

District of: Ontario
Division No. 08-Waterloo
Court No. 35-2301492
Estate No. 35-2301492

TRUSTEE'S PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF
ATKINS FAMILY LANDSCAPE MAINTENANCE INC.

Trustee: MNP Ltd.

SECTION A

Atkins Family Landscape Maintenance Inc. ("Atkins" or the "Company") was incorporated on March 27, 2013 in the province of Ontario. Atkins operated two franchise territories of The Gardner in Guelph and Cambridge, Ontario. Atkins offered landscaping and snow removal services.

David Atkins and Jacqueline Atkins are the sole directors of the Company.

The Company experienced a decline in sales and cashflow beginning in 2016 due to the following factors:

- Atkins purchased the Guelph franchise location and sales dropped by 47% from pre-sale levels. Management attributes this decline to customer loyalty to the former owner.
- Salt sales declined by \$55,000 and snow plough sales declined by \$30,000 in 2016 due to the mild winter.
- A marital breakdown caused Company management to lose focus on managing the business.

Due to the cash constraints that resulted from declining sales the Company fell behind on creditor payments and remittances of HST and source deductions to Canada Revenue Agency ("CRA").

Pursuant to the franchise agreement, Atkins notified the franchisor of the financial difficulty and they worked with the Company to find buyers of the franchise territory rights and complete sales of both. The Cambridge territory was sold in August 2017. The Guelph territory was sold in September 2017. All remaining equipment was liquidated by auction.

On October 6, 2017 Atkins filed an assignment in bankruptcy and MNP Ltd. was appointed Trustee (the "Trustee").

CLASS I - Stocks of Merchandise

There was no stock of inventory at the date of bankruptcy.

CLASS II - Plant, Machinery and Equipment and Office Equipment

All residual equipment owned by Atkins that was excluded from the franchise territory sales was sent to MR Jutzi Auctioneers for sale by auction prior to the bankruptcy. Except for two trailers all machinery and equipment was liquidated. The two trailers have not yet been sold as the ownerships are not in the Company's name. The Trustee is working to resolve this.

There were four leased vehicles that were returned to the lessor, Newroads National Leasing prior to the bankruptcy. The lessor has filed a claim for losses incurred on these vehicles.

CLASS III - Buildings and Real Estate

The Company did not own any buildings and real property.

CLASS IV - Books and Records

The Trustee has taken possession of the books and records available to it which are required for the administration of the bankruptcy. The remaining books and records remain in the possession of the Directors.

CLASS V - Other Assets

Accounts Receivable - The trade accounts receivable as at the date of bankruptcy amounted to \$3,800 for the Cambridge territory and \$7,200 for the Guelph Territory. Most of these receivables are old and not expected to be collectible. Receivables are administered and collected by Franchisor. The Trustee has been in contact with the Franchisor who has undertaken to forward all receivable collections.

There is \$26,800 due to the Company from the purchaser of the Guelph Territory. Payments on this purchase are not due to commence until May 2018 and are payable monthly through November 2018. The Trustee has been in contact with the purchaser and advised that all payments, when due, must be forwarded to the Trustee.

Cash in Bank - The Company had \$24,500 in its bank account at the date of bankruptcy. These funds represent the net proceeds of sale of the Cambridge location. These funds have been deposited to the estate bank account.

Property of Bankruptcy not divisible amongst creditors by virtue of Section 67(b), of the Bankruptcy and Insolvency Act

None known

Property Placed Under the Guardianship of the Debtor

None to date

SECTION B

1. Conservatory and Protective Measures

There were no physical assets for the Trustee to take possession of.

2. Carrying on Business

The Company ceased operations upon filing of the bankruptcy.

SECTION C - LEGAL PROCEEDINGS

The Trustee has not been advised of any actions against the Company.

SECTION D - PROVABLE CLAIMS

	As per Statement of Affairs	Claims Received to Date
Unsecured	\$ 115,068	\$110,999
Preferred	\$5,496	Nil
Secured	Nil	\$4,033
Deemed trust	\$25,000	Nil
Total	\$ 145,564	\$115,032

SECTION E - SECURED CREDITORS

With the exception of the security registered by Newroads National Leasing for the vehicles returned pre-bankruptcy, there are no registered secured creditors. There is approximately \$35,000 owing to Canada Revenue Agency for unpaid source deductions. The portion of this amount that was withheld from the employee pay cheques represents a deemed trust and will be payable in priority to all other creditors.

SECTION F - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

The Trustee anticipates there will be a dividend payable in this bankruptcy estate. Assuming the Trustee collects on all receivables as expected the distribution is expected to be between 10% and 20%, after payment of the source deduction priority charge.

SECTION G - REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

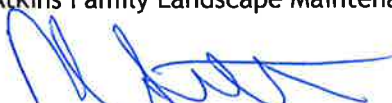
The trustee is in the process of reviewing the bank statements to identify reviewable transactions or preference payments to unrelated parties during the 3 months preceding bankruptcy and related parties during the 12 months preceding bankruptcy.

SECTION H - OTHER MATTERS

The Trustee has initiated applications under the *Wage Earner Protection Program* for employees who are owed unpaid wages, vacation and termination pay and sent the required notices to the employees. Service Canada will issue payments to the employees and the Trustee anticipates they will have a priority charge of \$5,500 over the current assets.

Dated at London, Ontario this 26th day of October, 2017.

MNP Ltd.
Trustee in Bankruptcy of
Atkins Family Landscape Maintenance Inc.


Per: Rob Smith CPA, CA, CIRP, LIT
Senior Vice-President

Waterloo
Registry # 35-2301492

IN THE MATTER OF THE BANKRUPTCY OF
ATKINS FAMILY LANDSCAPE MAINTENANCE INC.

Of the City of Kitchener,
in the Province of Ontario

TRUSTEE'S PRELIMINARY REPORT

1002 - 148 Fullarton Street
London, ON N6A 5P3