

January 29, 2025

Creditors of AgFinity Inc.

Dear Sirs/ Mesdames:

Re: Trustee Review of Historical Financial Transactions – Bankruptcy of AgFinity Inc.

On November 25, 2024, Agfinity Inc. (the “**Company**”) made an assignment into Bankruptcy and MNP Ltd. was appointed as Licensed Insolvency Trustee (the “**Trustee**”). In accordance with Sections 95 and 96 of the *Bankruptcy and Insolvency Act* (the “**Act**”) the Trustee has completed a preliminary review of the historical financial transactions of the Company (the “**Financial Review**”) to identify any potential Transfers at Undervalue and/or Preference Payments. Below is a summary of the Financial Review.

August 25, 2024 – November 25, 2024

The Trustee reviewed financial transactions based upon the internal accounting data and bank statements of the Company for the period 3 months prior to the date of bankruptcy. Based upon this review the Trustee notes:

- The Company paid the sum of \$24,750 in rent which is understood to be to a related party owned by the shareholders of the Company. The Trustee has not viewed a formal lease agreement to support the payment of rent;
- The Company paid the sum of \$21,873 for repairs and maintenance understood to be related to the property owned by the shareholders of the Company;
- The Company remitted payment of \$3,750 categorized as Charitable Donations; and
- The Company paid \$72,091 in Management Salaries to the shareholders of the Company

November 2023 – November 2024

The Trustee reviewed financial transactions based upon the internal accounting data and bank statements of the Company for the period 12 months prior to the date of bankruptcy. Based upon this review the Trustee notes:

- The Company paid the sum of \$46,125 categorized as Charitable Donations;
- The Company paid the sum of \$52,035 in rent including payments to a related party and other third-party locations;
- The Company paid the sum of \$164,697 in repairs and maintenance for improvements to a property understood to be owned by the shareholders of the Company. A majority of these payments were made prior to November 2023 and are outside the 12-month review period. The Trustee identifies these payments as the creditors raised questions relating to these expenses at the first meeting of creditors; and
- The Company paid the sum of \$77,343 categorized as Functions for the CEO.

Summary of Financial Review

Based upon the Trustee's Financial Review the Trustee notes that:

- Rent paid to a non-arms length party is not consider abnormal and the Trustee does not view this as a reviewable transaction;
- Payments made for the repairs and maintenance to a property owned by the shareholders in the 3 months prior to the date of bankruptcy raises concerns given the cash position of the Company, however, the payments themselves do not appear to be reviewable transactions and were made to third parties. The larger payments made for repairs and maintenance appear to be older than 12 months prior to the date of bankruptcy and therefore outside the Trustee's period of review.

If determined to be for the benefit of the shareholders and not for the purpose of operating the Company these payments for repairs and maintenance could be categorized as shareholder loan or personal withdrawals from the Company;

- Charitable donations do not appear to be reviewable transactions notwithstanding the cash position of the Company during this time;
- Management salaries paid in the 3 months prior to the date of bankruptcy appear to be higher than the historical amounts paid to the Management/shareholders. Using a 12-month average from the prior fiscal year financial data Management was paid approximately \$24,656 more in the 3 months prior to the date of bankruptcy than the historical average. This amount could be considered a reviewable transaction.

The assets of the bankrupt estate are encumbered by both a Deemed Trust Claim by the Canada Revenue Agency and a Security Agreement provided to TD Bank. Any potential assets identified in the Financial Review, if recovered, would be subject to these priority and security interests.

The bankrupt estate does not have the resources to further review the financial transactions of the Bankrupt, any further financial review would require additional funding.

Yours truly,

MNP Ltd.

In its capacity as Trustee of

Agfinity Inc.

And not in its personal capacity

Per:

Eric Sirrs, Senior Vice President