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FILE #31-1903560

**IN THE MATTER OF THE BANKRUPTCY
59 SERVICES INC.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT
TO THE FIRST MEETING OF CREDITORS
September 12, 2014**

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 know creditors of the Bankrupt Estate. Parties using this Report are cautioned that it may not be appropriate for their purposes.*

I. BACKGROUND AND CAUSES OF INSOLVENCY

59 Services Inc. (hereafter called "the **Bankrupt**") filed an assignment in bankruptcy on August 22, 2014 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 2003. The main focus of the Bankrupt was to provide personnel for a project management company. Mr. Phillip Marsland is the sole shareholder and officer of the Bankrupt.



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As a result of a significant slow-down in the market, management services were no longer required. The Bankrupt was faced with a significant payroll staff and not enough contracts to sustain its basic operational expenses.

All employees were terminated prior to the Bankruptcy and any minor existing contracts have been terminated.

The Bankrupt did not have a strong enough balance sheet, which resulted in the Bankrupt not being able 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:

- The Trustee is in possession of the most current books and records of the company, with the remainder in safe keeping with the former director, however the Trustee has not conducted any investigation of 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;
- Notified creditors of the bankruptcy and arranged for notice of the bankruptcy to appear in the National Post on August 29, 2014;
- Made arrangements with CRA to conduct appropriate audits

III. SECURED CREDITORS

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

- a. Unremitted source deductions will have a priority claim on the assets of the Bankrupt – CRA has not yet filed a proof of claim in the estate, pending the completion of the audit, however the Bankrupt declared a debt for unremitted source deductions including employee and employer portions, of at least \$130,000.00.
- b. RBC has registered a GSA lien under the PPSA which would be a secondary claim to the assets of the bankrupt, after the CRA priority source claim,

IV. LEGAL PROCEEDINGS

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



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V. EVALUATION OF ASSETS and ANTICIPATED REALIZATION

The Bankrupt has no assets and ceased operations prior to the Bankruptcy. The Trustee anticipates no realization in this estate or secured or unsecured creditors.

VI. REVIEWABLE TRANSACTIONS/PREFERENCE PAYMENTS/SETTLEMENTS

As noted above, the most current books and records of the company are in possession of the Trustee and the remainders are in safe keeping with the former director. 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.

VII. PROOFS OF CLAIM(S)

Please refer to attached claims register of proofs received as of the meeting of creditors. The only claim received as of the date of the meeting is from CRA for the GST account.

The Trustee is in the process of arranging for a payroll audit.

VIII. 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;



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d) Any other matters which may arise at this first meeting;

DATED at Aurora, Ontario this 12th day of September 2014.

RUSSO CORP. Trustee of the Estate of
59 Services Inc., a Bankrupt

Per: Joanne Russo, CIRP
Trustee in Bankruptcy

