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CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
Division N° : 01 - Montreal
Court N° : 500-11-064695-246
Estate N° : 41-3132602

SUPERIOR COURT
(Commercial Division)

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF:**

3760626 CANADA INC., a body duly incorporated according to Law and having its head office and principal place of business at 700-1435 Saint-Alexandre Street, in the city of Montreal, province of Quebec H3A 2G4.

Debtor Company

- AND -

KPMG INC., 600 de Maisonneuve Blvd. West,
Suite 1500, Montréal, Quebec H3A 0A3.

Licensed Insolvency Trustee

TRUSTEE'S SECOND REPORT
(State of the insolvent person's affairs and finances)

(Art. 50.4(7)b)ii) and 50.4(9))

October 22, 2024



A. INTRODUCTION

1. Established in 2000, 3760626 Canada Inc. (the “**Company**” or the “**Debtor**”) operates a Montreal based strategy and technology firm which creates, designs, and implements customized digital platforms and solutions for many industries.
2. This second report (“**Second Report**”) is filed by KPMG Inc. (“**KPMG**” or the “**Trustee**”), as Trustee named under the Notice of Intention to Make a Proposal (the “**NOI**”) filed by 3760626 Canada Inc. (the “**Company**” or the “**Debtor**”) on September 24, 2024 (the “**Filing Date**”) pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”).
3. A copy of the *Certificate of Filing a Notice of Intention to Make a Proposal* issued by the Office of the Superintendent of Bankruptcy Canada is attached as “**Appendix A**”.
4. On October 1, 2024, the Superior Court of Quebec issued an order authorizing
 - a) A sale and solicitation process (“**SSP**”) and;
 - b) An administration charge.
5. The Debtor has continued to operate since the filing of the NOI.
6. On October 23, 2024 the Debtor filed a motion to extend the stay of proceedings until December 9, 2024.
7. We refer to the report dated September 27, 2024 (the “**First Report**”) for details on the Company’s Background and the SSP.
8. The purpose of this Second Report is to provide this honorable Court with a summary of the following:
 - a) Restrictions and Scope Limitations (**Section B**)
 - b) Financial information (**Section C**)
 - c) Monitoring of the Business and Financial Affairs Since The Filing of the NOI (**Section D**)
 - d) Cashflow Forecast (**Section E**)
 - e) Sales and Solicitation Process update (**Section F**)
 - f) Conclusion (**Section G**)

B. RESTRICTIONS AND SCOPE LIMITATIONS

9. In preparing this Second Report, the Trustee has relied solely on information and documents provided to it by the Debtor, and their respective advisors, including audited, unaudited, draft and/or internal financial information, financial projections, as well as discussions with the Company’s management.



10. The Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CASs”) pursuant to the Chartered Professional Accountants Canada Handbook and accordingly, the Trustee expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.
11. Some of the information referred to in this Report consists of financial forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

C. FINANCIAL INFORMATION

12. The table below summarizes the Debtor’s Income Statements for the 8-month period ended August 31, 2024, and 12-month periods ended December 31, 2023, 2022 and 2021.

Period ending In 000\$ CAD	8-31-2024 8 months Unaudited	12-31-2023 12 months Audited	12-31-2022 12 months Audited
Income			
Revenue	8 699	15 904	19 447
Direct Costs	4 680	8 928	10 949
	4 020	6 975	8 498
Expenses			
Operating Expenses	3 825	7 696	9 068
Other income and expenses	205	(43)	483
Altavia Group fees	-	-	490
Earning (loss) before income taxes	(10)	(677)	(1 543)
Income taxes	(13)	57	(391)
Net income (loss)	3	(734)	(1 152)

- a) The Company has been incurring losses (before income taxes) since 2022;
- b) The reduction in revenues is primarily related to the loss of a Government of Québec contract. Management attempted to offset the losses by reducing operating expenses, including reducing the Company’s headcount, and subleasing the Toronto lease and a portion of the Montreal lease.



13. The table below summarizes the Balance Sheet of the Company as at August 31, 2024, December 31, 2023, 2022 and 2021.

Period ending In 000\$ CAD	8-31-2024 Unaudited	12-31-2023 Audited	12-31-2022 Audited
Assets			
Cash	804	1 698	207
Accounts receivable	1 528	3 396	5 490
Prepaid expenses	62	75	80
Income taxes receivable	-	284	390
Work in progress	458	1 012	751
Investments	-	3	3
Fixed assets	118	131	161
	2 970	6 599	7 082
Liabilities			
Accounts payable and accrued liabilities	4 220	4 274	3 452
Income taxes payable	(43)	-	-
Deferred revenue	-	3 419	4 020
Advances from the parent company	-	105	75
Future income taxes	-	11	11
	4 177	7 808	7 558
Share Capital	-	-	-
Retained Earnings	(1 207)	(1 210)	(476)
	2 970	6 599	7 082

- The year over year decrease in cash, accounts receivable, work in progress, and deferred revenues in F24 reflects a reduction in the number of projects, which is consistent with decreased revenues in the income statement ended August 31, 2024.
- Accounts payable and accrued liabilities remained relatively stable.
- As at August 31, 2024, the Company's short-term assets are insufficient to meet its short-term obligations.



D. MONITORING OF BUSINESS AND FINANCIAL AFFAIRS SINCE THE FILING OF THE NOI

14. The table below summarizes cash flow movements for the period from September 23 to October 19, 2024 (4 weeks):

Weekly Cash Flow (unaudited - in \$CAN)		Total Cumulative 4 weeks		
		Actual	Forecast	Variance
Receipts				
Sales and accounts receivable	A	370 462	136 869	233 593
Other revenue	B	88 755	20 431	68 324
GST-PST receivable		15 888	34 378	(18 489)
		475 105	191 677	283 428
Disbursements				
Operational Expenses	C	21 453	69 066	47 613
Production costs	D	-	249 398	249 398
Salaries and DAS		320 262	340 506	20 244
Rent		65 857	50 406	(15 451)
Insurance		3 477	3 477	-
Professional fees	E	-	40 000	40 000
		411 049	752 852	341 803
Net Cash Flow		64 056	(561 175)	625 231
Opening Balance		639 043	639 043	-
Ending Balance		703 099	77 868	625 231

15. KPMG notes the following:

- The Company collected accounts receivables that were either anticipated for a later date or were initially deemed uncollectable;
- Other revenues are comprised of rent collections of the Toronto and Montreal sub-leases and the reimbursement for brokerage fees;
- The payment of certain operational expenses was deferred, and reflect timing differences;
- Expenses for the production costs were not incurred during the 4-week period. The Company expects the expense to be incurred in the coming weeks;
- The payment of professional fees reflects timing differences and should reverse in the coming weeks.

E. CASH FLOW FORECAST

16. The Debtor has prepared a cash flow forecast for the 8-week period from October 20, 2024 to December 14, 2024, which is summarized below. The detailed weekly cash flow forecast is included in **Appendix B**.

Weekly Cash Flow Forecast (unaudited - in \$CAN)	
	Cumulative 8 weeks
Receipts	
Sales and accounts receivable	639 442
Other revenue	64 168
GST-PST receivable	38 599
	742 208
Disbursements	
Operational Expenses	132 132
Production costs	244 372
Salaries and DAS	693 638
Rent	106 510
Insurance	6 954
GST-PST Payable	9 242
Professional fees	155 000
	1 347 847
Net Cash Flow	(605 640)
Opening Balance	703 099
Ending Balance	97 459

17. It is anticipated that the Company will generate a negative cash flow for the 8-week period ending December 14, 2024, primarily due to the timing of the payment of expenses that did not materialize in the first 4 weeks.

18. The key assumptions are as follows:

- a) Sales and accounts receivable are based on historical trending;
- b) Other revenues consist of subleases from the Montreal office and are under the assumption that the Debtor will maintain it's current lease;
- c) Reimbursement of GST-QST from Google and Facebook are excluded from the projected cash flow as they are still being disputed;
- d) Operational expenses include fees related to software usage and general fees;
- e) Production costs are related to external expenses (ex.: publicity) for the production and completion of current contracts;

- f) The Debtor currently employs 28 individuals as of the date of filing. Significant reduction has already been made prior of the filing of the NOI. All current employees are necessary to complete current and expected contracts;
- g) Rent consists of leasing of office space in Montreal. Part of the space is subleased to other parties as part of the reduction’s measures undertaken by the Company;
- h) Professional fees are comprised of the Trustee and counsel fees related to the NOI procedures.

F. SALE AND SOLICITATION PROCESS

19. The Trustee launched the SSP that was approved by the Court on October 1, 2024.

20. The milestones set forth in the SSP are as follows:

Steps	Dates
Issuance by the Trustee of a solicitation package	<i>Completed</i> (October 1, 2024)
Due diligence/inspection of assets by potential bidders (“ Bidders ”)	Between October 1 and 30, 2024
Deadline to submit a bid (“ Bid Deadline ”)	October 30, 2024
Determination of the retained bidder(s) (“ Retained Bidder(s) ”)	Around November 1, 2024
Court’s authorization and Closing Date of the contemplated transaction (“ Closing Date ”)	Around November 12, 2024

21. As of the date of the Second Report, 45 parties have been solicited as part of the SSP;

22. The Trustee intends to open the bid(s) received on October 30, 2024. In the scenario where a bid is accepted for a sale transaction, the Trustee would subsequently request that the Court approve the bid and issue a vesting order.

G. CONCLUSION

23. The current stay of proceedings is scheduled to expire October 24, 2024. The Trustee is seeking an extension of the stay period to December 9, 2024 (the “**Stay Period**”).

24. The Trustee is of the opinion that:

- a) The Debtor has acted and continues to act in good faith and with due diligence;
- b) An extension of the Stay Period would allow the Debtor to complete the SSP, while continuing its operations; and
- c) No parties will suffer any material prejudice from the extension of the Stay Period.

25. The Trustee is of the view that the proposed extension of Stay Period is appropriate and necessary under the circumstances.

26. The Trustee recommends that this Court extend the Stay Period to December 9, 2024.



All of which is respectfully submitted.

MONTREAL, this 22th day of October 2024.

KPMG Inc.
Licensed Insolvency Trustee
Trustee acting *in re* the proposal of
3760626 Canada Inc

A handwritten signature in blue ink, appearing to read 'David Malin', written in a cursive style.

David Malin, CPA, CIRP, LIT
Designated Trustee



APPENDICES

Appendix A Certificate of Filing a Notice of Intention to Make a Proposal

Appendix B Detailed Weekly Cash Flow Forecast



APPENDIX A

Certificate of Filing a Notice of Intention to Make a Proposal



Industrie Canada

Industry Canada

**Bureau du surintendant
des faillites Canada**

**Office of the Superintendent
of Bankruptcy Canada**

District de Québec

No division: 01 - Montreal

No cour: 500-11-064695-246

No dossier: 41-3132602

Dans l'affaire de l'avis d'intention de faire une proposition de :

3760626 CANADA INC.

Personne insolvable

KPMG INC.

Syndic autorisé en insolvabilité

Date de l'avis d'intention :

24 septembre 2024

CERTIFICAT DE DÉPÔT D'UN AVIS D'INTENTION DE FAIRE UNE PROPOSITION
paragraphe 50.4 (1)

Je soussigné, séquestre officiel pour ce district de faillite, certifie par les présentes que la personne insolvable susmentionnée a déposé un avis d'intention de faire une proposition en vertu du paragraphe 50.4 (1) de la Loi sur la faillite et l'insolvabilité;

Conformément au paragraphe 69. (1) de la Loi, toutes les procédures contre la personne insolvable susmentionnée sont suspendues à compter de la date du dépôt de l'avis d'intention.

Date: 25 septembre 2024, 14:47

E-File/Dépôt Electronique

Séquestre officiel

Sun Life Building, 1155 Metcalfe Street, Suite 950, Montréal, Québec, Canada, H3B2V6, (877)376-9902

Canada



APPENDIX B

Detailed Weekly Cash Flow Forecast

Weekly Cash Flow Forecast (unaudited - in \$CAN)									
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Cumulative 8 weeks
	2024-10-26	2024-11-02	2024-11-09	2024-11-16	2024-11-23	2024-11-30	2024-12-07	2024-12-14	
Receipts									
Sales and accounts receivable	5 323	96 545	75 740	24 145	90 918	-	65 921	280 850	639 442
Other revenue	-	32 084	-	-	20 431	11 653	-	-	64 168
GST-PST receivable	-	-	-	38 599	-	-	-	-	38 599
	5 323	128 628	75 740	62 744	111 349	11 653	65 921	280 850	742 208
Disbursements									
Operational Expenses	36 000	4 000	11 585	11 481	30 000	10 000	17 585	11 481	132 132
Production costs	159 339	-	7 345	-	-	-	-	77 688	244 372
Salaries and DAS	2 740	175 631	15 000	156 756	15 000	156 756	15 000	156 756	693 638
Rent	-	53 255	-	-	-	53 255	-	-	106 510
Insurance	-	3 477	-	-	-	3 477	-	-	6 954
GST-PST Payable	-	-	-	-	-	-	-	9 242	9 242
Professional fees	65 000	-	30 000	-	30 000	-	30 000	-	155 000
	263 079	236 363	63 930	168 236	75 000	223 488	62 585	255 166	1 347 847
Net Cash Flow	(257 756)	(107 734)	11 809	(105 493)	36 349	(211 835)	3 336	25 684	(605 640)
Opening Balance	703 099	445 343	337 609	349 418	243 926	280 275	68 440	71 776	703 099
Ending Balance	445 343	337 609	349 418	243 926	280 275	68 440	71 776	97 459	97 459