

Estate No. 31-1774736

**IN THE MATTER OF THE BANKRUPTCY OF
M E AUDIO & VISUAL SERVICES LTD.
OF THE CITY OF BARRIE
IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT TO THE FIRST MEETING OF CREDITORS-
AUGUST 22, 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.*

M E Audio & Visual Services Ltd. (hereafter called "**the Bankrupt**") filed an assignment in bankruptcy on August 2, 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.

I. BACKGROUND

The Bankrupt was incorporated in Ontario in May 2003. It was in the business of retail sales, rental, installation and repairs of audio and visual equipment. It operated out of leased premises located on 59 Bell Farm Road, Barrie, Ontario. The Bankrupt established itself in the Barrie, Ontario location and is well known and respected in their area.

A significant amount of sales were generated through installation of audio equipment in the commercial sector, covering the Barrie, Ontario area. It provided audio services to clientele such as the City of Barrie, Molson's Breweries, CFB Borden, Barrie Courts, Dana Canada and Royal Victoria Hospital.

Audio repairs were the Bankrupt's significant source of income stream. With current changes in technology, sales had dropped significantly as the traditional consumer sector now have their electronics covered under warranty, and or purchase new equipment to stay current with the trends.

The Bankrupt was originally owned and operated by Mr. Michael Senior, the father of Stephen Michael, ("Stephen"). Prior to Michael Senior's passing, it was the family's intention that the Bankrupt would continue to operate and Stephen would take over the family business.

Stephen is the sole officer/shareholder of the Bankrupt.

II. CAUSES OF INSOLVENCY

Upon the passing of Mr. Senior Michael, Stephen began to become actively involved in the Bankrupt's operations.

It was determined early in the exercise that Senior had poorly managed the Bankrupts books and records. Unpaid tax debt was found to be a serious concern, as not all remittances were made to Canada Revenue Agency.

The Bankrupt retained the services of an outsourced accountant to bring the books and records up to date. At which point, negotiations for settlement began with Canada Revenue for the repayment of any outstanding Source and/or HST payments.

Although payments were being kept current with Canada Revenue, the Bankrupt's sales were not increasing. Significant economic changes in the electronics business made it difficult for a small family business to compete with the larger box stores.

In comparison to several years ago, the "repair" aspect of electronics in this sector of the business was not increasing. The Consumer sector are either turning to their warranty packages and or replacing their current electronics for newer and updated technology.

Rental of audio equipment has also been impacted by newer technology. The Bankrupt's significant income stream stemmed from rental of audio equipment to the commercial sector, more specifically the various Court houses. With budget cutbacks in government, the need to have state of the art equipment in the Court room is no longer required.

VIII. PROOFS OF CLAIM(S)

Please refer to attached claims register received as of the meeting of creditors.

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.

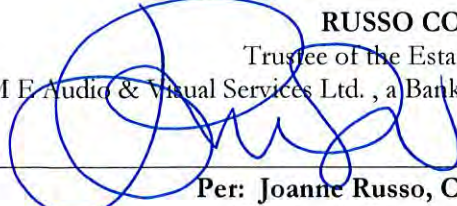
The Trustee has received a third party guarantee for its fees and disbursements in the amount of \$10,000.00. The Trustee has obtained written agreement for the third party guarantee in accordance with the BIA. The Trustee will be seeking creditor/inspector approval for a draw of its fees from the third party guarantee as these funds are not funds generated from the bankrupt 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;
- d) The Disposition of the assets;
- e) Any other matters which may arise at this first meeting;

DATED at Aurora, Ontario this 22nd day of August 2013.

RUSSO CORP.
Trustee of the Estate of
M E Audio & Visual Services Ltd. , a Bankrupt



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