

**Bankruptcy Division
Vancouver Registry
Court No. VLC-S-B-240514
Estate No. 11-3140993**



IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL FILED BY
FELIX PAYMENT SYSTEMS LTD.**

**NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE *BANKRUPTCY AND
INSOLVENCY ACT R.S.C. 1995 c B-3***

FIRST REPORT OF THE PROPOSAL TRUSTEE

ALVAREZ & MARSAL CANADA INC.

NOVEMBER 8, 2024

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
FELIX PAYMENT SYSTEMS LTD.**

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Appendix A – Certificate of Filing of a Notice of Intention to Make a Proposal dated October 15, 2024

Appendix B – Second Cash Flow Forecast for the Period from November 4, 2024, to January 5, 2025

1.0 INTRODUCTION

- 1.1 On October 15, 2024 (the “**Filing Date**”), Felix Payment Systems Ltd. (“**Felix**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3*, as amended (the “**BIA**”). Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as proposal trustee (the “**Proposal Trustee**”) in these NOI proceedings (the “**NOI Proceedings**”).
- 1.2 By virtue of the filing of the NOI, pursuant to section 50.4(8) of the BIA, there is an automatic stay of proceedings (the “**Stay of Proceedings**”) against Felix until November 15, 2024.
- 1.3 A Copy of the Certificate of Filing of the NOI issued by the Office of the Superintendent of Bankruptcy (“**OSB**”) is attached hereto as Appendix “A”.
- 1.4 On November 7, the Company filed a Notice of Application with this Honourable Court (the “**Stay Extension Application**”) which, among other relief, is seeking to extend the Stay of Proceedings to December 30, 2024.

2.0 PURPOSE OF REPORT

- 2.1 This first report of the Proposal Trustee (the “**First Report**”) was prepared to provide this Honourable Court and other stakeholders with certain information, including:
- a) a summary of certain background information of the Company and events leading to the filing of the NOI;
 - b) a summary of the initial activities of the Proposal Trustee and the Company since filing the NOI;
 - c) a comparison of actual cash receipts and disbursements as compared to the cash flow filed for the period from October 13, 2024 to November 3, 2024 (the “**First Cash Flow Forecast**”);
 - d) Felix’s statement of forecasted cash flows for the period from November 4, 2024 to January 5, 2025 (the “**Second Cash Flow Forecast**”); and
 - e) the Proposal Trustee’s recommendation with respect to the Stay Extension Application.

3.0 TERMS OF REFERENCE

- 3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information provided by the Company’s management (“**Management**”). Although this information has been subject to review, A&M has not conducted an audit or otherwise attempted to verify the information’s accuracy or completeness. Accordingly, A&M expresses no opinion

and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this First Report, or otherwise used to prepare this First Report.

- 3.2 Certain of the information referred to in this First Report consists of financial forecasts and/or projections prepared by the Company. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed by A&M. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

4.0 BACKGROUND OF THE COMPANY

- 4.1 Felix is a privately owned financial technology Company that was incorporated on March 11, 2020, with its head office located in Vancouver, British Columbia.
- 4.2 Felix specializes in cloud Europay, Mastercard and Visa (EMV) payment technology with a focus on American, Euro and Latin American markets. The Company's patented cloud framework ("**Felix Payment Technology**") transforms near-field communication equipped smart devices, such as smart phones and tablets, into contactless point of sale terminals.
- 4.3 The Company is a pre-profit business that is in its start-up phase while it seeks to obtain key certifications. As a result, Felix relies on funding from investors and financing from lenders to fund its operations.
- 4.4 As outlined in the First Affidavit of Andrew Cole sworn November 7, 2024 (the "**Cole Affidavit**"), on September 16, 2024, its Second Lien Lenders (subsequently defined) issued a demand pursuant to section 244 of the BIA. After extensive discussions with the lenders, the Company elected to file the NOI and commence these NOI Proceedings on October 15, 2024.
- 4.5 The Receiver understands that the Company has two primary lenders: the first lien lenders, Mr. Jake Boxer and Mr. Douglas Mordy (the "**First Lien Lenders**") and their associates, and Mr. Steve Hall and his associates (the "**Second Lien Lenders**" and together with the First Lien Lenders, the "**Lenders**").
- 4.6 As discussed in the Cole Affidavit, the Lenders secured claims total approximately \$19.2 million. In addition to the Lenders claims, as at the NOI filing date, the Company identified unremitted payroll taxes totaling \$210,000.

5.0 ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE

5.1 Activities of the Company and the Proposal Trustee since the Filing Date include, among other things, the following:

- a) Management, with the assistance of the Proposal Trustee, prepared the First Cash Flow Forecast and the Second Cash Flow Forecast;
- b) the Proposal Trustee filed the First Cash Flow Forecast with the Office of the Superintendent of Bankruptcy on October 25, 2024, in accordance with section 50.4(2) of the BIA;
- c) the Proposal Trustee, with the assistance of Management, prepared the required notice and dispatched the notice to all known creditors in accordance with section 50.4(6) of the BIA;
- d) the Proposal Trustee has held ongoing discussions with Management and the Company's legal counsel, McCarthy Tétrault LLP ("**McCarthy**") in respect of the following:
 - (i) the Company's restructuring efforts, including continuing these NOI Proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c C-36 (the "**CCAA**");
 - (ii) a sale and solicitation process ("**SISP**"); and
 - (iii) assisting the Company with reviewing claims;
- e) the Company has held various discussions with McCarthy in respect of select litigation matters;
- f) the Proposal Trustee has performed initial monitoring of the Company's financial affairs and activities;
- g) the Proposal Trustee has attended to various queries from creditors; and
- h) the Proposal Trustee prepared this First Report.

6.0 CASH FLOW VARIANCE FOR THE PERIOD ENDED NOVEMBER 3, 2024

6.1 As part of the ongoing monitoring of the business and financial affairs of Felix, the Proposal Trustee has set up a weekly cash flow monitoring protocol with the Company to compare actual cash flows against the First Cash Flow Forecast.

6.2 The Company's actual cash receipts and disbursements as compared to the First Cash Flow Forecast for the 3-week period from October 14 to November 3, 2024 (the "**Reporting Period**") are summarized below:

Felix Payment Systems Ltd.
Cash Flow Variance Analysis
For the 3-week period ended November 3, 2024
\$CAD '000s

	Actual	Forecast	Variance
Receipts			
Sales	\$ -	\$ 3	\$ (3)
Other receipts	15	15	-
Total receipts	15	18	(3)
Disbursements			
Payroll	250	250	(0)
Office rent	28	27	1
Insurance	3	8	(5)
Subscriptions	18	20	(1)
Data security	-	-	-
Utilities and other	16	8	8
Total operating disbursements	316	313	3
Hardware and other	6	3	3
Trades payables	-	-	-
Professional fees	150	150	-
Total disbursements	472	466	6
Net cash flow	(457)	(448)	(10)
Cash position			
Beginning cash balance	2	2	-
Net cash flow	(457)	(448)	(10)
Financing draw	630	630	(0)
Closing cash	\$ 175	\$ 185	\$ (10)

6.3 During the Reporting Period the Company's net cash outflows were \$10,000 and were generally consistent with the forecast.

7.0 CASH FLOW FORECAST

7.1 The Company, with the assistance of the Proposal Trustee, has prepared the Second Cash Flow Forecast for the period from November 4, 2024, to January 5, 2025 (the "Forecast Period"). The detailed Second Cash Flow Forecast together with the accompanying notes is attached hereto as Appendix "B" to this report and is summarized below:

Felix Payment Systems Ltd.
Second Cash Flow Forecast
For the 9-week period ending January 5, 2025
\$CAD '000s

Receipts	
Sales	\$ 210
Other receipts	30
Total receipts	240
Operating disbursements	
Payroll	547
Office Rent	54
Insurance	15
Subscriptions	62
Data security	8
Utilities and other	5
Total operating disbursements	691
Hardware and other miscellaneous	45
Trades payables	264
Professional fees	245
Total disbursements	1,246
Net cash flow	(1,006)
Cash position	
Beginning cash balance	175
Net cash flow	(1,006)
Financing draws (repayment)	900
End cash balance	\$ 69

7.2 The Cash Flow Forecast estimates net cash outflows of \$1.0 million over the Forecast Period, which is comprised of the following:

- a) receipts of \$240,000 include \$200,000 in respect of a project to evaluate implementation of the Felix Payment Technology, \$30,000 in grant funding, and other receipts of \$10,000;
- b) operating disbursements of \$691,000 include ongoing payroll costs of \$547,000, monthly office rent totaling \$54,000, insurance, data security utilities and other costs of \$28,000, and monthly software subscriptions of \$62,000;
- c) hardware and other costs of \$45,000 consist primarily of new laptop and server purchases necessary to service ongoing customer contracts;
- d) trade payables of \$264,000 represent payments in respect of select pre-filing amounts to vendors to ensure continuity of ongoing essential services;
- e) professional fees of \$264,000 include McCarthy's and the Proposal Trustee; and
- f) financing draws of \$900,000 represent financing draws to be advanced by the First Lien Holders over the Forecast Period.

8.0 EXTENSION OF STAY

8.1 The Stay of Proceedings is set to expire on November 15, 2024, and the Company is seeking an extension of the Stay of Proceedings until December 30, 2024. The extension of the Stay of Proceedings will provide the Company with the time required to advance its restructuring plans, including preparing and transferring these NOI Proceedings to proceedings under the CCAA and formulating its SISP.

8.2 The Proposal Trustee considered the following factors regarding the Stay Extension Application:

- a) whether the Company is acting in good faith and with due diligence;
- b) whether the Company would likely be able to make a viable proposal if the Stay Extension Application were to be granted; and
- c) whether any creditor in these proceedings is materially prejudiced if the Stay Extension Application were to be granted.

8.3 Based on the Proposal Trustee’s review of the Company’s operations and restructuring efforts to date, it is the Proposal Trustee’s view that the Company has been acting in good faith and with due diligence, and that the Company continues to advance its restructuring efforts and make progress in its efforts to formulate a viable proposal and complete its restructuring.

9.0 PROPOSAL TRUSTEE’S RECOMMENDATION

9.1 Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court approve the Stay Extension Application.

All of which is respectfully submitted to this Honourable Court this 8th day of November 2024.

Alvarez & Marsal Canada Inc.,
in its capacity as Proposal Trustee of
Felix Payment Systems Ltd.
and not in its personal capacity.



Per: Anthony Tillman
Senior Vice President

District of British Columbia
Division No. 03 - Vancouver
Court No. 11-3140993
Estate No. 11-3140993

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

Felix Payment Systems Ltd.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

October 15, 2024

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: October 15, 2024, 18:32

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

Canada

Felix Payment Systems Ltd.
Second Cash Flow Forecast
For the 9-week period ending January 5, 2025^{1,2}
 \$CAD '000s

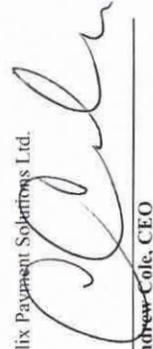
Week ending	Notes	Week 1 10-Nov	Week 2 17-Nov	Week 3 24-Nov	Week 4 1-Dec	Week 5 8-Dec	Week 6 15-Dec	Week 7 22-Dec	Week 8 29-Dec	Week 9 5-Jan	Total
Receipts											
3	Sales	\$ 3	\$ -	\$ -	\$ 3	\$ 200	\$ -	\$ -	\$ 3	\$ -	\$ 210
4	Other receipts	-	15	-	-	-	-	15	-	-	30
	Total receipts	3	15	15	3	200	-	15	3	-	240
Disbursements											
5	Payroll	-	125	-	130	-	134	21	132	5	547
6	Office rent	-	-	-	27	-	-	-	-	27	54
7	Insurance	-	5	-	5	-	-	-	-	5	15
8	Subscriptions	3	1	16	8	5	10	4	13	2	62
	Security certification	-	8	-	-	-	-	-	-	-	8
	Utilities and other	1	1	1	1	1	1	1	1	1	5
	Total operating disbursements	3	139	17	171	5	145	25	146	40	691
9	Hardware and other miscellaneous	-	-	3	10	32	-	-	-	-	45
10	Trade payables	-	106	63	-	-	95	-	-	-	264
11	Professional fees	-	35	-	125	-	85	-	-	-	245
	Total disbursements	3	281	83	306	37	325	25	146	40	1,246
	Net cash flow	0	(281)	(68)	(303)	163	(325)	(10)	(142)	(40)	(1,006)
Cash position											
	Beginning cash balance	175	175	94	26	74	237	262	251	109	175
	Net cash flow	0	(281)	(68)	(303)	163	(325)	(10)	(142)	(40)	(1,006)
12	Financing draws (repayment)	-	200	-	350	-	350	-	-	-	900
	End cash balance	\$ 175	\$ 94	\$ 26	\$ 74	\$ 237	\$ 262	\$ 251	\$ 109	\$ 69	\$ 69

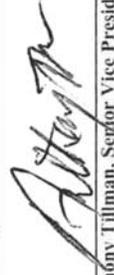
The Second Cash Flow Forecast was prepared in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act for the purpose described in Note 1, using hypothetical and probable assumptions set out in Notes 2-12 and should be read in conjunction with the attached notes and assumptions set out in Notes 2-12 and should be read in conjunction with the attached notes as well as the accompanying Report on Cash-Flow Statement by Felix Payment Systems Ltd. and the Trustee's Report on Cash-Flow Statement.

Dated as at November 8, 2024

Felix Payment Systems Ltd.

Alvarez & Marsal Canada Inc., in its capacity as Proposal Trustee of Felix Payment Systems Ltd.


 Andrew Cole, CEO


 Anthony Tillman, Senior Vice President

**Felix Payment Solutions Ltd.
Second Cash Flow Forecast
Notes and Assumptions**

1. The Second Cash-Flow Statement is to be read in conjunction with the attached Form 30 - Report on Cash Flow Statement by the person making the Proposal and Form 29-Trustee's Report on Cash-Flow Statement.
The projection has been prepared solely for the purpose of evaluating the currently expected ability of the Debtors to fund the business activities as set out herein and noted in the assumptions set forth below.
Readers are cautioned that it may not be appropriate for other purposes.
The Cash Flow Statement is presented in Canadian dollars.
2. The Second Cash-Flow Statement is presented on a weekly basis from November 4, 2024 to January 5, 2025 (the "Forecast Period") and represents Management's best estimate of the expected results of operations during the Forecast Period.
3. Sales receipts of \$210,000 represents the collection of an accounts receivable in respect of a feasibility study performed by the Company and the collection of other miscellaneous receipts.
4. Other receipts of \$30,000 represents the receipt of grant funding over the Forecast period.
5. The payroll costs of \$547,000 represent expected ongoing payroll costs over the Forecast Period.
6. Office rent of \$54,000 represents monthly rent payments in respect of the Company's office in Vancouver, British Columbia.
7. Insurance costs of \$15,000 include D&O, cyber insurance and commercial liability insurance policy premiums.
8. Subscription costs of \$62,000 represent on-going software subscriptions and expected annual renewal payments to maintain business operations.
9. Hardware and other miscellaneous costs of \$45,000 primarily relate to the purchase of new laptops and servers to maintain business operations.
10. Trade payables of \$264,000 represents payment on certain pre-filing accounts payable to select vendors for continuity of essential service contacts.
11. Professional fees of approximately \$245,000 over the Forecast Period include McCarthy Tétrault LLP (legal counsel to the Company) and the Proposal Trustee.
12. Financing draws of \$900,000 over the forecast are to be funded by the First Lien Lenders (as defined in the First Report).

District of: British Columbia
Division No. 03 - Vancouver
Court No. VLC-S-B-240514
Estate No. 11-3140993

FORM 30
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Felix Payment Systems Ltd.

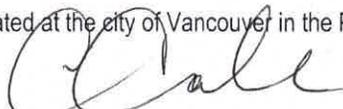
The Management of Felix Payment Systems Ltd., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 8th day of November 2024, consisting of projections for the 9-week period from November 4, 2024 to January 5, 2025.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Vancouver in the Province of British Columbia, this 8th day of November 2024.



Felix Payment Systems Ltd.
Debtor



Name and title of signing officer

Name and title of signing officer

District of: British Columbia
Division No. 03 - Vancouver
Court No. VLC-S-B-240514
Estate No. 11-3140993

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Felix Payment Systems Ltd.

Purpose:

Per note 1 of the Notes to the Cash Flow Projections

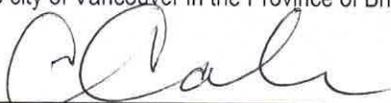
Projection Notes:

Prepared by Management in accordance with the Notes to the Cash Flow Projections

Assumptions:

Please refer to the Notes to the Cash Flow Projections

Dated at the city of Vancouver in the Province of British Columbia, this 8th day of November 2024.



Felix Payment Systems Ltd.

District of: British Columbia
Division No. 03 - Vancouver
Court No. VLC-S-B-240514
Estate No. 11-3140993

_ FORM 29 _
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
Felix Payment Systems Ltd.

The attached statement of projected cash flow of Felix Payment Systems Ltd., as of the 8th day of November 2024, consisting of projections for the 9-week period from November 4, 2024 to January 5, 2025, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

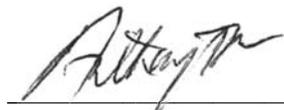
(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection 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. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Vancouver in the Province of British Columbia, this 8th day of November 2024.

Alvarez & Marsal Canada Inc. - Licensed Insolvency Trustee
Per:



Anthony Tillman - Licensed Insolvency Trustee
Cathedral Place Building
925 West Georgia Street, Suite 902
Vancouver BC V6C 3L2
Phone: (604) 638-7440 Fax: (604) 638-7441

District of: British Columbia
Division No. 03 - Vancouver
Court No. VLC-S-B-240514
Estate No. 11-3140993

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
Felix Payment Systems Ltd.

Purpose:

Per note 1 of the Notes to the Cash Flow Projections

Projection Notes:

Prepared by Management in accordance with the Notes to the Cash Flow Projections

Assumptions:

Please refer to the Notes to the Cash Flow Projections

Dated at the city of Vancouver in the Province of British Columbia, this 8th day of November 2024.

Alvarez & Marsal Canada Inc. - Licensed Insolvency Trustee

Per:



Anthony Tillman - Licensed Insolvency Trustee
Cathedral Place Building
925 West Georgia Street, Suite 902
Vancouver BC V6C 3L2
Phone: (604) 638-7440 Fax: (604) 638-7441