

CANADA
Province of Ontario
Division No.: 09- Toronto
Court No: 31-31-3026369
Estate No: 31-3026369

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF 2508619 ONTARIO INC. IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

Licensed Insolvency Trustee ("**Trustee**"): MNP Ltd.

The information contained in this Preliminary Report has been prepared from the available books and records of the Company (as such term is later defined) and discussions with the Management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information taken from those records contained herein.

SECTION A – BACKGROUND AND CAUSES OF FINANCIAL DIFFICULTIES

2508619 Ontario Inc. operated as Verkspace ("**Verkspace**" or the "**Company**") & commenced operations in April 2016. The Company was in the business of providing shared coworking spaces at two (2) leased locations (collectively, the "**Premises**") in downtown Toronto; i) 32 Britain Street, Suite 100, Toronto, Ontario M5A 1R6 ("**32 Britain**") and ii) 410 Adelaide Street West, Suite 220, Toronto, Ontario M5V 1S8 ("**410 Adelaide**").

Verkspace was significantly impacted financially by the COVID-19 pandemic-related operating restrictions and later the rise in remote working from home that followed the lifting of COVID-19 restrictions.

On December 14, 2023, the Company's directors determined it could no longer continue and needed to file an assignment in bankruptcy. On December 29, 2023 ("**Date of bankruptcy**"), the Company filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada on the same date. MNP Ltd. ("**MNP**") was appointed as the licensed insolvency trustee (the "**Trustee**") of the Company's bankrupt estate, subject to affirmation by creditors at the first meeting of creditors (the "**FMO**").

Edward Wensing ("**Mr. Wensing**"), the President of the Company was authorized by the Company's Board of Directors to execute the documents and perform such acts about the bankruptcy proceedings of the Company as deemed necessary.

On January 5, 2024, the Notice to Creditors advising of the bankruptcy and the FMO, a list of creditors and a proof of claim form, along with a proxy, were sent to all known creditors of the Company. Pursuant

to subsection 102(4) of the *Bankruptcy and Insolvency Act* (the “**BIA**”), the Notice of Bankruptcy was published in the Toronto Sun newspaper on January 8, 2024.

The various public documents related to the Company and its bankruptcy proceedings are posted at the Trustee’s case website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/2508619-ontario-inc>.

SECTION B – PRIORITY CLAIMS, SECURITY INTERESTS AND PRELIMINARY EVALUATION OF ASSETS

Priority Claims

The Company has advised the Trustee that it has an unremitted employee source deductions liability totalling \$6,274.17 related to the financial year 2021. The employee withholdings portion of the unremitted employee source deductions represents a deemed trust in favour of Canada Revenue Agency (“**CRA**”) pursuant to the *Income Tax Act* and related legislation. The Trustee has yet to verify the deemed trust portion and the amounts are subject to a possible trust examination to be conducted by CRA.

Security Interests

An Ontario *Personal Property Security Act* registry search conducted on December 14, 2023 (the “**PPSA Search**”) identified registrations in favour of Mr. Wensing and 133 Queen Investment Inc. (“**133 Queen**”) over the accounts receivables and other assets of the Company. The Trustee has yet to receive documentation and obtain a legal opinion to confirm the validity and enforceability of the security interests as against the Trustee. As per the PPSA Search, Mr. Wensing’s and 133 Queen’s security interests are limited to a maximum of \$87,000 and \$65,000, respectively.

Preliminary Evaluation of Assets

The Company’s assets and their estimated realizable values, according to its sworn Statement of Affairs (“**SOA**”) are summarized as follows:

Asset Description	Estimated Realizable Value (\$)
Deposits in financial institutions	\$ 17,962.56
Potential HST refund	\$11,364.75
Furniture	\$3,012.75
Total	\$ 32,340.06

Deposits in financial institutions

The figure shown on the SOA represents the funds held in the bank account at The Toronto-Dominion Bank (the “**Bank**”) on the Date of Bankruptcy.

Potential HST refund

The figure shown on the SOA represents the potential Harmonized Sales Tax (“**HST**”) refund that could result upon filing the Company’s annual HST return for the year 2023, as per the Company’s books and records. The Trustee is in the process of gathering the necessary information to file the HST return and to determine the actual refund claim.

Furniture

Represents various office equipment items at the Premises (the “**Furniture**”), which has a net book value of approximately \$240,000. The Trustee engaged Canam-Appraiz Inc. (the “**Appraiser**”) to provide an appraisal on the Furniture on a liquidation value basis. As reflected in the SOA, the Furniture is estimated to produce a total of \$3,012.75, based on the appraisal and after considering the selling and moving costs, but before potential occupancy costs.

SECTION C – BOOKS AND RECORDS

The Trustee is in possession and control of available books and records of the Company which are necessary for the administration of these proceedings.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has sent notice to the Bank to freeze the bank account and to remit the balance held to the Trustee.

The Trustee has conducted an inventory and appraisal of the Furniture, as previously reported.

The Trustee has not taken possession of the Premises or the Furniture. Given the limited net realizable value of the Furniture and based on our discussions with the Appraiser, the Trustee intends to abandon the furniture to the landlords of the Premises.

SECTION E – PROVABLE CLAIMS

The claims of creditors as per the SOA and the proof of claims filed as of 5:00 p.m. on January 17, 2024, are summarized below:

Particulars	SOA	Claims as Filed
Secured	\$72,692.94	Nil
Unsecured	\$1,204,068.41	Nil
Preferred	3,012.75	Nil
Total	\$ 1,279,774.10	Nil

The above-noted claims have not yet been reviewed to admit the claims for distribution.

Secured Creditors – The secured creditors included in the SOA comprise the following:

- i) CRA deemed trust of \$6,274.17 for unremitted employee source deductions.
- ii) Indebtedness owing to Mr. Wensing of \$1,1418.77 for his registered security interests on accounts receivables and other assets.

- iii) Indebtedness owing to 133 Queen limited to secured interest of \$65,000 for its registered security interests on accounts receivables and other assets.

Preferred claims – The preferred claims include unpaid claims of the landlord up to the realizable value of assets at the Premises of approximately \$1,600 and \$1,400 associated with the locations of 32 Britain and 410 Adelaide, respectively.

Unsecured Creditors – The unsecured creditors include, among other things, the amounts payable/unsecured portions of i) 133 Queen of \$320,000, ii) the landlords for 32 Britain and 410 Adelaide of \$139,750.21 and \$46,774.50 respectively, iii) former landlord (head tenant), Powerplan Canada of \$356,818.88, iv) CEBA loan of \$60,000, and v) the termination pay owed to a former employee of the Company, which claims may be eligible for the Wage Earner Protection Program (“**WEPP**”) among other creditors.

SECTION F- LEGAL PROCEEDINGS, TRANSFERS AT UNDER-VALUE AND PREFERENCE PAYMENTS

Legal Proceedings

To date, the Trustee has not commenced any legal proceedings. A legal opinion and review of the security held by Mr. Wensing and/or 133 Queen will occur should these parties file secured claims and provide copies of documentation to support such claims.

Transfers at Under-Value and Preference Payments

The Trustee has completed its review of potential transfers at undervalue or preference payments. The scope of the review was limited to a review of certain disbursements made in the 12 months preceding the Date of Bankruptcy (the “**Review Period**”) through the bank account and inquiries with management. The Trustee did not find any reviewable transactions.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

As discussed earlier in the report, all the assets in the estate are subject to potential deemed trust claims and security interests as reported above.

Given the above considerations, the Trustee anticipates no distributions to the Company's unsecured creditors.

SECTION H – OTHER MATTERS

3rd Party Deposit Agreement

Prior to the filing of the bankruptcy, MNP received a retainer of \$26,555 and entered into a 3rd Part Deposit Agreement with Beaver Hall Investment to cover the Trustee's professional fees and disbursements associated with the administration of the bankruptcy.

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Wage Earner Protection Program

The Trustee is currently in the process of assembling the necessary information to administer the WEPP on this estate for one (1) employee. Notice of the WEPP and instructions on how to file a claim is expected to be mailed out to the Company's single former employee during the next week. Based on the Company's records, the WEPP claims appear to be only in respect of the statutory termination pay claim.

Dated in Toronto, Ontario, this 18th day of January 2024.

MNP LTD.

Trustee of the Estate of 2508619 Ontario Inc., a Bankrupt
and not in its personal or corporate capacity

Per:

A handwritten signature in black ink, appearing to read 'A Kapoor', with a horizontal line underneath.

Akhil Kapoor, CFA, CIRP, LIT
Manager