

Division of: Ontario
Division No.: 12 - Ottawa
Estate Number: 33-3015853
Court Number: 33-3015853

**IN THE MATTER OF THE BANKRUPTCY OF
10003905 CANADA INC. (FORMERLY KNOWN AS RELOGIX INC.)
OF THE CITY OF OTTAWA
IN THE PROVINCE OF ONTARIO**

REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION

Background

1. 10003905 Canada Inc. (formerly known as Relogix Inc.) ("**Relogix**" or the "**Company**") was in the business of using state-of-the-art technology to provide companies with office workplace optimization analytics and insights executed in a scalable, flexible and cost-effective manner. The Company employed 18 non-union employees.

Introduction

2. On November 29, 2023, Relogix filed with the Official Receiver a notice of intention ("**NOI**") to make a proposal to its creditors and named Dodick Landau Inc. ("**DLI**") as Proposal Trustee ("**NOI Proceedings**").
3. Subsequent to the filing of its NOI and the granting of an initial 45 day stay extension by the Ontario Superior Court of Justice (Bankruptcy) (the "**Court**"), the Company completed a sale of its assets to a third-party purchaser, Hubstar Inc (the "**Purchaser**"). The sale is discussed further in this report.
4. As there were insufficient proceeds from the sale of its assets to the Purchaser to make a Proposal to its creditors, the Company was assigned by its director into bankruptcy on January 26, 2024 ("**Date of Bankruptcy**") and DLI became Trustee in Bankruptcy of the estate of 10003905 Canada Inc. (formerly known as Relogix Inc.) (the "**Trustee**").

Causes of Financial Difficulties

5. From mid-2022, Relogix began experiencing significant cash flow pressures due to the lingering effects that COVID-19 had in the corporate real estate market and the slower than anticipated return to corporate offices by its customers. As a result, its existing lenders and investors were no longer willing to make new loans or investments in the Company.

Sales Process

6. As such, in the Fall of 2023, the Company hired an investment bank, March Capital, and began a process to market its assets for sale. Relogix's marketing process yielded an offer for a going

concern sale of the assets of the Company. The Proposal Trustee was not yet engaged and did not assist in the marketing process. In order to ensure a sale transaction could close and that sale proceeds are received for the benefit of the creditors, the Company continued the operation of the business during the interim period until closing of the sale in January 2024 with a stay of proceedings in place as a result of its filing of the NOI.

7. Management saw no other feasible path forward and did its best to be able to complete a sale transaction and wind down its affairs in an orderly fashion, including loaning the Company funds during this transition period. Maintaining the business as a going concern until closing of the sale permitted the majority of the Relogix employees to be rehired by the Purchaser.

The Sale Transaction

8. On January 4, 2024, Relogix entered into a conditional Asset Purchase Agreement, (the “**Sale Transaction**”) with the Purchaser to sell all the assets of the business, including the Company’s name, in a manner that would allow the Purchaser to operate the Business as a going concern under its enterprise.
9. On January 8, 2024, Relogix sought and obtained Court approval of the Sale Transaction and the Sale Transaction closed on January 22, 2024 (“**Closing**”).
10. The Purchase Price was payable as follows:
 - a. \$1.8 million (“**Initial Compensation**”) which was distributed as follows:
 - i. \$650,000 paid directly to certain critical service providers of Relogix on Closing; and
 - ii. \$1.15 million was paid to the Proposal Trustee on Closing.
 - b. Up to an additional \$200,000 in renewed contract considerations if customers do not provide a notice of termination of their Customer Contract within the 90-day period after Closing; and
 - c. Up to and additional \$1.175 million in additional compensation, which \$200,000 is payable following the first anniversary of the Closing and \$975,000 on the second anniversary of the Closing, should the purchased business achieve certain profit targets over the two-year period after Closing. According to Management, at this time, it is not known whether the business will achieve these profit targets and the additional compensation being received.
 - d. Included in the assets sold to the Purchaser was the name, Relogix. As such, Relogix Inc. changed its name to 10003905 Canada Inc. after closing of the sale and prior to the Date of Bankruptcy.

Insolvency Proceeding

11. Following its appointment as Trustee, DLI distributed a Notice of Bankruptcy, a copy of the Statement of Affairs and a Proof of Claim form with instructions to all known creditors by February 1, 2024, as well as placed a Notice of Bankruptcy ad in the Toronto Sun.

Assets

12. As noted above on Closing, the Proposal Trustee was paid \$1.15 million by the Purchaser in respect of the balance of the Initial Compensation. The Trustee allocated these funds as follows: (i) \$100,000 was paid to the DIP Lender to repay the DIP Loan in full which was approved by the Court on December 8 and 18, 2023; (ii) \$50,000 was paid to the professionals for outstanding fees and disbursements pursuant to the Administrative Charge approved by the Court on January 8, 2024; and (iii) \$1 million remains with the Proposal Trustee (“**Net Sale Proceeds**”).
13. Relogix’s only remaining asset, as summarized in the Statement of Affairs, is the Net Sale Proceeds. All other assets were sold to the Purchaser pursuant to the Sale Transaction. Should any of the renewed contract consideration, and additional compensation, be realized, these amounts will be added to the Net Sale Proceeds.

Books and Records

14. The Trustee has received the books and records but has not yet had an opportunity to review all of them.

Provable Claims

15. At the date of this report, the Trustee has received 4 proofs of claim from secured lenders totalling \$1,672,721, 13 proofs of claim from preferred creditors totalling \$26,000 and 16 proofs of claim from unsecured creditors totalling \$814,596, for total claims of \$2,513,318.
16. The Statement of Affairs lists two secured creditors: (i) Canada Revenue Agency (“**CRA**”), with a potential provable claim in respect of unpaid payroll remittances totaling approximately \$520,618 and (ii) Royal Bank of Canada (“**RBC**”) with a secured claim totaling \$1.3 million. To date, the claim from CRA has not been received. RBC submitted a secured claim in the amount of \$1,116,224 and an unsecured claim for \$500,000.
17. The Statement of Affairs lists 64 creditors with potential provable claims totalling \$7.3 million.

Anticipated Realizations and Projected Distribution

18. The Sale Proceeds in the Trustee's possession will first be distributed to: (i) former employees of Relogix in respect of super priority claims of up to \$2,000 each; (ii) CRA in respect of its priority trust claims for unremitted payroll source deductions; (iii) the Trustee in respect of its costs for administrating the bankruptcy proceeding; and (iv) all remaining proceeds will be paid to RBC in respect of its secured debt subject to the Trustee's review of RBC's security.
19. Accordingly, the remaining Net Sale Proceeds will be insufficient to repay RBC in full and RBC will experience a shortfall.
20. As noted above, the Sale Transaction contemplates two possible further future payments. The Renewed Contract Considerations, which is up to \$200,000, is payable within 90 days of Closing and the Additional Compensation, which is payable over a two-year period. The likelihood of collecting either of these payments is unknown at this time.
21. All further collections by the Trustee, if any, will be payable to RBC until its debt is repaid in full and only thereafter could there be any proceeds remaining for distribution to Relogix's other secured or unsecured creditors.
22. Employee claimants may also be eligible to receive funding of a portion of their claims from the Federal government's Wage Earner Protection Program ("WEPP"). The creditor packages mailed to the employees provides them with information about the program and how to apply. The Trustee has also begun making submissions to the WEPP program, as required prior to the employees making their applications.

Transfers at Undervalue and Preferential Payments

23. To date, the Trustee has not commenced a review of Relogix's records in the Trustee's possession to determine if there are any potential transfers at undervalue or preferential transactions.

Third-Party Deposit

24. Prior to the commencement of the NOI proceeding, the Trustee obtained a retainer deposit totalling \$9,605 from Relogix as security for a portion of the costs of the NOI administration ("**Deposit**"). The Deposit was applied in full to the Proposal Trustee's fees and disbursements during the NOI proceeding. No additional deposit was received for the Bankruptcy administration.

Dated at Toronto, Ontario, this 15th day of February 2024.

DODICK LANDAU INC.

Acting solely as Trustee in Bankruptcy
of the Estate of 10003905 Canada Inc.
and not in its personal or corporate capacity.

Per:

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines, positioned above a horizontal line.

Rahn Dodick CPA, CA, CIRP, LIT
President