

**IN THE MATTER OF THE PROPOSAL OF
MIDFIELD INTERACTIVE CORP.
A CORPORATION CARRYING ON BUSINESS IN THE CITY
OF HAMILTON IN THE PROVINCE OF ONTARIO**

TRUSTEE'S REPORT ON THE PROPOSAL

Background Information

On June 24, 2024 (the "Filing Date"), Midfield Interactive Corp. ("Midfield" or the "Debtor") lodged a Notice of Intention to Make a Proposal (the "NOI") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "Act") with Ira Smith Trustee & Receiver Inc. ("ISI" or the "Trustee"). The NOI was filed with the Official Receiver on the same day. A copy of the Notice was sent to those affected creditors as prescribed under the Act.

On July 24, 2024 (the "Proposal Filing Date"), Midfield lodged its Proposal pursuant to Section 50.4(1) of the Act (the "Proposal"), its sworn Statement of Affairs and its revised Cash-Flow Statement with the Trustee which was filed with the Official Receiver on the same day, in accordance with Section 50(2) of the Act.

Enclosed is a copy of the Proposal (Exhibit "A"), a condensed statement of assets and liabilities of Midfield (Exhibit "B"), and a list of creditors with claims amounting to \$250 or more as indicated in the Debtor's sworn Statement of Affairs (Exhibit "C") together with a proof of claim form and a voting letter.

All capitalized terms contained in this Report as are either as defined herein or as in Section 1 of the Proposal titled "Definitions".

Summary of Proposal

The Proposal provides for payment of all claims of ordinary unsecured creditors, due for payment as at the Filing Date, including contingent or unliquidated claims, as follows:

1. The Claims (as defined in paragraph 6 of the Proposal) of ordinary unsecured creditors shall share pro rata in the Proposal Fund (as defined below) after all payments required to be made under paragraphs 2 and 3 of the Proposal have been paid. All such creditors will share in this pool of funds (also see Estimated Realization section below).
2. The sum of \$162,000 (the "Proposal Fund"), being paid by the Debtor to the Trustee to be held in trust, conditional upon the acceptance of the Proposal by the creditors and

subsequent approval of the Court. The Proposal Fund is payable no later than twelve (12) months following court approval of the Proposal.

Secured Interests

A search of the Ontario Personal Property Security Registration System as at June 23, 2024 indicates the following registrations by parties who claim a secured interest in the assets of Midfield:

1. Bank of Montreal
2. Royal Bank of Canada
3. Business Development Bank of Canada
4. Capture Bookkeeping Inc.
5. Giuseppa Gallo
6. Melissa Tawadros

The sworn Statement of Affairs indicates that the total amount outstanding to the above creditors as at the Proposal Date is \$1,288,822. The Proposal does not attempt to compromise the claims of secured creditors. If the Proposal is accepted by the requisite majority of creditors and approved by the Court, the Proposal Fund is unaffected by the claims of secured creditors.

To date none of the above creditors have filed a Proof of Claim. In addition to the above listed creditors, Canada Revenue Agency has filed a Proof of Claim for its deemed trust claim for unremitted source deductions of \$145,439.93. This deemed trust claim must be paid in priority to payment of any other creditor within 6 months of Court approval of the Proposal. In accordance with the terms of the Proposal, this deemed trust claim is being paid by the Debtor in addition to the Proposal Fund and not from the Proposal Fund.

For greater clarity, Ordinary Unsecured Creditors will share pro-rata from the Proposal Fund and not have their distribution reduced or affected by Canada Revenue Agency's deemed trust claim.

Financial Position

The attached condensed statement of assets and liabilities indicates the assets, as contained in the books and records of the Debtor.

Landlords

At the Filing Date, Midfield leased two premises: (i) 102-270 Sherman Ave. N., Hamilton, ON (head office); and (ii) 64-68 (G0-,G-15-64) Hatt Street, Dundas, ON (storage site).

The Debtor determined that it would not be able to make a viable proposal without the disclaimer or resiliation of that lease. On July 15, 2024 Midfield issued its Notice to Lessor to Disclaim or Resiliate a Lease by Commercial Tenant pursuant to Section 65.2(1) of the Act to the landlord of the storage premises, 64 Hatt Street Investments Inc. Subject to the landlord making application to Court no later than July 30, 2024, the disclaimer or resiliation of the lease will become

effective on August 14, 2024. In accordance with Section 65.2(4) of the Act and Paragraph 6 of the Proposal, the landlord may file a Proof of Claim as an Ordinary Unsecured Creditor.

The Debtor is remaining in possession of the head office space and is abiding by the terms of the lease, including the payment of rent.

Conduct of the Debtor

The Trustee has conducted a preliminary review of the Debtor's affairs and financial position. The Trustee has nothing to report at this time.

Previous Dealings with the Debtor

The Trustee has not acted for the Debtor in any previous capacity and is satisfied that it does not have a conflict preventing it from acting in this Proposal.

Remuneration of Trustee

The fee and disbursements of the Trustee will be paid in accordance with the Proposal terms, including paragraph 3 of the Proposal, from the Proposal Fund. The Trustee has received a limited cash retainer as against the Trustee's fee and disbursements.

Estimated Realization

If the Proposal is rejected by the creditors or not approved by the Court, Midfield will be deemed to have filed an Assignment in Bankruptcy as at June 24, 2024. Included in Exhibit "B" is the Trustee's analysis of the Estimated Realization under this Proposal as opposed to the Debtor's bankruptcy. The Trustee's analysis is that in the case of the bankruptcy of Midfield, there will be no recovery for the unsecured creditors.

In preparing Exhibit "B", the Trustee has assumed/provided for the following:

- (i) Midfield will continue to operate and fund both the deemed trust claim and the Proposal Fund from operations; and
- (ii) Midfield's secured creditors will continue to support the Debtor.

Accordingly, for the reasons stated herein, the Trustee believes that this Proposal offers a better alternative to the bankruptcy of Midfield and the Trustee recommends that the creditors vote in favour of the Proposal, as attached to and described in this report.

Procedure for Dealing with the Proposal

In completing the proof of claim form, creditors should include all amounts outstanding as at June 24, 2024. Accounts subsequent to that date should not be included as all parties must make

their own arrangements with Midfield for all liabilities arising after the Filing Date. The Trustee has advised the Debtor that all liabilities incurred by it subsequent to the filing of the Notice of Intention to Make a Proposal must be paid in the ordinary course. It is expressly noted and should be clearly understood that the Trustee assumes no personal liability for any claims against Midfield before or after the filing of the Proposal.

Creditors may attend the meeting to consider the Proposal, in person or by proxy. The meeting will be held on August 14, 2024 at 11:00 a.m. via video conference:

<https://v.ringcentral.com/join/288660529?pw=6dd8a2740fa679215ff0900853807b20>

Meeting ID: 288660529

Password: 7raLuA6HEX

Or by telephone : 647.360.4694

Access Code / Meeting ID: 288660529

Dial-in password: 7725826439

Creditors may contact the Trustee to be provided with an electronic invite and hyperlink. Depending on the device used to access the videoconference an application may have to be downloaded first.

Creditors who do not wish to attend at the meeting, but who wish to vote, may forward their proofs of claim, attached statements, proxies and voting letters to the Trustee (at the address indicated on this letterhead) to be received no later than 10:30 AM the day of the meeting, so as to be received prior to the meeting.

Dated at Vaughan, Ontario this 25th day of July, 2024.

IRA SMITH TRUSTEE & RECEIVER INC.,
The Trustee Acting in re: The Proposal of Midfield Interactive Corp.

Per:


Ira Smith, CPA CA CIRP LIT
President

Attachments