



t: (905) 503-3328
(888) 552-5087

f: (905) 503-2338

78 Wellington Street E.
Aurora, ON L4G 1H8

Joanne Russo, CIRP
Trustee in Bankruptcy
President

c: (416) 723-5232

t: (905) 503-3328 ext. 101

e: russo@russocanhelp.com

FILE #31-1819886

**SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY & INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY
OF AM & PM BEST SERVICES INC.
OF THE CITY OF TORONTO
PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT
TO THE FIRST MEETING OF CREDITORS-
December 30, 2013**

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.

In preparing this report and making the comments herein, The Trustee has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, the bankrupt's books and records, discussion with management of the Bankrupt company, and information from third party sources, being the Bankrupt's Accountant and or Book-keeper, collectively ("the Information"). Except as described in this Report:

- a) The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy of completeness of the Information in a matter that would wholly or partially comply with the generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and accordingly, the Trustee expresses no opinion on or other form of assurance in respect of the Information;*
- b) The Trustee has prepared this Report in its capacity as Trustee in Bankruptcy, and has made a copy available to all known creditors of the Bankrupt Estate. Parties using this Report are cautioned that it may not be appropriate for their purposes.*



t: (905) 503-3328
(888) 552-5087

f: (905) 503-2338

78 Wellington Street E.
Aurora, ON L4G 1H8

Joanne Russo, CIRP
Trustee in Bankruptcy
President

c: (416) 723-5232

t: (905) 503-3328 ext. 101

e: russo@russocanhelp.com

I. BACKGROUND AND CAUSES OF INSOLVENCY

AM & PM Best Services Inc. (hereafter called "the **Bankrupt**") filed an assignment in bankruptcy on December 13, 2013 and Russo Corp., the undersigned was appointed as Trustee of the Estate of the Bankrupt by the Official Receiver. Joanne Russo, CIRP, is the Trustee responsible for the administration of the estate and Evelyn Bowles, Sr. Estate Administrator is assisting with the administration.

The Bankrupt was incorporated in Ontario in October 2006. The main focus of this business was to facilitate and act as an employment agency, sourcing workers for various companies operating in Canada.

The sole shareholder and officer of the company is Mr. Kim Hwa Sang. Mr. Sang immigrated here from Korea.

Mr. Sang advises that the reason for the insolvency of the Bankrupt was his inexperience and lack of understanding of the laws and responsibilities applicable to operation of a business in Canada. A significant amount of revenue was utilized in entertaining and marketing as this was a custom in the Korean lifestyle. The Bankrupt employed various employees who were either on payroll and or casual labor. The Bankrupt had paid many workers in cash when in fact they should have been on payroll and as such had not been remitting the applicable source deductions.

As a result of a payroll audit by The Canada Revenue Agency, the Bankrupt was reassessed for unremitted source deductions and HST.

It is our understanding that CRA deemed the casual labour as employees and assessed the Bankrupt thereto. As a result the Bankrupt was responsible for all employer obligations that were not remitted.

The significant competition in this type of industry and as a result of the Canada Revenue Agency assessment, the Bankrupt was unable to meet its liabilities generally as they fell due.

II. TRUSTEE'S ACTIONS TO DATE

Upon the Assignment in Bankruptcy, in addition to the statutory duties required up to the first meeting, the Trustee has done, but not limited to, the following:

- A majority of the books and records of the Bankrupt are with the bankrupt's accountant. We will be requesting that they be turned over to the Trustee. (Please note, the Trustee has not conducted any investigation of historical transactions, nor will any such investigation be done, unless the Trustee is



t: (905) 503-3328
(888) 552-5087

f: (905) 503-2338

78 Wellington Street E.
Aurora, ON L4G 1H8

Joanne Russo, CIRP
Trustee in Bankruptcy
President

c: (416) 723-5232

t: (905) 503-3328 ext. 101

e: russo@russocanhelp.com

authorized by the creditors/inspectors to do so and the creditors provide funding for such an investigation);

- Notified creditors of the bankruptcy and arranged for notice of the bankruptcy to appear in the National Post on December 17, 2013;

III. SECURED CREDITORS

A P.P.S.A. search conducted by the Trustee indicating the following secured creditors:

1. Ministry of Revenue - with respect to outstanding Employer Health Taxes, which was registered October 31, 2013;
2. Unremitted source deductions will have a priority claim on the assets of the Bankrupt.

V. LEGAL PROCEEDINGS

The Trustee is not aware of any legal proceedings that the company is involved in.

VI. EVALUATION OF ASSETS and ANTICIPATED REALIZATION

There are no assets in the Bankrupt Corporation as operations had seized. The Trustee anticipates no realization in this estate for secured or unsecured creditors.

VII. REVIEWABLE TRANSACTIONS/PREFERENCE PAYMENTS/SETTLEMENTS

As noted above, the books and records of the company are in the possession of the Bankrupt's accountant. The Trustee has not conducted any investigation of any historical transactions, nor will any such investigation be done, unless the Trustee is authorized by the creditors/inspectors to do so and the creditors provide funding for such an investigation. The Trustee will be seeking creditor/inspector instructions in this regard.

We have written to the Accountant and requested the release of the books and records to the Trustee.

VIII. PROOFS OF CLAIM(S)

Please refer to attached claims register received as of the meeting of creditors. The only claims received as of the date of the meeting are for WSIB and Ministry of Finance.

Significant claims have been filed by WSIB and the Ministry of Finance for Employer Health Tax. We will be reviewing the claims in greater detail to determine the accuracy of the amounts as filed.

XII. OTHER MATTERS

The Trustee has not previously had any dealings with the bankrupt, prior to being contacted and consulted with regard to this assignment.

The Trustee has received a third party guarantee for its fees and disbursements. The Trustee has obtained written agreement for the third party guarantee in accordance with the BIA. The Trustee will be seeking creditor approval, (should no inspectors be appointed in the Estate), to withdraw its fees for services rendered from the Third Party funding as these funds do not form part of the assets of the Estate.

The Trustee will also be seeking directions from the creditors/inspectors on the following matters:

- a) Approval of all of the Trustee's actions to date including the actions outlined in this Preliminary Report and affirmation of Trustee's appointment;
- b) Appointment of inspectors;
- c) Investigation into the company's books and records and funding for same:
 - (a) Preference Payments;
 - (b) Reviewable Transactions;
 - (c) Settlements;
- e) Any other matters which may arise at this first meeting;

DATED at Aurora, Ontario this 30th day of December 2013.

RUSSO CORP. Trustee of the Estate of
AM & PM Best Services Inc., a Bankrupt



Per: **Joanne Russo, CIRP**
Trustee in Bankruptcy

Russo Corp.**Claims Register**

In the matter of the bankruptcy of
AM & PM Best Services Inc.
of the City of Toronto, in the Province of Ontario

Insolvency Date: 13-Dec-2013

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>	<i>Admitted for Dividend</i>	
Secured creditors							
1. Ministry of Finance - ON PST, EHT & Other Taxes Attn: Mrs. Asta Alberry 8388895365TE0001	Yes	Admitted			500,213.80		
Total : Secured creditors					500,213.80		
Unsecured creditors							
1. Bank Of Nova Scotia 4538280288353015	No	Not proved		36,000.00			
2. Bell Canada F-88 - Business Attn: Insolvency Department	No	Not proved		2,000.00			
3. CBV Collection Services Ltd. Attn: Emmy Hazelrigg 1911317 RE bns LOC	No	Not proved					
4. CIBC Bankruptcies Attn: CIBC Bankruptcy & Operations Department 10-4714	No	Not proved		600.00			
5. CRA - Canada Revenue Agency - Tax - Ontario Attn: c/o London Taxes Services Office Division Regional Intake Centre for Insol 838895365RP0001	No	Not proved		2,203,760.52			
6. CRA - Canada Revenue Agency - Tax - Ontario Attn: c/o London Taxes Services Office Division Regional Intake Centre for Insol 838895365RT0001	No	Not proved		83,248.25			
7. Groupe Solution Collect 132564/ 508108991	No	Not proved					
8. Ministry of Finance - ON PST, EHT & Other Taxes Attn: Mrs. Asta Alberry 8388895365TE0001	Yes	Admitted		500,213.00			
9. Workplace Safety and Insurance Board Attn: c/o Collection Services 2455583	Yes	Admitted		1,004,095.08	1,016,264.55	1,016,264.55	
Total : Unsecured creditors					3,829,916.85	1,016,264.55	1,016,264.55
Grand Total:				3,829,916.85	1,516,478.35	1,016,264.55	