No. S-248103
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c.57

AND

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
FELIX PAYMENT SYSTEMS LTD.

PETITIONER

FIRST REPORT OF THE MONITOR

ALVAREZ & MARSAL CANADA INC.

DECEMBER 4, 2024

A&M
ALVAREZ & MARSAL

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1.0 INTRODUCTION

1.1 On November 25, 2024, Felix Payment Systems Ltd. ("**Felix**", the "**Petitioner**", or the "**Company**") was granted an initial order (the "**Initial Order**") to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The Initial Order provided Felix an initial stay of proceedings until December 6, 2024 (the "**Stay Period**") and Alvarez & Marsal Canada Inc. was appointed as Monitor (the "**Monitor**") in the CCAA Proceedings.

1.2 On December 4, 2024, the Petitioner filed an application (the "**Comeback Application**") to be heard on December 6, 2024, seeking the following:

a) an amended and restated initial order ("**ARIO**"), which amends and restates the Initial Order to, among other things:
   i. extend the Stay Period through to February 28, 2025;
   ii. authorizing Felix to borrow up to a principal amount of $2,350,000 under a debtor-in-possession ("**DIP**") credit facility (the "**DIP Facility**");
   iii. increasing the quantum of the Administration Charge, as defined in the Initial Order from $150,000 to $250,000;
   iv. approving the Company's Key Employee Retention Plan (the "**KERP**") and the KERP Charge (subsequently defined);

b) an order (the "**Stalking Horse SISP Approval Order**") approving a sale and investment solicitation process (the "**SISP**") and related relief, which among other things:
   i. authorizes and approves Felix's execution of the Stalking Horse Purchase Agreement (subsequently defined);
   ii. approves the SISP; and
   iii. authorizes and directs Felix and the Monitor to perform their respective obligations and do all things reasonably necessary to perform their obligations under the SISP;

c) an order (the "**Sealing Order**") sealing the confidential third affidavit of Andrew Cole, sworn December 3, 2024 (the "**Confidential Third Cole Affidavit**").

1.3 Further information regarding the CCAA Proceedings, including the Initial Order, affidavits, reports of the Monitor and all other Court-filed documents and notices are available on the Monitor's website at www.alvarezandmarsal.com/felixpayment (the "**Monitor's Website**").

1.4 Capitalized terms not defined in this Report have the meanings ascribed to them in the materials filed in the NOI Proceedings and the CCAA Proceedings (the "**Filed Materials**"), including but not limited to the CCAA Petition, the Comeback Application, the affidavit of Andrew Cole, sworn November 21, 2024 (the "**First Cole Affidavit**"), the second affidavit of Andrew Cole, sworn December 2, 2024 (the "**Second Cole Affidavit**"), the pre-filing report of the proposed Monitor dated November, 22, 2024 (the "**Proposed Monitor's Report**"), and this First Report of the Monitor dated December 4, 2024 (the "**First Report**").

1.5 This First Report should be read in conjunction with the Filed Materials as background information contained in the Filed Materials has not been included herein to avoid unnecessary duplication.

2.0 PURPOSE OF REPORT

2.1 This First Report was prepared to provide this Honourable Court and other stakeholders with information in respect of the following:

a) a summary of the activities of the Monitor and the Company since the Proposed Monitor's Report;
b) a comparison of actual cash receipts and disbursements as compared to the first cash flow filed in the Proposed Monitor's Report for the period from November 18 to December 1, 2024 (the "**First CCAA Cash Flow Forecast**");
c) a summary and related comments in respect of Felix's statement of forecast cash flows for the period from December 2, 2024, to March 2, 2025 (the "**Second CCAA Cash Flow Forecast**");
d) an overview of the proposed SISP and Stalking Horse Purchase Agreement;
e) an overview of the proposed KERP and KERP Charge;
f) the proposed increase to the DIP Facility;
g) the proposed increase to certain Court-ordered charges granted in the Initial Order;
h) the extension of the Stay Period; and
i) the recommendations of the Monitor in respect of the foregoing, as applicable.

3.0 TERMS OF REFERENCE

3.1 In preparing this First 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 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 ACTIVITIES OF THE MONITOR

4.1 Activities of the Monitor since the Proposed Monitor's Report include, among other things, the following:

Development and Monitoring of the Cash Flow Forecast

a) assisting Management with the preparation of the Second CCAA Cash Flow Forecast;

b) reviewing actual cash receipts and disbursements of the Company as compared to the First CCAA Cash Flow Forecast;

c) continuing to monitor the Company's financial affairs and activities;

Sales and Investment Solicitation Process

d) holding discussions with Management regarding the preparation of marketing and due-diligence materials, and a potential interested parties list in preparation for the SISP;

e) reviewing preliminary information from the Company to support the SISP;

Statutory Responsibilities

f) preparing and coordinating the notices required pursuant to paragraph 42 of the Initial Order, including the following:

   i. arranging for the publication of a notice of the CCAA Proceedings, in prescribed form, in the Globe and Mail on December 2, 2024, a copy of which is attached hereto as Appendix "**A**";

   ii. preparing a notice to creditors and list of creditors with claims exceeding $1,000 (the "**Notice to Creditors**") and posting same to the Monitor's Website;

   iii. dispatching the Notice to Creditors to 66 creditors by email and fax (due to the Canada Post strike) on November 29, 2024. A copy of the Notice to Creditors is attached hereto as Appendix "**B**"; and

   iv. preparing and filing prescribed statutory forms with the Office of the Superintendent of Bankruptcy as required pursuant to section 23(1)(f) of the CCAA;

g) preparing this First Report;

Other CCAA Matters

h) participating in discussions with the Monitor's legal counsel, Cassels Brock & Blackwell LLP ("**Cassels**"), the Petitioner and its legal counsel, McCarthy Tétrault LLP ("**McCarthy**"), in respect of the ARIO, KERP, SISP and other CCAA Proceedings matters;

i) reviewing draft application materials and providing comments from the Monitor;

j) holding numerous discussions with Cassels regarding the CCAA Proceedings and other ad hoc matters; and

k) attending to various inquiries from creditors.

5.0 CASH FLOW VARIANCE FOR THE PERIOD ENDED DECEMBER 1, 2024

5.1 As part of the ongoing monitoring of the business and financial affairs of Felix during the CCAA Proceedings, the Monitor has set up a weekly cash flow monitoring protocol with the Company to compare actual cash flows against filed forecasts.

5.2 The Company's actual cash receipts and disbursements as compared to the First CCAA Cash Flow Forecast for the 2-week period from November 18 to December 1, 2024 (the "**Reporting Period**") are summarized below:

Felix Payment Systems Ltd. **First CCAA Cash Flow Forecast - Variance Analysis** **For the 2-Week Period Ended December 1, 2024** *$CAD '000s*	Actual	Forecast	Variance
Receipts			
Sales	$ -	$ 3	$ (3)
Other receipts	0	15	(15)
Total receipts	**0**	**18**	**(18)**
Operating disbursements			
Payroll	116	130	(14)
KERP	-	-	-
Office rent	-	28	(28)
Insurance	-	5	(5)
Subscriptions	18	24	(6)
Security certification	9	-	9
Utilities and other	4	24	(20)
Total operating disbursements	**147**	**211**	**(64)**
Other disbursements			
Hardware and other miscellaneous	16	20	(4)
Trade payables	-	223	(223)
Professional fees	10	160	(150)
DIP fee	-	8	(8)
Total other disbursements	**173**	**623**	**(450)**
Net cash flow	**(173)**	**(605)**	**432**
Cash position			
Beginning cash balance	214	223	(9)
Net cash flow	(173)	(605)	432
DIP draws (repayment)	400	400	-
End cash balance	**$ 441**	**$ 19**	**$ 422**
DIP Facility			
Opening DIP balance	**$ -**	**$ -**	-
DIP draws (repayment)	**400**	**400**	-
Accrued interest	-	-	-
Ending DIP balance	**$ 400**	**$ 400**	**$ -**

5.3 During the Reporting Period, the Company's net cash outflows were $432,000 lower than forecast due to the following:

a) other receipts were $15,000 lower than forecast due to a temporary timing difference;

b) operating disbursements were $64,000 lower than forecast primarily due to a permanent variance in payroll ($14,000), and office rent ($28,000), utilities and other ($20,000) being delayed into the week ending December 8, 2024;

c) trade payables were $232,000 lower than forecast primarily due to payment timing differences of $203,000; and

d) professional fees were $150,000 lower than forecast due to temporary timing differences that are expected to reverse during the week ending December 8, 2024.

6.0 INCREASE TO DEBTOR-IN-POSSESSION FINANCING

6.1 As discussed in the Proposed Monitor's Report, Felix is facing a liquidity crisis as funding from existing lenders/shareholders would not continue under the current structure. To fund its liquidity needs during the CCAA Proceedings, the Company was forecasting a funding shortfall of $2.1 million.

6.2 Since the Proposed Monitor's Report, the Company has refined the Second CCAA Cash Flow Forecast. Due to unforeseen changes to certain payment terms and the Company's decision to seek recognition of these CCAA Proceedings in the United States under Chapter 15 of the U.S. Bankruptcy Code (the "**Chapter 15 Filing**"), it is now expected that the Company will draw $2.35 million under the DIP Facility through the Forecast Period (subsequently defined). Accordingly, the DIP Facility Term Sheet was amended on December 3, 2024 (the "**First Amending Agreement**"), to increase the Company's ability to borrow up to a principal amount of $2.35 million, with all other terms unchanged. A copy of the First Amending Agreement is attached to the Second Cole Affidavit.

6.3 As indicated above, Felix is facing liquidity constraints and appears to require the additional liquidity provided by the First Amending Agreement to fund the Company's operations and restructuring plans during the CCAA Proceedings.

6.4 A&M is supportive of the Company's application for an order authorizing Felix to borrow up to $2.35 million under the proposed increased DIP Facility. A review of the Second CCAA Cash Flow Forecast (discussed further below) indicates that with access to the proposed increased DIP Facility, the Company will have sufficient liquidity to operate the business and advance their restructuring efforts during the pendency of the SISP.

7.0 SECOND CCAA CASH FLOW FORECAST

7.1 The Company, with the assistance of the Monitor, has prepared the Second CCAA Cash Flow Forecast for the period from December 2, 2024, to March 2, 2025 (the "**Forecast Period**"). The detailed Second CCAA Cash Flow Forecast together with the accompanying notes is attached hereto as Appendix "**C**" to this report and is summarized as follows:

Felix Payment Systems Ltd. Second CCAA Cash Flow Forecast For the 13-week period ending March 2, 2025 *$CAD '000s*		
Receipts		
Sales	$	200
Other receipts		65
Total receipts		**265**
Operating disbursements		
Payroll		876
KERP		95
Office rent		109
Insurance		20
Subscriptions		71
Security certification		14
Utilities and other		10
Contingency		25
Total operating disbursements		**1,220**
Other disbursements		
Hardware and other miscellaneous		37
Trade payables		521
Professional fees		799
DIP fee		50
Total other disbursements		**2,626**
Net cash flow		**(2,361)**
Cash position		
Beginning cash balance		441
Net cash flow		(2,361)
DIP draws (repayment)		1,950
End cash balance	**$**	**30**
Opening DIP balance	**$**	**400**
DIP draws (repayment)		**1,950**
Accrued interest		**71**
Ending DIP balance	**$**	**2,421**

7.2 The Second CCAA Cash Flow Forecast estimates net cash outflows of $2.4 million over the Forecast Period, which is composed of the following:

a) sales receipts of $200,000 represent the collection of accounts receivable in respect of a feasibility study performed by the Company;

b) other receipts of $65,000 represent the receipt of grant funding over the Forecast Period;

c) payroll costs of $876,000 includes expected ongoing payroll costs over the Forecast Period;

d) KERP payments totaling $95,000 represents the planned payouts to employees under both KERP milestones (subsequently discussed);

e) office rent of $109,000 is for monthly rent in respect of the Company's office in Vancouver, B.C.;

f) insurance costs of $20,000 includes cyber insurance and commercial liability insurance premiums;

g) subscription payments of $71,000 represents monthly software subscriptions and annual renewals;

h) hardware and other miscellaneous payments of $37,000 primarily pertain to the purchase of new laptops and servers to maintain business operations;

i) trade payable payments of $521,000 pertain to pre-filing accounts payable to select vendors in order to maintain the continuity of essential service contracts and certifications;

j) professional fees of approximately $799,000 over the Forecast Period include the fees of legal counsel to the Company, the Monitor and its counsel, and counsel to the DIP Lenders, as well as legal fees to pursue the Chapter 15 Filing; and

k) total draws from the DIP Facility throughout the Forecast Period total $1,950,000 and $71,000 of interest will be accrued resulting in total DIP Facility obligations of approximately $2.3 million.

8.0 RESTRUCTURING EFFORTS

8.1 The Company's restructuring efforts and activities since the Proposed Monitor's Report include the following:

a) Management, with the assistance of the Monitor, preparing the Second CCAA Cash Flow Forecast;

b) holding various discussions with its counsel and the Monitor's counsel in respect of the SISP, KERP, and the Stalking Horse Purchase Agreement;

c) assembling certain materials and prior presentations in response to the Monitor's information requests to support the SISP;

d) holding various discussions with its counsel, the DIP Lender and its counsel, in respect of the First Amending Agreement;

e) engaging in discussions with various creditors in respect of payment terms and service delivery during the CCAA Proceedings; and

f) reviewing actual cash receipts and disbursements as compared to the First CCAA Cash Flow Forecast and providing regular reporting of same to the Monitor.

9.0 STALKING HORSE PURCHASE AGREEMENT

9.1 Since execution of the DIP Facility Term Sheet discussed in the Proposed Monitor's Report, the Monitor understands that Mr. Jake Boxer, the CA Mordy Legacy Trust and PEL Chartered

Professional Accountants Inc. (together, the "**DIP Lenders**"), have been in discussions with their counsel, the Company and its counsel, in respect of a potential stalking horse bid to purchase substantially all of the property, assets, and undertakings (collectively, the "**Assets**") of Felix.

9.2 On December 3, 2024, the Company agreed, subject to approval from this Honourable Court, to enter into a stalking horse agreement (the "**Stalking Horse Purchase Agreement**") with Jake Boxer, Doug Mordy, CA Mordy Legacy Trust and PEL Chartered Professional Accounts Inc. (together, the "**Purchasers**") to purchase the Assets of Felix.

9.3 The Stalking Horse Purchase Agreement is attached to the Second Cole Affidavit. Key terms not defined herein have the meaning ascribed to them in the Stalking Horse Purchase Agreement.

9.4 Key terms of the Stalking Horse Purchase Agreement include, among other things, the following:

a) the Purchase Price is to be composed of the following:
   i. all outstanding amounts and obligations payable by the Company under or in connection with the DIP Facility Term Sheet and the DIP Lender's Charge as at the closing date, which indebtedness is to be assumed by the Purchaser; plus
   ii. all amounts outstanding and obligations payable by the Company under or in connection with the First Lien Loan Documents and secured by the First Lien Charge as at the closing date, which indebtedness is to be assumed by the Purchaser; plus
   iii. the Closing Payment made to the Monitor, equal to the sum of the Priority Payments, the CCAA Charges, and the Administrative Wind-Down Amount, up to a maximum of $500,000;
b) reimbursement for expenses incurred by the Purchasers in connection with the preparation of the Stalking Horse Purchase Agreement and due diligence of up to $50,000 from the sale proceeds from the completion of a Successful Bid other than the Stalking Horse Purchase Agreement;
c) a closing date of no later than February 28, 2025; and
d) subject to this Honourable Court granting an Approval and Vesting Order.

9.5 At a high level, the Stalking Horse Purchase Agreement contemplates a reverse vesting transaction whereby: i) the Purchaser is to acquire new shares issued by Felix and all other equity interests of the Company shall be cancelled; ii) the Purchaser is to acquire all assets of the Company, except the Excluded Assets; iii) all the liabilities, except the Assumed Liabilities, and Excluded Assets of Felix are to be transferred pursuant to an order of this Honourable Court to a company incorporated under the laws of Canada or the province ("**ResidualCo**"); and iv) the Monitor is to administer the wind-down and/or bankruptcy of ResidualCo

9.6 The Monitor's comments in respect of the Stalking Horse Purchase Agreement are as follows:

a) it identifies a purchaser which acts to create a "floor price";
b) the floor price has not been fully established. The Monitor understands that the Purchasers will be filing an affidavit with this Honourable Court in support of the First Lien Charge to detail advances, outstanding amounts and security by December 20, 2024, with supporting application materials to be filed in February 2025 if the Stalking Horse Bid is the Successful Bid. Once affidavit materials are filed the Monitor and other interested parties, including other lien holders, will be able to review the materials and respond accordingly;
c) the fact that a purchaser has been identified serves to build confidence amongst several stakeholder groups, including employees, customers, and suppliers, that there will be a going concern sale;
d) no break fee has been negotiated in the Stalking Horse Purchase Agreement;
e) the stalking horse allows for a more efficient and expedited SISP as it will encourage bids from serious interested parties; and
f) a liquidation of the Assets would likely result in lower returns and a cessation of operations.

9.7 If the Stalking Horse Purchase Agreement is selected as the Successful Bid, the Monitor will provide further comments on it at that time in conjunction with the Company's application to approve the Stalking Horse Purchase Agreement.

9.8 Based on the foregoing, the Monitor is of the view that the Stalking Horse Purchase Agreement terms are reasonable and appropriate in the circumstances to act as the stalking horse bid in the SISP.

10.0 SALES AND INVESTMENT SOLICITATION PROCESS

10.1 The Company is seeking Court approval of the SISP, which authorizes the Monitor to market and sell the Assets of the Company. The SISP has been developed by the Company and its legal counsel, in consultation with the Monitor and its legal counsel.

10.2 A copy of the SISP is attached to the Second Cole Affidavit. The key dates and milestones of the SISP are summarized in the table below. Key terms not defined herein have the meaning ascribed to them in the SISP.

Date	Milestone
December 13, 2024	Monitor to commence solicitation of interest from parties, including delivery of the Teaser Letter and sales package, and establish confidential data room
January 31, 2025	Bid Deadline – due date for bids and deposits
If no Qualified Bids are received other than the Stalking Horse Bid	
February 4, 2025	Selection of Stalking Horse Bid as Successful Bid
February 14, 2025 (pending the Court's availability)	Approval and Vesting Order Motion
As soon as possible but no later than February 21, 2025	Closing of the Stalking Horse Bid
If Qualified Bids are selected other than the Stalking Horse Bid	
February 4, 2025	Monitor to provide the Lead Bid(s) to the Stalking Horse Bidder and each Qualified Bidder
February 11, 2025	Auction, if needed
February 14, 2025	Selection of Successful Bid and Back-Up Bid, if needed
February 21, 2025 (pending the Court's availability)	Approval and Vesting Order Motion (if there is an Auction)
As soon as possible but no later than February 28, 2025	Closing of the Successful Bid

10.3 The SISP contemplates a single-phase process whereby interested parties are sent a Teaser Letter and sales package and, subject to executing a non-disclosure agreement, will be granted access to the data room. All interested parties are to complete their due diligence prior to the Bid Deadline. Should an interested party wish to participate, they must submit a bid and deposit to the Monitor no later than 5:00 p.m. (Vancouver time) on January 31, 2025 (the "**Bid Deadline**").

10.4 To be considered a Qualified Bid, other than the Stalking Horse Purchase Agreement bid (the "**Stalking Horse Bid**"), the bid must conform to, among other things, the following:

a) the purchase price is superior to the Stalking Horse Bid;
b) the bid is payable in cash;
c) a deposit equal to 10% of the purchase price is remitted to the Monitor;
d) the bid is accompanied by detailed schedules, including any material liabilities that are being assumed or excluded;
e) the bid contemplates closing prior to the Outside Date; and
f) a redline to the Stalking Horse Purchase Agreement.

10.5 In the event one or more Qualified Bids are Received by the Monitor (other than the Stalking Horse Bid), the Monitor will provide to the Purchaser and to each Qualified Bidder, the amount of the Lead Bid three (3) days prior to an auction to be conducted by the Monitor pursuant to the SISP (the "**Auction**").

10.6 Schedule 2 of the SISP outlines the Auction Procedures, which are summarized as follows:

a) only Qualified Bidders are eligible to participate in the Auction and must inform the Monitor no later than 12:00 p.m. (Vancouver time) on the business day prior to the Auction of their intent to participate in the Auction;
b) the Auction is to be conducted in rounds with the Lead Bid being considered the "Opening Bid" of the first round and the highest Overbid of each round shall constitute the Opening Bid of the next round;
c) Qualified Bidders who made a bid during a round, shall be entitled to participate in the next round;
d) the minimum Overbid Increment is $100,000; and
e) the Auction shall be closed once the Monitor, in consultation with the Petitioner, has identified the Successful Bid and the Back-Up Bid.

10.7 The Monitor's comments in respect of the SISP are as follows:

a) the SISP was developed with the assistance of the Monitor, who has experience administering and advancing sales processes;
b) the SISP provides a high degree of transparency and visibility of the process to stakeholders and this Honorable Court;
c) the SISP allows for a going concern transaction which improves the likelihood the Company's employees will continue their employment;

d) the Monitor, with assistance from Felix, will be required to prepare the Teaser and other supporting sale information in a timely and efficient manner to launch the SISP by December 13, 2024; and
e) given that Felix is a pre-revenue Company with limited funding, the SISP timelines and milestones balance costs by proposing that the SISP is administrated by the Monitor.

10.8 Based on the foregoing, the Monitor is of the view that the SISP terms and milestones are reasonable in the circumstances.

11.0 KEY EMPLOYEE RETENTION PLAN

11.1 As part of the Company's restructuring efforts, Management, with the assistance of its legal counsel, and in consultation with the Monitor, have developed the proposed KERP to encourage the continued service of certain employees (the "**KERP Employees**") of Felix during the pendency of these CCAA Proceedings.

11.2 Management has noted that the KERP Employees are vital to the ongoing success of the Company, with each providing a unique range of experience and company knowledge that is essential to maintain ongoing operations during the CCAA Proceedings, critical to support the SISP and to be available for potential purchasers. The role of each KERP Employee and a summary of their relevant skills are detailed in the KERP, which is attached to the Confidential Third Cole Affidavit.

11.3 Select key terms of the KERP are:

a) KERP payments shall be in the maximum aggregate amount of $95,000 (the "**KERP Payments**");
b) KERP Employees are eligible to receive payment if at the time of the Triggering Date they remain employees of Felix who have not resigned or had their employment terminated for cause;
c) KERP payments become payable to the KERP Employees on the following events:
    i. the first payment pursuant to the KERP "Schedule A" is payable upon Court approval of the KERP and KERP Charge; and
    ii. the second payment pursuant to the KERP "Schedule A" is payable upon the earlier of the closing of a sale pursuant to the SISP or any other sale of all or substantially all of the Assets of Felix, the implementation of a plan of arrangement in the CCAA Proceedings, the termination of the CCAA Proceedings, or the termination of substantially all of the employees of Felix;

d) the KERP is subject to obtaining approval of this Honourable Court; and

e) the KERP contemplates the KERP Payments are to be secured by a charge (the "**KERP Charge**") which will rank subordinate to the Administration Charge, the DIP Lender's Charge, and the Directors' Charge (each as defined in the ARIO), as well as the charge in favour of Royal Bank of Canada in relation to a guaranteed investment certificate in the amount of $20,000 (the "**RBC Charge**").

11.4 The Monitor is of the view that the KERP and the KERP Charge are reasonable and appropriate in the circumstances for the following reasons:

a) the ongoing employment of the KERP Employees is vital to the ongoing success of the Company;

b) the quantum and allocation of the KERP Payments appears to be reasonable and well distributed among the KERP Employees;

c) in the absence of the KERP, there is a material risk that the KERP Employees would consider other employment options;

d) the timing of the KERP Payments are consistent with the proposed SISP and its timeline;

e) the KERP Payments are modest; and

f) the KERP Charge is proposed to rank behind the Administration Charge, the DIP Lender's Charge, the Directors' Charge and the RBC Charge. The Monitor is of the view that the priority ranking of the KERP Charge is reasonable.

11.5 As noted above, the Company is seeking a Sealing Order in respect of the Confidential Third Cole Affidavit, which is to contain an unredacted copy of the KERP. The Monitor is of the view that the Sealing Order is appropriate in the circumstances as the KERP contains sensitive and personal information regarding each KERP Employee, which if released, may disrupt the Company's operations or harm the KERP Employees.

12.0 PROPOSED AMENDMENTS TO COURT-ORDERED CHARGES

Administration Charge

12.1 The Monitor is seeking Court approval to increase the Admin Charge from $150,000 to $250,000 (the "**Amended Administration Charge**") to secure the payment to the Monitor, its counsel, and counsel to the Petitioner for their respective reasonable fees and disbursements in connection with work performed in respect of the CCAA Proceedings.

12.2 The Monitor is of the view the quantum of Amended Administration Charge is reasonable and appropriate, as:

a) the scale of complexity and involvement of the Monitor in the SISP;

b) the services to be provided by the beneficiaries of the Administration Charge, including the SISP; and

c) the quantum of the charges approved in similar CCAA proceedings.

DIP Facility

12.3 The First Amending Agreement contemplates that the ARIO includes a charge on the Company's property that shall not exceed $2.35 million (the "**DIP Lender's Charge**") in favour of the DIP Lender to secure payment in respect of any obligations owing to the DIP Lender in the CCAA Proceedings. The DIP Lender's Charge is to rank in priority to all other charges except the Administration Charge.

12.4 As noted in section 6 of this Report, the Monitor is of the view that interim financing is necessary to fund the ongoing operations and restructuring costs of the Company during the pendency of the CCAA Proceedings and to allow the Company to complete the SISP.

12.5 It is A&M's view that the DIP Facility and the DIP Lender's Charge are appropriate given the situation and the current liquidity constraints, as the Company would not be able to fund the CCAA Proceedings without access to additional liquidity.

13.0 EXTENSION OF THE STAY PERIOD

13.1 The Stay Period is set to expire on December 6, 2024. Accordingly, the Company is seeking an extension of the Stay Period up to and including February 28, 2025 (the "**Extended Stay Period**")

13.2 The Monitor supports the Company's motion to extend the Stay Period for the following reasons:

a) the Extended Stay Period will provide the Company with the stability to continue to operate in the ordinary course and advance the SISP;

b) as indicated in the Second Cash Flow forecast, the Company is forecast to have sufficient liquidity to fund its operations and the SISP during the Extended Stay Period;

c) no creditor of the Petitioners would be materially prejudiced by the extension of the Stay Period; and

d) Felix continues to act in good faith and with due diligence during the CCAA Proceedings since the date of the Initial Order.

14.0 MONITOR'S RECOMMENDATIONS

14.1 Based on the foregoing, the Monitor respectfully recommends that this Honourable Court approves:

a) the ARIO;

b) the Stalking Horse SISP Approval Order; and

c) the Sealing Order.

*****

All of which is respectfully submitted to this Honourable Court this 4th day of December 2024.

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

Per: Anthony Tillman
Senior Vice President

Appendix A

Newspaper Advertisement in the Globe and Mail

[FILM AND TELEVISION]

Let the games begin!

Participants they take part in a game based on Netflix's South Korean TV show Squid Game ahead of the launch of season 2, on the Champs-Élysées in Paris on Sunday

ALAIN JOCARD/AFP VIA GETTY IMAGES

Ms. Rachel, Paw Patrol expected to fuel Spin Master sales

Canadian toy company is leaning heavily on its holiday releases, but cautious consumers aren't on a spending spree just yet

TARA DESCHAMPS

Max Rangel can't help but crack a smile when he hears a sing-songy "hello" emanate from an overall-and-pink T-shirt clad doll sitting on a table covered in toys in his Toronto office.

Many people have told the chief executive officer of Canada's top toy company that they find the plush plaything with her overly cheery voice and predilection for peek-a-boo "annoying," but Mr. Rangel knows better.

"You have to look at the world through the baby's eyes ... or the toddler's eyes," says Mr. Rangel, head of **Spin Master Corp.**

If you did that, you'd know this doll – the Ms. Rachel Speak and Sing doll, modelled after U.S. preschool teacher-turned-YouTube star Rachel Griffin Accurso – is topping holiday wish lists this year.

The doll, and its related line of wooden blocks, bunny rattles and teething rings, became the most successful toy presale Walmart had ever seen in September, Mr. Rangel said. When he told people he met in China that the doll was headed for Hong Kong, someone screamed in excitement.

That reception is exactly what Spin Master needs as it stares down a holiday season where inflation is easing but consumers aren't on a spending spree just yet. When they are opening their wallets, they're being a lot more cautious – and that's if they can get their hands on what they want to buy at all.

November port strikes in British Columbia and Montreal temporarily stymied the flow of merchandise to some stores and a Canada Post strike has cast doubt over whether holiday orders will make it to customers on time. Black Friday falling later than usual in the year also shaved five key shopping days from the run up to Christmas Eve.

Spin Master can't ignore these problems. The holidays are the company's busiest time of year, so no matter what's going on economically, it has to nail December.

Mr. Rangel, who has been global president of Spin Master for four years now, is up for the challenge. "We planned for it and we're ready for it," he said of the holiday season.

That planning process has been years in the making and involves everything from price tweaks to inventory checks, but at the heart of it is the arsenal of household names made by the 30-year-old Toronto company.

Spin Master is now the maker of toy royalty: the Rubik's cube, Etch-a-Sketch, Kinetic Sand and Tech Decks. It is also behind Hatchimals, Paw Patrol, Bakugan, Gabby's Dollhouse and Monster Jam.

But even with such big brands in its portfolio, Jaime Katz, a senior equity analyst at Morningstar, said in an interview that Spin Master is not immune to the economic headwinds swirling before the holidays.

"I don't feel like a) they are killing it or b) they're dying," Ms. Katz said.

"They're just sort of trucking along as fast as possible given the uncertainty that exists right now."

To confront that uncertainty, Spin Master is leaning heavily on its holiday releases, which include an electronic pet version of its popular Hatchimals and a fluorescent green gekko from Hex Bots that scales walls.

There's also a set of linkable wooden blocks from Melissa & Doug, a Connecticut toy firm Spin Master bought for US$950 million in January.

While this holiday season is Spin Master's first owning Melissa & Doug, Ms. Katz doesn't have high expectations because she thinks innovation slowed when the companies were plotting their marriage.

"I'm not sure that the Melissa & Doug team was going full steam ahead as they were negotiating all of the final decisions on the purchase price and all those things," she said.

By the time the deal was sealed, there was little time for Spin Master to influence Melissa & Doug's holiday releases like the Sticker Wow!, a hand-held stamper-like device doling out stickers.

"With one year of ownership, you can only do so much to affect the innovation," said Mr. Rangel, who imagines the Sticker Wow! eventually having Paw Patrol or Disney iterations.

Spin Master toys take between one and three years to develop and planning for the holiday season happens 15 to 18 months in advance. The company has to work so far ahead that it has already locked in its product launches for next fall.

Ms. Rachel Speak and Sing dolls, from Canadian toy company Spin Master, are modelled after U.S. preschool teacher-turned-YouTube star Rachel Griffin Accurso. RICHARD DREW/ASSOCIATED PRESS

Predicting what will generate delight and not fall out of favour with fickle children by next year means Spin Master relies on its kid lab, where everyone from tykes to teens experiment with toys.

Not everything works out. Spin Master's Toronto office has a wall of failures featuring the long-gone Liv dolls from 2009 and preschooler brand Pop on Pals from 2010.

"It's perfectly imperfect," Mr. Rangel says of the toy development process. "Things come out of nowhere and trends happen and you have new moms, you have the digital age ... and they happen very quickly and we have to react."

His best example of this? Ms. Rachel.

"That doll was not in the plan 11 months ago," Mr. Rangel said.

A Spin Master employee on maternity leave discovered Ms. Rachel about a year and a half ago. Her son and his friends couldn't get enough of the YouTube sensation who started her channel to help her child with a speech delay.

Spin Master investigated her reach and then approached Ms. Rachel with a pitch for licensing rights.

"If you want to hit next holiday season, we have to get this thing done pretty quickly," Mr. Rangel recalls telling her. "Then you go to town to innovate the items, you got to find suppliers and you go through all sorts of lenses to make it happen."

As soon as Ms. Rachel toys got to store shelves, so did knock-offs. Some reportedly yelled at buyers in Japanese. Others had stretched out facial features or lacked the ability to sing *Icky Sticky* and *Hop Little Bunny*.

Ms. Rachel had to post a warning about the fakes, urging people to return them because she couldn't guarantee they'd be safe. Spin Master then released a shopping guide teaching buyers how to spot a counterfeit and reminding them her toys aren't being sold on Temu, Shein or eBay.

The fakes haven't put a damper on sales. Out of the top 10 fastest-selling toys for infants, toddlers and preschoolers in September in the U.S., data firm Circana said three were from Ms. Rachel's line.

Just as many came from Spin Master's crown jewel: *Paw Patrol*.

The search and rescue pup brand has spawned toys, TV shows and two movies since it was created by Spin Master in 2013 and quickly became a juggernaut with the preschool crowd.

While the brand remains popular, newer rivals are ready to steal away attention. The cartoon *Bluey* has been a hit for several years and Squishmallow plushies and slime are hot-ticket items, too.

Mr. Rangel keeps an eye on all of them but doesn't let them distract him from his goal to make the 11-year-old *Paw Patrol* so enduring it's "a rite of passage."

"Put it this way, you can't expect that the first generation of *Paw Patrol* lovers are having kids, right?" Mr. Rangel said.

"So we always think of ourselves as having another 10 to 20 years that we have to get through to have multi-generational, evergreen longevity."

Ms. Katz thinks it's a smart strategy for a brand targeting a demographic so young that it will always "wind up with new kids going into it and old kids aging out of it."

"It doesn't have to be that it's a particular growth engine as much as it is a cash cow," she said.

Some of the decisions that will determine how long Spin Master can hold onto that cash cow status are being made in "a daily war room" Mr. Rangel uses to navigate the holiday season.

Chief among the room's priorities is ensuring the prices of Spin Master toys don't turn off customers already feeling financially stretched.

"Something that would have been $100 is now going to be $70, something that would have been $79 is trying to be now $59, $49," Mr. Rangel said, noting advances in technology are making savings possible.

While it's harder to increase prices when people are being cautious with spending, Spin Master has the benefit of playing in a sector where "the price points are much more digestible" and brand recognition carry a lot of weight, Ms. Katz said.

"If you want ... some sort of Paw Patrol character, you don't want a generic dog," she said.

Mr. Rangel and his team will work to capitalize on such sentiments as Canada gets deeper into a holiday season he calls "a race to the end."

As much of that race will be spent generating demand with marketing as it is on making sure stores are "replenishing really obsessively" because Spin Master knows the ultimate determiner of holiday success is not price nor what you saw on TikTok, but whether the Ms. Rachels of the world make it under your tree.

"You can always sell it next year, but it's not about next year," Mr. Rangel said.

"A parent doesn't want to wait till next year because their child is going to be disappointed."

THE CANADIAN PRESS

LION ELECTRIC TEMPORARILY LAYS OFF 400 WORKERS, SHUTS DOWN ILLINOIS PLANT

MONTREAL Electric bus manufacturer **Lion Electric Co.** is temporarily laying off 400 employees and shutting down production at its Illinois plant after getting a two-week reprieve from its lenders.

The St-Jérôme, Que.-based company said in a statement Sunday that it has secured an extension to Dec. 16 for a loan and a credit agreement with a syndicate of lenders, after a Saturday deadline passed.

The company says its 300 remaining employees will focus on bus manufacturing, sales and delivery.

Lion Electric has already carried out three other rounds of layoffs in 2024, involving nearly 520 jobs, as Quebec's electric-vehicle industry faces headwinds.

The company posted a net loss of US$33.9-million in the third quarter of 2024, according to results published Nov. 6.

The two-week extension will give Lion Electric time to consider its options, including a sale of the business or a decision to seek creditor protection, the company says.

"There can be no assurance that the company will be successful in pursuing and implementing any such alternatives, nor any assurance as to the outcome or timing of any such alternatives," the statement reads.

The union representing workers at the company's St-Jérôme factory says the two-week extension shows there are serious discussions under way to save the company, but that it doesn't guarantee a solution.

"We should not forget that behind the company's difficulties there are people who are anxious and worried about their future," said Éric Rancourt, Quebec representative of the International Association of Machinists and Aerospace Workers.

THE CANADIAN PRESS

Appendix B

Notice to Creditors

Alvarez & Marsal Canada Inc.
Licensed Insolvency Trustees
Cathedral Place Building
925 West Georgia Street, Suite 902
Vancouver, BC V6C 3L2
Phone: +1 604 638 7440
Fax: +1 604 638 7441

November 29, 2024

To whom it may concern:

Re: Felix Payment Systems Ltd. ("Felix" or the "Company")

On October 15, 2024, the Company filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada*), R.S.C. 1985, c. B-3*, as amended (the "**BIA**") and Alvarez & Marsal Canada Inc. was appointed as Proposal Trustee of Felix.

On November 25, 2024, Felix was granted an order (the **"Initial Order"**) by the Supreme Court of British Columbia (the **"Court"**) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the **"CCAA"**). Accordingly, Felix's proceedings under the BIA were converted into a proceeding under the CCAA. Alvarez & Marsal Canada Inc. was appointed pursuant to the CCAA as monitor (the **"Monitor"**) of the business and financial affairs of Felix.

The Initial Order provides for, among other things, a stay of proceedings initially expiring on December 6, 2024 (the **"Stay Period"**). The Stay Period may be extended by the Court from time to time.

A copy of the Initial Order as well as the other materials filed in these CCAA proceedings may be obtained at https://www.alvarezandmarsal.com/felixpayment.

Felix is continuing to operate in the ordinary course in accordance with the provisions of the Initial Order.

Pursuant to the Initial Order, all persons having oral or written agreements with the Company or statutory or regulatory mandates for the supply of goods and/or services are restrained until further Order of the Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Company, provided that the normal prices or charges for all such goods or services received after the date of the Initial Order are paid by Felix in accordance with normal payment practices of the Company or such other practices as may be agreed upon by the supplier or service provider and each of the Company and the Monitor, or as may be ordered by the Court.

During the Stay Period, parties are prohibited from commencing or continuing any legal proceeding or enforcement action against Felix and all rights and remedies of any party against or in respect of the Company or their assets are stayed and suspended except in accordance with the Initial Order, or with the written consent of the Company and the Monitor, or with leave of the Court.

To date, no claims procedure has been approved by the Court and creditors are therefore not required to file a proof of claim at this time.

If you have any questions regarding the foregoing or require further information, please consult the Monitor's website at https://www.alvarezandmarsal.com/felixpayment. Should you wish to speak to a representative of the Monitor, please email ryan.wu@alvarezandmarsal.com.

Yours very truly,
Alvarez & Marsal Canada Inc.
in its capacity as Court-appointed Monitor of Felix Payment Systems Ltd.,
and not in its personal or corporate capacity

Per: Anthony Tillman
Senior Vice President

Appendix C

Second CCAA Cash Flow Forecast for the 13-Week Period ending March 2, 2025

Felix Payment Systems Ltd.
Second CCAA Cash Flow Forecast
For the 13-week period ending March 2, 2025[1]
$CAD '000s

Week ending	Notes	Week 1 8-Dec	Week 2 15-Dec	Week 3 22-Dec	Week 4 29-Dec	Week 5 5-Jan	Week 6 12-Jan	Week 7 19-Jan	Week 8 26-Jan	Week 9 2-Feb	Week 10 9-Feb	Week 11 16-Feb	Week 12 23-Feb	Week 13 2-Mar	Total
Receipts															
Sales	2	$ -	$ -	$ -	$ 200	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200
Other receipts	3	-	20	-	15	-	-	15	-	-	-	15	-	-	65
Total receipts		**-**	**20**	**-**	**215**	**-**	**-**	**15**	**-**	**-**	**-**	**15**	**-**	**-**	**265**
Operating disbursements															
Payroll	4	5	134	21	134	5	-	141	1	146	-	141	-	146	876
KERP	5	-	31	-	-	-	-	-	-	-	-	-	-	64	95
Office rent	6	27	-	-	-	27	-	-	-	27	-	-	-	27	109
Insurance	7	5	-	-	-	5	-	-	-	5	-	-	-	5	20
Subscriptions	8	6	4	3	13	2	3	3	13	2	3	3	13	2	71
Security certification	9	-	-	-	-	-	14	-	-	-	-	-	-	-	14
Utilities and other		1	1	1	1	1	1	1	1	1	1	1	1	1	10
Contingency		-	-	-	-	25	-	-	-	-	-	-	-	-	25
Total operating disbursements		**44**	**170**	**25**	**148**	**65**	**18**	**145**	**15**	**181**	**4**	**146**	**14**	**245**	**1,220**
Other disbursements															
Hardware and other miscellaneous	10	3	2	-	-	32	-	-	-	-	-	-	-	-	37
Trade payables	11	160	185	-	-	176	-	-	-	-	-	-	-	-	521
Professional fees	12	150	239	-	-	85	-	75	-	85	30	135	-	-	799
DIP fee	13	8	42	-	-	-	-	-	-	-	-	-	-	-	50
Total other disbursements		**365**	**639**	**25**	**148**	**357**	**18**	**220**	**15**	**266**	**34**	**281**	**14**	**245**	**2,626**
Net cash flow		**(365)**	**(618)**	**(25)**	**67**	**(357)**	**(18)**	**(205)**	**(15)**	**(266)**	**(34)**	**(266)**	**(14)**	**(245)**	**(2,361)**
Cash position															
Beginning cash balance		441	76	58	33	100	242	224	19	355	88	305	39	275	441
Net cash flow		(365)	(618)	(25)	67	(357)	(18)	(205)	(15)	(266)	(34)	(266)	(14)	(245)	(2,361)
DIP draws (repayment)	13	-	600	-	-	500	-	-	350	-	250	-	250	-	1,950
End cash balance		**$ 76**	**$ 58**	**$ 33**	**$ 100**	**$ 242**	**$ 224**	**$ 19**	**$ 355**	**$ 88**	**$ 305**	**$ 39**	**$ 275**	**$ 30**	**$ 30**
Opening DIP balance		**$ 400**	**$ 400**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,512**	**$ 1,512**	**$ 1,512**	**$ 1,862**	**$ 1,884**	**$ 2,134**	**$ 2,134**	**$ 2,384**	**$ 400**
DIP draws (repayment)	13	**-**	**600**	**-**	**-**	**500**	**-**	**-**	**350**	**-**	**250**	**-**	**250**	**-**	**1,950**
Accrued interest		**-**	**-**	**-**	**-**	**12**	**-**	**-**	**-**	**22**	**-**	**-**	**-**	**37**	**71**
Ending DIP balance		**$ 400**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,512**	**$ 1,512**	**$ 1,512**	**$ 1,862**	**$ 1,884**	**$ 2,134**	**$ 2,134**	**$ 2,384**	**$ 2,421**	**$ 2,421**

Felix Payment Systems Ltd.
Second CCAA Cash Flow Forecast
Notes and Assumptions

1. The cash flow statement (the "CCAA Cash Flow Forecast") has been prepared by management ("Management") of Felix Payment Solutions Ltd. (the "Company") To set out the liquidity requirements of the Company during the *Companies' Creditors Arrangement Act* proceedings (the "CCAA Proceedings").

   The CCAA Cash Flow Forecast is presented on a weekly basis from December 2, 2024 to March 2, 2025 (the "Forecast Period") and represents Management's best estimate of the expected results of operations during the Forecast Period. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized. The projections are based upon certain estimates and assumptions discussed below and may be amended from time to time during the CCAA proceedings. Upon such amendments, Management will update its cash flow forecast accordingly as included herein.

2. Sales receipts of $200,000 represents the collection of an accounts receivable in respect of a feasibility study performed by the Company.

3. Other receipts of $65,000 represents the receipt of grant funding over the Forecast Period.

4. Payroll costs of $876,000 represent expected ongoing payroll costs over the Forecast Period.

5. Key employee retention plan payments of $95,000 is planned to occur over two milestone dates.

6. Office rent of $109,000 throughout the Forecast Period represents monthly rent payments in respect of the Company's office in Vancouver, British Columbia.

7. Insurance costs of $20,000 includes cyber insurance and commercial liability insurance policy premiums.

8. Subscription costs of $71,000 represent on-going software subscriptions and expected annual renewal payments to maintain business operations.

9. Security certification costs of $14,000 represent payments on internal testing work required to advance certain certifications.

10. Hardware and other miscellaneous costs of $37,000 primarily relate to the purchase of new laptops and servers to maintain business operations.

11. Trade payables of $521,000 represents payment on certain pre-filing accounts payable to select vendors for continuity of essential service contacts and certifications.

12. Professional fees of approximately $799,000 over the Forecast Period include legal counsel to the Company, the Monitor and its counsel, and counsel to the DIP Lender, as well as fees to pursue a Chapter 15 filing in the U.S.

13. The First Lien Lenders (as defined in the Pre-Filing Report of the Proposed Monitor) will be providing debtor in possession financing to the Company (the "DIP Facility"). Total draws of $2.3 million are expected through the Forecast Period.

    A commitment fee of $8,000 and $42,000 will be deducted against the initial and second draw, respectively, from the DIP Facility. Interest on the DIP Facility is calculated at a rate of 18% per annum, with interest accruing to the principal balance of the DIP Facility on the first day of each month.