



SUPERIOR COURT OF JUSTICE  
**COUNSEL SLIP / ENDORSEMENT**

COURT FILE

NO.: **BK-31-2822575**

DATE: **11 August 2022**

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TITLE OF PROCEEDING  
**IN THE MATTER OF THE BANKRUPTCY OF CHISEL AI INC.  
OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**  
BEFORE MR. JUSTICE OSBORNE

**NAMES OF COUNSEL AND PARTY:**

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**ENDORSEMENT OF OSBORNE, J.**

[1] MNP Ltd., in its capacity as licensed insolvency trustee of the bankruptcy estate of Chisel AI Inc., brings this motion for approval of the agreement of purchase and sale dated July 25, 2022 made between MNP as vendor and Planck Resolution Ltd. as purchaser, and authorizing MNP to execute the agreement and complete the transaction. The Trustee also seeks an order vesting all of the rights of the Trustee and of Chisel in the purchaser.

[2] Finally, the Trustee seeks approval of its First Report dated August 2, 2022 as well as the activities of the Trustee detailed in the first Report and the confidential appendices thereto, and approving its fees the fees of its counsel.

[3] None of the relief sought today is opposed. I observe that the motion materials were served on the Service List in this matter, and no party has appeared today or indicated in any way to counsel for the Trustee any opposition or intent to oppose.

[4] MNP was appointed Trustee of Chisel's bankruptcy estate following the assignment by Chisel into bankruptcy on April 18, 2022. On April 21, 2022, MNP was appointed as private receiver by Silicon Valley Bank pursuant to its security agreement and the rights granted by Chisel in favour of SVB. The Receiver has satisfied the claim of SVB in full.

[5] The first meeting of creditors was held on May 9, 2022 at which time the appointment of the Trustee was affirmed and one Inspector was appointed.

[6] Chisel's principal asset [other than accounts] was its intellectual property, which is the subject of the agreement for which approval is sought today.

[7] Chisel had attempted to market or sell its intellectual property prior to its assignment in bankruptcy without success. The Trustee continued to attempt to market this property and take inquiries from potential purchasers following the bankruptcy but had insufficient funds to satisfy the cost of the estate administration, including the preservation of the intellectual property and take other steps.

[8] The Trustee incentivized former employees to commit to participation in a sales process through profit-sharing agreement entered into with key members of the former information technology team. Thereafter, the Trustee develop a typical insolvency sales process. The sales process was approved by the Inspector.

[9] The sales process called for bids, provided a bid deadline, included direct contact with potential purchasers in general publication of the opportunity to purchase the intellectual property, included the provision of teaser letters and additional information made available through a digital data room to those prospective purchasers are interested parties who executed a nondisclosure agreement. Demonstration of the technology by the contracted former employees and interviews with certain of those individuals were contemplated. The intellectual property was offered on an "as is, where is" basis.

[10] I am satisfied that in the circumstances, and given the limited funds available to the Trustee, the sales process as described in the First Report was consistent with the principles set out in *Sound Air* and was appropriate, transparent and fair. The assets were exposed to the market and the estate of the bankrupt lacks the financial and employee resources to continue marketing intellectual property. Both the Trustee and the Inspector have approved the transaction. No party on the Service List opposes approval.

[11] The Trustee received two qualified bids prior to the published bid deadline. Those two offers are set out in the Confidential Appendices to the First Report of the Trustee which have been filed separately with this Court.

[12] The Trustee recommends and in the circumstances I agree, that the purchase agreement with Planck should be approved and the assets vested in the purchaser.

[13] The Trustee requests that the Confidential Appendices to the First Report remain confidential until the purchase transaction has closed. This makes good commercial sense in the circumstances, and I am satisfied that the limited sealing order, in effect only until the transaction has closed, is appropriate and consistent with the principles set out in *Sherman Estate* and *Sierra Club*.

[14] The Trustee has set out the activities it has undertaken in the First Report. The material filed in support of this motion sets out the fees of the Trustee and its counsel in respect of which approval is sought. The activities of the Trustee, and its fees as well as the fees of its counsel are appropriate and are approved.

[15] Orders to go in the form signed by me today which are effective immediately without the necessity of issuing and entering.

Oswald, J.