned company that operated as a flexible package label printer. It operated a production facility in Leamington, Ontario, ("**Premises**").
2. By September 20, 2022, the date of the bankruptcy ("**Date of Bankruptcy**"), the Company had ceased operations and assigned itself into bankruptcy and Dodick Landau Inc. was appointed as Trustee in Bankruptcy of the estate of the Company (the "**Trustee**").

Company Background

3. JJK was founded in 2017. Its major offering was printed Topseal, a thin clear film that can be printed by the flexo process for sealing onto clear plastic bowls, or fibre/card containers commonly seen in supermarkets and other outlets that offer fresh produce. Other product offerings from the Company included high-quality printed labels, food safe PLU labels, and blank labels for use on boxes and print ribbon.
4. The Company's struggles commenced during the Covid-19 pandemic as many of its customers were negatively affected by the various challenges brought about by the pandemic, including retail closures and labour constraints which led farmers to struggle to harvest their crops. These struggles experienced by the Company's customers in turn reduced sales and lengthened the time for it to collect from its customers, which together strained the Company's working capital and left it unable to service its already high debt load.
5. On April 9, 2021, one of the Company's secured creditors, Farm Credit Canada ("**FCC**"), as a result of non-payment of its debt, obtained a judgment against the Company and on November 19, 2021, obtained an Order of the Ontario Superior Court of Justice directing the Sheriff of Windsor to take possession of the Company's main asset, its flexo film press, as well as certain ancillary equipment, (collectively the "**Press**"). After taking possession, FCC then retained an auctioneer who marketed the Press for sale ("**Auctioneer**").
6. Concurrent with FCC's efforts to sell the Press, the Company commenced a sale process of its own using a mergers and acquisitions advisor which specializes in the printing industry.

While there were a number of parties that expressed interest, an agreement could not be reached with these parties.

7. The Auctioneer ultimately closed a sale transaction for the Press with a third-party purchaser (“**Purchaser**”) at a purchase price of approximately \$586,000 USD just prior to the Date of Bankruptcy (“**Sale Transaction**”). According to FCC’s proof of claim, it received net proceeds of approximately \$554,000 USD. Following the closing of the Sale Transaction, the Purchaser removed the Press from the Premises. The Sale Transaction did not realize sufficient proceeds to repay FCC in full. FCC has issued a proof of claim in the bankruptcy claiming on an unsecured basis a shortfall from realizing on the Press of approximately \$425,000 CDN.
8. At the Date of its Bankruptcy and following the closing of the Sale Transaction, the Company only had a few sundry pieces of equipment remaining (“**Remaining Assets**”) and insufficient funds to settle its remaining debts in full. Consequently, the Company assigned itself into bankruptcy.

Insolvency Proceeding

9. Following its appointment, the Trustee distributed a Notice of Bankruptcy, a copy of the Statement of Affairs and a Proof of Claim form with instructions to all known creditors and shareholders, as well as placed a Notice of Bankruptcy ad in the Windsor Star.

Assets

10. According to management’s estimates, the Company’s assets as summarized in the Statement of Affairs, are comprised of minimal inventory, trade fixtures, accounts receivable and certain machinery and equipment, including the Press, and are estimated to have a value of approximately Cdn \$1.0 million. Excluding the now known net realized value for the Press of approximately \$554,000 USD, and based on the appraisal of the Remaining Assets obtained by the Trustee from an independent appraisal service, the value of the Remaining Assets is approximately \$28,000 CDN, before certain selling costs.

Books and Records

11. The Trustee has received the books and records but has not yet had an opportunity to review them.

Conservatory and Protective Measures

12. Following its appointment, the Trustee is working collaboratively with management and the landlord of the facility in Leamington, to sell the Remaining Assets.
13. The Trustee has redirected the Company’s mail to the Trustee’s office as a conservatory measure.

Provable Claims

14. At the date of this report, the Trustee has received nine unsecured Proofs of Claim with a value of \$634,558.24, and three secured Proofs of Claim with a value of \$35,206.10.
15. The Statement of Affairs lists sixty unsecured creditors with potential provable claims totalling \$2,074,295 and nine secured creditors, including FCC, with potential provable claims totaling \$1,874,815.

Anticipated Realizations and Projected Distribution

16. The Company is indebted to the Canada Revenue Agency (“CRA”) for a total of approximately \$278,000 on account of unremitted source deductions. The Trustee has applied for an administrative agreement with CRA to sell the Remaining Assets that are subject to CRA’s secured position. The Trustee expects that a shortfall will remain for CRA after the liquidation of the Remaining Assets and that there will be no proceeds remaining for any of the Company’s other secured or unsecured creditors.

Transfers at Undervalue and Preferential Payments

17. To date, the Trustee has not commenced a review of the Company’s records in the Trustee’s possession to determine if there are any potential transfers at undervalue or preferential transactions.

Third-Party Deposit

18. Prior to the commencement of the Bankruptcy proceeding, the Trustee obtained a retainer deposit totalling \$11,000 as security for a portion of the costs of the Bankruptcy administration.

Dated at Toronto, Ontario, this 6th day of October 2022.

DODICK LANDAU INC.

Acting solely as Trustee in Bankruptcy
of the Estate of JJK Print Inc.
and not in its personal or corporate capacity.

Per:



Rahn Dodick CPA, CA, CIRP, LIT
President