

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF
QUANTUM POWER SERVICES INC.**

TRUSTEE'S REPORT TO CREDITORS

December 23, 2021

BACKGROUND AND INSOLVENCY EVENTS

This report has been prepared by The Bowra Group Inc., in its capacity as Licensed Insolvency Trustee (the "**Trustee**") of the bankrupt estate of Quantum Power Services Inc. (the "**Company**" or "**Quantum**") to provide preliminary information to the creditors as at December 23, 2021.

Quantum was a full-service electrical company providing commercial, light-industrial, and residential electrical installations and repairs. The Company operated in Edmonton, Alberta. The Company was incorporated in Alberta on May 22, 2013, and the Company's sole director is Mr. James Mercer ("**Mercer**").

We understand the Company ran into financial difficulties due to the downturn in the Alberta economy compounded with the global pandemic. As a result, on December 13, 2021, the Company made an assignment into Bankruptcy. The Bowra Group Inc. consented to act as the Trustee.

FINANCIAL SITUATION

The externally prepared notice to reader financial statements of the Company are summarized in Table 1 and Table 2.

Table 1 summarizes the compilation income statements for the fiscal years ending April 30, 2021 and April 30, 2020.

Table 1		
	Period Ended Apr. 30, 2021 (\$)	Period Ended Apr. 30, 2020 (\$)
Revenue	135,820	337,855
Cost of sales	63,373	141,199
	<u>72,447</u>	<u>196,656</u>
Operating and admin expenses	51,061	72,134
Other income	24,004	(14,056)
Net income (loss)	<u>45,390</u>	<u>110,466</u>
Beginning shareholder deficit	(4,705)	(9,171)
Net income	45,390	110,466
Dividends paid	(77,813)	(106,000)
Ending shareholder deficit	<u>(37,128)</u>	<u>(4,705)</u>

The Company generated a net income of \$45,390 and \$110,466 in the fiscal year ended April 30, 2021 and April 30, 2020, respectively.

Table 2 on the next page summaries the compilation balance sheet as at April 30, 2021 and April 30, 2020.

	As at Apr. 30, 2021 (\$)	As at Apr. 30, 2020 (\$)
Cash	29,501	75,622
Accounts Receivable	7,484	25,421
	36,985	101,043
Capital assets	4,165	5,950
	41,150	106,993
Accounts payable and accrued liabilities	7,050	18,645
Taxes payable	40,931	35,350
Due to shareholder	197	17,603
	48,178	71,598
CEBA loan	30,000	40,000
	78,178	111,598
Shareholder's equity (deficit)	(37,028)	(4,605)
	41,150	106,993

CONSERVATORY AND PROTECTIVE MEASURES

As at the date of Bankruptcy, the Company's assets consisted of a 2007 Chevrolet express van, utility trailer, and miscellaneous small inventory (the "**Capital Assets**").

The Trustee has taken possession and secured the Capital Assets located in Edmonton, Alberta. The utility trailer is secured at a gated storage site, and the express van is secured at the Mercer residence. The Trustee has ensured and continued the appropriate insurance coverage to protect the Capital Assets.

The Trustee understands the Company ceased operations in August 2021 and all employees were terminated prior to the date of bankruptcy. There are no outstanding salaries, wages, vacation pay, or severance amounts owed to the employees. Prior to the date of Bankruptcy, the Company's accountant prepared the T4s and ROEs, and provided copies to all employees.

The Trustee sent correspondence to the Bank of Nova Scotia (“**Scotiabank**”) requesting the Company’s bank accounts be frozen and any funds remaining be forwarded to the Trustee. We understand the Company’s bank account held approximately \$9,400. Scotiabank has confirmed the accounts have been frozen and the funds will be remitted to the Trustee in due course.

BOOKS AND RECORDS

The Trustee has taken possession of certain books and records of the Company, including financial statements, bank statements, and general ledgers. The Trustee is in the process of reviewing the financial records available.

The Trustee is in the process of obtaining access to the tax records of the Company through the authorized representative process of the Canada Revenue Agency (“**CRA**”).

SECURED CREDITORS

According to the books and records of the Company and the Personal Property Registry, the Company has no secured or preferred creditors.

Notice of the bankruptcy has been sent to the CRA. It is unknown if there are any amounts owing to the CRA for payroll source deductions. Any amounts owing to the CRA would be considered a deemed trust property claim which could rank ahead of all other creditors.

UNSECURED CREDITORS

Based on the Company’s books and records the Trustee is aware of 4 unsecured creditors owed approximately \$70,403. Table 3 provides the major unsecured creditors.

	Table 3
Creditor	Estimated Claim (\$)
Bank of Nova Scotia, CEBA loan	40,000
Canada Revenue Agency	26,077
Alberta Tax and Revenue Administration	3,757
Bank of Nova Scotia	570

The Trustee understands the Company owes approximately \$26,077 to the CRA in relation to unpaid corporate taxes. It is unknown if there are any amounts owed to the CRA for GST arrears. CRA has not filed a proof of claim as of the date of this report and as such the amount of their current claim, if any, is unknown. The CRA's claim for unpaid corporate taxes or GST would rank as an unsecured claim in the bankruptcy.

IDENTIFICATION AND VALUATION OF ASSETS

The Company's assets consist of cash in a bank account, and the Capital Assets. Table 4 provides a preliminary estimate of the realizable value of the assets of the Company.

		Table 4	
		Estimated Realization	
		Low (\$)	High (\$)
Cash		9,405	9,405
Retainer		10,000	10,000
Capital assets		9,000	14,000
		28,405	33,405
Professional fees		(25,000)	(15,000)
Realization costs		(1,350)	(2,800)
Recovery to unsecured creditors		2,055	15,605
Total unsecured creditors		70,403	70,403
Estimated recovery per \$1 of unsecured claim		0.03	0.22

Cash represents funds held in the Company's Scotiabank account as at the date of bankruptcy.

The retainer represents funds held in trust by the Trustee.

Capital Assets represent a 2007 Chevrolet express van, utility trailer, and miscellaneous small inventory owned by the Company. We estimate that the recovery under a liquidation scenario will be approximately \$9,000 to \$14,000 based on discussions with liquidators.

The Trustee has received a total three offers to purchase or proposals to liquidate from two different offerors. The Trustee will seek instructions from the Inspector(s) regarding the realization strategy to provide the highest and best recovery of the Capital Assets to the creditors.

Based on our review of the Company’s assets and liabilities we estimate the recovery to the unsecured creditors will be between approximately \$2,055 to \$15,605 or \$0.03 to \$0.22 per \$1 of unsecured claim.

LEGAL ACTIONS

Based on the information obtained from the Company, the Trustee is not aware of any ongoing legal actions against or by the Company.

REVIEW OF RECORDS & CONDUCT OF THE DEBTOR

The Trustee has reviewed the books and records of the Company that were made available, including bank statements for the period of October 1, 2020 to December 13, 2021.

Upon review of the Company’s books and records the Trustee identified various dividends paid to the following individuals. Table 5 provides a summary of the dividends issued to each individual.

Table 5			
	Year Ended Dec. 31, 2019 (\$)	Year Ended Dec. 31, 2020 (\$)	Year Ended Dec. 31, 2021 (\$)
Brandon Caldwell	31,500	64,000	35,831
Brandon Hennessey	5,000	-	-
James Mercer	31,500	42,000	42,000
	68,000	106,000	77,831

We understand these individuals did not receive salaries or wages. The Trustee is of the opinion the dividends received by the Shareholders are considered reasonable based on their roles in the Company.

Accordingly, the Trustee did not identify any transactions that could be regarded as preference payments in accordance with the *Bankruptcy and Insolvency Act*.

CONCLUSION

We estimate there will be a recovery to the unsecured creditors between \$2,055 to \$15,605 or \$0.03 to \$0.22 per \$1 of unsecured claim.

The Bowra Group Inc.

Licensed Insolvency Trustee of Quantum Power Services Ltd.

Per: 

Kristin Gray, CPA, CA, CIRP, LIT