

CANADA  
Province of Ontario  
Division No.: 09- Toronto  
Court No: 31 - 3009324  
Estate No: 31 - 3009324

## TRUSTEE'S PRELIMINARY REPORT

### IN THE MATTER OF THE BANKRUPTCY OF VAULTOSE DIGITAL ASSET SERVICES INC. OF THE CITY OF MARKHAM 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

Vaultose Digital Asset Services Inc., (the “Company” or “Vaultose”) commenced operations on May 18, 2018, from premises in Markham, Ontario, located at 30 Valloncliffe Rd, Markham, ON, L3T 2W8. The Company was in the business of developing security software for digital assets and cryptographic solutions for the financial services industry.

The Company invested in developing the intellectual property (“IP”) and its website which, together with its license to the core technology, are the only remaining assets of the Company. However, they were unable to pay their debts as and when they became due as they were unable to raise further capital to continue the business. The situation was complicated by litigation further deteriorating their financial position.

On the 10<sup>th</sup> day of November 2023, the Company filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada and became effective on November 14, 2023 (“Date of Bankruptcy”). MNP Ltd. (“MNP” or the “Trustee”) was appointed as the Licensed Insolvency Trustee of Vaultose’s bankruptcy estate, subject to affirmation by the creditors at the first meeting of creditors (“FMOC”).

Mr. Michael Caruso is the authorized director of the Company for the bankruptcy proceedings.

On November 14, 2023, the Notice to Creditors advising of the bankruptcy and the FMOC, a list of creditors, a proof of claim form, and a proxy were sent to all known creditors of the Company. Pursuant to subsection 102(4) of the BIA, the Notice of Bankruptcy was published in the *National Post* newspaper on November 17, 2023.

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**SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS**

*Security Interests*

The SOA and a search of the Personal Property Security Act (Ontario) registry and SOA reveal the following security interests in the Company's assets as listed below:

<b>Name</b>	<b>Amount \$</b>
10840025 Canada Corp.	138,000
Alexandra Vasil-Caruso	138,000
Antonio Marrato	1,000
Babine Bessner Spry LLP	500,000
Firstangel Capital Corporation	12,500
Forestedge Capital Inc.	29,500
George Callahan	12,510
Michael Caruso	21,579
Michael P Caruso Professional	22,000
<b>Total</b>	<b>875,089</b>

Based on the inter-creditor arrangement amongst the secured creditors, all registered secured creditors share security on the assets of the Company on a *pari-passu* basis.

*Intellectual Property*

The Company has listed license costs, custom software, and computer equipment (collectively, the "IP") as their only assets in the SOA. These assets are set out on the SOA at a realizable value of \$500,000.

**SECTION C – BOOKS AND RECORDS**

The Trustee has taken possession of the books and records of the Company, which are necessary for the administration of these proceedings.

**SECTION D – CONSERVATORY AND PROTECTIVE MEASURES**

As noted above, the Trustee has taken possession of the intellectual property and its website.

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**SECTION E – PROVABLE CLAIMS**

The claims of creditors as per the SOA and the claims filed as of 9:00 a.m. on November 27, 2023, are summarized below:

	<u>SOA</u>	<u>Claims as Filed</u>
Secured	\$ 875,089.40	304,789.87
Preferred	Nil	Nil
Unsecured	\$ 218,668.89	356,490.26
Contingent	Nil	Nil
	<hr/> <b>\$ 1,093,758.29</b>	<hr/> <b>661,280.13</b>

The Trustee has not determined the admissibility of the above-noted claim for dividend purposes.

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

***Legal Proceedings***

Prior to filing the bankruptcy, the Company brought an action against certain parties including one of the former shareholders, a former contractor and officer of Vaultose, Atlantic Trust Company, and Quantum Safe Data Systems Inc. (collectively, the “**Defendants**”). Vaultose alleged that, among other things, the Defendants developed and commercialized a cybersecurity solution that was misappropriated from Vaultose. On October 16, 2023, the Ontario Superior Court of Justice, ruled in favour of the Defendants including cost awards against Vaultose.

On or about November 13, 2023, Vaultose served a motion for leave to appeal to the Ontario Divisional Court seeking to overturn the previous decisions. The Trustee will review the status of this matter with the creditors attending the FMOC.

***Transfers at Under-Value and Preference Payments***

The Trustee has reviewed the Company’s financial transactions that occurred within one year of the date of bankruptcy. The scope of the review is limited to a review of certain disbursements made in the twelve months preceding the Date of Bankruptcy and inquiries with management.

The Trustee will review any transactions that may require further review and investigation with the Inspector(s) if appointed at the FMOC.

**SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION**

The Trustee published an “Invitation for Offers” advertisement in the business section of the National Post on November 22, 2023, and soliciting interest to purchase the IP of the Company. The saleability and potential recovery from the IP are unknown currently.

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**SECTION H – OTHER MATTERS**

***Remuneration of Trustee***

The Trustee received a deposit from the Company's Director in the total amount of \$ 20,000.00 to guarantee the Trustee's fees and costs for the administration of this proceeding. A third-party deposit agreement was executed between the Trustee and the Director.

***Wage Earner Protection Program***

The Trustee understands that the Company has not had any employees, and, accordingly, does not anticipate any claims under the Wage Earner Protection Program.

Dated in Toronto, Ontario, this 27<sup>th</sup> day of November 2023.

***MNP LTD.***

***in its capacity as Trustee of the Estate of Vaultose Digital Asset Services Inc., a Bankrupt  
and not in its personal or corporate capacity***

Per:



Akhil Kapoor CIRP, LIT, CFA  
Manager.