

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION NO. : 1 - MONTREAL
COURT NO.: 500-11-051847-164
ESTATE NO.: 41-2202952

SUPERIOR COURT
(In Bankruptcy and Insolvency)

IN THE MATTER OF THE BANKRUPTCY
OF:

7321287 Canada Inc. (formerly
MConcierge System Inc.)

a body politic and corporate, duly
incorporated according to law formerly
having its head office located at 508-5605 De
Gaspé Ave., Montreal, Quebec H2T 2A4

Bankrupt

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On December 23, 2016, 7321287 Canada Inc. (formerly MConcierge System Inc.) (the "Company" "Debtor" or "Bankrupt") filed an assignment in bankruptcy in accordance with section 49 of the *Bankruptcy and Insolvency Act* ("BIA") of Canada. Richter Advisory Group Inc. was appointed Trustee of the Estate of the Bankrupt by the Official Receiver.

The purpose of this report is to inform all interested parties about our preliminary administration and our findings.

The information contained in this report has been prepared from the available books and records of the Bankrupt. The books and records have not been audited or verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the accuracy or the reliability of the information contained in this report.

I. INTRODUCTION

The Company, doing business under the name of GuestDriven, commenced operations in 2010 as a startup and provided a guest relationship management platform via mobile apps for hospitality brands in Canada. The Company's platform provided insight into guest preferences and behaviors in real-time, as well as enabled personalization of hotel stay to elevate the experience and upsell products.

According to Management, the Debtor's financial difficulties were attributable to the following main reasons:

- Slower than anticipated growth of the business;

- Financial losses since inception;

The table below summarizes the losses in the last three (3) years:

7321287 Canada Inc. (formerly Mconcierge System Inc.) Losses in the last three (3) years (In 000's)	
YTD2016 (11 months)	\$ (1,070)
F2015	(3,586)
F2014	(1,221)
Total	\$ (5,877)

- Inability to raise additional capital to continue to fund the business and to develop new product lines.

As part of its restructuring efforts, the Company initiated a sale process wherein approximately 100 companies were targeted. Per Management, the Company received numerous non-binding letters of intent and ultimately on December 8, 2016, the Debtor sold the assets ("Sale Transaction") for proceeds that were significantly lower than the amounts owing to the secured creditor. Subsequent to the closing of the sale, the Company filed for the aforementioned assignment in bankruptcy.

II. STATEMENT OF AFFAIRS

In accordance with the BIA, a Statement of Affairs showing the Bankrupt's assets and liabilities as at the date of bankruptcy was prepared from the information provided by and pursuant to the sworn declaration of Anthony Zebrowski-Rubin.

We summarize and comment on the Debtor's Statement of Affairs as follows:

A) Assets

- **Accounts Receivable and Other Receivables - \$260,000**

As per the Company's books and records, the gross accounts receivable total approximately \$46,373. However, management estimates that the net realizable value of the accounts receivable is approximately \$30,000 after reducing for doubtful amounts.

A refund for research and development tax credits is estimated at approximately \$230,000. The F2016 tax returns are in the process of being finalized in order to realize upon this amount. The research and development refund is subject to the secured creditor's security.

B) Liabilities

It is important to note that the exact amount of the Debtor's liabilities as at December 23, 2016, will only be determined once all proofs of claim have been submitted by the creditors and have been compiled by the Trustee. Nonetheless, the following is a summary of the Company's liabilities based upon preliminary information.

7321287 Canada Inc. (formerly MConcierge System Inc.)	
Description	Amount
Secured creditor ⁽¹⁾	\$ 640,070
Preferred creditors	-
Unsecured creditors	377,669
	<u>\$ 1,017,739</u>
⁽¹⁾ Amount per the books and records.	

• **Secured Creditors**

The Company's secured creditor is Venture Lending & Leasing VII, Inc. ("VLL") holding security rights over all the assets of the Company in the amount of approximately \$640,000. An amount of \$377,000 of VLL's total debt of \$640,000 has been reclassified as an unsecured claim per the Statement of Affairs as a result of there not being sufficient security to repay its debt in full.

Should funds be available for distribution, the Trustee will retain the services of an independent legal advisor who will provide an opinion with respect to the validity and enforceability of the security of VLL which will be provided to the Inspectors to be appointed.

• **Preferred creditors**

The Debtor's Statement of Affairs indicated that there were no known preferred creditors as at the date of the bankruptcy. The Trustee is not aware of any amounts owing to any government authorities which would be considered a priority. Notice has been sent to all employees and other possible preferred creditors and the ultimate amount of this category will only be subsequently determined once any proofs of claim are received.

• **Unsecured creditors**

According to the Statement of Affairs, ordinary unsecured creditors total approximately \$378,000. As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors.

III. SUMMARY OF THE PRELIMINARY ADMINISTRATION

A) Books and Records, Security and Protective Measures

As at December 23, 2016, the Trustee took possession of the books and records and made copies of the Company's computer systems' available information. The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

B) Reviewable Transactions and Preferential Payments

The Trustee will perform a review of the payments to creditors preceding the date of the bankruptcy which may be reviewable, preferential or undervalued as defined within the meaning of the BIA. The Trustee, upon completion of the review, will discuss any relevant findings with the Inspectors to be appointed at the first meeting of creditors.

IV. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

All the remaining assets of the Company are subject to the secured lender's security, pending a legal opinion confirming same. As of the date hereof, the estimated realization of assets will result in a deficit/shortfall to the secured lender. As such, it is the Trustee's view that no dividends will be available to the preferred (if any) and ordinary unsecured creditors.

Dated at Montreal, this 12th day of January 2017

Richter Advisory Group Inc.

Trustee



Shawn Travitsky, CPA, CA, CIRP
Administrator of the Bankruptcy