



Province: British Columbia
Division No. 03 - Vancouver
Court No. B-240536
Estate No. 11-3149370

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
LAMBDA SOLUTIONS INC.**

CROWE MACKAY & COMPANY LTD., PROPOSAL TRUSTEE

SECOND REPORT TO COURT

January 10, 2025

INTRODUCTION

1. On November 1, 2024 (the "**Filing Date**"), Lambda Solutions Inc. (the "**Company**") filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and the Insolvency Act* R.S.C.1985, c. B-3 (the "**BIA**") and Crowe MacKay & Company Ltd. consented to act as Trustee under the Proposal (the "**Proposal Trustee**").
2. Pursuant to section 50.4(8) of the BIA, the initial stay period in the proposal proceedings is from November 1, 2024 to December 1, 2024 (the "**Stay Period**"). On December 4, 2024, the Court granted an extension (the "**First Extension**") of the stay of proceedings and deadline to file a proposal to January 15, 2025. On this same date, the Court also granted the following:
 - a. an administration charge on all current and future assets, undertaking and properties of the Company for the fees and costs incurred in connection with these proceedings for the Proposal Trustee, the Proposal Trustee's legal counsel, and Cody Reedman Law Corporation in the aggregate amount of \$100,000;
 - b. authorizing and empowering the Company to obtain and borrow under an interim financing facility (the "**Interim Facility**") from the interim lender to finance the continuation of its business provided that, among other things, the borrowings under the Interim Facility shall not exceed \$125,000 unless permitted by further Order; and,
 - c. granting in favour of the Interim Lender a priority charge (the "**Interim Lender's Charge**") over the assets of the Company to a maximum of \$125,000 which will rank in priority over all other encumbrances on the assets, properties and undertakings of the Company, other than the aforementioned administration charge.
3. This second report of the Proposal Trustee (the "**Second Report**") should be read in conjunction with the Proposal Trustee's First Report to Court dated December 2, 2024 (the "**First Report**").

I. PURPOSE OF REPORT

4. The purpose of this Second Report is to provide this Honourable Court and the Company's stakeholders with:
 - a. a summary of the activities of the Proposal Trustee since the First Report;
 - b. an update on the Company's activities to date;

- c. an update on the Proposal Trustee's monitoring of Company's cash flows and financial affairs during the period covering November 3, 2024 to January 3, 2025; and,
- d. the Proposal Trustee's recommendation that the Court grant the Company's application for an extension of time for filing the Proposal for an additional 23 days from January 15, 2025 to February 7, 2025.

II. TERMS OF REFERENCE

- 5. In preparing this Second Report, the Proposal Trustee has necessarily relied upon unaudited financial and other information provided by the Company, the Company's books and records, and discussions with management of the Company (collectively, the **"Information"**), namely Ms. Bat-Sheva Levy and Ms. Naama Sireni (together, **"Management"**).
- 6. 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 Auditing Standards pursuant to the Chartered Professional Accountants Handbook. Accordingly, the Proposal Trustee expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information used to prepare this Second Report.
- 7. Certain of the information referred to in this Second Report consists of financial forecasts and/or projections prepared by the Company. An examination or review of the financial forecasts/projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed by the Proposal Trustee. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions of future events and conditions that are not ascertainable, actual results may vary and the variations could be material.

III. ACTIVITIES OF THE PROPOSAL TRUSTEE SINCE THE FIRST REPORT

- 8. Since the First Report, the Proposal Trustee has engaged in, among other things, the following activities:
 - a. engaged in various discussions, correspondence and meetings with the Company, its legal counsel, and the Proposal Trustee's legal counsel relating to matters relevant to the NOI proceedings, including, but not limited to, options to restructure and plans to address priority creditors;
 - b. monitored the Company's financial affairs and activities on a weekly basis for the period covering November 3, 2024 to January 3, 2025;

- c. had numerous communications and discussions with the Company's senior secured creditor, Firepower Gap Debt II LP ("**Firepower**"), and its legal counsel, with respect to these NOI proceedings;
- d. maintained a public website for these proceedings at: <https://crowemackayco.ca/project/lambda-solutions-inc/>; and,
- e. prepared this Second Report.

IV. **ACTIVITIES OF THE COMPANY SINCE THE FIRST REPORT**

- 9. Since the First Report, the Company's Management have engaged in, among other things, the following activities:
 - a. attended meetings with the Proposal Trustee to discuss the affairs of the Company, as well as the restructuring options available;
 - b. communicated with numerous stakeholders regarding these NOI proceeding;
 - c. paid post-filing obligations in the ordinary course of business;
 - d. commenced discussions with numerous lenders with respect to the ability to refinance its debts;
 - e. attended meetings with the Proposal Trustee, as well as Firepower, with respect to commencing a potential sale and investment solicitation process ("**SISP**"); and,
 - f. various other matters.

V. **PROPOSAL TRUSTEE'S MONITORING OF COMPANY'S CASH FLOWS**

- 10. On or around November 8, 2024, the Company filed a 15-week cash flow for the period covering November 3, 2024 through February 15, 2025 projection (the "**Cash Flow Statement**").
- 11. The Proposal Trustee has monitored the Cash Flow Statement for the period covering November 3, 2024 through January 3, 2025. The Proposal Trustee's monitoring consisted of inquiries, analytical procedures, and discussions related to information supplied to the Proposal Trustee by Management. During its weekly monitoring of the Cash Flow Statement, the Proposal Trustee did not identify any variances which may constitute as a material adverse changes.

12. Management advises that the Company is up to date with all of its filing and post-filing obligations to CRA and has continued to meet its other post-filing obligations in the ordinary course, together with its obligations under the *BIA*.

VI. **POTENTIAL SALE OF COMPANY**

13. The Company has not been in a position to file a proposal within the required timeframe of the first extension due to ongoing negotiations with its secured creditors.
14. Management has advised that the Company has reached an agreement with its most senior secured creditor, Firepower, that provides that a credit bid be submitted for the Company's assets. The exact terms of this agreement are presently unknown. Management has advised that it is working with Firepower to advance this agreement to a finalized state which is, in part, why the Company requires an extension in this proceeding.
15. Management has advised the Proposal Trustee that separate payment arrangements have been made with the Company's junior secured creditor, Business Development Bank.
16. Management has advised that it has undergone various sales processes to sell the Company and/or its business assets in 2023 and 2024. None of these sales processes undertaken by Management resulted in accepted offers. This will be discussed in greater detail once the Company is in a position to either 1) make an application to Court to approve the sale of its assets to Firepower or 2) file a Proposal which allows for the sale of the assets to Firepower.
17. The Trustee expects that the Company will be in a better position to make a proposal to its Creditors once the exact terms of the proposed sale agreement with Firepower are known.

VII. **EXTENSION TO THE STAY OF PROCEEDINGS**

18. The Company is seeking a 23-day extension to the Initial Stay of Proceedings. This would extend the Initial Stay of Proceedings from January 15, 2025 to February 7, 2025 (the "**Second Extension**").
19. Based on the Cash Flow Statement noted above, the Company is projecting to have sufficient funds to sustain operations, up to and including the Second Extension period provided the Interim Financing is approved.
20. The Proposal Trustee supports the Company's request for the Second Extension of the Initial Stay Period for the following reasons:

- a. the Company has acted in good faith and with due diligence;
- b. the Company would likely be able to make a viable proposal if the Second Extension were to be granted; and,
- c. no creditor would be materially prejudiced if the extension is granted.

VIII. PROPOSAL TRUSTEE'S RECOMMENDATIONS

- 21. Based on the current information made available by Management, the Proposal Trustee is of the humble opinion that the Second Extension is necessary for the Company to advance the potential formulate a viable proposal.
- 22. For the above reasons, the Proposal Trustee respectfully recommends that this Honourable Court grant an Order for the relief sought by the Company.

DATED AT the City of Vancouver, in the Province of British Columbia, this 10th day of January 2025.

Crowe MacKay & Company Ltd.

in its capacity as Licensed Insolvency Trustee of the Proposal of
Lambda Solutions Inc. and not in its personal capacity

Per:



Mr. Derek Lai, CPA, CMA, CIRP, LIT, CFE
(Chartered Insolvency & Restructuring Professional)



Mr. Nelson Allan, CPA, CIRP, LIT
(Chartered Insolvency & Restructuring Professional)