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VANCOUVER
SUPREME COURT SCHEDULING

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

PRE-FILING REPORT OF THE PROPOSED MONITOR

ALVAREZ & MARSAL CANADA INC.

NOVEMBER 22, 2024



ALVAREZ & MARSAL

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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 (in that capacity, the “**Proposal Trustee**”) in the resulting 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 was an automatic stay of proceedings (the “**NOI Stay of Proceedings**”) against Felix until November 15, 2024.
- 1.3 On November 12, 2024, this Honourable Court granted an order (the “**Stay Extension Order**”) to extend the NOI Stay of Proceedings to December 30, 2024.
- 1.4 On November 22, the Company filed a Petition with this Honourable Court (the “**CCAA Petition**”), by which the Company is seeking, among other relief, an order:
 - a) continuing the NOI Proceedings into proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36*, as amended (the “**CCAA**”);
 - b) appointing A&M as monitor of Felix (in that capacity, the “**Monitor**”);
 - c) granting a stay of all proceedings and remedies taken in respect of Felix, the Monitor or the directors and officers of Felix for a period not more than ten (10) days (the “**Stay of Proceedings**”); and
 - d) authorizing the Company to obtain and borrow up to \$400,000 under a credit facility from Mr. Jake Boxer, the CA Mordy Legacy Trust, and PEL Chartered Professional Accountants Inc. (together, the “**DIP Lender**”), and granting the Administration Charge, the Directors’ Charge, and the DIP Lender’s Charge (together, the “**CCAA Charges**”), which are subsequently defined herein.
- 1.5 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 and the affidavit of Andrew Cole, sworn November 21, 2024 (the “**First Cole Affidavit**”).
- 1.6 This 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 report of the proposed Monitor (the “**Report**”) was prepared to provide this Honourable Court and other stakeholders with certain information, including:

- a) a summary of select background information regarding the Company, including its cash management system;
- b) a summary of the activities of the Proposal Trustee and the Company since the first report of the Proposal Trustee dated November 8, 2024 (the “**First Report**”);
- c) a comparison of actual cash receipts and disbursements as compared to the second cash flow filed in the NOI Proceedings for the period from November 4 to 17, 2024 (the “**Second Cash Flow Forecast**”);
- d) a summary and related comments in respect of Felix’s statement of forecast cash flows for the period from November 18, 2024, to March 2, 2025 (the “**First CCAA Cash Flow Forecast**”);
- e) comments on Felix’s application to continue the NOI Proceedings to the CCAA Proceedings; and
- f) the proposed Monitor’s recommendations with respect to the relief sought in the initial order by the Company in the CCAA Petition (the “**Initial Order**”).

3.0 TERMS OF REFERENCE

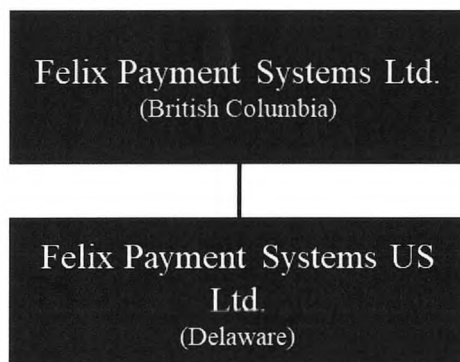
3.1 In preparing this Report, A&M has necessarily relied upon unaudited financial and other information provided by the Company’s management (“**Management**”). Although this information has been subject to review, A&M has not conducted an audit or otherwise attempted to verify the information’s accuracy 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 Report, or otherwise used to prepare this Report.

3.2 Certain of the information referred to in this 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 FELIX'S BUSINESS AND FINANCIAL AFFAIRS

Business Operations and Background

- 4.1 As noted in the First Report, 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 Over the years Felix has developed a cloud-based payment acceptance product ("**Felix Payment Technology**") that enables devices equipped with near-field-communication to be used as contactless payment terminals without the need for additional hardware.
- 4.3 Felix is the main corporate entity that holds the assets of the Company and wholly owns Felix Payment Systems US Ltd, ("**Felix US**"). Felix US was incorporated in Delaware to service customers located in the United States. The Company's corporate structure is presented in the chart below:



- 4.4 The proposed Monitor understands that to date Felix US has not recorded any revenue or held any assets, and has been excluded from the CCAA Proceedings.
- 4.5 The Company's office is located at 1400-355 Burrard Street, Vancouver, BC. At the time of this Report, Felix has 32 employees that work in Canada.
- 4.6 The overwhelming majority of Felix's employees are part of the Technology department which is separated into Cloud Services, Infrastructure, Client Services, and Database & Portal teams.
- 4.7 Further details regarding the Company's background, ownership and additional details regarding the Felix Payment Technology are provided in the First Cole Affidavit.

Assets and Liabilities of Felix

- 4.8 The Company's internal financial statements as at September 30, 2024, lists assets of \$653,000, which are summarized in the table below:

Felix Payment Systems Ltd.		
List of Assets as at September 30, 2024		
\$CAD '000s		
Cash	\$	19
Accounts receivable		190
Tax credits and grants		25
Prepaid expenses		353
Equipment		37
Long term investment		20
Due from related party		7
Other assets		2
Investment in subsidiary		0
Total	\$	653

- 4.9 The Company is pre-revenue and does not have significant liquidity on hand. Accordingly, and as discussed further below, the Company is dependent on advances from the DIP Lender.
- 4.10 As at November 20, 2024, the Company has listed creditor claims totaling approximately \$22.5 million, which is summarized in the table below:

Felix Payment Systems Ltd.		
Summary of Liabilities as at November 20, 2024		
\$CAD '000s		
Steve Hall (BBSG)	\$	4,881
BBSG Hall Investments, LLC		3,743
Robert Alpert (Onosys)		2,896
Mr Jake Boxer		2,757
Dapit NA, LLC		2,043
Owen Newport		1,647
The CA Mordy Legacy Trust		818
Axiom B.I. MC Group of Companies		540
Don Paris (FlatWorld/Payment Foundry)		386
Maxifi		385
Brookridge Chartered Professional Accounts Inc.		381
Business Development Bank of Canada		315
Ripcord Capital LLC		254
Riscure B.V.		213
Canada Revenue Agency		211
Zimperium		177
Creditors with balances above \$100,000		21,646
Remaining creditors with balances below \$100,000		859
Total liabilities	\$	22,505

- 4.11 The First Cole Affidavit provides information surrounding certain 'First Lien Lenders' and 'Second Lien Lenders', along with confirmation that there may be incomplete records available to the Company in respect of the advances from the First Lien Lenders and Second Lien Lenders and their related security.

- 4.12 The CRA liability represents unremitted source deductions for the period from February 1 to March 15, 2024.
- 4.13 As discussed in the First Cole Affidavit, the Company has been undertaking a detailed view of its books and records to identify and update its creditor list.
- 4.14 A&M understands that notwithstanding the Company's efforts to update its books and records to accurately reflect all creditor claims, there remains additional work to be undertaken by the Company to complete its assessment of claims. Furthermore, it is likely that a limited claims process will need to be initiated to determine the quantum and priority of certain secured creditor claims. The proposed Monitor has not reviewed any of the security documents that support secured claims that may be advanced by the creditors.
- 4.15 The First Cole Affidavit contains further information regarding the liabilities of the Company.

Cash Management System

- 4.16 The Company maintains one USD and one CAD account with the Royal Bank of Canada ("RBC") to facilitate day-to-day operations and one USD RBC US account to receive US funds. Access to the bank accounts is through the RBC online portal and RBC Express.
- 4.17 As part of the ongoing monitoring of Felix's financial affairs, each week Management prepares a summary of actual cash flows against budget, and the closing cash balance is reconciled to the Company's bank balance.
- 4.18 During the course of the NOI Proceedings, all payments over \$1,000 that are in accordance with the cash flow forecast filed in those proceedings have been approved by the CEO, Mr. Andrew Cole, and any payments outside of the cash flow forecast were discussed with the Proposal Trustee prior to approval by Mr. Cole. It is intended that this system will remain in place in the CCAA Proceedings (if the relief sought by Felix is granted).
- 4.19 In addition to the bank accounts, the Company also utilizes an RBC credit card that is secured by a guaranteed investment certificate for \$20,000.

5.0 ACTIVITIES OF THE PROPOSAL TRUSTEE

- 5.1 Activities of the Proposal Trustee since the First Report include, among other things, the following:
- a) assisting Management with preparation of the First CCAA Cash Flow Forecast;
 - b) filing the First Report and the Extension Order with the Office of the Superintendent of Bankruptcy;

- c) continuing to monitor the Company's financial affairs and activities;
- d) holding ongoing discussions with Management and the Company's legal counsel, McCarthy Tétrault LLP ("**McCarthy**");
- e) engaging independent legal counsel, Cassels Brock & Blackwell LLP ("**Cassels**") in anticipation of the CCAA Proceedings;
- f) holding numerous discussions with Cassels regarding the proposed CCAA Proceedings and other ad hoc matters;
- g) attending to various inquiries from creditors; and
- h) preparing this Report.

6.0 CASH FLOW VARIANCE FOR THE PERIOD ENDED NOVEMBER 17, 2024

- 6.1 As part of the ongoing monitoring of the business and financial affairs of Felix in the NOI Proceedings, the Proposal Trustee set up a weekly cash flow monitoring protocol with the Company to compare actual cash flows against filed forecasts. It is anticipated that this protocol will continue in the CCAA Proceedings.
- 6.2 The Company's actual cash receipts and disbursements as compared to the Second Cash Flow Forecast for the 2-week period from November 4 to November 17, 2024 (the "**Reporting Period**") are summarized below:

Felix Payment Systems Ltd.
Cash Flow Variance Analysis
For the 2-Week Period Ended November 17, 2024
\$CAD '000s

	Actual	Forecast	Variance
Receipts			
Sales	\$ -	\$ 3	\$ (3)
Other receipts	9	-	9
Total receipts	9	3	6
Disbursements			
Payroll	117	125	(8)
Office rent	-	-	-
Insurance	-	5	(5)
Subscriptions	3	4	(1.0)
Security certification	6	8	(3)
Utilities and other	(3)	1	(4)
Total operating disbursements	123	143	(20)
Hardware and other miscellaneous	4	-	4
Trade payables	-	106	(106)
Professional fees	35	35	-
Total disbursements	161	284	(123)
Net cash flow	(152)	(281)	129
Cash position			
Beginning cash balance	175	175	-
Net cash flow	(152)	(281)	129
Financing draws (repayment)	200	200	-
End cash balance	\$ 223	\$ 94	\$ 129

6.3 During the Reporting Period, the Company's net cash outflows were \$129,000 lower than forecast, which is primarily due to a delay in the payment of certain trade payables during the Reporting Period.

7.0 RESTRUCTURING EFFORTS

7.1 The Company's restructuring efforts and activities since the First Report include the following:

- Management, with the assistance of the Proposal Trustee, preparing the First CCAA Cash Flow Forecast;
- holding various discussions with counsel and the Proposal Trustee in respect of converting the NOI Proceedings to the CCAA Proceedings, interim financing needs, a limited claims process, and a potential sale and investment solicitation process ("SISP");
- meeting with the Company's counsel to review prospective claims against select creditors and their associates and reviewing litigation options;

- d) compiling financial information and agreements in anticipation of a claims process in respect of certain potentially secured claims; and
- e) holding various discussions with the DIP Lender in respect of interim funding needs.

8.0 CONVERSION TO CCAA PROCEEDINGS

8.1 As discussed in the First Cole Affidavit, Felix is seeking to continue the NOI Proceedings into these CCAA Proceedings as part of its restructuring plans. A&M (in its capacity as the proposed Monitor) notes the following factors when considering the conversion to CCAA Proceedings:

- a) CCAA proceedings are internationally recognized and allow for easier cross-border collaboration of insolvency proceedings, including recognition in a foreign proceeding (if required);
- b) the CCAA Proceedings will allow for the Company to advance a limited claims process and implement a SISF; and
- c) there are no deemed assignments in bankruptcy under the CCAA in the event a plan is not filed by the Company within the 6 months allowed pursuant to the BIA, thus allowing additional flexibility.

9.0 QUALIFICATION AND CONSENT OF A&M TO ACT AS MONITOR

9.1 A&M is a licensed trustee within the meaning of subsection 2(1) of the BIA.

9.2 A&M is not, and has never been:

- a) a director, officer or employee of Felix;
- b) related to Felix or to any director or officer of Felix;
- c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of Felix;
- d) the trustee under a trust indenture issued by Felix or, to the best of its knowledge, any person related to Felix, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the *Civil Code of Quebec* that is granted by Felix or, to the best of its knowledge, any person related to Felix, or
- e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph 9.2 (d).

9.3 The restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA do not preclude A&M from acting as Monitor for the Company.

- 9.4 A&M has consented to act as Monitor in these proceedings should this Honourable Court grant the Initial Order on substantially the terms sought by the Company. A copy of A&M's consent to act as Monitor is attached hereto as **Appendix "A"**.

10.0 CCAA CASH FLOW FORECAST

- 10.1 The Company, with the assistance of the Proposal Trustee, has prepared the First CCAA Cash Flow Forecast for the period from November 18, 2024, to March 2, 2025. The detailed First CCAA Cash Flow Forecast together with the accompanying notes is attached hereto as **Appendix "B"** to this report and is summarized below for the initial three-week period to December 8, 2024 (the "Forecast Period"):

Felix Payment Systems Ltd. First CCAA Cash Flow Forecast For the 3-week period ending December 8, 2024 \$CAD '000s		
Receipts		
Sales	\$	203
Other receipts		15
Total receipts		218
Operating disbursements		
Payroll		130
KERP		30
Office rent		29
Insurance		5
Subscriptions		29
Utilities and other		24
Total operating disbursements		247
Other disbursements		
Hardware and other miscellaneous		52
Trade payables		243
Professional fees		160
DIP fee		8
Total other disbursements		710
Net cash flow	\$	(492)
Cash position		
Beginning cash balance		223
Net cash flow		(492)
DIP draws (repayment)		400
End cash balance	\$	132
Opening DIP balance		-
DIP draws (repayment)		400
Ending DIP balance	\$	400

10.2 The First CCAA Cash Flow Forecast estimates net cash outflows of \$492,000 over the Forecast Period, which is composed of the following:

- a) Sales receipts of \$203,000 represent the collection of accounts receivable in respect of a feasibility study performed by the Company and the collection of other miscellaneous receipts;
- b) Other receipts of \$15,000 represent the receipt of grant funding over the Forecast Period;
- c) Payroll cost of \$130,000 represents expected ongoing payroll costs over the Forecast Period;
- d) Key Employment Retention Plan (“**KERP**”) for \$30,000 represents the payment of the first milestone payment of a proposed KERP (planned to be approved at the comeback hearing);
- e) Office rent of \$29,000 is for monthly rent in respect of the Company’s office in Vancouver, British Columbia;
- f) Subscription payments of \$29,000 are for monthly software subscriptions and annual renewals;
- g) Hardware and other miscellaneous payments primarily pertain to the purchase of new laptops and servers to maintain business operations;
- h) Trade payable payments of \$243,000 pertain to pre-filing accounts payables to select vendors in order to maintain the continuity of essential service contracts and certifications;
- i) Professional fees of approximately \$160,000 over the Forecast Period include legal counsel to the Company, the Monitor and its counsel, and counsel to the DIP Lenders; and
- j) Total draws from the DIP Facility (as subsequently defined) throughout the Forecast Period total \$400,000.

10.3 Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, A&M hereby reports as follows:

- a) the First CCAA Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the First CCAA Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
- b) A&M’s review (as proposed Monitor) of the First CCAA Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of

the First CCAA Cash Flow Forecast. A&M also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the First CCAA Cash Flow Forecast;

- c) based on the proposed Monitor's preliminary review of the First CCAA Cash Flow Forecast, nothing has come to its attention that causes A&M to believe that, in any material respects:
 - i. the hypothetical assumptions are not consistent with the purpose of the First CCAA 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 Company or do not provide a reasonable basis for the First CCAA Cash Flow Forecast, given the hypothetical assumptions; or
 - iii. the First CCAA Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
- d) since the First CCAA 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. Accordingly, A&M does not express any assurance as to whether the First CCAA Cash Flow Forecast will be accurate. A&M does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report; and
- e) the First CCAA Cash Flow Forecast has been prepared solely for the purpose described in Note 1 of the accompanying notes to the First CCAA Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

11.0 DEBTOR-IN-POSSESSION FINANCING

- 11.1 As discussed in the First Cole Affidavit, Felix is facing a liquidity crisis as funding from existing lenders/shareholders will not continue under the current structure. To fund its liquidity needs during the initial 10 days of the CCAA Proceedings, the Company is seeking the ability to borrow up to a principal amount of \$400,000 under a debtor-in-possession ("**DIP**") credit facility (the "**DIP Facility**").
- 11.2 As indicated in the First CCAA Cash Flow Forecast, the DIP Facility is necessary to fund ongoing operations and restructuring costs during the initial 10-day Stay of Proceedings.
- 11.3 Details of the DIP Facility terms are set out in the document (the "**DIP Facility Term Sheet**") attached to the First Cole Affidavit and will not be repeated herein. Capitalized terms not defined

have the meanings ascribed to them in the DIP Facility Term Sheet. The key terms of the DIP Facility Term Sheet are summarized the table below:

DIP Facility – Summary of Key Terms	
Borrower	Felix Payment Systems Ltd.
DIP Lender	Mr. Jake Boxer, the CA Mordy Legacy Trust and PEL Chartered Professional Accountants Inc.
DIP Facility	A non-revolving loan up to the maximum principal amount of \$2.1 million (the “ Maximum Amount ”), including an initial advance in an amount of \$400,000 (the “ Initial Advance ”).
Use of Proceeds and Cash Flow Projections	The Initial Advance under the DIP Facility shall be used in accordance with the cash flow projections attached to the DIP Facility Term Sheet to fund working capital and general corporate needs of Felix, and costs and expenses incurred by Felix in connection with the CCAA Proceedings.
Interest Rate	18% per annum, compounded and calculated monthly.
Fees	<p>The Borrower shall pay a commitment fee in the amount of \$50,000 (the “Fee”), which shall be earned and paid as follows:</p> <ul style="list-style-type: none"> (i) \$8,000 shall be earned upon the execution of DIP Facility Term Sheet and paid from the Initial Advance; and (ii) \$42,000 shall be earned upon the granting of the Restated Initial Order and paid from the first Additional Advance made after the date of the Restated Initial Order. <p>For certainty, the Fee shall be secured by the DIP Lender’s Charge.</p>
Maturity Date	<p>Unless accelerated by an Event of Default, the DIP Facility shall be paid in full in cash on the date which is the earliest of:</p> <ul style="list-style-type: none"> 1) February 28, 2025, or such later date as the DIP Lender in its sole discretion may agree to in writing with the Borrower, acting reasonably; 2) the date on which (i) the stay of proceedings under the CCAA Proceedings is lifted without the consent of the DIP Lender, or (ii) the CCAA Proceedings are terminated for any reason; 3) the closing of a sale or similar transaction (including pursuant to a subscription agreement and/or a reverse vesting purchase agreement) for all or substantially all of the assets

	<p>and business, or in respect, of the Borrower, which has been approved by an order entered by the Court;</p> <p>4) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a “Plan”) which has been approved by the requisite majorities of the Borrower’s creditors and by an order entered by the Court; or</p> <p>5) the conversion of the CCAA Proceedings into a proceeding under the <i>Bankruptcy and Insolvency Act</i>.</p>
DIP Security	<p>All Obligations of the Borrower under or in connection with the DIP Facility and any of the DIP Credit Documentation shall be secured by a Court Ordered Charge on all present and after-acquired personal and real, tangible or intangible property of the Borrower.</p> <p>The DIP Lender’s Charge shall be subordinated only to the Administration Charge and the charge of Royal Bank of Canada over a guaranteed investment certificate in the amount of \$20,000, and shall rank in priority to all other CCAA Charges.</p>
Affirmative Covenants	<p>Affirmative covenants include, among others, the following:</p> <p>1) compliance with the Cash Flow Projections, and use of proceeds of the DIP Facility only for the purposes set out in the DIP Facility Term Sheet;</p> <p>2) provide the DIP Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intends to file within the CCAA Proceedings at least three (3) days prior to any service of such materials or, where it is not practically possible to do so at least three days prior to any such service, as soon as possible prior to such service;</p> <p>3) deliver to the DIP Lender by no later than 5:00 p.m. (Vancouver time) on Wednesday bi-weekly updated 13-week cash flow projections, in form and substance satisfactory to the DIP Lender reflecting the projected cash requirements of the Borrower on a rolling-basis; and</p> <p>4) concurrently with the bi-weekly delivery of Updated Cash Flow Projections, provide a variance report setting out the actual receipts and disbursements compared to those included in the previously delivered Updated Cash Flow Projections (or to the Initial Cash Flow Projections, if applicable).</p>

- 11.4 As part of the DIP Facility Term Sheet development, the proposed Monitor and its counsel participated in conversations and negotiations with the Company and its counsel, and the DIP Lender. A&M is of the view that the DIP Facility terms are reasonable in the circumstances and reflect market terms.

- 11.5 As indicated above, Felix is facing liquidity constraints and appears to require the additional liquidity provided by the DIP Facility to fund its operations and restructuring plans during the CCAA Proceedings.
- 11.6 A&M is supportive of the Company's application for an order authorizing Felix to borrow up to \$400,000 under the proposed DIP Facility. A review of the First CCAA Cash Flow Forecast indicates that with access to the proposed DIP Facility, the Company will have sufficient liquidity to operate the business and advance their restructuring efforts during the initial 10-day Stay of Proceedings.

12.0 PROPOSED COURT-ORDERED CHARGES

- 12.1 As indicated in the CCAA Petition, the Company is seeking the following three court-ordered charges:

Administration Charge

- 12.2 The proposed Initial Order contemplates a charge on the Company's property that shall not exceed \$150,000 (the "**Administration Charge**") in favour of the Monitor, counsel to the Monitor and counsel to the Company to secure payment of their respective reasonable fees and disbursements in connection with work performed in respect of these CCAA Proceedings. The Administration Charge is to rank in priority to all other charges.
- 12.3 The proposed Monitor is of the view that the quantum of the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to:
- a) the scale and complexity of Felix and the CCAA Proceedings;
 - b) the services to be provided by the beneficiaries of the Administration Charge, including a potential claims process and a SISP in due course; and
 - c) the quantum of the charges approved in similar CCAA proceedings.

Debtor-in-Possession Charge

- 12.4 The DIP Financing Term Sheet contemplates that the proposed Initial Order includes a charge on the Company's property that shall not exceed \$400,000 (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.
- 12.5 As noted in section 11 of this Report, the proposed Monitor is of the view that interim financing is necessary to fund the ongoing operations and restructuring costs of the Company during the

initial 10-day Stay of Proceedings. This will allow the Company to develop its SISP and plan for a potential claims process.

- 12.6 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.

Directors' Charge

- 12.7 The proposed Initial Order contemplates a charge on the Company's property that shall not exceed \$150,000 (the "**Directors' Charge**") in favour of the directors and officers of the Company to indemnify them against obligations and liabilities they may incur as directors and officers of the debtor after the commencement of the CCAA Proceedings. The Directors' Charge is to rank in priority to all other charges except the Administration Charge and the DIP Lender's Charge.

- 12.8 As noted in the First Cole Affidavit, the Company's director's and officers' insurance policy expired in October 2024 and new coverage has not been secured. Accordingly, there is an enhanced need to indemnify the directors and officers during the CCAA Proceedings to ensure the continued support of the directors and officers to assist with the Company's restructuring efforts and planned SISP.

- 12.9 A&M has reviewed the underlying assumptions used to calculate the Director's Charge and is of the view that the quantum of the proposed Director's Charge, which represents approximately one payroll cycle, is appropriate and consistent with similar charges in other CCAA proceedings.

13.0 PROPOSED MONITOR'S RECOMMENDATION

- 13.1 Based on the foregoing, the proposed Monitor respectfully recommends that this Honourable Court approves:

- a) the continuation of the NOI Proceedings into the CCAA Proceedings;
- b) the CCAA Charges; and
- c) the DIP Facility.

All of which is respectfully submitted to this Honourable Court this 22nd day of November 2024.

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

A handwritten signature in black ink, appearing to read 'Anthony Tillman', written in a cursive style.

Per: Anthony Tillman
Senior Vice President

Appendix A
A&M's Consent to Act as Monitor

NO. _____
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

CONSENT TO ACT AS MONITOR

Alvarez & Marsal Canada Inc., of Cathedral Place Building, 925 West Georgia Street, Suite 902, Vancouver, BC, V6C 3L2, a Licensed Insolvency Trustee, hereby consents to act as court-appointed monitor of Felix Payment Systems Ltd. in these proceedings, if so appointed by this Honourable Court.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of November, 2024.

ALVAREZ & MARSAL CANADA INC.

Per: 
Name: Anthony Tillman
Title: Senior Vice President

Appendix B

First CCAA Cash Flow Forecast for the Period from November 18, 2024, to March 2, 2025

Felix Payment Systems Ltd.
First CCAA Cash Flow Forecast
For the 15-week period ending March 2, 2025¹
SCAD '000s

Week ending	Notes	Week 1 24-Nov	Week 2 1-Dec	Week 3 8-Dec	Week 4 15-Dec	Week 5 22-Dec	Week 6 29-Dec	Week 7 5-Jan	Week 8 12-Jan	Week 9 19-Jan	Week 10 26-Jan	Week 11 2-Feb	Week 12 9-Feb	Week 13 16-Feb	Week 14 23-Feb	Week 15 2-Mar	Total
Receipts																	
Sales	2	\$ -	\$ 3	\$ 200	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 214
Other receipts	3	15	-	-	-	15	-	-	-	15	-	-	-	15	-	-	60
Total receipts		15	3	200	-	15	3	-	-	15	3	-	-	15	3	-	274
Operating disbursements																	
Payroll	4	-	130	-	134	21	132	5	-	141	1	146	-	141	-	146	998
KERP	4	-	-	30	-	-	-	-	-	-	-	-	-	-	-	70	100
Office rent	5	1	28	1	1	1	1	28	1	1	1	28	1	1	1	28	116
Insurance	6	-	5	-	-	-	-	5	-	-	-	5	-	-	-	5	20
Subscriptions	7	16	8	5	1	3	13	2	3	3	13	2	3	3	13	2	91
Security certification	8	-	-	-	-	-	-	-	26	-	-	-	-	-	-	-	26
Utilities and other		4	20	-	-	1	-	0	-	1	-	0	-	1	-	0	28
Total operating disbursements		21	191	35	136	25	146	40	29	145	15	181	4	146	14	251	1,379
Other disbursements																	
Hardware and other miscellaneous	9	10	10	32	2	-	-	-	-	-	-	-	-	-	-	-	54
Trade payables	10	160	63	20	88	-	-	72	-	-	-	20	-	-	-	20	443
Professional fees	11	-	160	-	150	-	-	60	-	75	-	85	-	135	-	-	665
DIP fee	12	-	8	-	42	-	-	-	-	-	-	-	-	-	-	-	50
Total other disbursements		191	432	87	418	25	146	172	29	220	15	286	4	281	14	271	2,591
Net cash flow		(176)	(429)	113	(418)	(10)	(142)	(172)	(29)	(205)	(11)	(286)	(4)	(266)	(10)	(271)	(2,318)
Cash position																	
Beginning cash balance		223	48	19	132	163	153	11	264	235	29	343	57	303	37	277	223
Net cash flow		(176)	(429)	113	(418)	(10)	(142)	(172)	(29)	(205)	(11)	(286)	(4)	(266)	(10)	(271)	(2,318)
DIP draws (repayment)	12	-	400	-	450	-	-	425	-	-	325	-	250	-	250	-	2,100
End cash balance		\$ 48	\$ 19	\$ 132	\$ 163	\$ 153	\$ 11	\$ 264	\$ 235	\$ 29	\$ 343	\$ 57	\$ 303	\$ 37	\$ 277	\$ 6	\$ 6
Opening DIP balance																	
DIP draws (repayment)	12	-	400	-	450	-	-	425	-	-	325	-	250	-	250	-	2,100
Accrued interest		-	-	-	-	-	-	12	-	-	-	19	-	-	-	33	64
Ending DIP balance		\$ -	\$ 400	\$ 400	\$ 850	\$ 850	\$ 850	\$ 1,287	\$ 1,287	\$ 1,287	\$ 1,612	\$ 1,630	\$ 1,880	\$ 1,880	\$ 2,130	\$ 2,164	\$ 2,164

Felix Payment Solutions Ltd.
First 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 November 18, 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 \$214,000 represents the collection of an accounts receivable in respect of a feasibility study performed by the Company and the collection of other miscellaneous receipts.
3. Other receipts of \$60,000 represents the receipt of grant funding over the Forecast Period.
4. Payroll costs of \$998,000 represent expected ongoing payroll costs over the Forecast Period and \$100,000 of total key employee retention plan payments planned to occur over two milestones dates.
5. Office rent of \$116,000 throughout the Forecast Period represents monthly rent payments in respect of the Company's office in Vancouver, British Columbia.
6. Insurance costs of \$20,000 includes cyber insurance and commercial liability insurance policy premiums.
7. Subscription costs of \$91,000 represent on-going software subscriptions and expected annual renewal payments to maintain business operations.
8. Security certification costs of \$26,000 represent payments on internal testing work required to advance certain certifications.
9. Hardware and other miscellaneous costs of \$54,000 primarily relate to the purchase of new laptops and servers to maintain business operations.
10. Trade payables of \$443,000 represents payment on certain pre-filing accounts payable to select vendors for continuity of essential service contacts and certifications.
11. Professional fees of approximately \$665,000 over the Forecast Period include legal counsel to the Company, the Monitor and its counsel, and counsel to the DIP Lender.
12. The First Lien Lenders (as defined in the Proposal Trustee's Second Report) will be providing debtor in possession financing to the Company (the "DIP Facility"). Total draws of \$2.1 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.



November 21, 2024

Alvarez & Marsal Canada Inc.
Cathedral Place Building
925 West Georgia Street, Suite 902
Vancouver, BC V6C 3L2

Attention: Anthony Tillman
Senior Vice President

Dear Sirs,

**Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for
Felix Payment Solutions Ltd. ("Felix" or the "Company")
Responsibilities/Obligations and Disclosure with Respect to Cash-flow Projections**

In connection with the application by Felix for the commencement of proceedings under the CCAA in respect of the Company, the management of the Company ("Management") has prepared the attached cash-flow statement and the assumptions on which the cash-flow statement is based.

Felix confirms that:

1. the cash-flow statement and the underlying assumptions are the responsibility of Felix ;
2. all material information relevant to the cash-flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. That the individual assumptions underlying the cash-flow statement are appropriate in the circumstances;
 - b. That the assumptions underlying the cash-flow statement, taken as a whole, are appropriate in the circumstances; and
 - c. That all relevant assumptions have been properly presented in the cash-flow statement or in the notes accompanying the cash-flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of the Company, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.

Felix Payment Systems
355 Burrard Street, Level 14,
Vancouver, BC, V6C 2G8



5. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make Felix's Management liable to fines and imprisonment in certain circumstances.
6. The cash-flow statement and assumptions have been reviewed and approved by the Company's board of directors or management has been duly authorized by the Company's board of directors to prepare and approve the cash-flow assumptions.

Yours truly,

Andrew Cole
Chief Executive Officer