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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-Montréal
COURT NO.:500-11-039368-101
ESTATE NO.: 41-342594

SUPERIOR COURT
(In Bankruptcy and Insolvency)

IN THE MATTER OF THE BANKRUPTCY OF:

Travel Success Group (TSG) Inc. / Groupe Succès
Voyage (TSG) Inc.

a body politic and corporate, duly incorporated according
to law and having its head office and its principal place of
business at :
460, Ste-Catherine Street West, suite 601
Montréal (Québec) H3B 1A7

Bankrupt

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On August 12, 2010, Travel Success Group (TSG) Inc. / Groupe Succès Voyage (TSG) Inc. ("TSG" or the "Company" or the "Debtor") was declared bankrupt following an Order rendered by Me Chantal Flamand, registrar of the Quebec Superior Court pursuant to Section 43 of the *Bankruptcy and Insolvency Act* ("BIA") and RSM Richter Inc. was appointed Trustee to the Bankruptcy ("Richter" or the "Trustee").

The information contained in this Report has been prepared from the available books and records of TSG. These books and records have not been reviewed or otherwise audited by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained herein.

I. OVERVIEW

Founded in 2004, TSG is a company specializing in the development and sale of software and travel reservation systems. The Debtor's head office was located at 460, Ste-Catherine Street West, suite 601, Montréal, Québec and also had offices located at 7025 Tomken Road, unit 30-31, Mississauga, Ontario. The Company was also doing business under the trade name Convergentware Travel Technologies.

On May 17, 2004, the Debtor contracted a secured debenture ("Debenture") with Banque de Développement du Canada and said Debenture was subsequently transferred to BDC Capital Inc. in March 2006. The amount of the Debenture was \$900,000 with a maturity date of May 14, 2009. BDC Capital Inc. issued on June 12, 2009, a default letter invoking the default of TSG to reimburse the principal plus accrued interest on the Debenture at maturity date. Therefore, on July 23, 2010, BDC Capital Inc. filed with the Quebec Superior Court a motion for the issuance of a bankruptcy order pursuant to Section 43 BIA.

TSG also benefited from a \$2,500,000 line of credit and a \$1,500,000 loan contracted with 3958230 Canada Inc., and secured by a moveable hypothec.

Richter is acting in this matter for the benefit of both secured lenders namely BDC Capital Inc. and 3958230 Canada Inc. and is so informing the creditors in conformity with Section 13.4 BIA. The fees and disbursements of the Trustee will be paid out of the realization proceeds of the assets pledged in favor of the secured creditors. Furthermore, the Trustee will obtain an independent legal opinion on the validity of the securities held by BDC Capital Inc. and 3958230 Canada Inc. prior to proceeding with any distribution of sale proceeds.

II. FINANCIAL INFORMATION

The financial information contained in the current section have not been audited and are subject to adjustments.

A) Historical Financial Results

The financial information contained in the current section is derived from the Company's internal financial statements.

A summary of the financial results (unaudited) for the fiscal years ended April 30, 2009 and 2010 is submitted hereinafter:

Travel Success Group (TSG) Inc. / Groupe Succès Voyages (TSG) inc.		
Profit and Loss Statement		
For the years ended April 30		
(Extracts from unaudited financial statements, in \$,000)		
	<u>2010</u>	<u>2009</u>
Revenues	1,122	3,374
Expenses		
Purchases	1,354	1,748
Sales	93	70
Administration	1,071	869
Interests	490	415
Amortization	33	29
Research and Development net of tax credits	279	445
	<u>3,320</u>	<u>3,576</u>
Net Loss	<u>(2,198)</u>	<u>(202)</u>

The highlights of the above financial results are:

- Sales for F2010 have decreased by 67% or \$2,252,000 compared to F2009;
- Expenses were reduced only by 7% or \$256,000 for the same period;
- The Company recorded net losses of \$2,198,000 and \$202,000 over the last two fiscal years;

B) Statement of Affairs

The Statement of Affairs as at August 12, 2010 (Bankruptcy date) is derived from the books and records of the Company as at June 30, 2010 and has not been signed by the Management, the last remaining Director having resigned before the date of the bankruptcy order.

Travel Success Group (TSG) Inc. / Groupe Succès Voyages (TSG) inc.	
Statement of Affairs	
As at August 12, 2010	
(in \$,000)	
Liabilities	
Secured Creditors	955
Preferred Creditors	-
Ordinary Creditors	5,702
	<u>6,657</u>
Assets	
Bank	24
Accounts Receivable	864
Furniture	6
Other Assets	61
	<u>955</u>
Deficit	<u><u>5,702</u></u>

i. Assets (Pledged)

All the assets of TSG are pledged in favor of two secured lenders, BDC Capital Inc. and 3958230 Canada Inc. (discussed afterward).

The short-term realizable assets consist of the bank account balances, accounts receivable, office furniture and computer equipment:

- a) Bank: The Trustee has sent to the Debtor's business bank a letter informing them of the Bankruptcy and asking to close the bank accounts and to forward the remaining balance of \$24,000 to the Trustee;
- b) Accounts Receivable: The accounts receivable are composed of current accounts representing \$11,000 as well as accrued quarterly receivables

of \$29,900 and therefore, having no value for the Trustee due to the insolvency clauses in the relating contracts.

Furthermore, we have been informed following the filing of the Statement of affairs that, as at the date of the bankruptcy, \$20,000 worth of receivables were not invoiced. These receivables will be billed but were not in the Statement of affairs.

Finally, the research and development tax credits claimed for F2009 and F2010 amount to approximately \$854,000;

- c) Furniture: The office furniture are located in Montréal and Toronto. However, TSG had, prior to the bankruptcy, sold most of the office furniture located at the Montréal head office. The proceed of this sale is included in the above mentioned accounts receivable;
- d) Other Assets: Other assets include the computer equipment.

In the months prior to the bankruptcy order, the secured lenders had market the business of TSG and its assets, soliciting any interested buyer in the industry across the world, and acting in the same field, to submit an offer. However, only one interested party, Wizie.com ("Wizie") had submitted an offer and had signed an Asset Purchase Agreement. However, Wizie terminated this agreement for certain reasons just prior to the filing of the bankruptcy petition.

In the weeks following the filing of said bankruptcy petition, negotiations continued with Wizie. The secured lenders and the Trustee finally came to an agreement with this company. However, considering the urgency to conclude this sale transaction before the first meeting of creditors, a motion was presented before the Quebec Superior Court on August 23, 2010 and the registrar, Me Pierre Pellerin, granted an order approving the said transaction. The assets sold include the rights, titles and interests in certain contracts as well as related accounts receivable some of which having apparently no value for the Trustee due to the insolvency clauses within the contracts (as mentioned above), all the office furniture and the computer equipment.

As at the date of this report, only a few accounts receivable and the research and development tax credits remain to be collected.

ii. Liabilities

- **Secured creditors (\$954,989)**

The secured creditors are BDC Capital Inc. for \$1,060,304 and, 3958230 Canada Inc. for \$4,855,371. Based on the Statement of Affairs, the assets pledged in favor of the secured lenders are valued at \$954,989.

An independent legal opinion on the validity and opposability of the securities held by the secured creditors has been requested from the Trustees' legal counsel. Upon receipt of this legal opinion, the Trustee will report to the Inspectors to be appointed.

Subject to the validity of their respective securities and according to their ranking, the secured creditors will receive the proceeds from the realization of the assets up to the amount of their claim.

It is most likely that the secured creditors will not be repaid in full.

- **Preferred creditors**

The books and records of the Company do not indicate any preferred creditors.

- **Unsecured creditors (\$5,702,183)**

According to the Statement of Affairs, the amounts due to the unsecured creditors total \$5,702,183. At the date of the drafting of this report, the Trustee has not received sufficient proofs of claim to validate this amount.

III. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE TRUSTEE

A) Books and Records

The books and records of the Debtor were not up to date as at the Bankruptcy date. The Trustee took the necessary steps to update them solely for the purpose of invoicing certain accounts receivable. The Trustee also took possession of the books and records of the Debtor for future reference.

B) Protective Measures

Since August 12, 2010, the Trustee has undertaken various security and protective measures such as:

- Opening of a trust bank account;
- Changing locks at the Montréal head office;
- Taking possession of the computer equipment located in Montréal and Toronto;
- Initiate the inventory-taking of the assets;
- Safeguarding the information contained in the computer system;
- Taking possession of the Toronto books and records and bring them back to Montréal;
- Collection of certain accounts receivable.

It should be noted that the Montréal head office had already been vacated by TSG in the months prior to the bankruptcy and that almost all the office furniture and computer equipment had been either sold, warehoused or moved to the home of certain employees then working from their respective home. We visited the vacant head office and noticed that only a few office furniture remained abandoned at the premises, having little value and they have since been sold to Wizie.

The Toronto office was located in the office of the business of a former employee's father. Therefore, we were not able to occupy said office and all the assets and books and records have been moved out by the Trustee. Also, certain office furniture were warehoused at the residence of the former employee's father. These assets were sold to Wizie.

C) Realization Process

The Trustee has, as mentioned above, sold most of the assets to Wizie for the benefit of the secured creditors and is currently working on collecting the remaining accounts receivable including the research and development tax credits. However, no distribution to the secured creditors will be made until we have obtained an independent legal opinion on the validity of the securities.

D) Property of Others

To this date, the Trustee has not received any property claims.

E) Reviewable Transactions and Preferential Payments

The Trustee will perform a review of the Company's books and records to determine any potential preferential payments or any reviewable transactions and will produce a report to the Inspectors to be appointed.

IV. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

The process to liquidate the assets conducted to date enables the Trustee to estimate that the anticipated realization will be insufficient to allow any distribution to the unsecured creditors.

Dated at Montréal, this 31st day of August 2010.

RSM Richter Inc.
Trustee



André Hébert, CA, CIRP
Administrator of the Estate