

**IN THE MATTER OF THE BANKRUPTCY
OF
HOLIDAY TRAVEL CONSULTANTS LTD.
doing business as CANADA 3000 TICKETS**

TRUSTEE'S PRELIMINARY REPORT

(MAY 14, 2002)

I. BACKGROUND

The business HOLIDAY TRAVEL CONSULTANTS LTD. dba CANADA 3000 TICKETS (“the Company”) was a retail travel agency, which carried on business through 27 offices across Canada.

The Company is directly or indirectly owned by Canada 3000 Inc. and is a member of the Canada 3000 Group of Companies (“the Group”). Most of the Company’s air travel arrangements were made with an associated company, Canada 3000 Airlines Limited / Lignes Aeriennes Canada 3000 Limitee dba Canada 3000 Airlines (“Airlines”).

On November 9, 2001 Airlines ceased operations and was assigned into bankruptcy on November 11, 2001. The Company did not have the financial wherewithal to make alternative arrangements for its customers and was forced to make an assignment into bankruptcy on November 16, 2001.

a) Trust Funds

At the time of making the assignment in bankruptcy, the Company had trust bank accounts with in excess of \$200,000 on deposit. The Bankruptcy Trustee identified these funds as potentially being subject to subsection 81(1) of the *Bankruptcy and Insolvency Act* (“the BIA”).

This section deals with property in the possession of the bankrupt at the time of the bankruptcy.

On November 22, 2001 the Bankruptcy Trustee made an application to the Supreme Court of British Columbia for the appointment of a Judicial Trustee for the trust accounts.

b) First Report to Court

Attached hereto as **Appendix A** is a copy of the Bankruptcy Trustee's first report to the Court, dated February 25, 2002. This interim report describes the Bankruptcy Trustee's activities for the period November 16, 2001 to February 25, 2002.

Highlights of the report include:

- appointment of a Judicial Trustee for administration of trust funds;
- establishment of a Call Centre for the Canada 3000 Group to assist in processing claims;
- establishment of a Vancouver Claims Centre for processing claims against the trust funds and the bankruptcy estate;
- review of the company's assets and liabilities;
- estimate recoveries of between \$423,000 and \$524,000 before professional fees;
- receipts to date totaling \$488,000 of which \$449,000 relates to the company's bank accounts on hand at the time of the bankruptcy.

II. ASSETS

Attached hereto as **Appendix B** is a copy of the Bankruptcy Trustee's statement of receipts and disbursements dated April 30, 2002. Since our report to Court dated February 25, 2002, we confirm that the following assets have been recovered:

a) Trade Accounts Receivable (Travel Agents)

The Bankruptcy Trustee has collected an additional \$6,782 which brings the total recovery to \$13,782 as at April 30, 2002. As noted in the interim report to Court, the realization is expected to be low as the bulk of the remaining amounts owing are due from customers for travel not completed.

No further significant recoveries are expected in accounts receivable.

b) Accounts Receivable (Corporate Income Taxes)

The Bankruptcy Trustee has incurred significant costs updating the Company's accounting records. This was necessary to enable the Bankruptcy Trustee to prepare the Company's pre-bankruptcy Corporation Income Tax Return with Canada Customs and Revenue Agency (CCRA). We expect to complete and file this tax return within the next few weeks.

The estimated Corporation Income Tax refund is still estimated at between \$40,000 and \$82,000.

c) Computers, Office Furniture & Equipment

The Bankruptcy Trustee has successfully sold all eligible equipment, generating a total recovery of \$42,067.

d) Prepaid & Other Assets

There has been no change to prepaids and other assets since our interim report to the Court and no recovery is estimated on any of these amounts.

III. LIABILITIES

The following summarizes the proven claims in the Company’s bankruptcy estate, as at 5:00 p.m. Friday, May 10, 2002:

	As Per		As Per	
	Statement of Affairs		Proofs of Claims	
	#	\$	#	\$
Secured	Nil	Nil	1	34,586
Preferred	174	100,228	137	122,324
Unsecured*	140	1,558,318	145	1,154,585
Contingent**	Nil	Nil	1	500,902

*The unsecured claims are calculated as follows:

Total estimated claims against the trust funds	\$ 380,062
Less: estimated trust funds available for disbursement	<u>Unknown</u>
	\$ 380,062
Proven claims other than ticket holders	<u>\$ 774,523</u>
Total	<u>\$1,154,585</u>

**The contingent claims represent the potential claims against the trust account funds in excess of what the Tickets records indicate.

The Trustee is aware of two parties that have some form of registered security interest in the Company’s assets:

- CCRA has a claim of \$34,586 for unpaid source deductions;
- Various leasing companies have registered security interests covering office and computer equipment.

IV. REVIEW OF BOOKS AND RECORDS

As required by the BIA, the Trustee has examined the Company's available books and records (cash disbursements and numerous bank statements), as well as the inter-company transactions for reviewable transactions, preferences and settlements.

Based upon our review, except for the following, no transactions have come to our attention that are out of the ordinary course of business.

- Transfers from the general operating bank accounts to the British Columbia trust bank account were transacted on the day immediately preceding the Company's bankruptcy;
- All employee wages were paid current to the date of bankruptcy.

V. LEGAL

The security documents have been forwarded to Davis & Co., the Bankruptcy Trustee's independent legal counsel in British Columbia, for legal opinions as to validity and enforceability of the security interests as against the Bankruptcy Trustee.

As at April 30, 2002 all known equipment in the Bankruptcy Trustee's possession, that was subject to properly registered security interests, has been returned to the lessors.

VI. RECEIPTS AND DISBURSEMENTS

Attached as Appendix B is the Bankruptcy Trustee's statement of receipts and disbursements for the period November 16, 2001 to April 30, 2002. This statement can be summarized as follows:

	\$
Receipts	512,519
Disbursements	<u>65,047</u>
Cash on Hand, April 30, 2002	<u>447,472</u>

VII. ESTIMATED REALIZATIONS AND DISTRIBUTIONS

Attached as Appendix C is the Bankruptcy Trustee's estimated realizations and distributions as at April 30, 2002. This statement can be summarized as follows:

	Low \$	High \$
Estimated Realizations	487,500	533,000
Estimated Distributions	<u>(60,000)</u>	<u>(30,000)</u>
Estimated Net Realization of Assets before Professional Fees	<u>427,500</u>	<u>503,000</u>

The range of estimated net realization values is before payment of professional fees (Bankruptcy Trustee, BC and Ontario legal counsel).

VIII. TRUST FUNDS

PricewaterhouseCoopers Inc. has also been appointed as Judicial Trustee for the Company's trust bank accounts, by the Supreme Court of British Columbia and the Ontario Superior Court.

The Bankruptcy Trustee's initial view is that, pursuant to Section 81(1) of the BIA, the trust bank accounts were third parties' property in the possession of the Company. Materials are being prepared for submission to the Court in support of an application for directions regarding a Trust Administration Plan.

IX. TRUSTEE'S FEES & CONFLICT OF INTEREST

As at April 30, 2002 the Bankruptcy Trustee has incurred (but not paid) fees of \$250,000 and estimates that its total basic fees to administer the bankruptcy and oversee asset recoveries will be in the range of \$270,000 to \$300,000.

The bankruptcy estate's British Columbia legal counsel's fees incurred (but not paid) to March 31, 2002 are \$19,700. We estimate that the total legal fees will range between \$30,000 and \$40,000 once Ontario legal counsel's fees have been included.

Total disbursements (excluding professional fees) incurred and paid to April 30, 2002 are \$65,000 (salary, wages, advertising, rent, etc.) and we estimate that the total disbursements to be incurred will range from \$95,000 to \$125,000.

Aside from the Judicial Trustee appointment, which the Court has jurisdiction over, we are not aware of any circumstances that would give rise to a conflict of interest.

PRICEWATERHOUSECOOPERS INC.
TRUSTEE

**IN THE MATTER OF THE BANKRUPTCY OF
HOLIDAY TRAVEL CONSULTANTS LTD.
DBA CANADA 3000 TICKETS**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD FROM NOVEMBER 16, 2001 TO APRIL 30, 2002**

RECEIPTS	\$
Cash on hand	448,585.11
Sale of Assets	42,067.40
Sale of Inventory	-
Collection of A/R	734.40
Collection of other receivables	13,047.61
Refund other	3,696.04
Interest income	1,034.08
PST collected	1,610.00
GST collected	-
GST refunded	1,743.98
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Total Receipts	512,518.62
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DISBURSEMENTS	
Trustee's fees	-
Legal fees & disbursements	-
Rent	10,907.86
Moving expenses	779.60
Contract labour	1,177.12
Salary and wages	30,556.47
Advertising	4,417.18
Title searches	435.73
Telephone	4,739.70
Selling commission	-
Repairs & maintenance	5,301.82
Insurance	-
Security	56.89
Utilities	577.54
Filing fees	300.00
Bailiff fees	-
Storage	-
Miscellaneous	3,501.53
Postage & courier	130.00
Office expense	-
Transfer from Judicial Trustee	100.00
GST remitted	-
GST paid	2,065.69
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Total Disbursements	65,047.13
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EXCESS OF RECEIPTS OVER DISBURSEMENTS AND DISTRIBUTIONS	447,471.49
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APPENDIX C

PRICEWATERHOUSECOOPERS INC., TRUSTEE IN BANKRUPTCY OF
HOLIDAY TRAVEL CONSULTANTS LTD. dba CANADA 3000 TICKETS

ESTIMATED REALIZATIONS AND DISBURSEMENTS
AS AT APRIL 30, 2002 AND FORWARD

		Estimated Recovery	
		Low	High
		\$	\$
Estimated Realization of Assets	Schedule 1	487,500	533,000
Estimated Future Disbursements, before Professional Fees	Schedule 2	<u>(60,000)</u>	<u>(30,000)</u>
Estimated Net Realization of Assets, before Professional Fees		<u>427,500</u>	<u>503,000</u>

APPENDIX C - Schedule 1

PRICEWATERHOUSECOOPERS INC., TRUSTEE IN BANKRUPTCY OF
HOLIDAY TRAVEL CONSULTANTS LTD. dba CANADA 3000 TICKETS

ESTIMATED FUTURE REALIZATION OF ASSETS
AS AT APRIL 30, 2002 AND FORWARD

	Net Book Value November 16, 2001 \$	Estimated Realization	
		Low \$	High \$
Cash on hand at April 30, 2002	509,000	447,500	447,500
Accounts Receivable	302,000	-	3,500
Tax Refunds	16,000	40,000	82,000
Fixed Assets	676,000	-	-
Prepays & Other	<u>1,704,000</u>	<u>-</u>	<u>-</u>
Total Estimated Realizations	<u>3,207,000</u>	<u>487,500</u>	<u>533,000</u>

APPENDIX C - Schedule 2

**PRICEWATERHOUSECOOPERS INC., TRUSTEE IN BANKRUPTCY OF
HOLIDAY TRAVEL CONSULTANTS LTD. dba CANADA 3000 TICKETS**

**ESTIMATED FUTURE DISBURSEMENTS
AS AT APRIL 30, 2002 AND FORWARD**

	Note	Estimated Realization Costs	
		Low \$	High \$
Estimated Future Disbursements:			
Gross Salaries & Wages	1	10,000	20,000
Rent	2	4,000	8,000
Administration	3	<u>16,000</u>	<u>32,000</u>
Total Estimated Future Disbursements, before Professional Fees		<u>30,000</u>	<u>60,000</u>

Note

- 1 To date salaries have amounted to \$30,000. We expect this to remain consistent for approximately the next few (2 to 4) months, at which time we intend to no longer require the employees services.
- 2 Currently we have paid \$10,000 in rent (\$2,000 per month). Since we occupy a small space of C3 Leisure's premises, we expect to be charged a nominal amount for the next few months.
- 3 The administration are the remaining miscellaneous costs like office expenses and postage. To date we have spent \$25,000, however we expect there to be significant postage costs on the mail out of claims.