

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-048673-152
ESTATE NO.: 41-343757**

**SUPERIOR COURT
(Commercial Division)
*Bankruptcy and Insolvency Act***

**IN THE MATTER OF THE BANKRUPTCY
OF:**

One2Ten Stores Limited Partnership

a legal person having a place of business at:

1604 Saint-Regis Boulevard
Dorval QC H9P 1H6

Debtor

- and -

Richter Advisory Group Inc.

Trustee

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On April 22, 2015, a petition for a bankruptcy order was filed against the Debtor, One2Ten Stores LP, naming Richter Advisory Group Inc. as trustee ("Trustee") of the estate of the Debtor.

The bankruptcy order was granted by the Court on May 7, 2015.

The purpose of this report is to inform all the interested parties of our preliminary administration and our findings.

The information contained in this report has been prepared based on the books and records of the Debtor and from discussions with the Debtor's Management. The books and records have not been audited or verified 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. INTRODUCTION

The Debtor carried on retail activities and operated two stores in Toronto, Ontario under the banner One2Ten. The first store was opened in June 2014 in Ajax, Ontario and the second store was opened in November 2014 in Mississauga, Ontario. These stores sold items consisting of school supplies, bath and beauty products, crafts, games, party materials, candy, electronic accessories, room decor, pet accessories and other having a selling price of ten dollars or less. The Debtor's head office is located in Montréal, Québec.

Since the opening of the stores, the Debtor has never generated sufficient income to meet its expenses.

The Debtor required partner's contributions and advances to cover its operating expenses. As of the month of April 2015, contributions and advances to the Debtor made by a limited partner totaled \$1,128,660.

The Debtor being unable to meet its obligations as they became due and consequently, ceased its operations on April 10, 2015.

II. FINANCIAL INFORMATION

The following financial data was extracted either from the books and records of the Debtor, the unaudited financial statements or from discussions held with Management. This information is submitted solely to assist the reader in assessing the current financial position of the Debtor.

The Trustee makes no representation or warranty as to the accuracy of said financial information.

One2Ten Stores Limited Partnership Income Statements		
Unaudited	2014 12 months	2015 4 months
Sales	\$ 181,371	\$ 42,901
Cost of goods sold	<u>112,898</u>	<u>26,713</u>
Gross margin	68,474	84,661
Expenses	<u>721,816</u>	<u>280,974</u>
Net loss before income tax	<u>\$ (653,342)</u>	<u>\$ (196,312)</u>
Cumulative net loss before income taxes	<u>\$ (849,654)</u>	<u>\$ (849,654)</u>

The above table shows the poor financial performance of the Debtor since the beginning of the operations in 2014.

III. STATEMENT OF AFFAIRS

As per the Bankruptcy and Insolvency Act ("BIA"), a representative of the Debtor is required to inform the Trustee, by way of a declaration, of the Debtor's assets and liabilities as at the date of the bankruptcy ("Statement of Affairs"). The following summarizes the information contained in the Debtor's Statement of Affairs.

One2Ten Stores Limited Partnership		
Summary Statement of Affairs		
Filed on May 13, 2015		
	Book Value	Estimated Realization
<u>Assets</u>		
Inventory	\$ 111,568	\$ 11,157
Fixed assets	233,276	23,327
Total Assets	<u>397,541</u>	<u>34,484</u>
<u>Liabilities</u>		
Secured Liabilities		
Employees		11,061
Deductions at source		1,605
		<u>12,666</u>
Unsecured Creditors - Limited Partner		336,673
Unsecured Creditors - Others		112,163
Preferred Creditors		84,035
Total Liabilities		<u>545,537</u>
Deficiency		<u>\$ (511,053)</u>

A) Assets

Inventory consists of school supplies, bath and beauty products, crafts, games, party materials, candy, electronic accessories, room decor, pet accessories and other.

The fixed assets comprise leasehold improvements, POS equipment, office equipment and computers used to operate the stores.

Liabilities

It is important to note that the exact amount of the Debtor's liabilities as at May 13, 2015, will only be determined once all proofs of claim have been submitted by the creditors and have been compiled and analyzed by the Trustee. Nonetheless, the following is a summary of the Debtor's liabilities based upon preliminary information.

- Secured creditors (\$12,666)

As per the Statement of Affairs, the Debtor's secured creditors are as follows:

Employees - \$11,061 (security interest over the Debtor's short term assets by virtue of s. 81.3 of the BIA). Amount based on the maximum secured portion per employee (\$2,000) to be adjusted based on the actual amounts owed.

Deductions at source - \$1,605 (total amount due to the federal and provincial governments for unpaid employee source deductions).

- **Preferred creditors (\$84,035)**

Included in the preferred claims are amounts due to the Debtor's two landlords.

- **Unsecured creditors (\$448,836)**

As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors. Included in the balance of the unsecured creditors is \$336,673 due to a limited partner.

IV. SALE PROCESS

On May 8, 2015, Richter acting as Trustee issued a call for tender to (11) potential interested parties soliciting offers for the purchase of the assets of the Debtor to be received by May 15, 2015, no later than 12:00 a.m. The assets were divided in six (6) lots as follows:

- i. Inventory
- ii. Leasehold improvements
- iii. POS equipment
- iv. Office equipment (list provided)
- v. Computer equipment (list provided)
- vi. Intellectual property

According to the conditions of sale, the offers were to remain open until the first meeting of creditors.

The Trustee received three (3) offers which will be opened in the presence of the inspectors to be approved.

V. SUMMARY OF THE PRELIMINARY ADMINISTRATION

A) Books and records, security and protective measures

The following is a list of the various protective measures undertaken by the Trustee:

- Changed the alarm codes for both store locations, however, the landlord for the Ajax store changed the locks. He has provided access to the Trustee upon request in order to facilitate store visits by potential interested parties;

- Changed the locks for the head office where the books and records are located;
- Computer back-up of the books and records of the Debtor for future reference are currently in progress of being completed;
- Opened a trust bank account;
- Redirected the Debtor's mail to the Trustee's office.

B) Reviewable transactions and preferential payments

The Trustee has not performed a review of the payments to creditors preceding the date of the bankruptcy which may be reviewable, preferential or undervalue as defined within the meaning of the BIA. It is the intention of the Trustee to discuss this matter with the Inspectors to be appointed at the first meeting of the creditors. On the instructions of the Inspectors, the Trustee may or may not perform the aforementioned review.

VI. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

As of the date hereof, there appears to be a significant deficit. The three (3) offers have not yet been opened and as such the Trustee's is unable to comment on the amount (if any) of dividends which will be available to the secured, preferred and ordinary creditors.

DATED AT MONTREAL, this 26th day of May 2015

Richter Advisory Group Inc.

Trustee



Stéphane De Broux, CPA, CA, CIRP
Administrator of the Bankruptcy