

CANADA  
Province of Ontario  
Division No.: 08- Waterloo  
Court No.: 35-2947509  
Estate No.: 35-2947509

**IN THE MATTER OF THE BANKRUPTCY OF  
XIRIX NETWORK CORPORATION  
OF THE CITY OF WATERLOO, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S PRELIMINARY REPORT TO CREDITORS  
ON THE BANKRUPTCY ADMINISTRATION**

## **Section A – Background**

Xirix Network Corporation (the “**Company**”) was incorporated on November 16, 2017, under the *Canada Business Corporations Act*. The Company operated as a reseller of premium voice over internet protocol (“**VOIP**”) from rented premises located at 701-1120 Finch Avenue West, Toronto, ON M3J 3H7, Toronto, Ontario (the “**Premises**”).

On May 24, 2023, MNP Ltd. (“**MNP**”) filed the Company’s assignment in bankruptcy with the Office of the Superintendent of Bankruptcy (the “**OSB**”) and on May 25, 2023, the OSB issued a Certificate of Appointment naming MNP as the Licensed Insolvency Trustee (“**Trustee**”) of the Company and setting the date for the First Meeting of Creditors (“**FMOC**”) to take place virtually on June 13, 2023 at 3:00 PM.

The Designated Officer of the Company in this bankruptcy administration is Mr. Roshan Daniel, the Secretary-Treasurer and a Director of the Company.

The Company’s commercial activities commenced in 2018 with respect to the selling of VOIP minutes to wholesale distributors. Canada Revenue Agency (“**CRA**”) has audited the Company’s HST account since its date of incorporation to August 31, 2021 and has concluded that it “could not find enough evidence to establish that the corporation was involved in a commercial activity during the audit period”. As a result of that determination, CRA disallowed the input tax credits claimed by the Company and also assessed penalties and interest charges on the disallowed amounts. The outstanding balance of that assessment is \$6,754,180 as at the date of bankruptcy.

The Company unsuccessfully disputed the CRA’s assessment and subsequently learned that the CRA was targeting other companies in the industry and similarly disallowing their input tax credits. The Company retained legal counsel and filed an appeal with the tax court of Canada; however, as the appeal process is expected to be costly and take several years, the Company is

financially unable to continue with the appeal and accordingly decided to file an assignment in bankruptcy.

## Section B - Evaluation of Assets

According to the Statement of Affairs, the Company estimated the liquidation value of its assets as \$861,214, primarily with respect to one outstanding account receivable.

## Section C - Conservatory and Protective Measures

Following the filing of the bankruptcy, the Trustee issued a demand letter to Echelon Global Inc. for payment of its outstanding invoice due to the Company. To date, no response has been received. The account will be discussed with creditors during the FMOC.

## Section D – Secured Creditors

According to a search conducted of the security registrations under Personal Property Security Act (Ontario) (“PPSA”), there do not appear to be any creditors with valid security over the assets of the Company.

## Section E - Provable Claims

Proven claims filed in the estate to date are as follows:

Creditor Type	Per Statement of Affairs	Proven & Filed to June 13, 2023
Secured	\$ -	\$ -
Preferred	-	-
Unsecured	7,735,144.89	6,754,180.09
Total	\$ 7,735,144.89	\$ 6,754,180.09

To date, the only claim filed in the estate is the unsecured claim of CRA pursuant to its assessment related to the disallowance of input tax credits, as explained earlier in this report.

## **Section F – Legal Proceedings, Reviewable Transactions & Preference Payments**

The Trustee has not commenced any legal proceedings on behalf of the Estate; however, prior to the bankruptcy the Company had initiated an appeal of the CRA's tax assessment to the Tax Court of Canada. On June 6, 2023 the Trustee received notice from the Company's tax counsel that the tax court had ordered that a case management conference be held on June 20, 2023 with the Minister of National Revenue and all parties to the appeal to among other matters, address preliminary issues concerning notice, style of cause, scheduling and description. As the estate does not have funds to pay the required legal costs to continue with the appeal against the Minister of National Revenue, the Trustee is unable to provide instructions to the Company's tax appeal counsel with respect to continuation of the appeal.

The Trustee has reviewed the Company's financial transactions that occurred within one year of the date of bankruptcy. The Trustee is awaiting further information with respect to a couple of transactions but otherwise no unusual transaction were noted.

## **Section G – Remuneration of Trustee**

The Trustee's fees will be based on a time and hourly basis. The Trustee received a retainer from Mr. Daniel in the amount of \$16,982 with respect to the basic administration of the bankruptcy.

## **Section H - Anticipated Realization and Projected Distribution**

Any distribution in this estate will be dependent on the collection of the account receivable from Echelon Global Inc.

Dated June 13, 2023.

**MNP Ltd.**

Licensed Insolvency Trustee

Per:



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Deborah Hornbostel CPA, CA, CIRP, LIT, CFE