

Court No.: 35-3050693, 35-3050773, 35-3050781
Estate No.: 35-3050693, 35-3050773, 35-3050781

**IN THE MATTER OF THE BANKRUPTCIES OF
1000704712 ONTARIO INC., IGNITE HOLDINGS INC., AND
IGNITE INSURANCE CORPORATION**

**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION**

A. BACKGROUND

Ignite Services Inc. ("**Ignite Services**") carried on business as a digital insurance brokerage under the business name of "aha insurance". Ignite Holdings Inc. ("**Ignite Holdings**") is a non-operating entity that previously held all of the issued and outstanding shares of Ignite Services. Ignite Insurance Corporation ("**Ignite Insurance**", and together with Ignite Service and Ignite Holdings, "**Ignite Group**"), is another related non-operating entity. 1000704712 Ontario Inc. is an entity formed in conjunction with the sale of Ignite Services, as described further below.

Causes of Financial Difficulty

Since 2018, the Ignite Group suffered significant operating losses largely due to operating as a multi-carrier insurance brokerage with suboptimal rates, significant customer acquisition costs and significant capital investments in technology. During the fiscal year ended March 31, 2023, Ignite Services generated revenue of \$1.7 million as compared to operating expenses of \$7.6 million. As of September 30, 2023, the Ignite Group had approximately \$6 million in total assets and \$72 million in total liabilities.

CCAA Proceedings

On October 30, 2023, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued an Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**"). The Initial Order provided for certain relief, including a stay of proceedings against the Ignite Group and ordered that KPMG Inc. ("**KPMG**") be appointed as Court-appointed monitor of the Ignite Group (in such capacity, the "**Monitor**"). The CCAA proceedings are referred to herein as the "**CCAA Proceedings**".

On December 1, 2023, Southampton Financial Inc. ("**Southampton**") acquired 100% of the shares of Ignite Services pursuant to a share purchase agreement (the "**SPA**") between Southampton and Ignite Holdings (the "**Transaction**"), which was approved by the Court pursuant to an Order dated November 9, 2023 (the "**Approval and Reverse Vesting Order**"). Pursuant to the Approval and Reverse Vesting Order, all Excluded Contracts, Excluded Assets, and Excluded Liabilities (each as defined in the SPA) with respect to Ignite Services were transferred and "vested out" to 1000704712 Ontario Inc. ("**ResidualCo**"). Further, ResidualCo became an applicant in the CCAA Proceedings and as a result, the stay of proceedings (as provided for in the Initial Order and subsequently extended to the conclusion of the CCAA Proceedings, pursuant to the CCAA Termination and Distribution Order (as defined below)) thereafter applied to ResidualCo. On the closing of the Transaction, Ignite Services ceased being an applicant in the CCAA Proceedings.

The proceeds generated during the pendency of the CCAA Proceedings, including the net sale proceeds from the Transaction, were insufficient to repay the Ignite Group's secured creditors in full. Further, the SPA provides for additional proceeds, contingent on the future earnings of Ignite Services (the "**Earnout**"). Given the deficiency to Aviva (as defined below), the Earnout was assigned to Aviva in its entirety, pursuant to CCAA Termination and Distribution Order.

Bankruptcy Proceedings

On January 30, 2024, the Court issued an Order (the "**CCAA Termination and Distribution Order**"), which among other things, authorized the Monitor to file on behalf of ResidualCo, Ignite Holdings, and Ignite Insurance (collectively, the "**Debtors**"), assignments in bankruptcy, and authorized KPMG to act as trustee in bankruptcy of the Debtors (in such capacity, the "**Trustee**"). Further, the CCAA Termination and Distribution Order authorized the Trustee to administer the bankruptcy estates of the Debtors as if such estates were in respect of a single bankrupt for the purposes of carrying out its duties and responsibilities as trustee under the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended (the "**BIA**"), including without limitation, authorizing the Trustee to:

- a) administer the bankruptcy estates of the Debtors under a single court file number and title of proceeding;
- b) send a consolidated notice of the first meeting of creditors, and conduct and convene the first meetings of creditors of the Debtors jointly, provided that the results of any creditors' vote shall be separately tabulated for each bankrupt estate;
- c) use a consolidated form of proof of claim that directs creditors to identify the bankrupt estate in which a claim is made for voting and distribution purposes;
- d) maintain a consolidated bank account with respect to the Debtors' respective bankruptcy estates;
- e) issue consolidated reports in respect of the Debtors;
- f) deal with all filings and notices related to the bankruptcies of the Debtors on a consolidated basis; and
- g) appoint a single group of inspectors to be the inspectors for the consolidated bankruptcy estates of the Debtors.

On March 1, 2024, (the "**Bankruptcy Date**") the Monitor filed assignments in bankruptcy on behalf of each of the Debtors (the "**Bankruptcy Proceedings**") and KPMG was appointed as Trustee of the estates of each of the Debtors by the official receiver, subject to affirmation by the creditors of the Trustee's appointment or substitution of another trustee by the creditors at the first meeting of creditors.

On March 8, 2024, a notice of the first meeting of creditors, a list of creditors, proof of claim form and proxy were sent to all known creditors of the Debtors on a consolidated basis, and on March 13, 2024, a notice of the bankruptcy and the first meeting of creditors was published in the National Post. The first meeting of creditors (for each of the Debtors, conducted jointly) will be convened on March 21, 2024, at 11:00am EST.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

B. ASSETS, CREDITORS AND SECURITY INTERESTS

Assets

Each of the Debtors have no assets in their respective estates.

Creditors

As at the Bankruptcy Date, per the Debtors' books and records, ResidualCo had two (2) known secured creditors, as follows:

Secured Creditor	Estimated Amount Outstanding (\$CAD)
Aviva Insurance Company of Canada ("Aviva")	*\$2,898,110
Ministry of Finance Ontario ("MOF")	\$92,375

**Amount does not take into consideration any distributions to Aviva pursuant to the Earnout. However, even if the full amount of the Earnout is realized, it will be insufficient to repay Aviva in full.*

The Monitor obtained an independent security opinion with respect to the secured debt of Aviva, which opinion determined that Aviva's security over Ignite Services was valid and enforceable, and which security interests transferred to ResidualCo following the closing of the Transaction.

The Trustee has not obtained an independent legal opinion with respect to the validity and enforceability of any security granted in favor of the MOF.

Ignite Holdings and Ignite Insurance do not have any known secured creditors.

As at the Bankruptcy Date, per the Debtors' books and records, ResidualCo had thirty-one (31) unique unsecured creditors with amounts owing of approximately \$2,745,101 in aggregate (for clarity, these figures do not include amounts owing to Aviva or MOF), while Ignite Holdings and Ignite Insurance each had one (1) unsecured creditor with amounts owing of approximately \$1,000.

C. BOOKS AND RECORDS

The Trustee has taken possession of the books and records of the Debtors that support the Debtors' assets and liabilities.

D. CONSERVATORY AND PROTECTIVE MEASURES

There are no assets within the estates of the Debtors and as such, the Trustee has not taken any conservatory and protective measures in respect of the Debtors' estates.

E. PROVABLE CLAIMS

As at 10:00 am on the date of this report, the Trustee had recorded 2 unsecured Proof of Claims filed in the amount of \$1,008,110.62.

Included in the figures above is an unsecured claim filed by Canada Revenue Agency in the estate of ResidualCo in the amount of \$833,991.86 in relation to unremitted payroll source deductions.

F. REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has not performed a review of each of the Debtors' books and records with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the Inspectors, should Inspectors be appointed at the first meeting of creditors.

G. THIRD-PARTY DEPOSITS AND GUARANTEES

Pursuant to the CCAA Termination and Distribution Order, the Trustee's fees will be funded by a reserve established in the CCAA Proceedings.

H. DISCLOSURE OF DETAILS RELATING TO THE TRUSTEE'S INTENTION TO ACT FOR SECURED CREDITORS

The Trustee does not intend to act for any of the Debtors' secured creditors.

I. PROJECTED DISTRIBUTION AND ANTICIPATED ASSET REALIZATION

There are no assets in the estates of the Debtors and as such, it is not anticipated there will be funds available for distribution to any creditors of the Debtors in these Bankruptcy Proceedings.

J. SURPLUS INCOME

Not applicable.

K. OTHER

Further information related to the CCAA Proceedings and these Bankruptcy Proceedings may be obtained from KPMG's website at: <https://kpmg.com/ca/IgniteGroup>.

Dated at Toronto, Ontario, this 21st day of March, 2024.

KPMG Inc.

in its capacity as Trustee of the Estates of
1000704712 Ontario Inc., Ignite Holdings Inc., and
Ignite Insurance Corporation
and not in its personal capacity

Per:



Anamika Gadia

Senior Vice-President



George Bourikas, LIT

Vice-President