

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE JOINT PROPOSAL OF
UNTETHER CAPITAL INC. AND UNTETHER TECHNOLOGIES INC.
OF THE CITY OF VAUGHAN
IN THE PROVINCE OF ONTARIO**

REPORT OF TRUSTEE TO THE CREDITORS
(Section 50(5) of the Bankruptcy and Insolvency Act)

Enclosed are the following documents:

- ♦ Notice of Joint Proposal to Creditors;
- ♦ Joint Proposal under Part III, Division I, of the *Bankruptcy and Insolvency Act* (the “**BIA**”), dated November 25, 2024 (the “**Joint Proposal**”) lodged with MNP Ltd. (the “**Proposal Trustee**”) by Untether Capital Inc. and Untether Technologies Inc. (collectively, “**Untether Group**” or the “**Company**”) and filed with the Official Receiver on November 26, 2024;
- ♦ a statement of affairs, detailing the Company’s assets and liabilities as of October 29, 2024 (“**SOA**”);
- ♦ a proof of claim form;
- ♦ a voting letter if you wish to vote in advance of the meeting; and
- ♦ a general proxy.

The following is an outline of the background and financial position of the Company, including relevant information that should be of assistance to the creditors in considering their position with respect to the Joint Proposal.

In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company’s books and records, discussions with management and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report, the Proposal Trustee 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 pursuant to the CPA Canada Handbook.

Capitalized terms used in this Report are the same as those referenced in the Joint Proposal.

SECTION A - Background

The Company, an Ontario corporation, started operations in August 2018. The Company offers mobile cafe services to niche customers throughout the GTA and nearby cities, operating from its leased premises in Vaughan, Ontario. The Company operates under the “**Fleets Coffee**” brand.

The principal of the Company is Kirk Tobias (“**Mr. Tobias**”) the sole director and an officer (the “**Director**”) of the Company. Mr. Tobias directs and manages all aspects of the Company’s operations.

On November 26, 2024, Untether Group filed a Joint Proposal pursuant to the BIA.

The Company commenced these proceeds as a means to:

- (i) allow for the orderly liquidation and distribution of the net assets of the Company; and
- (ii) maximize the distribution/recovery for Untether Group’s creditors by offering a liquidating proposal.

SECTION B - Summary of the Proposal

This section contains a summary of the Joint Proposal, the terms of which would only be effective if the Joint Proposal is accepted by the creditors and approved by the Court, in accordance with the provisions of the BIA (collectively the “**Implementation Date**”).

As set out in the Proposal, the Proposal provides for the following:

- (i) **Funding of the Proposal** – The Proposal Fund will comprise the net proceeds from the sale of the Company’s principal assets comprised of five (5) customized trucks being operated as “**Mobile Cafes**” having an estimated value totalling approximately \$1,950,000.
- (ii) **Administrative Fees and Expenses** – The fees and expenses of the Trustee and those of the Company’s legal counsel incidental to the preparation, presentation, consideration, and implementation of the Joint Proposal, shall be paid in full out of the Proposal Fund prior to distribution to the Unsecured Creditors, to a maximum of forty thousand dollars (\$40,000) plus disbursements and applicable taxes;
- (iii) **Secured Creditors** - To be paid in full from the Proposal Fund in priority to subordinate creditors;
- (iv) **Crown Creditors** - Unless Her Majesty in Right of Canada or a Province agrees otherwise, the Proven Claims, if any, of Crown Creditors shall be paid within six (6) months after Court approval of the Proposal out of the Proposal Fund. Based on the SOA, the Company’s obligation to the Canada Revenue Agency in respect of unpaid source deductions including penalties and interest;
- (v) **Employee Creditors** - The Proven Claims, if any, of the Employee Creditors who are owed a preferred claim for qualifying wages under subsection 136(1)(d) of the BIA (this does not include termination or severance pay owing), shall be paid immediately after Court approval of the Joint Proposal out of the Proposal Fund.
- (vi) **Preferred Creditors** – The Company will pay each Preferred Creditor their Proven Claim according to the priority set by the BIA. According to the SOA, the Company has one preferred creditor, the landlord of the rental premises. Their preferred claim has not yet been quantified;

- (vii) **Ordinary Creditors** – The Proven Claims of Ordinary Creditors shall be paid by the Proposal Trustee from the remaining balance of the Proposal Fund after payment of the Administrative Fees and Expenses, and the Claims, if any, set out in paragraphs (iii) to (vi) of this Section, their pro rata share of the Proposal Fund;
- (viii) **Related Party Creditors** – Any Related Party creditors shall not be entitled to vote in favour of the Joint Proposal and will receive \$1,000 in full and final settlement of each of their respective proven claims;
- (ix) **Levy** – Payments to each Unsecured Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy (the “**OSB**”) as required by the BIA and the Proposal Trustee shall remit the amount of such levy to the OSB with the distributions to Unsecured Creditors;
- (x) **Preferences and Transactions at Under Value** - Sections 95-101 of the BIA will not apply in respect of this Proposal;
- (xi) **Claims Against Directors** - Any Claims against the Company by any Creditor that are also Claims against the directors and/or officers of the Company that relate to obligations of Company where the directors are under any law liable in their capacity as directors for the payment of such obligations and that claims arose before the commencement of the proposal proceedings shall be, upon Court approval of the Joint Proposal and to the extent permitted by the BIA, released and forever discharged as against the directors of the Company;

The above description of the Joint Proposal is a summary only, and readers are cautioned that if there is an inconsistency between this Report and the Joint Proposal, the terms of the Joint Proposal shall govern.

SECTION C - Financial Position and Causes of Difficulties

The below table summarize the Company’s internally prepared historical financial results as follows:

	Year ended	
	September 2023	September 2022
Sales	\$766,791	\$598,900
Cost of Sales	406,796	419,043
Payroll expenses	143,058	173,315
Amortization	561,207	696,018
Other expenses	376,806	707,793
Net Income	(\$721,076)	(\$1,397,269)

The following factors have contributed to the financial difficulties faced by the Untether Group over the past few years:

1. **Impact of COVID-19 and Changing Market Conditions:** The business was primarily designed to serve transit commuters, but the pandemic kept people at home for 2-3 years. The numbers have yet to return to pre-COVID levels.
2. **Inability to Pivot to New Markets:** The company has struggled to fully replace the lost revenue from transit commuters with new markets like catering & events.
3. **Rising Costs During and After COVID-19:** Input costs, including labour and food, have increased by 20%-50%, without a corresponding rise in prices.
4. **Higher Debt Servicing Costs:** The cost of servicing debt has risen due to high interest rates in the post-COVID marketplace.
5. **Economic Slowdown Due to High Interest Rates:** High interest rates post-COVID have slowed the economy, leading to a significant decline in corporate spending on events.
6. **Insufficient Working Capital:** A lack of working capital has hindered the Company's ability to invest in growth and increase top-line revenue.

SECTION D - Interim Receiver

Not Applicable.

SECTION E - Identification and Evaluation of Assets

According to the sworn SOA, the Company's principal recoverable assets comprise the 5 Mobile Cafes valued at approximately between USD 275,000 and USD 350,000 each for an approximate total amount of \$1,950,000.

SECTION F - Conduct of the Company

The conduct of the Company does not appear to be subject to censure.

SECTION G - Creditors' Claims

As per the sworn SOA and Proofs of Claim filed to date, the Company's creditors are summarized below:

Creditor Classifications	Indebtedness Per SOA
Due to CRA re employee source deductions	\$267,000
Third-Party Secured	\$1,500,000
Related Party Secured	\$934,000
Preferred	\$300,000
Third-Party Unsecured	\$1,200,000
Total	\$4,201,000

SECTION H - Previous Business Dealings with the Company

The Company had previously hired MNP LLP for bookkeeping services and has a small outstanding balance that is not listed under unsecured creditors and will be written off by MNP LLP.

SECTION I - Informal Meeting with Major Creditors

The Trustee and the Company's counsel have been in discussions with counsel to the Company's senior secured creditors being Daimler and Bank of Montreal regarding the terms of the Joint Proposal.

SECTION J - Remuneration of Proposal Trustee

The Joint Proposal includes the Proposal Trustee's fees and expenses for administering the Proposal, as well as the Company's legal counsel fees (collectively referred to as '**Administrative Fees and Expenses**') to a maximum of \$40,000 plus disbursements and applicable taxes. These will be covered by the Proposal Fund.

SECTION K - Other

Not Applicable

SECTION L - Estimated Realizations- Joint Proposal vs Bankruptcy

UNTETHER CAPITAL INC. & UNTETHER TECHNOLOGIES INC. JOINT PROPOSAL ESTIMATED DISTRIBUTIONS

	Note	Total	Joint Proposal	Bankruptcy
FUNDS AVAILABLE FOR DISTRIBUTION				
Net assets of the Company	1.		1,950,000	1,350,000
Gross Funds Available for distribution			1,950,000	1,350,000
LESS Professional Fees and Expenses			(45,200)	(45,200)
NET FUNDS AVAILABLE FOR DISTRIBUTION			1,904,800	1,304,800
CREDITOR CLAIMS AND ESTIMATED DISTRIBUTIONS IN ORDER OF PRIORITY				
Canada Revenue Source Deductions Claim	2.	267,000	267,000	267,000
Secured Creditors - Third Party	2.	1,500,000	1,500,000	1,037,800
Secured Creditors - Related Party	2.	934,000	4,000	-
		2,701,000	1,771,000	1,304,800
AVAILABLE FOR DISTRIBUTION TO PREFERRED AND UNSECURED CREDITORS	3.	1,500,000	133,800	-

NOTES:

1. Represents in Joint Proposal scenario the estimated net proceeds for the sale of the Mobile Cafes based on Letters of Intent received and current negotiations with prospective purchasers.
2. Based on terms of the Joint Proposal, Statement of Affairs and Proofs of Claim filed to date.
3. Represents the estimated claims of preferred creditors and third party unsecured creditors.

Based on the above analysis, the Proposal Trustee estimates that Unsecured Creditors should receive a distribution if the Joint Proposal is accepted by the Creditors and approved by the Court, rather than if it is rejected and the Company is deemed bankrupt. This is because Mr. Tobias, with his industry experience, is conducting the sale process for the Company's principal assets, Mobile Cafes, and should maximize recoveries as opposed to those achievable by a Trustee in Bankruptcy. In addition, the Proposal Trustee will supervise the sales of the Mobile Cafes and sale proceeds will be paid directly to the Proposal Trustee.

Preferences and Transactions at Under Value

The Joint Proposal provides that sections 95-101 are not applicable. To evaluate the appropriateness of this clause, the Proposal Trustee is reviewing the Company's bank statements and cancelled cheques from October 30, 2023, to October 29, 2024. This review aims to identify any potential preferences or transfers at undervalue, and the Trustee will report the findings to the creditors at the meeting to consider the Joint Proposal.

SECTION M - Recommendations

Based on the above and subject to no material potential preferences or transfers at undervalue being identified, the Proposal Trustee recommends the acceptance of the Proposal as the Proposal contemplates a distribution to the Unsecured Creditors which would not occur if the Company were bankrupt.

SECTION N - Technical Requirements for a Successful Proposal

This Joint Proposal will become effective only if it is accepted by a resolution of the Unsecured Creditors and approved by the Court. To obtain Creditor approval, a simple majority in the number of Unsecured Creditors voting, with this majority representing at least 2/3 of the dollar value of the Unsecured Creditors voting, must vote in favour of the Joint Proposal. If the Unsecured Creditors do not accept the Joint Proposal, then the Company will be deemed to have made an assignment in bankruptcy and a meeting of creditors in the matter of the bankruptcy will immediately take place.

If the Unsecured Creditors vote to accept the Joint Proposal, Court approval of the Joint Proposal must then be sought. If the Court does not approve the Joint Proposal, the Company would be deemed to have made an assignment in bankruptcy and the Trustee of the bankruptcy estate will then call a meeting of creditors in the matter of the bankruptcy.

When completing the Proof of Claim form submitted herewith, Creditors should include all outstanding amounts as of October 29, 2024, the date of the filing of the Notice of Intention to Make a Proposal. It is expressly noted and should be clearly understood that MNP Ltd., in its capacity as Proposal Trustee, assumes no personal liability for any claims that Creditors may have against the Company, filed, proven, deemed or otherwise, either before or after the filing of the Joint Proposal.

Creditors may attend, in person or by proxy, the meeting to consider the Proposal, which will be held on **Monday, December 23, 2024, at 10:00 a.m. (Toronto, Ontario Time) by video/telephone conference (via Microsoft Teams Meetings)**. To attend/join the meeting you may connect by the following:

Teams: Video Conferencing

MS Teams Link: <http://alturl.com/h34qr>

Telephone (audio only)

Toll free:(877) 252-9279;

Phone Conference ID: 478 050 822#

In order to participate and vote at the meeting, Creditors must file their claims at or before 4 pm (Toronto Time) on December 22, 2024. Creditors who do not wish to attend or be represented at the meeting but who wish to vote may forward their Proofs of Claim and voting letters to the Proposal Trustee either by email to Chahna.Nathwani@mnp.ca or by fax to 416.596.7894.

Should you have any questions or comments on the Proposal or this report, please do not hesitate to contact the undersigned.

Dated in Toronto, Ontario, on the 12th day of December 2024.

MNP LTD.

Trustee acting *in re* the Joint Proposal of
Untether Capital Inc. and Untether Technologies Inc.

Per:



Jerry Henechowicz
Licensed Insolvency Trustee

Encl.