

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF TRIBALSCALE INC.**

**FIRST REPORT TO THE COURT
SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS COURT APPOINTED MONITOR
OF
TRIBALSCALE INC.**

OCTOBER 28, 2020

I. INTRODUCTION

1. On May 19, 2020 (the “**NOI Filing Date**”), Tribalscale Inc. (“**Tribalscale**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). MNP Ltd. (“**MNP**”) was named proposal trustee in the NOI proceeding (the “**Proposal Trustee**”). Tribalscale’s NOI proceedings are referred to herein as the “**NOI Proceedings**”.
2. The Proposal Trustee filed two (2) reports in the NOI Proceedings, summarized as follows:

- a. A first report, dated June 16, 2020 in connection with Tribalscale’s motion seeking, *inter alia*, a court order extending the time within which Tribalscale had to file a proposal and granting a first ranking charge (the “**Administrative Charge**”) on the properties, assets and undertakings of the Company (collectively the “**Property**”) in an amount not to exceed \$125M in favour of the Proposal Trustee, Borden Ladner Gervais LLP (“**BLG**”), the Proposal Trustee’s independent legal counsel, and the Company’s legal counsel, (collectively, the “**Administrative Professionals**”) to secure payment of their reasonable fees and disbursements; and
 - b. A second report dated July 27, 2020 (the “**NOI Second Report**”), in response to, and in support of the Company’s motion heard on July 31, 2020, seeking, among other things, a court order declaring that the NOI Proceedings be continued under the *Companies Creditors’ Arrangement Act*, R.S.C. 1985, C. C-36, as amended (“**CCAA**”).
3. On July 31, 2020, the Court issued an order (the “**Initial Order**”) that, *inter alia*, ordered:
- a. a stay of proceedings (the “**Stay of Proceedings**”) in favour of Tribalscale until October 31, 2020 (the “**Stay Period**”);
 - b. the appointment of MNP as the Monitor (the “**Monitor**”) in the CCAA proceedings (the “**CCAA Proceedings**”); and
 - c. charges on the Property, in the following order of priority:
 - i. Administration Charge - to the maximum amount of \$125,000; and
 - ii. Directors’ Charge - to the maximum amount of \$125,000;
4. In accordance with the Initial Order, the Proposal Trustee and its counsel have commenced taking steps in furtherance of its discharge as Proposal Trustee in the NOI Proceedings. BLG’s fees have been taxed by the Court. The Proposal Trustee’s statement of receipts and disbursements has been submitted to the Office of the Superintendent of Bankruptcy (“**OSB**”) for comment.

5. Information regarding the CCAA Proceedings has been posted to the Monitor's case website (the "**Case Website**") at <https://mnpdebt.ca/en/corporate/corporate-engagements/tribalscale-inc>.
6. As noted in the Jaitly Affidavits (as such term is defined below), the primary objectives of the CCAA Proceedings are to create a stabilized environment for Tribalscale to continue operating as a going concern business while the Company works with the Monitor and other advisors to (i) resolve a dispute with a customer, Sirius XM Connected Vehicle Services ("**Sirius XM**"); and (ii) to implement the Restructuring Support Agreement (the "**RSA**"), a copy of which is enclosed as Exhibit B of the October Affidavit (as such term is defined below).

II. RESTRICTIONS

7. In preparing this Report and making the comments herein, the Monitor has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the affidavits of Sheetal Jaitly, Tribalscale's CEO, dated June 15, 2020, July 25, 2020 filed in the NOI Proceedings and the affidavit of Sheetal Jaitly, dated October 27, 2020 (the "**October Affidavit**") in connection with the CCAA Proceedings (collectively, the "**Jaitly Affidavits**"), Tribalscale's books and records, discussions with Tribalscale's management ("**Management**") and information from other third-party sources (collectively, the "**Information**"). Except as specifically noted in this Report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada.
8. The Monitor also bases its report on the Company's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 9 (Cash Flow Statement). Certain of the information referred to in this First Report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional

Accountants of Canada, has not been performed. Future oriented financial information referred to in this First Report was prepared based on estimates and assumptions provided by Management. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material. On March 17, 2020, the Province of Ontario declared a state of emergency due to the COVID-19 pandemic. The effect of this declaration along with other federal, provincial and municipal actions regarding the COVID-19 pandemic on the Company's business and the economy in general has yet to be determined. In developing the cash flow projections, Management has reflected its current view of the potential impact of the COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by the COVID-19 pandemic and various government regulatory actions in response thereto, may cause actual results to differ from the projected amounts and these variations may be material.

9. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

III. PURPOSE OF THIS REPORT

10. The purpose of this Report (the "**First Report**") is to:
 - a. Update the Court with respect to:
 - i. the activities of the Company and the Monitor since the NOI Second Report;
 - ii. the Company's actual cash flows for the period from July 20, 2020 to October 11, 2020 (the "**Revised Cash Flow Projections**");
 - iii. the updated and extended cash flow projections (the "**Second Revised Cash Flow Projections**") for the period from October 12, 2020 to January 31, 2021 (the "**Revised Extended Projection Period**") being filed herein, and the Monitor's observations regarding same; and

- iv. the RSA entered into between the Company and the 192 (defined below) which includes terms and conditions of restructuring the capital structure of the Company and a provision to establish a new company (“**Newco**”) to vest out absolutely all unsecured liabilities (the “**Unsecured Liabilities**”) of the Company to Newco among other related activities.
- b. provide the Monitor’s support for, and observations in respect of Tribalscale’s request that the Court to grant an Order:
 - i. approving the transaction contemplated by the RSA (the “**Transaction**”);
 - ii. extending the Stay Period until January 31, 2021; and
 - iii. approving the activities of the Monitor.

IV. BACKGROUND INFORMATION

11. Tribalscale is an Ontario corporation that until May 19, 2020 was carrying on business out of leased premises located at 200 Wellington Street West, Toronto, Ontario (the “**Leased Premises**”).
12. Tribalscale is a technology innovation firm providing services to companies located in Canada and United States on digital product strategy, design and development for web, mobile and emerging tech. The Company partners with large enterprises and teaches them the practices and approaches needed to release digital products to market that satisfy their consumers.
13. The Company commenced its business in 2015 and had early success, recording strong growth in 2017 and 2018. However, it attributes its financial difficulties primarily to slowdown in receipt of new contracts in 2019, delay in collections from certain existing customers due to disputes, coupled with high operating and payroll expenses. COVID-19 has further resulted in reducing the spending power of its existing and prospective customers, which has directly impacted the business and financial performance of the Company.

V. ACTIVITIES OF THE MONITOR

14. The Monitor has undertaken the following activities, *inter alia*:

- a. posted the Initial Order on the Case Website;
- b. filed the statutory forms (Form 1 and Form 2) in relation to the CCAA Proceedings with the OSB;
- c. sent a notice of the CCAA Proceedings, by prepaid ordinary mail, to all known creditors of the Company based on the list of creditors in the NOI Proceedings;
- d. updated the Case Website, as necessary;
- e. communicated via email and telephone with the stakeholders to address their inquiries;
- f. monitored Tribalscale's actual cash flows in comparison with the Revised Cash Flow Projections;
- g. assisted the Company in developing the Second Revised Cash Flow Projections;
- h. reviewed the RSA and provided the Monitor's comments on the Transaction;
- i. prepared this Report; and
- j. engaged in discussions with the Company and its counsel regarding the Company's efforts to restructure its operations.

15. In reviewing the Initial Order, the Monitor noted a discrepancy inasmuch as paragraph 30 relieved the Monitor of any obligation to publish a notice of the CCAA Proceedings as prescribed in subsection 23(1)(a)(i) of the CCAA, while paragraph 42 required the Monitor to publish a notice in *The Globe and Mail* (National Edition) without delay. The Company sought the relief not to publish this notice to reduce expenses, particularly given the Company had commenced the NOI Proceedings over two months before converting those

proceedings to the CCAA. Accordingly, the Monitor did not publish a notice pursuant to subsection 23(1)(a)(i) of the CCAA.

VI. CASH FLOW PROJECTIONS

16. To date, Tribalscale has provided the Monitor with its full co-operation and unrestricted access to its books and records.
17. The Monitor has implemented procedures for monitoring the Company’s receipts and disbursements and has kept in close contact with Management to ensure that operations are continuing in the normal course of business and in accordance with the Revised Cash Flow Projections.
18. A summary of the Company’s actual receipts and disbursements as compared to those presented in the Revised Cash Flow Projections for the twelve-week period ending October 11, 2020 (“**Monitored Period**”) are as follows (subject to rounding errors):

Tribalscale Inc. Actual Receipts and Disbursements For twelve week period July 20 till October 11, 2020 (Unaudited, in \$ CAD)			
	<i>Cumulative Twelve-Week Period Ended Oct 11, 2020</i>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Receipts from customers	938,771	914,469	24,302
Canada Emergency Wage subsidy	193,445	179,069	14,376
SRED Refund	879,705	-	879,705
US Tax refund	-	2,082	(2,082)
Total receipts	2,011,920	1,095,620	916,301
Disbursements			
Payment to suppliers	-	(11,354)	11,354
Payments for operating expenses	(137,766)	(156,587)	18,821
Payroll (inc. contractors)	(522,891)	(535,538)	12,647
Interest and loan repayment	-	(18,948)	18,948
Tax	(14,478)	(34,969)	20,491
Total Disbursements	(675,136)	(757,397)	82,261
Operating Net Cash Flow	1,336,784	338,223	998,561
Administrative Fees	(100,086)	(226,413)	126,328
Net Cash Flow	1,236,699	111,810	1,124,889
Beginning Cash	896,024	896,024	-
Net Cash Flow	1,236,699	111,810	1,124,889
Interim Financing/(repayment)	-	-	-
Ending Cash	2,132,722	1,007,833	1,124,889

19. Overall, Tribalscale realized a positive net cash flow variance of approximately \$1.125MM during the Monitored Period. The key components of the variance are as follows:
- a. Receipts from customers: The favorable variance of approximately \$24.3M is primarily a timing difference relating to collections from one customer.
 - b. Scientific Research and Experimental Development (“SRED”) Refund: The Company received from Canada Revenue Agency (“CRA”) a refund of \$879.7M pertaining to its 2019 SRED claim. Given the uncertainty concerning the timing of CRA’s assessment of this SRED refund claim, Tribalscale built the Revised Cash Flow Projections on the assumption that the SRED would not be received during the Monitored Period.
 - c. Payment to suppliers: The favorable variance of \$11.35M is timing in nature and expected to reverse in the forthcoming period.
 - d. Payment of operating expenses: The favorable variance of \$18.8M is permanent in nature and is primarily attributable to lower than anticipated accounting expenses during the Monitored Period.
 - e. Payroll expenses: The favorable variance of \$12.6M is permanent in nature and relates to lower than anticipated payroll costs attributable to a few employee resignations and a slight delay in hiring new staff to replace them.
 - f. Interest and loan repayment: The favorable variance of \$18.9M is timing in nature as Business Development Bank of Canada (“BDC”) stopped automatic withdrawals of principal and interest payments after the NOI Filing Date. The Company intends to pay the BDC loan as part of the Transaction.
 - g. Tax Payments: The favorable variance is a permanent difference as the Company had not fully accounted for input tax credits while computing their tax liabilities. However, taxes have been properly accounted for it in the Second Revised Cash Flow Projections.

- h. Administrative fees: The favorable variance is a permanent difference and relates to lower than anticipated fees incurred during the Monitored Period. The Administrative Professionals having been billing Tribalscale monthly and Tribalscale has paid invoices promptly upon receipt.

- 20. In support of the Company's motion returnable October 30, 2020, the Company, with the assistance of the Monitor, prepared the Second Revised Cash Flow Projections, a copy of which, together with the reports of management and the Monitor on said reports, are attached hereto as **Exhibit "A" and "B"**, respectively. The Second Revised Cash Flow Projections have been prepared using the probable and hypothetical assumptions set out in the notes attached to the Second Revised Cash Flow Projections.

- 21. The Monitor's review of the Second Revised Cash Flow Projections consisted of enquiries, analytical procedures and discussions related to information supplied to us by the Company. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Monitor has also reviewed the support for the probable assumptions and the preparation and presentation of the forecast.

- 22. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
 - a. the hypothetical assumptions are not consistent with the purpose of the forecast;
 - b. as at the date of the Report, the probable assumptions used in developing the Second Revised Cash Flow Projections are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and
 - c. the Second Revised Cash Flow Projections does not reflect the probable and hypothetical assumptions.

- 23. A summary of the Second Revised Cash Flow Projections is provided in the following table (subject to rounding errors):

Currency: CAD	Total
Week beginning October 12 2020	
Opening cash balance	2,132,722
Receipts	
Collection from new sales	991,757
Sale of Equipment and Fixture	15,490
Wage subsidy	245,216
Total receipts	1,252,463
Disbursements	
Pre-NOI expenses	4,876
Payroll (including taxes)	883,581
Accounting expenses	108,920
Operating and other miscellaneous expenses	105,421
Repayment of BDC loan	33,280
Interest on BDC loan	4,616
Administrative fees	220,000
HST payments	94,352
Total disbursements	1,455,046
Net Cash flow (Receipts less disbursements)	(202,583)
Closing cash balance	1,930,140

24. During the Revised Extended Projection Period, the Company projects a net cash shortfall of \$202.58M and have a remaining cash balance of approximately \$1.93MM at the end of the Revised Extended Projection Period.

25. Since the NOI Filing Date, the Company's cash flow has been enhanced by:

- a. The SRED refund;
- b. The Canada Emergency Wage Subsidy ("CEWS"); and
- c. Reductions in wages/salary paid to the staff, applied both in response to the COVID-19 pandemic and as a part of the Company's restructuring.

26. The government has confirmed its intention to extend CEWS until June 2021 and is providing details on the parameters of the CEWS that are proposed to apply until December 19, 2020. In assessing its cash flow going forward, Tribalscale has conservatively

estimated the extent to which it may receive further CEWS benefits and subject to certain conditions, is considering phasing in the return to full salary levels. The impact of these changes to Tribalscale’s business are contributing to the reduction in Tribalscale’s cash reserves during the Revised Extended Projection Period.

27. Based on the Second Revised Cash Flow Projections and the actual results to date, it appears as if Tribalscale has sufficient funds available to carry on its operations through the Revised Extended Projection Period.

VII. FINANCIAL POSITION OF THE COMPANY

ASSETS

28. Tribalscale’s assets are comprised of cash, customer contracts, accounts receivable, capital assets, goodwill and intangible assets. The Company relies on open source intellectual property and has not developed any proprietary intellectual property

29. The net book value of Tribalscale’s tangible assets is summarized below:

Asset Description	Net Book Value (as at September 30, 2020 unless stated otherwise)
Cash in Bank (as at October 11, 2020)	\$ 2,132,722
Accounts Receivable (as at October 11, 2020)	1,076,622
CEWS receivable	92,112
Investments	1,388,431
Prepaid Assets/Deposits	110,424
Intercompany Receivables	67,639
Capital Assets	477,969
Total	\$ 5,345,919

30. Accounts receivables of approximately \$1.076MM as noted in above table includes doubtful receivables of \$760M, of which \$671M relates to an amount due from Sirius XM (the “**Sirius XM Receivable**”), which will be considered in further detail below. The Company has assumed that any collection from its doubtful accounts receivable will occur after the Revised Extended Projection Period. The remaining accounts receivables of \$316M are considered good and are expected to be collected by December 2020.
31. Tribalscale’s capital assets consist largely of a significant volume of computer hardware and office equipment. In response to the landlord terminating the lease in respect of the Leased Premises and due to the COVID-19 pandemic, Tribalscale’s employees have largely been working remotely using the Company’s computer equipment, which equipment has a net book value of approximately \$100M. Tribalscale has arranged for certain of its surplus equipment, formerly located at the Leased Premises, to be stored in a warehouse located in Whitby, Ontario. Tribalscale recently advertised its redundant fixed assets comprising computer hardware, and furniture and fixtures, having a net book value of approximately \$113M via online platforms such as Kijiji and Facebook marketplace and have collected \$15.5M during October 2020 which is reflected in the Second Revised Cash Flow Projections. The Company’s remaining redundant capital assets have a net book value of approximately \$265M and given the weak market for such equipment, recoveries from this source are expected to be minimal. The Company is considering its options for realizing on this equipment, including considering paragraph 14 of the Initial Order, that provides Tribalscale the right to dispose of redundant or non-material assets not exceeding \$100M in any one transaction or \$250M in the aggregate.
32. Tribalscale also holds an equity position in five privately held companies, with those investments having a net book value of approximately \$1.388MM.
33. The realizable value of Tribalscale’s assets will be further considered in paragraph 45 below.

CREDITORS

Summary

34. As at September 30, 2020, Tribalscale’s liabilities are summarized as follow:

Liability Description	Estimated Liability
Trade payables	\$ 1,257,820
CRA Source deductions	20,023
Accrued payroll	298,579
Accrued Vacation Pay	65,893
Accrued expenses	47,768
Customer advances	193,427
Loan from 192 (defined below)	2,648,285
BDC (as at October 26, 2020)	115,317
Loan from Shareholders	1,480,000
Total	\$ 6,127,112

Secured Creditors

35. A search of the Ontario *Personal Property Security Act* (the “**PPSA**”) registry, as of May 18, 2020, indicates that 1924191 Ontario Inc. (“**192**”), BDC, Roynat Capital Inc. (“**Roynat**”) and FundThrough Inc. (“**FundThrough**”) have each registered a secured interest against the Company.

36. The Company advised the Proposal Trustee that prior to the NOI Filing Date it fully satisfied its obligations to FundThrough and Roynat.

37. Based on the Company’s records, Tribalscale’s secured debt obligations to 192 and BDC (collectively, the “**Secured Creditors**”) total approximately \$2.763MM, of which \$2.648MM (the “**192 Secured Debt**”) is due to 192 and \$115.3M (the “**BDC Secured Debt**”) is due to BDC. This includes outstanding interest through to September 30, 2020.

38. BLG has provided the Monitor with an opinion confirming that, subject to certain standard assumptions and qualifications, that the The Bank of Nova Scotia (“BNS”) loan and security in respect of Tribalscale, as assigned to 192 is valid and enforceable as against the Company.

Other Creditors

Priority Payables

39. In addition to the foregoing, Tribalscale has certain obligations that would potentially rank prior to the Secured Creditors, including obligations to:

- a. CRA on account of unpaid payroll source deductions amounting to approximately \$18.13M arising from CRA’s Notice of Assessment, dated October 9, 2020 for failure to remit certain taxes in 2018. As the assessment was only recently received, Tribalscale is in dialogue with CRA concerning the extent of its arrears. CRA’s claim for unpaid source deductions represents a deemed trust claim ranking in priority over the Secured Creditors;
- b. Accrued wages of \$298M as at September 30, 2020, out of which \$92M relates to the employee wages and have been paid in a subsequent payroll cycle. The remaining accrual of \$206M primarily relates to arrears of salary payable to Sheetal Jaitly on account of reduction in his salary from the period April 2019 through May 19, 2020; and
- c. Subsections 81.3 and 81.4 of the BIA provides for a prior ranking charge against the Company’s current assets for wages and vacation pay earned but not paid during the six months preceding a bankruptcy or receivership to a maximum of \$2M per employee. Tribalscale has accrued vacation pay of approximately \$65.89M, of which approximately \$40M would rank as a secured charge pursuant to subsections 81.3 and 81.4 of BIA.

Unsecured Creditors

40. As at September 30, 2020, unsecured creditors amount to approximately \$3.30MM.

VIII. THE RESTRUCTURING SUPPORT AGREEMENT

41. As noted in the Jaitly Affidavits, one of Tribalscale's key objectives in the CCAA Proceedings is to resolve its secured indebtedness with 192, and Tribalscale has been in ongoing negotiations with 192 to achieve this objective.
42. Tribalscale has now agreed to terms of an RSA with 192 which details the terms of the Transaction. 192 holds, among other things, the debt and a General Security Agreement from Tribalscale, granted originally in favour of BNS and assigned to 192, creating a security interest over the Property. A summary of the salient terms of the Transaction are as follows:
- a. The Transaction, which is subject to Court approval, is to be effected pursuant to a plan of compromise or arrangement under the CCAA to restructure the 192 Secured Debt;
 - b. 192 will convert 50% of the 192 Secured Debt into 85% of the equity in the share capital of the Company on a fully diluted basis.
 - c. The remaining 50% of the 192 Secured Debt will remain on the balance sheet of the Company, with payment of interest accruing on the 192 Secured Debt being deferred until the date that is one year from the closing of the Transaction (the "**Interest Deferral**"). The 192 Secured Creditor will continue to maintain its security over the Property for the remaining 192 Secured Debt;
 - d. BNS shall be issued 5% of the equity in the share capital of the Company on a fully diluted basis in full and final satisfaction of the consideration owed to BNS by the Company as a result of the assignment of the 192 Secured Debt from BNS to 192;
 - e. in consideration of Sheetal Jaitley's continuing involvement with the Company:
 - i. Sheetal Jaitly shall be issued 10% of the equity in the share capital of the Company on a fully diluted basis; and

- ii. Tribalscale shall pay the BDC Secured Debt, notwithstanding BDC is second in priority to the indebtedness of the Secured Creditor;
- f. Tribalscale will incorporate Newco and will look to obtain approval from the Court for a reverse vesting order, vesting out of absolutely all the Unsecured Liabilities from Tribalscale to Newco;
- g. Tribalscale will issue to the unsecured creditors of Newco a promissory note in the amount of the Sirius XM Receivable, less the fees and costs incurred to collect or enforce the Sirius XM Receivable, which promissory note shall be payable on a pro rata basis to unsecured creditors of Newco upon receipt of the Sirius XM Receivable or upon determination or settlement of the claim of the Company against Sirius XM in respect to the Sirius XM Receivable; and
- h. The Company, as approved by 192, will continue payment of the following liabilities in the ordinary course:
 - i. All trade obligations incurred by the Company towards its suppliers following the NOI Filing Date; and
 - ii. All outstanding and continuing obligations of the Company towards its employees.

Comparison of the RSA with a Liquidation in Bankruptcy

43. The Transaction contemplates the vesting out of all unsecured liabilities, with the unsecured creditors receiving the benefits derived from the Sirius XM Receivable after deducting fees and collection costs. Given the potential impact of the Transaction on the unsecured creditors, the Monitor has considered whether the Transaction would be more beneficial to Tribalscale's stakeholders than a sale or otherwise realizing on the Property under a bankruptcy.
44. As noted above, Tribalscale's assets consist primarily of its cash, accounts receivable, contracts, intellectual property, investments and furniture and equipment. In assessing the liquidation value of the Property, the Monitor assumes that if Tribalscale were to become

bankrupt, Tribalscale's operations would be terminated and all equipment would be liquidated through a liquidation sale in a private or public offering.

45. In evaluating the value of the Property in a liquidation, the Monitor has considered, among other things:

- a. Accounts Receivable – the aging of the receivables and the potential unfavourable impact a cessation of Tribalscale's operations would have on collections, particularly given a considerable portion of the accounts receivables relate to ongoing contracts with customers. Customers may have claims for off-set due to Tribalscale's inability to complete remaining contracts, thereby significantly impairing the collectability of the accounts receivable. Further, if Tribalscale were a bankrupt, it is unlikely that a Licensed Insolvency Trustee (“LIT”) would have the means of pursuing the recovery of the Sirius XM Receivable or any of the doubtful accounts;
- b. Contracts/Intellectual Property – Tribalscale is providing services to and developing technology for its customers that is customized to the specific needs of its customers. If Tribalscale were to become bankrupt, while it may be beneficial for customers to acquire the intellectual property as is, it is more likely that Tribalscale's customers would cancel contracts or ascribe little value to the intellectual property that is subject to further development. In a bankruptcy, the LIT would likely not carry on Tribalscale's business, and accordingly, would be unable to (i) complete contracts; or (ii) transfer knowledge to a potential purchaser(s) of Tribalscale's contracts in a timely and satisfactory manner to the customers in order to realize value from these contracts. Accordingly, the existing contracts are likely to produce little, if any, value in a liquidation.
- c. Equipment – As noted above, partial sale of the surplus equipment stored at the Whitby, Ontario warehouse has produced \$15.5M by selling it via online platforms while the balance is also expected to be sold at a significant discount to book value. Save and except for the computer equipment located at Tribalscale's rented premises in Toronto, Ontario, the balance of computer equipment is dispersed to

the staff working at home. Accordingly, the Monitor has not been unable to arrange a physical inspection or an appraisal of this equipment. Considering the ongoing enhancements in computer technology, the forced liquidation value of Tribalscale's computer equipment and other fixed assets are likely nominal.

d. Prepaid Assets/Deposits – Includes:

- i. prepaid expenses of \$31M, out of which \$13M relates to an insurance policy that renews in December 2020 and the balance \$18M relates to prepaid license fees that likely are unrecoverable in the event of Tribalscale's bankruptcy;
- ii. retainers of \$50M in favour of the Administrative Professionals and certain accounting professionals for ongoing services; and
- iii. deposit of \$30M relates to deposit in favour of the health benefit solution provider for health insurance of the employees, which amount varies depending upon the usage of the plan.

e. Investments - The Company holds equity positions in five (5) private companies, some of which was the consideration received by Tribalscale from its customer for providing services. Tribalscale has provided the Monitor with financial statements and certain other information related to these investments. The balance sheets provided for these companies indicate limited asset value besides from the intangible assets/intellectual property. The Monitor notes that it does not possess sufficient information on which to carry out a valuation of these intangibles and intellectual property and/or Tribalscale's interest in these companies. The Monitor is also of the view that such a valuation is beyond the scope of its mandate. Accordingly, in comparing the RSA with a liquidation in bankruptcy, the Monitor has not considered the value these investments may produce, if any, in the event of a liquidation.

46. As noted above, the unsecured creditors would receive a hope note which would result in the unsecured creditors receiving the net proceeds produced from the Sirius XM

Receivable after deducting fees and other collection costs. Tribalscale is of the view that it fulfilled its obligations to Sirius XM in respect of the Professional Services Agreement and the Statement of Work entered into by the parties. Sirius XM disputes this and purports there are deficiencies with respect to Tribalscale's performance in completing the contract. Based on the Jaitly Affidavits, Tribalscale intends to shortly bring a motion within the CCAA Proceedings regarding the Sirius XM Receivable. Given the nature of the disputes and uncertainty concerning litigation, the Monitor is unable to assess the extent and timing of recoveries from the Sirius XM Receivable. Nonetheless, the Sirius XM Receivable offers the unsecured creditors with a potential source of recovery.

47. Based on the estimated realizable value of the Property, but not taking in account the Investments, and given the extent of Tribalscale's obligation to the Secured Creditors, the costs of realization and potential priority payables, it appears likely that there would be minimal if any, net proceeds of realization available to the Unsecured Creditors in the event of a bankruptcy. Accordingly, the Monitor is of the view that a liquidation is unlikely to result in a better, and a more certain outcome for the Unsecured Creditors than the Transaction.

48. The Monitor also supports the Transaction for the following reasons:

- i. 192's willingness to convert part of the 192 Secured Debt into equity, together with the Interest Deferral, will assist Tribalscale in continuing its operation by, among other things, reducing its debt service payments; and
- j. The Transaction is intended to maintain Tribalscale as a going concern to preserve the revenue-generating capabilities of the Company for the benefit of all stakeholders, including employees, trade creditors and suppliers.

IX EXTENSION OF STAY PERIOD

49. The Monitor also supports the Company's request for the extension of the Stay Period for the following reasons:

- a. Tribalscale is acting in good faith and with due diligence;

- b. should the Court approve the RSA and the associated relief sought by the Company, the continuation of the Stay of Proceedings will provide the Company with the time and protection it requires to complete the Transaction and to continue efforts to realize on the Sirius XM Receivable; and
- c. the extension of the Stay Period does not adversely affect or materially prejudice creditors as Tribalscale is projected to have sufficient funds to pay for services and supplies during the Revised Extended Projection Period.

X. CONCLUSION AND RECOMMENDATION

50. Based on the foregoing, the Monitor respectfully recommends that the Court make an order granting the relief detailed in paragraph 10.

All of which is respectfully submitted on this 28th day of October 2020.

MNP LTD.,
in its capacity as Court Appointed Monitor of
Tribalscale Inc.
Per:



Sheldon Title
Licensed Insolvency Trustee

Exhibit "A"

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
TRIBALSCALE INC.
(THE "APPLICANT")**

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

Tribalscale Inc. have developed the assumptions and prepared the attached Second Revised Cash Flow Projections as of the 27th day of October 2020 for the period October 12, 2020 to January 31, 2021 ("**Cash Flow**"). All such assumptions are disclosed in the Assumptions to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Assumptions to the Cash Flow using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 27 day of October 2020.

DocuSigned by:

86106E1509E14DB

Sheetal Jaitly

CEO

Tribalscale Inc.
 Projected cash flows
 For the period ended January 31, 2021

Currency: CAD	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31	Week 32	Week 33	Week 34	Week 35	Week 36
Week beginning October 12 2020	12-Oct-20	19-Oct-20	26-Oct-20	2-Nov-20	9-Nov-20	16-Nov-20	23-Nov-20	30-Nov-20	7-Dec-20	14-Dec-20	21-Dec-20	28-Dec-20	4-Jan-21	11-Jan-21	18-Jan-21	25-Jan-21
Opening cash balance	2,132,722	2,143,712	2,012,249	2,221,570	1,993,371	1,993,371	1,876,884	1,849,015	2,062,730	1,828,886	1,794,198	1,658,006	1,985,304	1,889,106	1,887,077	1,742,429
Receipts																
Collection from new sales	-	-	151,037	-	-	20,009	-	135,736	-	-	-	312,008	149,800	-	-	223,168
Sale of Equipment and Fixture	15,490	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wage subsidy	-	-	92,112	-	-	-	-	88,080	-	-	-	65,024	-	-	-	-
Total receipts	15,490	-	243,149	-	-	20,009	-	223,816	-	-	-	377,032	149,800	-	-	223,168
Disbursements																
Pre-NOI expenses	-	4,876	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll (including taxes)	-	109,092	-	132,367	-	116,336	-	-	133,612	1,429	122,133	-	142,096	1,429	125,088	-
Accounting expenses	-	13,560	-	13,560	-	13,560	-	-	19,560	-	13,560	-	21,560	-	13,560	-
Operating and other miscellaneous expenses	4,500	3,935	11,600	12,272	-	6,600	-	10,100	10,672	100	500	16,100	12,342	600	6,000	10,100
Repayment of BDC loan	-	-	-	-	-	-	-	-	-	29,120	-	-	-	-	-	4,160
Interest on BDC loan	-	-	-	-	-	-	-	-	-	4,039	-	-	-	-	-	577
Administrative fees	-	-	-	70,000	-	-	-	-	70,000	-	-	10,000	70,000	-	-	-
HST payments	-	-	22,228	-	-	-	27,869	-	-	-	-	23,634	-	-	-	20,620
Total disbursements	4,500	131,463	33,828	228,199	-	136,496	27,869	10,100	233,844	34,688	136,193	49,734	245,998	2,029	144,648	35,457
Net Cash flow (Receipts less disbursements)	10,990	(131,463)	209,321	(228,199)	-	(116,487)	(27,869)	213,716	(233,844)	(34,688)	(136,193)	327,298	(96,198)	(2,029)	(144,648)	187,711
Closing cash balance	2,143,712	2,012,249	2,221,570	1,993,371	1,993,371	1,876,884	1,849,015	2,062,730	1,828,886	1,794,198	1,658,006	1,985,304	1,889,106	1,887,077	1,742,429	1,930,140

Disclaimer

- 1) In preparing the Statement of Second Revised Cash Flow Projections (the “**Cash Flow Projections**”), Tribalscale Inc. (the “**Company**”) has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Cash Flow Projection is based on assumptions about future events and conditions that are not ascertainable, actual results achieved during the period of the Cash Flow Projection will vary from the Cash Flow Projection, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview

- 2) The Cash Flow Projections, covering the period October 12, 2020 to January 31, 2021 (the “**Revised Extended Projection Period**”) includes the receipts and disbursements of the Company during the Revised Extended Projection Period. The Company, with the assistance of MNP Ltd., in its capacity as Monitor under the CCAA Proceedings, has prepared the Cash Flow Projection based primarily on estimated receipts and disbursements related to the CCAA Proceedings.

The Cash Flow Projection of the Company includes the following assumptions:

Hypothetical Assumptions

1. In developing the Statement of Second Revised Cash Flow Projections, Management has reflected its current view of the potential impact of the COVID-19 pandemic on its cash flow. However, the ongoing uncertainty and instability caused by COVID-19 pandemic and various government regulatory actions may cause actual results to differ from the projected amounts and these variations may be material.

Probable Assumptions

1. Sales are based on Management’s best estimate and is dependent on provision of services during the Revised Extended Projection Period pursuant to statements of work (“**SOW**”) entered into between the Company and its customers.
2. The Company has five active contracts, three of which were signed in September/October 2020. Receipts from customers comprises collections accruing from such contracts amounting to \$991M. The average forecasted collection time is 60-75 days from the date of invoicing. The collections are dependent on successful completion of milestones as per the Master Consulting Agreements and SOWs.
3. Total accounts receivables as at October 9, 2020 are approximately \$1.076MM of which the Company considers \$760M to be doubtful. For the purpose of preparing the Cash Flow

Projection, the Company has assumed that any collection from doubtful accounts receivable will occur after the Revised Extended Projection Period.

4. Tribalscale recently advertised its redundant fixed assets comprising computer hardware, and furniture and fixtures, having a net book value of approximately \$113M via online platforms such as Kijiji and Facebook marketplace and have collected \$15.5M during October 2020 which is reflected in the Second Revised Cash Flow Projections. These assets were stored in a warehouse located in Whitby, Ontario since the Company's office lease was terminated in May 2020.
5. The Company had received benefits of Canada Emergency Wage Subsidy ("CEWS") for the respective pay periods through September 2020. The Company has assumed that it remains eligible to receive CEWS benefits during the Revised Extended Projection Period. However, due to a revision in the parameters of the CEWS program and impending clarity on certain issues, the Company has been conservative in their assumptions and considered a reduction in the percentage of subsidy based on the best information available.
6. Pre-NOI expense payments includes the Receivable Policy premiums amounting to approximately \$4.8M.
7. Payroll expenses includes payments to be made to employees in Canada and an employee and consultants in the United States. The Company had reduced certain salaries with effect from April 16, 2020, to respond the impact of the COVID-19 pandemic and as a cost-saving measure related to its restructuring. Subject to its receiving certain new contracts, the Company assumes it will phase in the return to full salary levels by increasing the reduced salaries by 25% each month from November 2020 through February 2021. The total impact of the reinstatement during the Revised Extended Projection Period is \$53M.
8. Accounting and Operating expenses are assumed to be paid on a current basis and include accounting expenses of \$95M payable to Xxact Inc., who provide back office support for the Company, cost of technical and sales tools of approximately \$44.5M and other related expenses.
9. Administrative fees include charges for Company's counsel, the Monitor's fees and expenses, including the fees and disbursements of the Monitor's independent legal counsel.
10. Other disbursements are based on management's best estimates.
11. No provision for income taxes has been made.
12. Monthly interest and repayment on BDC Lease Loan have been considered as per the terms of the executed agreement with BDC. BDC stopped automatic withdrawals of principal and interest payments upon filing of NOI by the Company in May 2020. Hence, the Company has also assumed deferred amount of principal and interest payments in their projections.

Dated at the City of Toronto in the Province of Ontario, this 27th day of October 2020.

DocuSigned by:
Sheetal Jaitly
86106E1509E14DB...

Sheetal Jaitly

CEO

Exhibit "B"

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
TRIBALSCALE INC.**

(THE "APPLICANT")

MONITOR'S REPORT ON CASH FLOW STATEMENT

(paragraph 23(1)(b) of the CCAA)

OCTOBER 28, 2020

The attached Second Revised Cash Flow Projections of Tribalscale Inc. as at the 27 day of October 2020, consisting of a weekly projected cash flow statement for the period October 12, 2020 to January 31, 2021 ("**Cash Flow**") has been prepared by the management of the Applicant for the purpose described in the Disclaimer, using the probable and hypothetical assumptions set out in the Assumptions to the Cash Flow Projections.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied by the management, employees and the representatives of the Applicant. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management of the Applicant for the probable assumptions, and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow.
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on Assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other forms of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in the Assumptions to the Cash Flow Projections and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 28 day of October 2020.

MNP LTD.

IN ITS CAPACITY AS MONITOR OF TRIBALSCALE INC.

Per:



Sheldon Title, CPA, CA, CIRP, LIT

Senior Vice-President

Tribalscale Inc.
 Projected cash flows
 For the period ended January 31, 2021

Currency: CAD	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31	Week 32	Week 33	Week 34	Week 35	Week 36
Week beginning October 12 2020	12-Oct-20	19-Oct-20	26-Oct-20	2-Nov-20	9-Nov-20	16-Nov-20	23-Nov-20	30-Nov-20	7-Dec-20	14-Dec-20	21-Dec-20	28-Dec-20	4-Jan-21	11-Jan-21	18-Jan-21	25-Jan-21
Opening cash balance	2,132,722	2,143,712	2,012,249	2,221,570	1,993,371	1,993,371	1,876,884	1,849,015	2,062,730	1,828,886	1,794,198	1,658,006	1,985,304	1,889,106	1,887,077	1,742,429
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Total receipts	15,490	-	243,149	-	-	20,009	-	223,816	-	-	-	377,032	149,800	-	-	223,168
Disbursements																
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Payroll (including taxes)	-	109,092	-	132,367	-	116,336	-	-	133,612	1,429	122,133	-	142,096	1,429	125,088	-
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Dated at the City of Toronto in the Province of Ontario, this 28th day of October 2020.

MNP LTD.
IN ITS CAPACITY AS MONITOR OF TRIBALSCALE INC.



300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

**IN THE MATTER OF THE CCAA PROCEEDINGS OF TRIBALSCALE INC.,
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)**

**FIRST REPORT TO THE COURT SUBMITTED BY MNP
LTD., IN ITS CAPACITY
AS COURT APPOINTED MONITOR OF
TRIBALSCALE INC.**

MNP LTD.
300-111 Richmond Street West
Toronto, ON M5H 2G4

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