District of Ontario
Division No. 09

Estate No. 31-1378733

IN THE MATTER OF THE BANKRUPTCY OF
178024 CANADA INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

and

Estate No. 31-1378732

IN THE MATTER OF THE BANKRUPTCY OF
108029 CANADA LIMITED
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

and

Estate No. 31-1378731

IN THE MATTER OF THE BANKRUPTCY OF
1059852 ONTARIO INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

TRUSTEE'S PRELIMINARY REPORT TO THE CREDITORS

BACKGROUND

178024 Canada Inc. formerly known as Canadian Universities Travel Service Limited ("CUTS") operated a national chain of travel agencies under several trade names, including Travel CUTS, The Adventure Travel Company, and Voyages Campus. 1059852 Ontario Inc. ("Holdco") is a subsidiary and a holding company. 108029 Canada Limited ("Odyssey") a subsidiary of Holdco operated a travel agency in Kingston, Ontario under the trade name Odyssey Travel. Collectively, all of the above are known as the "Companies" and are all related to each other.

The Companies secured creditor, Canadian Federation of Student-Services ("CFSS") made an application in the Superior Court o Justice on October 23, 2009 to seek the appointment of Schonfeld Inc as Receiver to complete a sale of substantially all of Travel Cuts and Odyssey Travel's right, title and interest in their business and assets pursuant to an asset purchase agreement between the companies and Merit Travel Ventures Inc.

Schonfeld Inc, as Receiver completed the sale of the majority of the assets of CUTS and Odyssey to Merit under the terms of an Asset Purchase Agreement dated October 18, 2009, and pursuant to the terms of a court order. CUTS and Odyssey ceased normal business operations at close of business on October 24, 2009. The terms of the sale include payment for the assets over a four year period, known as the Earn Out Consideration. The Receiver will collect these payment proceeds over 48 months following the closing of the sale.

The Receiver also sold real property in April 2010, collected accounts receivable and recovered cash deposits placed with banks as collateral for certain letters of credit.

The Receiver, on behalf of the Companies, filed Assignments in Bankruptcy on July 2, 2010. Schonfeld Inc. was appointed Trustee of the Companies.

ASSETS

The Receiver sold 187 College Street, Toronto, in April 2010 for $1,425,000.

The Receiver has also recovered a substantial portion of the cash collateral placed with CIBC to secure Letters of Credit issued by CIBC to various airlines and provincial agencies. One Letter of Credit remains outstanding, in favour of Guaranty Company of North America. It is in the amount of $150,000 and was issued as a requirement in the Province of Quebec consumer protection branch.

There are no further assets for the Trustee to realize upon, protect or preserve. The sole remaining asset to be recovered will be the proceeds from the Earn Out consideration.

The Receiver is currently (as at June 30, 2010) holding in trust the sum of $2,610,603. This amount is available for distribution, subject to the claim of the CFSS, as a secured creditor. The claim of CFSS is in the approximate amount of $1,956,000 inclusive of costs and interest.

Provable Claims

178024 Canada Inc.	Statement of Affairs July 2, 2010	Claims Proven July 21, 2010
Unsecured	$3,115,236.81	$1,964,574.47
Preferred	0.00	0.00
Secured	1,410,000.00	0.00

108029 Canada Limited	Statement of Affairs July 2, 2010	Claims Proven July 21, 2010
Unsecured	$ 165,378.95	$165,378.95
Preferred	0.00	0.00
Secured	0.00	0.00
Contingent	1,410,000.00	0.00

1059852 Ontario Inc.	Statement of Affairs July 2, 2010	Claims Proven July 21, 2010
Unsecured	$ 1.00	$ 0.00
Preferred	0.00	0.00
Secured	0.00	0.00
Contingent	1,410,000.00	0.00

Secured Creditors

Canadian Federation of Student Services is a secured creditor pursuant to a General Security Agreement dated July 6, 2009. Ogilvy Renault LLP conducted a review of the validity and enforceability of the personal property security held by CFSS in Ontario. Ogilvy Renault LLP is of the view that CFSS holds a properly perfected security interest against the personal property of the Companies in Ontario.

Anticipated Realization and Projected Distribution

It is the opinion of the Trustee that there will be a distribution to the unsecured creditors. The amount of the distribution is dependent on the net proceeds received by the Receiver for the sale of assets to Merit, and pursuant to the terms of the Earn Out consideration. The payments under the Earn Out consideration are based on the revenue generated by Merit in the first 48 months following the sale of the business.

Potential Recoveries

The Trustee does not anticipate that there will be any recoveries in the bankruptcy other than the funds received from the Receiver.

Trustee's Fees

Fees and disbursements of the Trustee in Bankruptcy will be paid from the proceeds received from the Court-appointed Receiver and will be subject to taxation by the Court.

DATED AT Toronto, Ontario, this 21st day of July, 2010.

SCHONFELD INC., Trustee in Bankruptcy
for 178024 Canada Inc., 108029 Canada
Limited and 1059852 Ontario Inc.
Per:

S. Harlan Schonfeld, CA, CIRP