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FILE # 31-1865649

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

**IN THE MATTER OF THE BANKRUPTCY
OF ATSE ENTERPRISES INC.
OF THE TOWN OF AURORA
IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT TO THE FIRST MEETING OF CREDITORS
MAY 21, 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.*

ATSE Enterprises Inc. (hereafter called "the **Bankrupt**") filed an assignment in bankruptcy on May 1, 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.



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I. BACKGROUND

The Bankrupt was incorporated in Ontario in June 2008 by Mr. Alex Dimovski, for the sole purpose of holding a one half interest in an industrial condominium unit located at 125 Don Hillock Drive, Unit 5, Aurora Ontario, the ("Property"). Title to the Property was held as tenants in common with a separate corporate entity owned by Mr. Dimovski's then business partner, Yirri Enterprises Inc. The Bankrupt never operated.

Both corporations which jointly held title to the Property, had also formed a legal partnership, being Stealth Power Group ("Stealth"). Stealth was the operating entity- it was the sole tenant occupying the premises at 125 Hillock Drive. The Bankrupt's only source of income was rental income derived from Stealth.

II. CAUSES OF INSOLVENCY

Mr. Dimovski and his partner began to experience differences in 2013 and a shareholder / partnership dispute arose with regard to the dissolution of Stealth. Their partnership dispute resulted in a complete wind down of any business assets the principals and/or their respective corporations were jointly associated with. Mr. Dimovski ceased his activities with his partner at this point in time and he had made the decision to walk away from the business as a whole.

In order to relieve some of the debt concerns for both corporate partners, both partners agreed to list the Property for sale and divest any net proceeds equally to their joint obligations. Originally the commercial unit was listed for sale for a significant period of time without demonstration of interest from potential purchasers. It was removed from the Market and then re-listed sometime thereafter. A purchaser was secured and the Property was scheduled to close on May 12, 2014. Approximately \$38,000.00 will be generated from the sale, to the credit of the bankrupt. The net proceeds will flow to the Bankrupt. After factoring real estate commissions, legal costs, it was evident that the Bankrupt would not have sufficient funds to pay its liabilities in full. A significant creditor in this estate is RBC who are owed approximately \$224,679.73. This was a significant consideration in the filing of the assignment in bankruptcy.

A further contributing factor to the bankruptcy was the very fact that the corporate partner was attempting to make claims against ATSE's share of the net proceeds generated from the sale. This could have resulted in further legal costs. It was determined that the Bankrupt's best course of action was to file an assignment in bankruptcy, in order to ensure that the CRA and the Bank receive a fair and equal distribution of any available assets. The principal of the Bankrupt Corporation willing turned over all its assets to the Trustee to facilitate such a transaction.

III. 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:

- Notified creditors of the bankruptcy and arranged for notice of the bankruptcy to appear in the National Post on May 9, 2014.



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- Retained counsel to register the Trustee's interest on title in advance of the pending closing of sale;
- Acted in its capacity to transfer title upon closing and receive one half the net proceeds from the sale;
- Discussions with Legal Counsel regarding closing; arranged same;
- Discussions with RBC regarding their security position;
- Reviewed Several security documents;
- Discussions with Counsel for Yirri Enterprises Inc.;
- Preparation of the meeting of creditors;
- Discussions with Accountant regarding outstanding tax returns and filings to date;
- Arranged for the Corporate Minute Book and books and records to be delivered;
- Closed any bank accounts; and
- Arranged for any necessary HST audits

IV. SECURED CREDITORS

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

1. Royal Bank – GSA

V. LEGAL PROCEEDINGS

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

VI. EVALUATION OF ASSETS and ANTICIPATED REALIZATION

The one half of the net proceeds of the sale of the industrial condominium is the only asset that is available to the creditors. It is anticipated that approximately \$38,000.00 will flow to the Bankrupt estate. The debts are as stated in



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the Statement of Affairs. Trustee fees and legal fees will be a first charge over the assets. To date no proofs of claim have been filed.

VII. REVIEWABLE TRANSACTIONS/PREFERENCE PAYMENTS/SETTLEMENTS

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.

VIII. PROOFS OF CLAIM(S)

We are encouraging all creditors to file their claims. To date no claims have been filed. Please see attached Claims Register.

XII. OTHER MATTERS

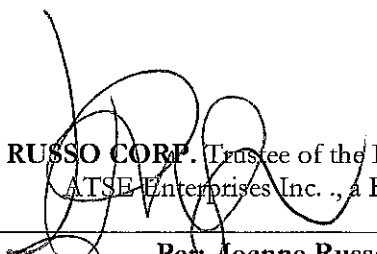
The Trustee has not previously had any dealings with the Bankrupt, prior to being contacted and consulted with regard to this Assignment. The Trustee has a first charge for its fees and legal fees over the assets of the Bankrupt.

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 21th day of May 2014.

RUSSO CORP. Trustee of the Estate of
ATSE Enterprises Inc., a Bankrupt


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