

District of: Ontario
Division No. 09 – Toronto
Court No. 31-2946534
Estate No. 31-2946534

CREDITOR PACKAGE

**Nanopay Corporation
of the city of Toronto
in the Province of Ontario**

**Dodick Landau Inc.
951 Wilson Avenue, Suite 15L
Toronto, ON M3K 2A7**

District of: Ontario
Division No. 09 – Toronto
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Nanopay Corporation

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LETTER TO CREDITORS

DODICK LANDAU

August 31, 2023

CREDITOR PACKAGE

To the Creditors of Nanopay Corporation, (“Nanopay” or the “Company”)

Please be advised that on August 21, 2023, Dodick Landau Inc., in its capacity as Proposal Trustee (the “**Proposal Trustee**”) of the Estate of Nanopay Corporation filed with the Official Receiver a proposal in the name, and on behalf, of Nanopay Corporation (the “**Proposal**”).

The reason you are receiving this letter and the enclosed creditor information (“**Creditor Package**”) is because Nanopay advised the Proposal Trustee that you are a creditor of Nanopay and may be eligible to vote in the Proposal. The purpose of the Creditor Package is to provide you with the information you require to evaluate, and vote on, the Proposal.

Enclosed in this Creditor Package are the following Proposal documents:

- 1) Notice of Proposal to Creditors;
- 2) Amended Proposal;
- 3) Trustee’s Report on Amended Proposal;
- 4) Statement of Affairs;
- 5) Proof of Claim form with instructions;
- 6) Proxy;
- 7) Voting Letter/Convenience Class Election

A Meeting of the Creditors to consider the Proposal will be held by Zoom videoconference on the 11th day of September, 2023 at 11:00 a.m. The Zoom link is as follows:

<https://us06web.zoom.us/j/88185744443?pwd=dEt1V2pDTmZkZ1kxM01KSy9ja3RyUT09>

In order to be eligible to attend and vote at the meeting of creditors, creditors must have filed with the Proposal Trustee before the meeting, a proof of claim form signed and witnessed as required and accompanied by a statement of account. Those Creditors who do not intend to have a personal representative at the meeting held on September 11, 2023, may complete and submit the voting letter which is enclosed in this Creditor Package prior to the meeting indicating their vote for or against the acceptance of the Amended Proposal. The Trustee has also enclosed a form of proxy should a Creditor wish to appoint a proxy to represent them at the meeting. Additional details relating to the filing of claims prior to the meeting of creditors are outlined throughout this Creditors Package.

DODICK LANDAU

Please read the Helpful Hints, Voting and General Proxy information following this letter for details on how to file your claim and vote on the Proposal. In the Proof of Claim section of this package you will also find an information sheet detailing how to complete your Proof of Claim and what must be returned with it. Please utilize this information.

Completed proofs of claim, and other documents may be returned to the Proposal Trustee to the attention of Brenda McKnight by fax (866-874-1791) or electronic mail (brenda.mcknight@dodick.ca). Should you need further assistance, you may contact our office by telephone at 416-645-0542.

Properly completed Proofs of Claims not received at the Proposal Trustee's office prior to the start of the September 11, 2023 meeting will result in that creditor not being able to vote at the meeting on the Amended Proposal. We encourage all creditors who wish to vote at the meeting to send to the Proposal Trustee's office their completed proof of claim as soon as possible. We also encourage creditors to vote by voting letter in advance as well if they are able.

Please refer to the Trustee's Report on the Amended Proposal. Please note that the Proposal Trustee is recommending that creditors vote in favour of the Amended Proposal for the reasons as noted in the report.

To access further information pertaining to the Nanopay proceedings, including an electronic copy of the Creditor Package, and link to the September 11, 2023 meeting, please visit the Trustee's website (<http://dodick.ca/public-documents/>).

DODICK LANDAU INC.,

Proposal Trustee of the estate of Nanopay Corporation
and not in its personal or corporate capacity.

Per:



Rahn Dodick, CPA, CA, CIRP, LIT
President

**HELPFUL HINTS
FILING A CLAIM
VOTING
PROXIES**

DODICK LANDAU

Helpful Hints

- You are receiving this Creditor Package as **Nanopay Corporation** has informed the Proposal Trustee that you are one of their creditors.
- Please note that a Meeting of Creditors will be held on **September 11, 2023 at 11:00 a.m.** via Zoom. The Zoom link is noted on the cover page of the Creditor Package letter, or contact Brenda McKnight for the link.
- To participate in the Proposal, all creditors **MUST** file a Proof of Claim form and submit it to the Proposal Trustee in advance of the Meeting of Creditors. The Proof of Claim and the instruction sheet can be found close to the end of the Creditor Package.
- Please remember that your claim must include a Schedule "A" which is proof of the amount that you are claiming. This should be invoices of the amount owing to you or similar documentation.
- You can submit your claim by email, mail or by fax. If you use the fax, please be sure to direct your fax to Dodick Landau Inc. In order to be eligible to vote at the Meeting, the Proof of Claim with supporting documents **MUST** arrive at the office of the Proposal Trustee in advance of the Meeting.
- Please read the Proposal document and the Report on the Proposal written by the Proposal Trustee in order to understand the Proposal and the voting at the meeting.

Voting

- The Meeting of Creditors will be held using Zoom videoconferencing. As carrying out a vote by videoconference can at times be challenging, we are encouraging all creditors to vote by voting letter in advance of the Meeting. In order to vote in advance of the Meeting, the voting letter (form is at the back of the creditor package) with your completed Proof of Claim and proxy (if applicable) must be submitted to the Proposal Trustee's office in advance of the Meeting of Creditors. **Please note that all corporations voting on the proposal must appoint a proxy to vote on behalf of the corporation.**

General Proxy:

- If you are representing a corporation, you must have a proxy from the corporation to act on its behalf and vote at the Meeting, whether you vote in advance by voting letter or in person at the Meeting.
- If you are an individual, you may wish to have someone else represent you at the Meeting of Creditors. You must give that individual a signed proxy form. We must receive the proxy form in advance of the Meeting of Creditors.
- The Proposal Trustee must receive the proxy form in advance of the Meeting.

If there are any questions in completing the proof of claim, please write, email or telephone the office of the trustee:

Dodick Landau Inc.
951 Wilson Avenue, Suite 15L
Toronto, ON M3K 2A7
Telephone: 416-645-0542
Fax: 866-874-1791
Email: brenda.mcknight@dodick.ca

NOTICE OF PROPOSAL

District of: Ontario
Division No. 09-Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 92
Notice of Proposal to Creditors

In the matter of the Proposal of
Nanopay Corporation
of the City of Toronto, in the Province of Ontario

Take notice that Nanopay Corporation of the City of Toronto in the Province of Ontario has lodged with me a proposal under the *Bankruptcy and Insolvency Act*.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed.

A general meeting of the creditors will be held on the 11th day of September, 2023 at 11:00 a.m. to be held by Zoom videoconferencing at:

<https://us06web.zoom.us/j/88185744443?pwd=dEt1V2pDTmZkZ1kxM01KSy9ja3RyUT09>

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim must be lodged with me prior to the commencement of the meeting.

Proxies and voting letters intended to be used at the meeting may be filed at any time up until the moment a vote is called.

Dodick Landau Inc. – Licensed Insolvency Trustee
Per:



Rahn Dodick – Licensed Insolvency Trustee
951 Wilson Avenue, Suite 15L
Toronto, ON M3K 2A7
Phone: (416) 645-0542 Fax: (866) 874-1791

AMENDED PROPOSAL

District of Ontario
Division No. 9 - Toronto
Court File No.: BK-23-2946534-0031
Estate File No.: 31-2946534

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT,
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF NANOPAY CORPORATION

AMENDED PROPOSAL
(August 30, 2023)

Nanopay Corporation hereby submits the following Amended Proposal under the provisions of the Act.

PART I
INTERPRETATION

Definitions

1. In this Proposal:
 - (a) “Act” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
 - (b) “Administrative Fees and Expenses” means the fees and expenses of the Trustee incidental to the NOI and the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, fees incurred by the Trustee in the administration of the Funded Proposal Payments; and, the legal fees and expenses of the Proposal Trustee and the Company before and following execution, acceptance and approval of this Proposal and in connection with the NOI and the preparation of this Proposal, as well as advice to the Company in connection therewith;
 - (c) “Affected Creditors” means those Creditors of the Company forming Classes 1 and 2, each as defined in Part III of this Proposal;

- (d) **“Approval Order”** means an order of the Court approving this Proposal to be granted pursuant to the provisions of the Act;
- (e) **“Bankruptcy Reserve”** means a reserve amount of \$30,000 to be held by the Trustee as security for the administrative costs of the bankruptcy of the Company, in the event that this Proposal is annulled, and the Company becomes bankrupt;
- (f) **“Business Day”** means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (g) **“Claim”** means any right of any Person with indebtedness, liability or obligation of any kind against the Company which indebtedness, liability or obligation is in existence at the Date of Filing, whether or not reduced to judgement, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by surety or otherwise and whether or not such a right is executory in nature including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause, chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of Date of Filing;
- (h) **“Common Shares”** means common shares in the capital of the Company;
- (i) **“Company”** means Nanopay Corporation;
- (j) **“Convenience Claim”** means an Unsecured Creditor’s Claim against the Company which (i) is in an amount that is equal to or less than \$500 or (ii) is in an amount that is greater than \$500 and has been reduced to \$500 by election of the holder of such Claim on the ballot or voting letter provided for voting on the Proposal.
- (k) **“Convenience Class Election”** means an irrevocable election made by an Unsecured Creditor, on the ballot or voting letter provided for voting on the Proposal, that shall be deemed to amend such Unsecured Claim that is greater than \$500 and reduce the amount of such Claim to \$500 in aggregate.
- (l) **“Court”** means the Ontario Superior Court of Justice (Commercial List) in Bankruptcy and Insolvency;
- (m) **“Court Approval Date”** means the date on which the Approval Order is issued and entered by the Court;
- (n) **“Creditors”** means any Person having a Claim;

- (o) **“Creditors Meeting”** means the meeting of the Affected Creditors called for the purpose of considering and voting upon this Proposal;
- (p) **“Crown Claims”** means Claims of His Majesty in right of Canada or any province of all amounts of a kind contemplated by section 60(1.1) of the Act;
- (q) **“Date of Filing”** means the date on which the Company filed the NOI;
- (r) **“DIP Lender”** means Nephesh Partners, LLC and/or its affiliate;
- (s) **“DIP Term Sheet”** means the term sheet, dated June 15, 2023, executed by the Company and the DIP Lender on June 20, 2023;
- (t) **“Disclaimed Lease”** means any lease of real property disclaimed by the Company from and after the Date of Filing and prior to the date of this Proposal or on the date of this Proposal pursuant to Section 65.2(1) of the Act;
- (u) **“Disputed Claims”** means a Claim filed in this Proposal by a Creditor that is: (i) disallowed in whole or in part by the Trustee; and/or (ii) is the subject of a disallowance proceeding or appeal before the Court;
- (v) **“Employee Preferred Claim”** means a Claim by a current or former employee of the Company, or such portion of such Claim, that would be payable in priority under Subsection 136(1)(d) of the Act;
- (w) **“Employer Health Tax Claim”** means a Claim by His Majesty in Right of Ontario represented by the Minister of Finance in respect of employer health tax owing by the Company pursuant to the *Employer Health Tax Act* (Ontario).
- (x) **“Equity Claim”** has the meaning given to such term in Section 2 of the Act;
- (y) **“Event of Default”** has the meaning given to it in Part VIII of this Proposal;
- (z) **“Existing Common Shares”** means all Common Shares issued and outstanding immediately prior to the Implementation Date;
- (aa) **“Final Order”** means a Court order for which the applicable appeal period has lapsed with no person seeking an appeal therefrom or, if such appeal has been taken, any such appeal(s) have finally been disposed of and any related appeal rights shall have lapsed;
- (bb) **“Former Employee”** means an individual who was an employee of the Company and whose employment was terminated by the Company prior to the Date of Filing;

- (cc) **“Former Employee Claim”** means the Claim, if any, of a Former Employee arising from the Former Employee’s termination by the Company, inclusive of wages, vacation pay, termination pay and severance;
- (dd) **“Funded Proposal Payment”** shall mean funds which will be advanced to the Trustee for distribution pursuant to Part V of this Proposal;
- (ee) **“Implementation Date”** means 10 Business Days following the date the Approval Order becomes a Final Order;
- (ff) **“Inspectors”** means the inspectors, if any, appointed pursuant to Part X of this Proposal;
- (gg) **“Landlord”** means any landlord holding a Disclaimed Lease;
- (hh) **“Landlord Claim”** means any claims of landlords under Section 65.2(4)(b) of the Act;
- (ii) **“Levy”** means the levy imposed by the Superintendent of Bankruptcy under the Act;
- (jj) **“New Common Shares”** means the Common Shares to be issued by the Company on the Implementation Date;
- (kk) **“NOI”** means the Notice of Intention to Make a Proposal filed by the Company on May 19, 2023;
- (ll) **“Person”** means any individual, partnership, joint venture, trust corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (mm) **“Post-Filing Crown Claims”** means all Crown Claims that became due or shall become due on or after the Date of Filing;
- (nn) **“Post-Filing Goods and Services”** means the goods supplied, services rendered, and other consideration given or provided to the Company on or after the Date of Filing;
- (oo) **“Pre-Filing Crown Claims”** means all Crown Claims that were outstanding as at the Date of Filing;
- (pp) **“Preferred Claim”** means any claim that is afforded priority under Section 136(1) of the Act;
- (qq) **“Preferred Creditor”** means any those Persons holding a Preferred Claim, solely in respect to that Preferred Claim;

- (rr) **“Proposal”** means this amended proposal dated August 30, 2023, together with any amendments or additions thereto;
- (ss) **“Proposal Period”** means the period between the Court Approval Date and the date on which all distributions to the Creditors have been made and the Certificate of Full Performance has been issued by the Trustee to the Company, provided that no Event of Default has occurred that has not been cured or waived;
- (tt) **“Proven”** as used in relation to any Claim means such Claim as finally accepted or determined by the Trustee in accordance with the provisions of the Act and this Proposal, subject to the Creditor’s right of appeal to Court, the Court’s determination of that Claim or any applicable appeal periods having expired and no appeal having been made;
- (uu) **“Secured Claim”** means the value of any Claim by a Secured Creditor, excluding the Crown Claims;
- (vv) **“Secured Creditors”** means those Persons holding a valid and enforceable mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and includes the DIP Lender in respect of amounts advanced pursuant to the DIP Term Sheet, but excludes the Canada Revenue Agency to the extent of its Crown Claims;
- (ww) **“Trustee”** means Dodick Landau Inc., solely in its capacity as proposal trustee of the Company;
- (xx) **“Unsecured Claim”** means the value of any Proven Claim in respect of which no security is held and which is not afforded priority under Section 136(1) of the Act;
- (yy) **“Unsecured Creditors”** means those Persons holding Unsecured Claims; and
- (zz) **“WEPPA”** means the *Wage Earner Protection Program Act*.

Headings

2. The division of this Proposal into parts, paragraphs and subparagraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction or interpretation of this Proposal.

Number, etc.

3. In this Proposal, where the context requires, a word importing the singular includes the plural and vice versa, and a word importing gender includes the masculine, feminine and neuter genders.

Date for Action

4. In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

Accounting Principles

5. Accounting terms not otherwise defined in this Proposal have the meanings assigned to them in accordance with generally accepted Canadian accounting principles.

Currency

6. All dollar amounts contained herein shall be in Canadian dollars.

**PART II
PURPOSE AND EFFECT OF THIS PROPOSAL**

Purpose of Proposal

7. The purpose of this Proposal is to effect a restructuring of the indebtedness of the Company in the manner contemplated herein and as permitted by the Act in the expectation that all Creditors will derive a greater benefit from the restructuring and the continued operation of the business and affairs of the Company than would result from a bankruptcy of the Company.

Effect of Proposal

8. This Proposal restructures the indebtedness of the Company and provides the essential terms on which all Creditors' Claims will be fully and finally resolved and settled. During the Proposal Period, and provided that an Event of Default has not occurred and is continuing hereunder, all Creditors will be stayed from commencing or continuing any proceeding or remedy against the Corporation or any of its property or assets in respect of a Claim including, without limitation, any proceeding or remedy to recover payment of any monies, to recover or enforce any judgment against the Company in respect of a Claim or to commence any formal proceedings against it other than as provided for under this Proposal.

**PART III
CLASSIFICATION OF CREDITORS**

9. For the purpose of this Proposal, Creditors with Proven Claims shall be in the following classes:

- (a) Class 1 - His Majesty in Right of Ontario represented by the Minister of Finance in respect of any portion of an Employer Health Tax Claim that is a Secured Claim;
- (b) Class 2 – Creditors with Proven Preferred Claims, Proven Unsecured Claims and Proven Former Employee Claims, and for certainty shall include Proven Convenience Claims and Proven Claims of His Majesty in Right of Canada and any province for all amounts other than Crown Claims or Secured Claims.

PART IV SECURED CREDITORS

- 10. Other His Majesty in Right of Ontario represented by the Minister of Finance in respect of any portion of a Employer Health Tax Claim that is a Secured Claim, as set forth in paragraph 13 below, no Secured Creditors shall be affected by this Proposal.

PART V TREATMENT OF VARIOUS CLAIMS, FUNDING OF PROPOSAL AND DISTRIBUTION

Crown Claims

- 11. At the Date of Filing, the Company owed approximately \$192,000 to CRA for employee source deduction, including related penalties and interest calculated up to the Date of Filing. Subsequent to the Date of Filing, all outstanding amounts were paid or set off against the Company's HST refund and no such amounts are currently owing.
- 12. All Proven Pre-Filing Crown Claims (if any) shall be paid in full out of the Funded Proposal Payment and shall be remitted by the Trustee to His Majesty in the Right of Canada or of any province, as applicable, within six (6) months of the Court Approval Date.

Employer Health Tax Claims

- 13. His Majesty in Right of Ontario represented by the Minister of Finance shall receive in respect of any portion of a Proven Employer Health Tax Claim that is a Secured Claim a distribution of \$50,000 which amount shall be paid out of the Funded Proposal Payment on the Implementation Date. Any portion of a Proven Employer Health Tax Claim that is not a Secured Claim shall be treated as a Proven Unsecured Claim.

Employee Preferred Claims

14. All Proven Employee Preferred Claims (if any) shall be paid in full out of the Funded Proposal Payment and shall be remitted by the Trustee to the entitled claimants immediately after the Court Approval Date.

Former Employee Claims

15. All Proven Former Employee Claims shall be paid an amount equal to the Former Employee's maximum entitlement under WEPPA, less any amounts received on account of Employee Preferred Claims. These amounts shall be paid out of the Funded Proposal Payment on the Implementation Date.

Preferred Claims (in addition to Employee Preferred Claims)

16. Proven Preferred Claims (if any), other than Employee Preferred Claims, shall be paid in full, without interest, out of the Funded Proposal Payment on the Implementation Date.

Convenience Claims

17. Proven Convenience Claims shall be paid in full, without interest, out of the Funded Proposal Payment on the Implementation Date.

Unsecured Claims

18. Creditors holding Proven Unsecured Claims (not including Convenience Claims) shall receive, on a *pro rata* basis, 1% of the New Common Shares. The New Common Shares shall be provided to the Trustee on the Implementation Date and distributed to the holders of Proven Unsecured Claims in accordance with this Proposal.¹

Equity Claims

19. Equity Claims shall not receive any distribution, payment or other consideration under this Proposal.

Landlord Claims

20. All Landlords of and in respect of a Disclaimed Lease shall be entitled to file a proof of claim for an amount equal to the lessor of:
 - (a) the aggregate of:

¹ The remaining 99% of New Common Shares will be issued to the Company's new investors.

- (i) the rent provided for in the Disclaimed Lease for the first year of the Disclaimed Lease following the date on which the disclaimer thereof becomes effective; and
 - (ii) fifteen percent of the rent for the remainder of the term of the Disclaimed Lease after that year; and
 - (b) three years' rent,
- or as otherwise may be arranged with the Company and agreed to by the Trustee.
21. All Landlords and Landlord Claims shall be included in Class 2 under this Proposal. All Landlords shall be deemed to be and shall be treated as Unsecured Creditors, and Landlord Claims shall be deemed to be and shall be treated as Unsecured Claims under this Proposal.

Funded Proposal Payments

22. The Company will cause to be paid to the Trustee the Funded Proposal Payment immediately after the Court Approval Date.
23. The Funded Proposal Payment shall be an amount equal to the aggregate value of:
- (a) the estimated Administrative Fees and Expenses;
 - (b) the Bankruptcy Reserve;
 - (c) the distribution in respect of any portion of a Proven Employer Health Tax Claim that is a Secured Claim, as set forth in paragraph 13 above;
 - (d) the Proven Pre-Filing Crown Claims;
 - (e) the Proven Employee Preferred Claims;
 - (f) the Proven Former Employee Claims;
 - (g) the Proven Preferred Claims (not including Employee Preferred Claims);
 - (h) the Proven Convenience Claims; and
 - (i) the value of Disputed Claims that if a Proven Claim would be related to the amounts in sub-paragraphs (c)-(h) of this Paragraph 23.

Distributions of Funded Proposal Payments

24. The Funded Proposal Payment shall be distributed by the Trustee in the following order of priority:
- (a) first, to the Administrative Fees and Expenses;

- (b) second, to establish the Bankruptcy Reserve, to be held in trust by the Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled, and the Company becomes bankrupt, failing which such amount shall be repaid to the Company;
- (c) third, to Proven Pre-Filing Crown Claims;
- (d) fourth, to Proven Employer Health Tax Claim (secured portion only);
- (e) fifth, to Proven Employee Preferred Claims;
- (f) sixth, to Proven Preferred Claims, without interest;
- (g) seventh, to the Proven Former Employee Claims;
- (h) eighth, to Proven Convenience Claims; and
- (i) ninth, to pay any Disputed Claims that are determined to be Proven Claims in accordance with Paragraph 24 of this Proposal and any excess amounts shall be repaid to the Company.

Cancellation and Issuance of Common Shares

- 25. As of the Implementation Date, all Existing Common Shares shall no longer be outstanding, shall be automatically cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor. All Persons holding Existing Common Shares shall deliver any original share certificates issued in respect thereto to the Trustee for cancellation or otherwise provide evidence of cancellation satisfactory to the Trustee.
- 26. On the Implementation Date, the Trustee shall receive a share certificate representing 1% of the New Common Shares issued in the name of the Trustee, in trust.
- 27. Unsecured Creditors shall receive from the Trustee their *pro rata* share of 1% of the New Common Shares as soon as practicable after the Implementation Date. No fractional shares shall be issued. All amounts will be rounded down to the nearest whole number.
- 28. Upon resolution of all Disputed Claims, if any, the Trustee shall provide to the Company a final list of Unsecured Creditors with Proven Unsecured Claims and return the share certificate issued in the name of the Trustee to the Company and the Company shall deliver to the Trustee for distribution to the Unsecured Creditors share certificates representing each such Unsecured Creditors' entitlement.

Amendments to Agreements

29. Notwithstanding the terms and conditions of all agreements or other arrangements with Creditors entered into before the Date of Filing, provided that no Event of Default has occurred and is continuing hereunder, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to all the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern. All Creditors will provide such acknowledgements, agreements, discharges or other documentation as may be necessary to give effect to the intent of this Proposal.

Treatment of Claims

30. For purposes of this Proposal, each Creditor holding a Claim will receive the treatment provided for in this Proposal on account of such Claim.

PART VI POST-FILING OBLIGATIONS

Payment of Post-Filing Goods & Services

31. During the Proposal Period, all Post-Filing Goods and Services shall be paid in full in the ordinary course of business by the Company.

Post-Filing Crown Claims

32. During the Proposal Period, the Company shall remit all Post-Filing Crown Claims as and when due.

Reporting by the Company

33. During the Proposal Period, the Company shall provide to the Trustee, no later than 5 Business Days after receipt of a written request, a report containing the information set out below:
- (a) a cash flow statement for the Company's business and affairs for the prior three months; and
 - (b) evidence of Company's filing and remittance of source deductions and HST.

PART VII LEVY, MANDATORY PAYMENTS AND PREFERRED CLAIMS

Levy

34. The Levy, if applicable, shall be deducted by the Trustee from distributions to Creditors by the Trustee.

Payment of Fees and Expenses

35. As per Part V of this Proposal, the Administrative Fees and Expenses shall be paid in priority to the Crown Claims and all other Creditors. The Trustee will be at liberty to withdraw and pay such Administrative Fees and Expenses at any time and from time-to-time subject to final approval by the Registrar in Bankruptcy upon completion of the Proposal. The Trustee's disbursements will be charged in addition to its fees based on the actual costs incurred and/or as allowed by tariff.

Employee Claims

36. As per Part V of this Proposal, all Employee Preferred Claims (if any) will be paid in priority to other Claims immediately after the issuance of the Approval Order.

Preferred Claims

37. As per Part V of this Proposal, Proven Claims of Preferred Creditors, without interest, are to be paid in full priority to all Claims of the Unsecured Creditors including, without limitation, any entitlement of the Unsecured Creditors to the distributions to be made under Part V of this Proposal.

PART VIII EVENTS OF DEFAULT

38. The following events will constitute Events of Default for purposes of section 63 of the Act and otherwise under this Proposal:
- (a) the non-payment by the Company of any of its obligations hereunder within thirty (30) days after written notice has been given by the Trustee that such payment is past due; and
 - (b) the breach or failure by the Company to observe and perform any other covenant and provision of this Proposal, other than payment as provided for in paragraph 38(a) above, which is not remedied within thirty (30) days after written notice thereof has been given to the Company by the Trustee.

PART IX TRUSTEE

39. The Trustee is acting solely in its capacity as proposal trustee under the Act and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of the Company.
40. Any payments made by the Trustee to Creditors hereunder shall be made by the Trustee net of any levies payable or due under the Act.

PART X INSPECTORS

Appointment of Inspectors

41. At the Creditors Meeting, the Affected Creditors will be entitled to appoint one or more, but not exceeding five (5) Inspectors in total.

Powers of Inspectors

42. The Inspectors, by way of majority, will have the following powers, but will have no personal liability to the Company or other Creditors:
 - (a) the power to extend the dates the Funded Proposal Payment is due under this Proposal;
 - (b) the power to waive any default in the performance of any provision of this Proposal; and
 - (c) the power to advise the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee.

PART XI CONDITIONS PRECEDENT

Creditor Approval

43. The Trustee shall call a meeting of the Affected Creditors of the Company to seek Creditor approval of the Proposal in the requisite majority in number and value of the class, as set out in the Act, of Creditors described in this Proposal.
44. The performance of this Proposal by the Company shall be conditional upon approval of the Affected Creditors. If such Affected Creditors do not approve the Proposal, the Trustee shall report on the result of the vote as required under section 57 of the Act and the Company shall be deemed bankrupt.

Court Approval

45. In the event the Proposal is approved by the Affected Creditors the Proposal Trustee shall, as soon as practicable, apply to the Court for a hearing to seek the Approval Order. The performance of this Proposal by the Company shall be conditional upon the issuance of the Approval Order. In the event that the Court does not approve the Proposal, the Company shall be deemed bankrupt.

PART XII RELEASES

46. As at 12:01 a.m. the Implementation Date, the Company, shall be released and discharged from any and all Claims. This release shall have no force or effect if the Company goes bankrupt before the terms of the Proposal are performed.
47. As of 12:01 a.m. the Implementation Date, each and every present and former director of the Company shall be released from claims against them that arose before the Date of Filing and that relate to the obligations of the Company where such persons are by law liable in their capacity as directors for the payment of such obligations, provided that nothing herein shall release or discharge any director of the Company from any claims coming within the exceptions set out in section 50(14) of the Act. This release shall have no force or effect if the Company goes bankrupt before the terms of the Proposal are performed.

PART XIII MISCELLANEOUS

Nanopay Holdings Inc.

48. Nanopay Holdings Inc. has agreed, as evidenced by such Creditor's signed confirmation appended as Schedule "A" hereto, that: (a) it is related to the Company within the meaning of the Act; (b) it will not file any Claim in this Proposal; and (c) it will not participate in any distributions to Creditors under this Proposal. Any Claim of Nanopay Holdings Inc. shall not be affected or otherwise compromised by this Proposal.

Preferential Payments

49. Sections 95 to 101 of the Act shall not apply to any dealings by the Company at any time prior to the Date of Filing. The releases contemplated in Part XII of this Proposal include releases from all claims, actions, or remedies available to Creditors or others pursuant to Sections 95 to 101 of the Act, provided that nothing herein shall release any director of the Company from any claims coming within the exceptions set out in Section 50(14) of the Act.

Consents, Waivers and Agreements

50. On the Implementation Date, all Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety. For greater certainty, each such Creditor will be deemed to have waived any default by the Company in any provision, express or implied, in any agreement existing between the Creditor and the Company that has occurred on or prior to the Date of Filing, and to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of this Proposal, the provisions of this Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

Further Actions

51. The Company and the Creditors will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated hereby.

Performance

52. Except where otherwise expressly provided, all obligations of the Company under this Proposal will commence as of the Implementation Date. All obligations of the Company under this Proposal will be fully performed for the purposes of Section 65.3 of the Act only upon the Company having made the payments and New Common Share issuances provided for herein.

Acceleration of Payments

53. Notwithstanding the payment structure set out in Part V of this Proposal, nothing herein prevents or restricts the Company from accelerating the Funded Proposal Payment or from satisfying the full amount of the Funded Proposal Payment in advance of the time period contemplated in Part V of this Proposal.

Binding Effect

54. The provisions of this Proposal will be binding on the Creditors and the Company, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Approval Order after all appeal periods have expired.

PART XIV ANNULMENT OF PROPOSAL

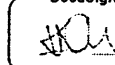
55. If this Proposal is annulled by an order of the Court, all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claims of Creditors.

**PART XV
AMENDMENTS**

56. The Company may propose amendments to the Proposal at any time prior to the conclusion of the Creditors Meeting provided that any such amendment does not reduce the rights and benefits given to the Creditors pursuant to the Proposal before such amendment and that any and all amendments shall be deemed to be a part of and incorporated into the Proposal.

DATED at the City of Toronto, in the Province of Ontario, as of this 30th day of August 2023.

NANOPAY CORPORATION


DocuSigned by:

Per: _____
Name: Laurence Cooke
Title: CEO

SCHEDULE "A"
CONFIRMATION OF NANOPAY HOLDINGS INC.

Nanopay Holdings Inc. hereby confirms, acknowledges and agrees that it is related to the Company within the meaning of the Act, that it will not file a Claim under this Proposal and it will not participate in any distributions to Unsecured Creditors under this Proposal.

Date: August 30, 2023

NANOPAY HOLDINGS INC.

DocuSigned by:

Per: _____
Name: Laurence Cooke
Title: CEO

**REPORT OF TRUSTEE
ON AMENDED
PROPOSAL**

IN THE MATTER OF THE AMENDED PROPOSAL OF
NANOPAY CORPORATION
OF THE TOWN OF TORONTO
IN THE PROVINCE OF ONTARIO

REPORT OF TRUSTEE ON AMENDED PROPOSAL

August 31, 2023

INTRODUCTION

1. On May 19, 2023 ("**Filing Date**"), Nanopay Corporation (the "**Debtor**", the "**Company**" or "**Nanopay**") filed with the Official Receiver a Notice of Intention to Make a Proposal ("**NOI**") to its creditors and named Dodick Landau Inc. ("**DLI**") as Proposal Trustee (the "**Proposal Trustee**"). Attached as **Appendix "A"** is the Certificate of Filing of the NOI of the Debtor.
2. On June 16, 2023, the Debtor sought an order which, among other things:
 - a) approved the extension of the time for the Debtor to file a proposal to August 2, 2023;
 - b) authorized the Debtor to borrow under a debtor-in-possession ("**DIP**") credit facility (the "**DIP Loan Facility**") from Nephesh Partners, LLC (the "**DIP Lender**") to finance the Debtor's working capital requirements and professional fees, and a corresponding charge over the property of the Debtor in favour of the DIP Lender; and
 - c) appointed David Kay, in his capacity as CEO of Ao8 Strategic Advisors, as Chief Restructuring Officer of the Company.
3. The relief sought by the Debtor was granted (the "**June 16th Order**"). However, as service of the Debtor's motion material was short, the Court directed the matter to be returned to Court for a case conference on June 23, 2023, to advise the Court whether any parties served objected to any of the relief sought by the Debtor. In the interim, the Court ordered

that the advance under the DIP Loan Facility be limited to \$275,000 in the aggregate. Copies of the June 16th Order and Endorsement are attached as **Appendix "B"**.

4. On June 23, 2023 (the **"June 23rd Order"**), the Court granted an order, which among other things, authorized advances under the DIP Loan Facility up to the maximum principal amount of \$2,000,000. Copies of the June 23rd Order and Endorsement are attached as **Appendix "C"**.
5. On August 1, 2023 (the **"August Order"**), the Debtor sought and obtained approval from the Court for a further extension to the time for filing the Proposal, and the stay of proceedings herein, up to and including August 21, 2023. Enclosed as **Appendix "D"** is a copy of the August Order.
6. On August 21, 2023, pursuant to section 62 of the Bankruptcy and Insolvency Act ("**BIA**"), the Debtor filed with the Official Receiver a proposal (the **"Proposal"**). On August 30, 2023, the Debtor made enhancements to the Proposal and filed with the Official Receiver an amended Proposal (**"Amended Proposal"**).
7. The purpose of this report (the **"Report"**) is to provide information to the creditors of the Debtor (the **"Creditors"**) to assist in their evaluation of the Amended Proposal.
8. The Amended Proposal has been developed to affect a restructuring of the Debtor with the expectation that all existing Creditors will derive a greater benefit from the completion of the restructuring and the continued operation of the business and affairs of the Debtor than would result from a liquidation of the Debtor's assets in a bankruptcy proceeding.
9. **A meeting of the Creditors to consider the Amended Proposal will be held by video conference on September 11, 2023 at 11:00 a.m. ("Creditors' Meeting"). Details relating to the filing of claims, and other documents, prior to the meeting of the creditors, are outlined in this Report and will be mailed to each known Creditor, or their duly appointed representative.**

DISCLAIMER

10. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, Nanopay's books and records, discussions with the management of Nanopay (**"Management"**) and information from other third-party sources (collectively, the **"Information"**).

11. Except as described in this Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("GAAS") pursuant to the Canadian Institute of Chartered Accountants Handbook (the "CPA Handbook") and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
12. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the CPA Handbook, has not been performed. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations may be material.
13. The capitalized terms not defined in this report are defined in the Amended Proposal and this Report should only be read in conjunction with the Amended Proposal. While this Report summarizes key aspects of the Amended Proposal, Creditors are advised to carefully read the Amended Proposal in full. Should there be any discrepancy between the summary contained in this Report and the Amended Proposal, the Amended Proposal shall govern.
14. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

BACKGROUND

Operations

15. The Company was incorporated on December 12, 2015 pursuant to the Canada Business Corporation Act and is wholly-owned subsidiary of Nanopay Holdings Inc. ("NHI"). The Company operated out of leased premises in downtown Toronto but its employees have transitioned to work remotely. The Company is a start up and does not own any real property.
16. The Company offers embedded payments solutions for businesses and banks that allows its clients to: (i) set up accounts; (ii) link those accounts to verified bank accounts; (iii) send and receive invoices to the customers of its clients; and (iv) receive and make payments against those invoices. This technology allows the Company's clients to collect payments from customers much quicker and easier.

17. The Company's principal assets consist of payments industry know-how, a software platform for digital payments, contractual and commercial relationships to provide payment and liquidity management products, the hardware and software to provide such products and related intellectual property.

Financial Results

18. Nanopay's compiled 2020 financial statements, 2021 financial statements, and its draft 2022 financial statements, indicate that for its fiscal years December 31, 2020, December 31, 2021, and December 31, 2022, it:
 - i) incurred net losses of approximately \$5.2 million, \$5.4 million, and \$6.3 million, respectively for total cumulative losses of \$16.9 million for fiscal years 2020 to 2022; and
 - ii) had total debt of approximately \$35.8 million (in 2020), \$38.5 million (in 2021), and \$44.6 million (in 2022).

CAUSES OF FINANCIAL DIFFICULTIES

19. The Company is a start up. Its cash from operation is insufficient to fund its liabilities as they fall due. Accordingly, it relies on regular equity injections and loans from its investors to fund its cash flow needs.
20. The Company only began earning revenue in the first quarter of 2023, and the adoption of its technology by the market has been slower than initially anticipated, which resulted in a longer timeline required for the Company to reach profitability. However, there has been a steady increase in the use of its technology which has resulted in it earning revenue at a gradually increasing rate.
21. Prior to the filing, the Company contacted parties who had previously provided funding to request further loans to finance the Company's operations while it continues to build its customer base, however, such financing could not be secured without the NOI filing and receipt of the DIP charge.

SECURED AND UNSECURED CREDITORS

Source Deduction Remittances

22. As at the Date of Filing, the Company estimated that it owed approximately \$192,000 to the Canada Revenue Agency ("**CRA**") in respect of unremitted source deductions, including related penalties and interest calculated up to the Date of Filing. Since the Date of Filing, CRA has been applying the Company's HST refunds to offset against the unpaid source deduction arrears, including related penalties and interest and as such no further amounts are currently owing.

Debtor in Possession Financing

23. The Statement of Affairs filed together with the Amended Proposal indicates that approximately \$810,000 was owed to the DIP Lender, inclusive of interest and fees, pursuant to the DIP Loan Facility. Shortly after the Debtor filed the Proposal it received from CRA its Scientific Research and Experimental Development refund for the taxation year ending December 31, 2022 of approximately \$810,000 ("**SR&ED Refund**"). The SR&ED Refund was transferred to the DIP Lender to repay its advances to date.

Employer Health Tax

24. As at the Date of Filing, according to Management, there was approximately \$600,000 owing to the Ministry of Finance of Ontario in respect of Employer Health Tax ("**EHT**"). On June 14, 2023, Management obtained access to its online EHT account which stated that the amount owing by the Company was \$760,322.
25. Of the balance outstanding, approximately \$375,000 is registered as secured in the Ontario Personal Property Security Act registry ("**PPSA**"). As a result, the remaining balance owing in respect of EHT would be an unsecured claim.

Unsecured Debt

26. According to Management, at the Filing Date, the Debtor's unsecured third-party debt totals \$4.5 million and is comprised of the following:
- i) Landlord - \$2.4 million (represents approximately two years of pre-filing unpaid rent);
 - ii) Two Private Lenders - \$1.3 million;

- iii) Four Trade Creditors - \$170,000;
- iv) EHT - \$385,000; and
- v) Fifteen Former Employees - \$181,000 (approximately \$80,000 relates to wages and vacation pay, of which approximately \$30,000 are employee preferred claims).

27. According to Management, over a period of eight years, shareholder investments have been made in NHI totaling approximately \$35.8 million ("**Investments**"). The Debtor is a wholly owned subsidiary of NHI. NHI has no operations of its own and no bank account. As such, the Investments were deposited into the bank account of the Debtor to fund the operations of the Debtor, which Management advised was the intended use for the Investments. As a result, the external accountant of the Debtor recorded a year-end related party adjustment on the balance sheets of the Debtor and NHI to reflect a payable from the Debtor to NHI totaling the cumulative Investments of \$35.8 million. The Proposal Trustee has requested documentation from the Debtor in respect of this related party debt obligation. Unsecured Creditors for the purposes of the Amended Proposal excludes NCI.

THE AMENDED PROPOSAL

Class

28. In the Amended Proposal, the Creditors of the Company are divided into two classes of Creditors being (i) His Majesty in Right of Ontario represented by the Minister of Finance in respect of any portion of an EHT Claim that is a Secured Claim ("**Class 1**") and (ii) Creditors with Proven Unsecured Claims, Proven Preferred Claims and Proven Former Employee Claims ("**Class 2**").
29. For greater certainty, the Creditors entitled to vote in the Class 2 Creditor Class consist of Unsecured Creditors (i.e., holding claims without priority under the BIA) ("**Unsecured Creditors**") including: Convenience Class Creditors, Preferred Creditors pursuant to the BIA, Former Employees, general Unsecured Creditors and claims of His Majesty in right of Canada and any province for all amounts other than Crown Priority Claims or Secured Claims.

Convenience Class Creditors

30. The Amended Proposal includes the option for Unsecured Creditors to elect to be included in the convenience class ("**Convenience Class**") and receive the lesser of their claim amount and \$500. To elect into the Convenience Class, Unsecured Creditors are required to make an irrevocable election on the Convenience Class election form provided ("**Convenience Class Election Form**").

The election must be completed and submitted to the Amended Proposal Trustee prior to the start time of the Creditors' Meeting.

31. For Unsecured Creditors with claims greater than \$500 that chose to elect into the Convenience Class, the holder of such Proven Claim shall be deemed to amend the portion of its Claim that is greater than \$500 and reduce the amount of such Claim to the maximum of \$500 in the aggregate. Unsecured Creditors who elect to be included in the Convenience Class will receive a distribution that is equal to the lesser of: (i) 100% of the value of their Proven Claim, and (ii) \$500.
32. Each Convenience Class Creditor shall be deemed to vote in favour of the Amended Proposal in respect of its Convenience Class Claim.

Treatment of Creditors in the Amended Proposal

33. **Crown Priority Claims** will be paid in full, with only payment of Administrative Fees and Expenses, the Bankruptcy Reserve and the secured portion of the Employee Health Tax claim, being paid in priority to such amounts. The Amended Proposal provides that proven Crown Priority Claims will be remitted from the Funded Proposal Payment (as defined and discussed further herein) by the Proposal Trustee to the CRA, or the province, as applicable, within six months of the Court approving the Amended Proposal ("**Approval Order**"). As at the Filing Date, there are no known claim amounts in respect of Crown Priority Claims.
34. **Secured Creditors**, other than His Majesty in Right of Ontario for EHT, are not Affected Creditors for the purposes of the Amended Proposal. The only known Secured Creditors as of the filing of the Amended Proposal are His Majesty in Right of Ontario for EHT and the DIP Lender, and of the two only His Majesty in Right of Ontario for EHT is included in the Proposal. As such all other Secured Creditors, if any, are not entitled to vote on the Amended Proposal nor receive any distributions in the Amended Proposal. Pursuant to the Amended Proposal, His Majesty in Right of Ontario shall be the sole creditor in Class 1 and shall receive \$50,000 in respect of its EHT claim.
35. **Employee Preferred Claims** shall vote as part of Class 2 and will be paid from the Funded Proposal Payment, immediately after the Court Approval Date. As at the Filing Date, there are known Employee Preferred Claims totaling approximately \$30,000.
36. **Former Employee Claims** shall vote as part of Class 2 and shall be paid an amount equal to the Former Employee's maximum entitlement under the WEPPA, less any amounts received on account of Employee Preferred Claims.

37. **Preferred Claims** shall vote as part of the Class 2 and, other than Employee Preferred Claims, shall be paid in full, without interest, out of the Funded Proposal Payment, in priority to Convenience Class Claims and Unsecured Creditors and in accordance with the scheme of distribution set forth in the BIA.
38. **Landlord Claims** in respect of a Disclaimed Lease shall vote as part of Class 2 and be entitled to file a proof of claim based on the formula in the Amended Proposal,
39. **Unsecured Creditors** shall vote as part of the Class 2. Unsecured Creditors shall receive no cash consideration but will be paid from 1% of the New Common Shares¹ (as defined below) on a *pro rata* basis as provided for in the Amended Proposal and summarized below.
- NCI shall be stayed during this Amended Proposal and will not participate in any voting or in any distributions to be made to Unsecured Creditors under this Amended Proposal. NCI will no longer be stayed and may be paid by the Company once this Amended Proposal is fully performed.
40. **Equity Claims** shall not receive any distribution, payment or other consideration under this Proposal.

Funding the Amended Proposal

41. Nanopay will pay the Trustee the Funded Proposal Payment immediately after the Court Approval Date.
42. The Funded Proposal Payment shall be an amount equal to the aggregate value of:
- i) the estimated Administrative Fees and Expenses of the Proposal Trustee, including the legal fees of the Proposal Trustee and the Debtor;
 - ii) the bankruptcy reserve of \$30,000 to be held in trust by the Proposal Trustee, which amount shall be used to fund the administrative costs of a bankruptcy of the Debtor in the event that the Amended Proposal is annulled, and the Debtor becomes bankrupt, failing which such amount shall be repaid to the Debtor;
 - iii) the Proven Employee Health Tax Claim that is a Secured Claim;
 - iv) the Crown Priority Claims, if any;

¹ The remaining 99% of the New Common Shares will be issued to the Company's new investors.

- v) the Proven Employee Preferred Claims;
- vi) the Proven Former Employee Claims;
- vii) the Proven Preferred Claims, other than Proven Employee Preferred Claims;
- viii) the Convenience Class Creditors, including any Unsecured Creditor with a Proven Claim that submits a Convenience Class Election Form; and
- ix) the value of Disputed Claims, if any, that if Proven would constitute any of the above class of Claims.

43. Any excess amounts remaining with the Amended Proposal Trustee after the above distributions shall be repaid to the Debtor.

Cancellation and Issuance of Common Shares

44. As of the Implementation Date, all of Nanopay's Common Shares issued and outstanding immediately prior to the Implementation Date ("**Existing Common Shares**") shall no longer be outstanding, shall be automatically cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor. All persons holding Existing Common Shares shall deliver any original share certificates issued in respect thereto to the Trustee for cancellation or otherwise provide evidence of cancellation satisfactory to the Trustee.
45. Unsecured Creditors shall receive from the Trustee their pro rata share of 1% of the new common shares to be issued on the Implementation Date ("**New Common Shares**") as soon as practicable after the Implementation Date. No fractional shares shall be issued. All amounts will be rounded down to the nearest whole number.
46. Upon resolution of all Disputed Claims, if any, the Trustee shall provide to the Company a final list of Creditors with Proven Claims and return the share certificate to the Company and the Company shall deliver to the Trustee for distribution to the Creditors share certificates representing each such Creditors' entitlement.

Superintendent's Levy

47. All distributions made by the Proposal Trustee pursuant to the Amended Proposal are subject to the Superintendent's Levy in accordance with the BIA. In the case of the distribution of the New Common Shares, the Superintendent's levy will also be satisfied by issuing a pro rata share of the 1% of the New Common Shares to the Superintendent.

Reporting by the Debtor

48. During the Proposal period, the Debtor shall provide to the Proposal Trustee every three months commencing on the first day of the month following the month in which the Approval Order is issued, a report containing the information set out below:
- i) a cash flow statement for the Debtor's actual cash flow for the business for the prior three months; and
 - ii) evidence of the Debtor's filing and remittance of source deductions and HST.

OVERVIEW OF THE DEBTOR'S WEEKLY CASH FLOW FORECAST

49. The Debtor, with the assistance of the Proposal Trustee, has prepared a cash flow forecast for the period from August 21, 2023 to October 16, 2023 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "E"** to this Report. The Cash Flow Forecast has been prepared by Management of the Debtor for the purpose of this motion, using probable and hypothetical assumptions set out in notes 1 to 9 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the eight-week forecast period in Canadian dollars.
50. The Cash Flow Forecast projects that the Debtor will have sufficient liquidity to fund its expenses in the Proposal proceeding through to October 16, 2023.
51. The Cash Flow Forecast projects that the Debtor will require the continued use of the DIP Loan Facility to fund its working capital. Absent continued funding by the DIP Lender, the Debtor will immediately enter a liquidity crisis and be unable to fund its expenses going forward.
52. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposal Trustee by certain of the Management and employees of the Debtor as well as the Chief Restructuring Officer. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee has also reviewed the support provided by Management of the Debtor for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

53. Based on the Proposal Trustee's review, nothing has come to its attention to cause it to believe that, in all material respects:
- i) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - ii) as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtor or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
 - iii) the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.
54. As described above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material.
55. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

LIQUIDATION ANALYSIS / ESTIMATED RECOVERY IN A LIQUIDATION

Liquidation Analysis

56. In the event that the Amended Proposal is not accepted by the Creditors and the Debtor is deemed bankrupt, a liquidation analysis prepared by the Proposal Trustee estimates the value of the Debtor's assets should there be a liquidation (the "**Liquidation Analysis**").
57. The Proposal Trustee has relied on representations of Management in determining the estimated liquidation value of the assets and is based on the assumption that the Debtor would cease operations due to a variety of reasons including a lack of funding. The Liquidation Analysis was prepared at a point in time being August 23, 2023.
58. At the present time the Company has no cash on hand as the Debtor's working capital is funded by its DIP Lender and its SR&ED Refund was fully exhausted to repay the DIP Lender including interest and fees. As described above, the Debtor is a technology start up with minimal assets other than certain computer equipment, software and intangible assets (collectively, the **Debtor's Assets**"). The estimated net realizable value from a liquidation of the Debtor's tangible assets, net of third-party realization costs, is estimated to be \$25,000.

59. The Debtor has Money Services Business ("MSB") licenses with Financial Transactions and Reports Analysis Center of Canada ("FINTRAC") which must remain in place in order to allow the Debtor to maintain MSB bank accounts at Canadian banks and which are required for the Debtor to operate its business. According to Management, if the Proposal fails, resulting in a Bankruptcy, it will no longer be able to maintain its FINTRAC licenses and, therefore, will no longer be able to operate its business. As such, in a bankruptcy, it is estimated there would be no net realizable intangible value to the business.

Estimated Recovery – Amended Proposal vs. Liquidation Scenarios

60. In a liquidation scenario, should the Company cease operating and realizations be limited to the \$25,000 estimated above it is expected that such realizations would be consumed in part by Professional fees and expenses with any residual payable to the DIP Lender in respect of ongoing advances for the Company's working capital as noted in the Cash Flow Forecast. As such it is expected that there would be nothing remaining for any other creditors.

Claims by Minister of Finance

61. In the Proposal Scenario the Minister of Finance as a Class 1 creditor would receive \$50,000 versus a NIL recovery in a Liquidation/ Bankruptcy scenario from the bankrupt estate.

Employee Claims

62. In the Proposal Scenario, employees would receive from the Funded Proposal Payment, i) up to \$2,000 per Proven Employee Preferred Claim; plus ii) Proven Former Employee Claims up to their WEPPA entitlement; plus, for any additional Proven Unsecured Claim greater than i) and ii), \$500 should they elect into the Convenience Class, or (ii) a pro rata share of 1% of the New Common Shares , versus a NIL recovery in a Liquidation/ Bankruptcy scenario.

Illustration:

A Former Employee has proven a claim totaling \$10,000 which consists of a claim of \$5,000 for a combination of wages and vacation pay, and \$5,000 for termination/severance pay.

In accordance with the Amended Proposal, the employee would be entitled to:

- i) Employee Preferred Claim: \$2,000;
- ii) Former Employee Claim: \$6,279 (Maximum WEPP entitlement in 2023 of \$8,279, less \$2,000 Employee Preferred Claim Received);
- iii) If the employee elects to be in the Convenience Class: \$500

Total cash distribution to the employee from the Funded Proposal Payment: \$8,779 (before 5% levy deducted). In a bankruptcy scenario it is estimated the employee will not receive any distribution.

Unsecured Claims

63. In the Proposal Scenario Unsecured Creditors could elect into the Convenience Class and receive a \$500 distribution immediately after the Court Approval Date or, on a pro rata basis, 1% of the New Common Shares for the unsecured portion of the claim, versus a NIL recovery in a Liquidation/ Bankruptcy scenario from the bankrupt estate.

CREDITORS' MEETING/VOTING PROCEDURE AND CLASSES OF CREDITORS

Creditors' Meeting/Voting Procedure

64. The Creditors' Meeting to consider the Amended Proposal will be held by video conference on September 11, 2023 at 11:00 a.m. (Toronto Time). Details relating to the filing of claims, and other documents, prior to the Creditors' Meeting, are outlined below and will be mailed to each known Creditor, or their duly appointed representative.
65. The primary purpose of the Creditors' Meeting is to permit Creditors to consider the acceptance or rejection of the Amended Proposal. For the Amended Proposal to be accepted, at least two-thirds (66.67%) of creditors in Class 2 by dollar value, and more than 50% of creditors in Class 2 by number, must vote in favour of the Amended Proposal at the Creditors' Meeting either in person, by proxy or by mailing a voting letter to the Proposal Trustee in advance of the Creditors' Meeting. Only Creditors who actually vote are counted for the purpose of determining whether the necessary thresholds have been reached. Only a rejection by Class 2 Creditors would result in Nanopay being deemed bankrupt.
66. To be eligible to vote on the Amended Proposal, Creditors must have filed with the Proposal Trustee, prior to the commencement of Creditors' Meeting, a proof of claim form signed and witnessed as required and accompanied by a statement of account or affidavit in support of the claim. Those Creditors who do not intend to have a personal representative at the Creditors' Meeting may complete and submit the voting letter which is enclosed in the creditor package prior to the Creditors' Meeting indicating their vote for or against the acceptance of the Amended Proposal. The Proposal Trustee has also enclosed a form of proxy should a Creditor wish to appoint a proxy to represent them at the Creditors' Meeting.

If the Amended Proposal is not accepted by the required majorities of unsecured creditors in Class 2, the Debtor will be deemed bankrupt.

67. To be eligible to participate in the convenience class, Creditors must also complete the Convenience Class Election Form. This must be done by completing and returning the Convenience Class Election Form to the Trustee prior to the commencement of the Creditor's Meeting.
68. If the Amended Proposal is accepted by the required statutory majorities referenced above in Class 2, the Proposal Trustee will then make an application to the Court for approval of the Amended Proposal. If the Court provides such approvals, the Amended Proposal will be binding on all Creditors and such Creditors, and their respective heirs, executors, administrators, successors and assigns, shall have no further Claim against the Debtor other than for the distributions provided in the Amended Proposal.
69. The Amended Proposal does not compromise the following Creditor Claims:
- a) Claims for goods and/or services delivered to the Debtor on or after the Filing Date, May 19, 2023;
 - b) Crown Priority Claims, if any;
 - c) Proven Claims of Preferred Creditors, payable in priority to all claims of Unsecured Creditors in accordance with the scheme of distribution set forth in the BIA;
 - d) Secured Creditor Claims secured by the charges granted under the June 16th Order; and
 - e) NCI's claim, as described above.
70. Distributions to Creditors will be made as described in the "Distribution" section of this Report.

ALTERNATIVES TO THE AMENDED PROPOSAL

71. At the Creditors' Meeting, the Creditors are being asked by the Proposal Trustee to choose between two alternatives, namely accepting the Amended Proposal, or rejecting the Amended Proposal, which would result in the Debtor being deemed bankrupt.
72. For the reasons described above, the Proposal Trustee is of the view that the Proposal Scenario, will produce a more favourable result for the Creditors of the Debtor than would a liquidation sale of its assets in a bankruptcy.

CONDUCT OF THE DEBTOR

Preference Transactions and Transfers at Undervalue

73. The Amended Proposal contemplates that Sections 95-101 of the BIA shall not apply in connection with this Amended Proposal and, as a result, the Proposal Trustee shall have no responsibility, liability or authority whatsoever under the operation of those provisions. Accordingly, the Proposal Trustee has not undertaken a detailed review for possible preference transactions or transfers at undervalue.
74. If the Debtor was to become bankrupt, and either preference transactions or transfers at undervalue did exist, it is possible that some of these transactions could be found to be void through Court proceedings.

Conduct Post-Filing

75. Pursuant to Section 50(10) of the BIA, the Proposal Trustee is required to monitor the affairs of the Debtor until the Amended Proposal is approved by the Court.
76. During the NOI period, the Debtor worked diligently with the Amended Proposal Trustee to prepare its Amended Proposal, as well as to manage costs and continue operations and is working diligently to complete the Amended Proposal. In the view of the Proposal Trustee, the Debtor and its management have acted in good faith, and in accordance with the required duties and obligations imposed on the Debtor and its management under the BIA.

SUMMARY COMMENTS/RECOMMENDATION

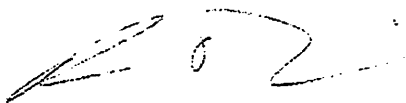
77. For the reasons set out in this Report it is the Proposal Trustee's opinion that:
- i) the Amended Proposal will allow for a greater recovery to the Creditors of Nanopay than they would receive in a liquidation of Nanopay's assets in a bankruptcy proceeding; and
 - ii) acceptance of the Amended Proposal is in the best interest of the Creditors. If the Amended Proposal is rejected by the Creditors, Nanopay will be deemed automatically bankrupt, and it is uncertain what the actual realizable values of the assets will ultimately be in a bankruptcy scenario.
78. Accordingly, the Proposal Trustee recommends that the Creditors vote in favour of the Amended Proposal.

Yours very truly,

DODICK LANDAU INC.

In its capacity as the Proposal Trustee of
Nanopay Corporation and not
in its personal or corporate capacity.

Per:

A handwritten signature in black ink, appearing to read 'R. Dodick', written over a horizontal line.

Rahn Dodick, CPA, CA, CIRP, LIT
President

APPENDIX “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

In the Matter of the Notice of Intention to make a proposal of:

Nanopay Corporation

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

May 19, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 23, 2023, 08:04

Official Receiver

E-File/Dépôt Electronique

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

APPENDIX “B”

District of Ontario
Division No. 9 - Toronto
Court File No.: BK-23-2946534-0031
Estate File No.: 31-2946534

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)

THE HONOURABLE)	FRIDAY, THE 16TH
)	
JUSTICE OSBORNE)	DAY OF JUNE, 2023

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF NANOPAY CORPORATION**

ORDER

THIS MOTION, made by Nanopay Corporation (the “**Company**”) pursuant to Sections 50.4(9) and 50.6 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), for an order extending the time for the Company to file a proposal, approving the DIP Term Sheet (as defined herein), granting the DIP Lender’s Charge (as defined herein and pursuant to the terms hereof), and authorizing the Company to engage David Kay as Chief Restructuring Officer of the Company, and granting certain other relief, was heard this day at 330 University Avenue, Toronto, Ontario by video conference.

ON READING the Affidavit of Laurence Cooke, sworn June 15, 2023 (the “**Cooke Affidavit**”), the First Report of Dodick Landau Inc., in its capacity as proposal trustee of the Company (the “**Proposal Trustee**”), dated June 15, 2023 (the “**First Report**”), and on hearing the submissions of counsel for the Company, the Proposal Trustee, the DIP Lender (as defined herein)

and such other counsel as were present, no one else appearing for any other person although duly served as appears from the Affidavit of Service of Amanda Campbell sworn June 15, 2023, filed.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file its proposal be and is hereby extended to August 2, 2023.

DIP FINANCING

3. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Loan Facility**") from Nephesh Partners, LLC and/or its affiliate (the "**DIP Lender**"), provided that borrowings under the DIP Loan Facility shall not exceed \$2,000,000 unless permitted by further Order of this Court.

4. **THIS COURT ORDERS** that the DIP Loan Facility shall be on the terms and subject to the conditions set forth in the term sheet between the Company and the DIP Lender, substantially in the form attached as Exhibit "D" to the Cooke Affidavit (the "**DIP Term Sheet**"). The DIP Term Sheet, subject to such minor amendments as may be acceptable to the Company and the DIP Lender, and approved by the Proposal Trustee, be and is hereby approved.

5. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, costs, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents (the “**Obligations**”) as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

PROPOSAL TRUSTEE TO ADMINISTER DIP LOAN ADVANCES

6. **THE COURTS ORDERS** that, as contemplated by the DIP Term Sheet, the Proposal Trustee be and is hereby authorized to administer the advances under the DIP Loan Facility, for the benefit of the Company and the DIP Lender by: (a) receiving funds advanced under the DIP Loan Facility into a separate account maintained by the Proposal Trustee solely for such purpose; and (b) disbursing such funds in accordance with the directions of the Company, as evidenced by written directions of the CRO (as defined below).

7. **THIS COURT ORDERS** that in carrying out the administrative functions set out in paragraph 6 hereof, the Proposal Trustee shall not have or incur any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person (as defined below) from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the Proposal Trustee.

DIP LENDER'S CHARGE

8. **THIS COURT ORDERS** that, upon execution of the DIP Term Sheet, the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on all of the Company's current and future, real and personal, tangible and intangible assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, including the Company's intellectual property, the refund due from the Government of Canada and the Government of Ontario with respect to Scientific Research and Experimental Development for the taxation year ending December 31, 2022, and other tax refunds (the "**Property**") as security for the Obligations. The DIP Lender's Charge shall not exceed an aggregate amount of \$2,000,000, plus interest, fees, and costs and shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraph 12 hereof.

9. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order, or Section 69 of the BIA:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 3 Business Days' (as defined in the DIP Term Sheet) notice to the Company and the Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's

Charge, and any additional rights and remedies available to it, at law or in equity, including without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the DIP Lender to the Company against the obligations of the Company to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

10. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any proposal filed by the Company under the BIA or any plan of arrangement or compromise filed by the Company under the *Companies' Creditors Arrangement Act*, with respect to any advances made under the Definitive Documents or the DIP Term Sheet.

VALIDITY OF CHARGE CREATED BY THIS ORDER

11. **THIS COURT ORDERS** that the filing, registration or perfection of the DIP Lender's Charge shall not be required, and that, upon execution of the DIP Term Sheet, the DIP Lender's Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the DIP Lender's Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

12. **THIS COURT ORDERS** that, upon execution of the DIP Term Sheet, the DIP Lender's Charge shall constitute a charge on the Property and the DIP Lender's Charge shall rank in priority to all other security interests, mortgages, deemed trusts (statutory or otherwise), trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental agency, or any other entities (each and any, a "**Person**").

13. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the DIP Lender's Charge, unless the Company obtains the prior written consent of the Proposal Trustee, the DIP Lender or further Order of this Court.

14. **THIS COURT ORDERS** that the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the DIP Lender thereunder shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Company, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the DIP Lender's Charge nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Company of any Agreement to which it is a party;
- (b) the DIP Lender shall not have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Company entering into the DIP Term Sheet, the creation of the DIP Lender's Charge, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order, the DIP Term Sheet or the Definitive Documents (including any and all fees and interest), and the granting of the DIP Lender's Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

15. **THIS COURT ORDERS** that the DIP Lender's Charge created by this Order, insofar as it is a charge over leases of real property in Canada, shall only be a charge in the Company's interest in such real property leases.

CHIEF RESTRUCTURING OFFICER

16. **THIS COURT ORDERS** that the engagement agreement, attached as Exhibit "F" to the Cooke Affidavit (the "**CRO Engagement Agreement**"), providing for the engagement of David Kay, in his capacity as chief executive officer of Ao8 Strategic Advisors, LLC and not in his personal capacity, to act as Chief Restructuring Officer ("**CRO**") of the Company, and the payment

of the fees and expenses contemplated thereby be and is hereby approved. The Company be and is hereby authorized to execute the CRO Engagement Agreement, with such minor amendments as may be agreed to by the Company and the CRO and approved by the Proposal Trustee.

17. **THIS COURT ORDERS** that the CRO shall not be or be deemed to be a director, *de facto* director or employee of the Company.

18. **THIS COURT ORDERS** that, upon the execution of the CRO Engagement Agreement, the CRO is hereby directed and empowered to exercise and perform all of the powers, responsibilities and duties described in the CRO Engagement Agreement, as well as all other ancillary powers, responsibilities or duties as may be necessary or useful in order to give full and proper effect to the terms and conditions of the CRO Engagement Agreement or this Order.

19. **THIS COURT ORDERS** that, upon the execution of the CRO Engagement Agreement, the Company and its shareholders, directors, officers, employees, agents and representatives shall co-operate fully with the CRO in the exercise of his powers and the discharge of his obligations, including providing the CRO with access to the Company's books, records, assets and premises as the CRO requires.

20. **THIS COURT ORDERS** that the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO.

21. **THIS COURT ORDERS** that no action or other proceeding shall be commenced directly, or by way of counterclaim, or otherwise, against or in respect of the CRO, and all rights and

remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice to the Company, the Proposal Trustee and the CRO. Notice of any such motion seeking leave shall be served upon the Company, the Proposal Trustee and the CRO at least seven (7) days prior to the presentation date of any such motion for leave.

22. **THIS COURT ORDERS** that the obligations of the Company to the CRO pursuant to the CRO Engagement Agreement, the DIP Term Sheet, and this Order, including, without limitation, the CRO Fee (as defined in the DIP Term Sheet), shall be treated as unaffected and may not be compromised in any plan of arrangement or proposal under the BIA, or any other restructuring and no such plan or arrangement, proposal or restructuring shall be approved that does not provide for the payment in full of all amounts due to the CRO pursuant to the terms of the CRO Engagement Agreement, the DIP Term Sheet, and this Order.

SERVICE


23. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “Protocol”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a

Case Website shall be established in accordance with the Protocol with the following URL
'https://dodick.ca/public_documents/nanopay-corporation/'.

GENERAL

24. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

25. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order, and this Order is enforceable without the need for entry and filing.

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IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF NANOPAY CORPORATION

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

PROCEEDING COMMENCED AT TORONTO.

ORDER

DENTONS CANADA LLP

77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Kenneth Kraft (LSO #31919P)

Tel: 416-863-4374

kenneth.kraft@dentons.com

Sara-Ann Wilson (LSO #56016C)

Tel: 416-863-4402

sara.wilson@dentons.com

Lawyers for Nanopay Corporation



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: BK-23-02946534-0031 DATE: 16 June 2023

NO. ON LIST: 3

TITLE OF PROCEEDING: *Intention to Make a Proposal of Nanopay Corporation*

BEFORE JUSTICE: P. Osborne

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

Name of Person Appearing	Name of Party	Contact Info
Kenneth Kraft	Counsel for the Debtor, Nanopay Corporation	<u>Kenneth.kraft@dentons.com</u>
Sara-Ann Wilson	Counsel for the Debtor, Nanopay Corporation	

For Defendant, Respondent, Responding Party, Defence:

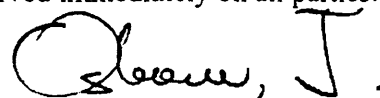
Name of Person Appearing	Name of Party	Contact Info

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
Rahn Dodick	The Proposal Trustee (Dodick Landau Inc.)	<u>Rahn.dodick@dodick.ca</u>
Shahrazad Hamraz	Counsel for the Proposal Trustee (Dodick Landau Inc.)	<u>shamraz@loonix.com</u>
Danish Afroz	DIP Lender	<u>dafroz@chaitons.com</u>

ENDORSEMENT OF JUSTICE P. OSBORNE:

1. The Company moves pursuant to section 50.4(9) of the BIA for an extension of the time to file a proposal to August 2, 2023, authority to borrow under a credit facility as described in the DIP Term Sheet, authority to engage a Chief Restructuring Officer and the granting of a DIP Lender's Charge up to the maximum amount of \$2 million plus interest, fees and costs pursuant to section 50.6 of the BIA.
2. A Notice of Intention to Make a Proposal was filed on May 19, 2023. The Company is a CBCA company involved in that provision of embedded payments solutions for businesses and banks. It is a startup and cash from operations is insufficient to fund liabilities as they come due, with the result that it relies on regular equity injections and loans from investors to fund the cash flow needs. The And OI was prompted by changes in market conditions resulting in a longer timeline being wired for the Company to reach profitability. The purpose of the Proceedings is the creation of a stabilized environment for the Company to consider and pursue restructuring options.
3. The Company relies upon the affidavit of Laurence Cooke sworn June 15, 2023 and exhibits thereto.
4. Motion materials have been served, although service was short. In particular, motion materials were delivered to the Government of Canada Department of Justice (Canada Revenue Agency in respect of HST remittances primarily) and the Province of Ontario Department of Finance (in respect of the HT obligations primarily), as well as the lender on a prior loan in respect of a facility of approximately \$37,500.
5. The DIP Loan Facility provided for in the DIP Term Sheet provides for a non-revolving demand credit facility up to an aggregate principal amount of \$2 million. Initial advances up to the aggregate amount of \$600,000 will be available to the Company upon satisfaction of the Conditions Precedent to the Initial Advances. Subsequent advances are in the Lender's discretion.
6. The cash flow forecast shows that the Company urgently requires the DIP Loan Facility to provide liquidity required to pay its employees, professional fees and continue operations during the Proceedings.
7. I am satisfied that the DIP Term Sheet should be, and is approved. It is fully supported and recommended by the Proposal Trustee.
8. However, I am directing that this matter be returnable before me next week on **Friday, June 23, 2023 at 10 AM via Zoom**. In the interim period until the return of this matter, advances under the DIP Loan Facility cannot exceed \$275,000 in the aggregate, which is the amount necessary to sustain operations in this interim period in satisfy obligations for payroll and source deductions.
9. I note the assurance of counsel for the Applicant that the lender in respect of the \$37,500 post filing loan facility referred to above is aware of, and does not oppose, any of the relief sought today.
10. I am also satisfied that Mr. David Kay should be appointed as Chief Restructuring Officer pursuant to the terms of the CRO Engagement Agreement. His involvement will enure to the benefit of the relevant economically affected stakeholders and maximize the efficiency of the operations of the Company during this restructuring period.
11. Finally, it is appropriate to extend to August 2, 2023 the time for the Company to file its proposal pursuant to section 50.4(9) of the BIA. The Company has acted, and is acting, in good faith and with due diligence, would likely be able to make a viable proposal if the extension were granted, and no creditor would be materially prejudiced.
12. Order to go in the form signed by me today, which is effective immediately and without the necessity of issuing and entering. This endorsement and the order should be served immediately on all parties.

 Osbourne, J.

APPENDIX “C”



SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

ENDORSEMENT

COURT FILE NO.: BK-23-02946534-0031 DATE: June 23, 2023

NO. ON LIST: 3

TITLE OF PROCEEDING: **Proposal of Nanopay Corporation**

BEFORE: **Mr Justice OSBORNE**

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

Name of Person Appearing	Name of Party	Contact Info
Kenneth Kraft / Sara-Ann Wilson	Nanopay Corporation	kenneth.kraft@dentons.com / sara.wilson@dentons.com

For Defendant, Respondent, Responding Party:

Name of Person Appearing	Name of Party	Contact Info

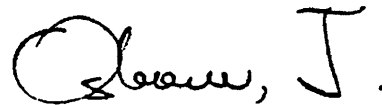
For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
Rahn Dodick	Dodick Landau Inc., the Proposal Trustee (Self)	rahn.dodick@dodick.ca
R. Graham Phoenix / Shahrzad Hamraz	Dodick Landau Inc., the Proposal Trustee	gphoenix@loonix.com / shamraz@loonix.com

Danish Afroz / Harvey Chaiton	DIP Lender	DAfroz@chaitons.com / harvey@chaitons.com
David Kay	Ao8 Strategic Advisors, Chief Restructuring Officer	dkay@Ao8Advisors.com

ENDORSEMENT

- [1] On June 16, I granted certain relief in this matter including the granting of a DIP Lender's Charge up to the maximum amount of \$2 million plus interest, fees and costs pursuant to section 50.6 of the BIA. That relief was granted for the reasons set out in my Endorsement of that date.
- [2] However, given the short service of the motion materials, particularly with respect to the secured creditor being the Government of Ontario, I directed both that in the interim period until the return of the matter today, advances under the DIP Loan Facility could not exceed \$275,000 in the aggregate, being the amount necessary to sustain operations in the interim. And to satisfy obligations for payroll and source deductions, and I directed that the motion materials be served immediately on all parties, and made returnable today.
- [3] Today, the Proposal Trustee seeks authority for advances under the DIP Loan Facility up to the maximum principal amount of \$2 million.
- [4] All parties, including for greater certainty the Province of Ontario, the only secured creditor, have been served. There is no opposition today. The prior lender in respect of the loan in the amount of \$37,500 does not oppose the relief sought.
- [5] In the circumstances, and for the reasons set out in the motion materials from June 16 as well as the materials filed today, the authorization is appropriate and is granted.
- [6] This matter is adjourned to be continued at a one-hour appointment via Zoom on July 28, 2023 commencing at 12 PM noon, in order that the court can consider a motion for an expected stay extension with possible other relief.



Mr Justice OSBORNE

Date: June 23 23

APPENDIX “D”



District of Ontario
Division No. 9 - Toronto
Court File No.: BK-23-2946534-0031
Estate File No.: 31-2946534

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)

THE HONOURABLE
JUSTICE PENNY

)
)
)

TUESDAY, THE 1ST
DAY OF AUGUST, 2023

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF NANOPAY CORPORATION**

ORDER

THIS MOTION, made by Nanopay Corporation (the "**Company**") pursuant to Section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), for an Order extending the time for the Company to file a proposal pursuant to the BIA, and granting certain other relief, was heard this day at 330 University Avenue, Toronto, Ontario by video conference.

ON READING the Affidavit of Laurence Cooke, sworn July 31, 2023 (the "**Cooke Affidavit**"), the Second Report of Dodick Landau Inc., in its capacity as proposal trustee (the "**Proposal Trustee**"), dated July 31, 2023 (the "**Second Report**"), and on hearing the submissions of counsel for the Company, the Proposal Trustee, and such other counsel as were present, no one else appearing for any other person although duly served as appears from the Affidavit of Service of Amanda Campbell sworn July 31, 2023, filed.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.


EXTENSION OF TIME TO FILE PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal is hereby extended to August 21, 2023.

GENERAL

3. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

4. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order, and this Order is enforceable without the need for entry and filing.



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF NANOPAY CORPORATION

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

PROCEEDING COMMENCED AT TORONTO

ORDER

DENTONS CANADA LLP

77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Kenneth Kraft (LSO #31919P)

Tel: 416-863-4374

kenneth.kraft@dentons.com

Sara-Ann Wilson (LSO #56016C)

Tel: 416-863-4402

sara.wilson@dentons.com

Lawyers for Nanopay Corporation



SUPERIOR COURT OF JUSTICE

ENDORSEMENT

COURT FILE NO.: BK-23-02946534-0031 DATE: August 1, 2023

NO. ON LIST: 3

TITLE OF PROCEEDING: Proposal of Nanopay Corporation

BEFORE: Mr. Justice Penny

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

Name of Person Appearing	Name of Party	Contact Info
Kenneth Kraft	Nanopay Corporation	kenneth.kraft@dentons.com

For Defendant, Respondent, Responding Party:


Name of Person Appearing	Name of Party	Contact Info

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
Rahn Dodick	Dodick Landau Inc., the Proposal Trustee (Self)	rahn.dodick@dodick.ca
Shahrazad Hamraz	Dodick Landau Inc., the Proposal Trustee	shamraz@loonix.com
Danish Afroz	DIP Lender	DAfroz@chaitons.com

ENDORSEMENT

- [1] This is a motion for a stay extension in these proposal proceedings.
- [2] I am satisfied the stay is warranted. It is being sought in good faith. Cash flows, including DIP financing, appears to be sufficient to cover the three week extension being sought.
- [3] The extension is supported by the Proposal Trustee and is otherwise unopposed.
- [4] Order to issue in the form signed by me this day.


Penny J.

APPENDIX “E”

Nanopay Corporation

Cash Flow Forecast

For the period from August 21, 2023 to October 16, 2023

\$Cdn

Weeks Ending	Notes	1 28-Aug-23	2 04-Sep-23	3 11-Sep-23	4 18-Sep-23	5 25-Sep-23	6 02-Oct-23	7 09-Oct-23	8 16-Oct-23	Total
Receipts										
Customer Receipts	2	7,369	7,851	8,362	9,159	10,435	11,109	11,822	12,817	78,924
Other	3	810,000	-	-	-	-	-	-	-	810,000
Total Receipts		817,369	7,851	8,362	9,159	10,435	11,109	11,822	12,817	888,924
Disbursements										
Payroll	4	(84,349)	(60,751)	(84,349)	(48,751)	(84,349)	(60,751)	(84,349)	(48,751)	(556,400)
Direct Costs	5	(5,651)	-	(24,000)	(35,913)	(13,000)	-	-	(59,913)	(138,478)
Total Disbursements		(90,000)	(60,751)	(108,349)	(84,665)	(97,349)	(60,751)	(84,349)	(108,665)	(694,878)
Cash Flow from Operations		727,369	(52,900)	(99,986)	(75,506)	(86,914)	(49,642)	(72,526)	(95,848)	194,046
Deduct: Professional Fees and Expenses	6	(14,677)	(41,549)	(57,000)	-	-	-	(50,000)	-	(163,226)
Deduct: CRO Fees and Expenses	7	-	(82,500)	-	-	-	(27,000)	-	-	(109,500)
Add: DIP Loan Advances		90,000	-	160,000	80,000	80,000	80,000	120,000	96,000	706,000
(Deduct): DIP Loan Repayments	8	(353,256)	(364,710)	-	-	-	-	-	-	(717,966)
Net Cash Flow		449,436	(541,659)	3,014	4,494	(6,914)	3,358	(2,526)	152	(90,646)
Opening Bank Balance	9	94,627	544,062	2,403	5,417	9,911	2,997	6,355	3,828	94,627
Add: Net Cash Flow		449,436	(541,659)	3,014	4,494	(6,914)	3,358	(2,526)	152	(90,646)
Closing Bank Balance		544,062	2,403	5,417	9,911	2,997	6,355	3,828	3,980	3,980

Nanopay Corporation (“Nanopay” or the “Company”)
Major Assumptions
Cash Flow Forecast
For the Period August 21, 2023 to October 16, 2023 (the “**Period**”)

1. Nanopay’s financial projections have been prepared for the purpose of meeting the requirements of the Bankruptcy and Insolvency Act. The Projection is based on the hypotheses that Nanopay will continue operations in the normal course, will generate cash flow to meet its ongoing operational needs and where there is a cash flow deficiency such deficiency will be funded by way of external financing.

Receipts:

2. Customer receipts are projected based on existing customers as well as certain new customers that are anticipated to begin doing business with Nanopay in the period.
3. Other receipts are in respect of SR&ED credits relating to the 2022 fiscal year, which was received by the Company in the first week of the Period.

Disbursements:

4. Payroll includes amounts for approximately twenty-one salaried employees and one independent contractor. Other payroll costs include source deduction remittances and employee benefits payable in the Period.
5. Direct costs include infrastructure costs such as network, data center, VPN and security, as well as subscription expenses for Amazon Web Services, Google, certain developer tools, marketing costs and bank fees. A portion of these expenses are paid through a corporate American Express credit card.
6. Professional fees include fees for the Proposal Trustee, the Company’s legal counsel, legal counsel to the Proposal Trustee for the Period and DIP Lender’s Counsel.
7. Chief Restructuring Officer (“**CRO**”) fees and expenses include \$27,000 per month. The CRO is a requirement of the Debtor in Possession (“**DIP**”) lender. According to the DIP loan agreement, the CRO fees and expenses for the first three months (June to August 2023) are accrued and are required to be paid when the SR&ED credits are received.
8. The DIP loan agreement provides for an initial advance of \$600,000 (“**Initial Advance**”) which was reduced by the DIP lender’s legal fees estimated to be approximately \$25,000 resulting in a net advance of approximately \$575,000 which was advanced in June 2023 following approval of the DIP loan charge by the Court.

According to the DIP loan agreement, the Initial Advance, including accrued interest, DIP lender facility fee and CRO accrued fees for three months, must be repaid when the 2022 SR&ED credits are received. The SR&ED credit was received in the first week of the Period and the DIP loan was repaid utilizing the credit in full. Following the

repayment, new DIP loan advances are forecast to be drawn weekly to meet the Company's working capital needs through the Period.

9. The Company's opening cash flow agrees with the Debtor's bank account.

STATEMENT OF AFFAIRS

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

☒ Original ☐ Amended

Form 78
Statement of Affairs (Business Proposal) made by an entity
(Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)
In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario

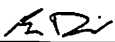
To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 19th day of May 2023. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A"	4,378,377.37	1. Inventory	0.00
Balance of secured claims as per list "B"	1,185,106.00	2. Trade fixtures, etc.	25,000.00
Total unsecured creditors	5,563,483.37	3. Accounts receivable and other receivables, as per list "E"	
		Good	0.00
2. Secured creditors as per list "B"	0.00	Doubtful	0.00
		Bad	0.00
3. Preferred creditors as per list "C"	30,003.00	Estimated to produce	0.00
4. Contingent, trust claims or other liabilities as per list "D"		4. Bills of exchange, promissory note, etc., as per list "F" ...	0.00
estimated to be reclaimable for	0.00	5. Deposits in financial institutions	0.00
Total liabilities	5,593,486.37	6. Cash	0.00
Surplus	NIL	7. Livestock	0.00
		8. Machinery, equipment and plant	0.00
		9. Real property or immovable as per list "G"	0.00
		10. Furniture	0.00
		11. RRSPs, RRIFs, life insurance, etc.	0.00
		12. Securities (shares, bonds, debentures, etc.)	0.00
		13. Interests under wills	0.00
		14. Vehicles	0.00
		15. Other property, as per list "H"	820,426.00
		If debtor is a corporation, add:	
		Amount of subscribed capital	0.00
		Amount paid on capital	0.00
		Balance subscribed and unpaid	0.00
		Estimated to produce	0.00
		Total assets	845,426.00
		Deficiency	4,748,060.37

I, Laurence Cooke, of the city of Toronto in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the affairs of the Corporation on the 21st day of August 2023 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED) remotely by Laurence Cooke stated as being located in the city of London, Great Britain before me at the city of Toronto in the Province of Ontario, on this 21st day of August 2023 in accordance with provincial Regulation on Administering Oath or Declaration Remotely.


Rahn Dodick Aug 22, 2023 12:17 EDT
Rahn Dodick, Commissioner of Oaths
For the Province of Ontario
Expires July 20, 2026


Laurence Cooke

Rahn Dodick, a Commissioner, etc.,
Province of Ontario, for Dodick Landau Inc.
and Dodick Landau Partnerships.
Expires July 20, 2026.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 - Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "A"
Unsecured Creditors
nanopay Corporation

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Agarwal, Anurag		11,583.96	0.00	11,583.96
2	Allied Properties Attn: Accounts Receivable	134 Peter Street, Suite 1700 Toronto ON M5V 2H2	2,400,000.00	0.00	2,400,000.00
3	Ardece Holdings Inc.		850,000.00	0.00	850,000.00
4	Chen, Lenora		1.00	0.00	1.00
5	Choura, Hassen		9,542.49	0.00	9,542.49
6	ConnecCPA LLP Attn: Licr Zehiser	140 Yonge Street, Suite 220 Toronto ON M5C 1X6	23,730.00	0.00	23,730.00
7	Conway, Peter		7,830.31	0.00	7,830.31
8	Cooke, Laurence		1.00	0.00	1.00
9	CRA - Tax - Ontario 793163890 RC Account	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	1.00	0.00	1.00
10	CRA - Tax - Ontario 793163890 RP Account	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	1.00	0.00	1.00
11	CRA - Tax - Ontario 793163890 RT account	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	1.00	0.00	1.00
12	Denton's LLP	77 King St. W., Suite 400, TD Centre Toronto ON M5K 0A1	36,003.00	0.00	36,003.00
13	Doulatshahi, Annahita (Anna)		15,381.34	0.00	15,381.34
14	Fox, Adam		1.00	0.00	1.00
15	Greer, Alexey		4,123.37	0.00	4,123.37
16	Greer, Kevin		1.00	0.00	1.00
17	Hara, Bipinjit Kaur		6,091.14	0.00	6,091.14
18	Head, Scott		1.00	0.00	1.00
19	HP Financial HP Financial - File 5685	Morrison and Payne 505 Consumers Road, Suite 1005 Toronto ON M2J 4V9	43,304.00	0.00	43,304.00

21-Aug-2023

Date


Laurence Cooke
Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 - Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "A"
Unsecured Creditors
nanopay Corporation

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
20	Hughes, Joel		1.00	0.00	1.00
21	Jarmac Capital Attn: David Roffey		421,000.00	0.00	421,000.00
22	Jayaprakash, Mahimaa		1.00	0.00	1.00
23	Jung, Jin		1.00	0.00	1.00
24	Karim, Zunaira		8,037.90	0.00	8,037.90
25	Kaur, Bipinjit		1.00	0.00	1.00
26	Keogh, Simon		1.00	0.00	1.00
27	Kim, Naeun (Julie)		16,771.84	0.00	16,771.84
28	KPMG LLP Attn: Santino Mariani 8004310428	333 Bay Street, Suite 4600 Toronto ON M5H 2S5	67,881.00	0.00	67,881.00
29	Lim, Chanmann		1.00	0.00	1.00
30	Linnik, Artur		5,708.21	0.00	5,708.21
31	Lukose, Ani Maria		1,539.65	0.00	1,539.65
32	Luu, Ivy		1.00	0.00	1.00
33	Marshall, Bruce		1.00	0.00	1.00
34	Marwaha, Sarthak		1.00	0.00	1.00
35	Ministry of Finance Attn: Rosemarie Duguay 793163890TE0001	33 King Street West, 6th Floor Oshawa ON L1H 8H5	385,285.50	375,036.00	760,321.50
36	Mumtaz, Syed Salman		1.00	0.00	1.00
37	Nefesh Partners LLC		0.00	810,070.00	810,070.00
38	Oh, Siyoung (Brianna)		7,836.47	0.00	7,836.47
39	Olurin, Mayowa		1.00	0.00	1.00
40	Omcoerah, Kiana		4,583.34	0.00	4,583.34

21-Aug-2023

Date


Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 - Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "A"
Unsecured Creditors
nanopay Corporation

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
41	Paciomik, Selma		5,356.69	0.00	5,356.69
42	Pastemak, Michal		1.00	0.00	1.00
43	Patel, Neel		1.00	0.00	1.00
44	Pavlovs, Arthur		1.00	0.00	1.00
45	Pena, Manjoy		11,295.03	0.00	11,295.03
46	Rathinasamy, Moorthy		1.00	0.00	1.00
47	Roy, Julien		1.00	0.00	1.00
48	Samji, Nadir Attn: Alex Minkin Nadir Samji		22,896.50	0.00	22,896.50
49	Sawatzky, Keiran		1.00	0.00	1.00
50	Sharma, Piyush		1.00	0.00	1.00
51	Smimova, Kristina		1.00	0.00	1.00
52	Snyman, Zeidi		1.00	0.00	1.00
53	Vrentzos, Joanne		12,564.63	0.00	12,564.63
54	Wallace, Kevin		1.00	0.00	1.00
55	Wu, Xuerong		1.00	0.00	1.00
56	Zhang, Ruby		1.00	0.00	1.00
Total:			4,378,377.37	1,185,106.00	5,563,483.37

21-Aug-2023

Date



Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 - Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "B"
Secured Creditors

nanopay Corporation

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	Ministry of Finance Attn: Rosemarie Duguay 793163890TE0001	33 King Street West, 6th Floor Oshawa ON L1H 8H5	375,036.00	Business Assets - Book Debts - Scientific Research & Experimental Development Credit Receivable Business Assets - Trade Fixtures - Computer Equipment Business Assets - Trade Fixtures - Computer Software Business Assets - Trade Fixtures - Intangible Assets	01-Jan-2023 01-Jan-2023 21-Aug-2023 01-Jan-2023	0.00 0.00 0.00 0.00		375,036.00
2	Nefesh Partners LLC		810,070.00	Business Assets - Book Debts - Scientific Research & Experimental Development Credit Receivable Business Assets - Trade Fixtures - Computer Equipment Business Assets - Trade Fixtures - Computer Software Business Assets - Trade Fixtures - Intangible Assets	16-Jun-2023 01-Jan-2023 21-Aug-2023 01-Jan-2023	0.00 0.00 0.00 0.00		810,070.00
Total:			1,185,106.00			0.00	0.00	1,185,106.00

21-Aug-2023

Date



Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 -- Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "C"
Preferred Creditors for Wages, Rent, etc.

nanopay Corporation

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
1	Agarwal, Anurag				2,000.00	0.00	2,000.00
2	Choura, Hassen				2,000.00	0.00	2,000.00
3	Conway, Peter				2,000.00	0.00	2,000.00
4	Doulatshahi, Annahita (Anna)				2,000.00	0.00	2,000.00
5	Greer, Alexey				2,000.00	0.00	2,000.00
6	Hara, Bipinjit Kaur				2,000.00	0.00	2,000.00
7	Karim, Zunaira				2,000.00	0.00	2,000.00
8	Kaur, Bipinjit				1.00	0.00	1.00
9	Kim, Naeun (Julie)				2,000.00	0.00	2,000.00
10	Linnik, Artur				2,000.00	0.00	2,000.00
11	Lukose, Ani Maria				2,000.00	0.00	2,000.00
12	Marwaha, Sarthak				1.00	0.00	1.00
13	Oh, Siyoung (Brianna)				2,000.00	0.00	2,000.00
14	Pacomik, Selma				2,000.00	0.00	2,000.00
15	Pena, Marijoy				2,000.00	0.00	2,000.00
16	Samji, Nadir Attn: Alex Minkin Nadir Samji				2,000.00	0.00	2,000.00

21-Aug-2023

Date


Laurence Cooka

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 - Continued


In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "C"
Preferred Creditors for Wages, Rent, etc.

nanopay Corporation

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
17	Sawatzky, Keiran				1.00	0.00	1.00
18	Vrentzos, Joanne				2,000.00	0.00	2,000.00
Total:					30,003.00	0.00	30,003.00

21-Aug-2023

Date



Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 -- Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "D"
Contingent or Other Liabilities

nanopay Corporation

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

21-Aug-2023

Date



Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 - Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "E"
Debts Due to the Debtor
nanopay Corporation

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
Total:				0.00 0.00 0.00			0.00	

21-Aug-2023

Date



Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 – Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "F"

Bills of Exchange, Promissory Notes, Lien Notes, Chattel
Mortgages, etc., Available as Assets

nanopay Corporation

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

21-Aug-2023

Date



Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 – Continued

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "G"
Real Property or Immovables Owned by Debtor
nanopay Corporation

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Total:			0.00		0.00

21-Aug-2023

Date



Laurence Cooke

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 78 -- Concluded

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario
List "H"
Property

nanopay Corporation
FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade			0.00	0.00
(b) Trade fixtures, etc.		Computer Equipment	0.00	5,000.00
		Computer Software	0.00	10,000.00
		Intangible Assets	0.00	10,000.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Book Debts - Scientific Research & Experimental Development Credit Receivable	0.00	820,426.00
Total:				845,426.00

21-Aug-2023

Date



Laurence Cooke

Court No. 31-2946534

Estate No. 31-2946534

In the Matter of the Proposal of
Nanopay Corporation
of the city of Toronto, in the Province of Ontario

Form 78 (Bill C-12)
Statement of affairs (Business bankruptcy)

Trustee: Rahn Dodick
License: 3276
Email: rahn.dodick@dodick.ca

Dodick Landau Inc. - Licensed Insolvency Trustee

951 Wilson Ave., Unit 15L
Toronto ON M3K 2A7
Phone: (416) 736-4357 Fax: (866) 874-1791

PROOF OF CLAIM WITH INSTRUCTIONS

DODICK LANDAU

PROOF OF CLAIM FORM 31

IN THE MATTER OF THE PROPOSAL OF **Nanopay Corporation** (referred to in this form as "the debtor")
and the claim of _____ (referred to in this form as "the creditor")

All notices or correspondence regarding this claim to be forwarded to the creditor at the following address:

Telephone : _____ Fax : _____ Email : _____

I, _____ residing in the _____
(name of person signing claim) (city, town, etc.)
of _____ in the Province of _____
(name of city, town, etc.)

Do hereby certify that:

If an officer of the company, state
position or title

1. I am the creditor or I am _____ of the creditor.
(state position or title)

2. I have knowledge of all the circumstances connected with the claim referred to in this form.

The attached statement of account
must include invoices or other
evidence in support of the claim

3. The debtor was, at the date of the Notice of Intention to Make a Proposal, namely May 19, 2023 and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account attached hereto and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled.

Check and complete appropriate
category.

4. A Unsecured claim of \$ _____
In respect to the said debt, I do not hold any assets of the debtor as security and

Check appropriate description and
attach a separate sheet to detail and
support priority claim, if applicable.

(i) I do not claim a right to a priority
or
(ii) I do claim a right to a priority under section 136 of the Bankruptcy and Insolvency Act (the "Act").

Give full particulars of the claim,
including the calculations upon which
the claim is based.

B Claim of landlord for disclaimer of a lease of \$ _____
That I hereby makes a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

Give full particulars of the security,
including the date on which the
security was given and the value at
which you assess the security, and
attach a copy of the security
documents.

C Secured claim of \$ _____
In respect of the said debt, I hold assets of the debtor valued at
\$ _____ as security, particulars of which are as
follows: _____

Attach a copy of sales agreement and
delivery receipts.

D Claim by farmer, fisherman, or aquaculturist of \$ _____
That I hereby makes a claim under subsection 81.2(1) of the Act for the unpaid amount
\$ _____

Check and complete appropriate
category.

E Claim by Wage Earner of \$ _____

Check appropriate description.

(i) That I hereby make a claim under subsection 81.3(8) of the Act
in the amount of \$ _____
(ii) That I hereby make a claim under subsection 81.4(8) of the Act
in the amount of \$ _____

**PROOF OF CLAIM
FORM 31
PAGE TWO**

To be filed when a proposal provides for the compromise of claims against directors.

F **Claim against Director of \$** _____
That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows: _____

Give full particulars of the claim, including the calculations upon which the claim is based.

G **Claim of a Customer of a Bankrupt Securities Firm of \$** _____
That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows: _____

Strike out "is" or "is not".

5. To the best of my knowledge, the creditor **is / is not** related to the debtor within the meaning of section 4 of the Act.

Attach a separate schedule if necessary.

6. The following are the payments that the creditor has received from and the credits that the creditor has allowed to the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act, within the twelve months) immediately before the date of the initial bankruptcy event (May 19, 2023) within the meaning of section 2 of the Act.

_____, _____
_____, _____

Dated at _____, this _____ day of _____, 20_____

Must be signed and witnessed

Witness

(Signature of individual completing this form)

Print Name: _____

Print Name: _____

Notes: All references to "the Act" refer to the Bankruptcy and Insolvency Act. If a copy of this Form is sent electronically by means such as email, the name and contact information of the sender, prescribed in Form 1.1, must be added at the end of the document.

If an affidavit or solemn declaration is attached, it must have been made before a person qualified to take affidavits or solemn declarations.

Warning: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor. Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

Instructions for completing proof of claim forms

Every creditor who does not prove his claim is not entitled to share in any distribution. Claims not completed correctly in every respect will be returned. As well, in order to vote at a meeting of creditors, a properly completed Proof of Claim must be returned to the Trustee's office before the time of the meeting.

In completing the attached form, your attention is directed to the marginal notes on the form and to the following requirements:

Proof of Claim:

1. The form must be completed by an individual and not by a corporation. If you are acting for a corporation or other person, you must state the capacity in which you are acting, such as, "Credit Manager", "Treasurer", "Authorized Agent", etc.
2. The person signing the form must have knowledge of the circumstances connected with the claim.
3. The debtor's name and date of the bankruptcy/proposal must be filled in and a Statement of Account containing details of the claim must be attached and marked "Schedule A". The date at which claims are to be calculated and the correct name of the debtor may be found as well on the Notice sent to the creditor.
4. The nature of the claim must be indicated by placing a check mark at the type of claim which applies, for example:

Check mark at A indicates the claim is unsecured and

Check mark at A(i) indicates that the creditor is not claiming any priority or

Check mark at A(ii) indicates the creditor is claiming preferred status under section 136 of the Act. Details to support the priority claim must be set out on an attached schedule.

Check mark at B indicates a claim of landlord for disclaimer of a lease under subsection 65.2(4) of the Act. Details to support this claim must be set out on an attached schedule.

Check mark at C indicates the claim is secured and the value at which the creditor assesses the security must be inserted. Details of each item of security held should be attached as a separate schedule and submitted with a copy of the chattel mortgage, conditional sales contract, security agreement, etc.

Check mark at D indicates that the creditor is a farmer, fisherman or aquaculturist who supplied goods within 15 days prior to the date of receivership or bankruptcy and has not yet been paid for those goods.

Check mark at E indicates that the creditor is a wage earner under subsection 81.3(8) or 81.4(8) of the Act. Details to support this claim must be set out on an attached schedule.

Check mark at F indicates the claim is against a director under subsection 50(13) of the Act. It is applicable only in the case of a proposal which provides for the compromise of claims against directors. Details to support this claim must be set out on an attached schedule.

Check mark at G indicates the claim is of a Customer of a Bankrupt Securities Firm, who is a customer for net equity as contemplated by section 262 of the Act. Details to support this claim must be set out on an attached schedule.

5. The person signing the form must indicate (by striking out "is" or "is not") whether the creditor and the debtor are related. Section 4 of the Act defines persons related to a debtor. If the creditor is related by blood or marriage to the debtor, the creditor should consider itself to be a related person. If the debtor is a corporation, a creditor would be related if it was controlled by the same shareholders as the debtor.

6. The person signing the form must provide full details of all payments and credits received from or allowed to the debtor during the period indicated. Leaving a blank will indicate that there were no such payments and credits.

7. The person signing the form must insert the place and date and the signature must be witnessed. If an affidavit is attached, it must have been made before a person qualified to take affidavits.

General Proxy:

If it is desired to appoint a proxy, the proxy form must be completed and signed by the creditor; if the creditor is a corporation, the proxy form must be signed in the corporate name (not necessarily by the individual signing the proof of claim form) and the proxy must be witnessed.

If there are any questions in completing the proof of claim, please write, email or telephone the office of the trustee:

Dodick Landau Inc.
951 Wilson Avenue, Suite 15L
Toronto, ON M3K 2A7
Telephone: 416-645-0542
Fax: 866-874-1791
Email: brenda.mcknight@dodick.ca

PROXY

District of: Ontario
Division No. 09 – Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 36
PROXY
(Paragraph 102(2) and paragraphs 51(1)(e) of the Act)

In the Matter of the Proposal of
Nanopay Corporation
of the City of Toronto
In the Province of Ontario

I, _____, creditor (or I, _____, representative of
_____, (creditor) of _____ (name of city),
appoint _____ of _____ to be my
proxyholder in the above matters, except as to the receipt of dividends, _____ (with or without)
power to appoint another proxyholder in his or her place.

DATED at _____ this _____ day of _____, _____.

Witness

Individual Creditor

Witness

Signature of Corporate Creditor

Per:

Name and Title of Signing Officer

Return to:
Dodick Landau Inc. – Licensed Insolvency Trustee
951 Wilson Avenue, Suite 15L
Toronto, ON M3K 2A7
Phone: (416) 645-0542 Fax: (866) 874-1791
Email: brenda.mcknight@dodick.ca

PLEASE NOTE :

All Corporations MUST appoint an individual to act on its behalf if the Corporation wishes to log a vote in the Proposal.

VOTING LETTER / ELECTION FORM

District of: Ontario
Division No. 09 – Toronto
Court No. 31-2946534
Estate No. 31-2946534

FORM 37
Voting Letter
(Paragraph 51(1)(f) of the Act)

In the Matter of the Proposal of
Nanopay Corporation
of the City of Toronto, in the Province of Ontario

I, _____, creditor (or I, _____, representative of
_____, creditor) of _____ (name of city), a creditor in the above matter for
the sum of \$ _____, hereby request the trustee acting with respect to the Amended Proposal of Nanopay
Corporation (“Nanopay”) pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended, dated August 30,
2023 (the “Proposal”), to record my vote _____ (for or against) the acceptance of the Proposal of Nanopay.

Convenience Class Election: *(To be completed only if the creditor is voting FOR the proposal AND wishes to join the
Convenience Class)*

I, _____, creditor (or I, _____, representative of
_____, creditor) of _____ (name of city), a creditor in the above matter for
the sum of \$ _____, hereby irrevocably elects to be treated for all purposes under the Amended Proposal as
a Convenience Class Creditor and thereby receive the lesser of (i) \$500.00, and (ii) the amount of the undersigned’s Proven
Claim(s), in full and final satisfaction of the Proven Claim(s) of the undersigned. Former employees shall also receive their
Employee Preferred Claim amount and Former Employee Claim amount, up to their Wage Earner Protection Program
entitlement, in addition to the \$500.00, upon making this Convenience Class Election.

I hereby acknowledge that I shall be deemed to vote the undersigned’s Affected Claims in favour of the Amended Proposal
at the Creditors’ Meeting.

For the purposes of this Voting Letter, capitalized terms not defined herein shall have the meanings ascribed thereto in the
Amended Proposal.

DATED at _____ this _____ day of _____, 2023.

Witness

Individual Creditor

Witness

Signature of Corporate Creditor

Per:

Name and Title of Signing Officer

Return to:
Dodick Landau Inc. – Licensed Insolvency Trustee
951 Wilson Avenue, Suite 15L
Toronto, ON M3K 2A7
Phone: (416) 645-0542 Fax: (866) 874-1791
Email: brenda.mcknight@dodick.ca