

IN THE MATTER OF THE BANKRUPTCY OF
SMRT Labs Inc.
of the City of Toronto
in the Province of Ontario

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

BACKGROUND

SMRT Labs Inc. (“**SMRT**” or the “**Company**”) was a privately held corporation that was incorporated in June 2020, as a joint venture (the “**JV**”) between Predictiv AI Inc. (“**PAI**”) and Commersive Solutions Inc. (“**CSI**”) to develop and sell body temperature detection technology known as ThermalPass. ThermalPass is a walk-through temperature scanning system that was proposed as a potential solution for detecting body temperature in high-traffic public settings such as schools, offices, hospitals, sports arenas, etc. to help mitigate the spread of the COVID-19 virus and other fever-bearing contagions.

While there was early sales traction for ThermalPass units, changes in the global response to the COVID-19 virus, among other factors, negatively impacted interest in the Company’s temperature screening system.

In July 2021, with SMRT struggling to generate sales/revenues, the Company’s Chief Executive Officer resigned. In October 2021, as a result of the Company’s failure to meet the sales requirements of the JV agreement, PAI terminated the JV and transferred its interest in the JV to CSI.

Despite the Company’s determined sales efforts, the Company’s financial performance suffered, as interest in the ThermalPass units waned. Ultimately, on February 6, 2023 (the “**Date of Bankruptcy**”), the Company made an assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Richter Inc. (“**Richter**”) was appointed as the trustee of the Company’s bankrupt estate (in such capacity, the “**Trustee**”).

On February 9, 2023, notice of the first meeting of creditors of the Company (the “**Meeting**”), a list of creditors, proof of claim form/proxy, and registration form to attend the Meeting (which is being held via videoconference) were sent to all known creditors of the Company. On February 13, 2023, a notice advising of the Company’s bankruptcy and the date/time of the Meeting was published in the Globe and Mail (National Edition).

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA. As the bankrupt estate does not appear to have assets to support a distribution to the Company’s creditors (addressed later in this report), the Trustee’s intention is to proceed to complete the administration of the Company’s bankrupt estate without delay. The Trustee will discuss the administration of the Company’s bankrupt estate with the estate inspectors, if any, appointed at the Meeting.

CAUSES OF BANKRUPTCY

As noted above, the Trustee understands that SMRT's financial difficulties were the result of several factors including (i) decreased interest in ThermalPass, (ii) the departure of key personnel, and (iii) the termination of the JV that funded the venture.

By the end of 2022, SMRT's significant start-up costs and limited sales/revenues had consumed a large amount of working capital and the Company had largely ceased operations, as it remained entirely dependent on third-party funding for its operations.

Without the necessary funds to continue operations, SMRT made the difficult decision to wind-down its remaining operations, which resulted in the Company filing an assignment in bankruptcy on February 6, 2023.

FINANCIAL POSITION/ASSETS

As detailed in SMRT's Statement of Affairs, as at the Date of Bankruptcy, SMRT's only asset was minimal cash (\$440) on deposit at a financial institution.

The Trustee has been advised that the Company does not have any patents or other intellectual property in respect of the ThermalPass technology due to various factors, including difficulty in appropriately classifying the device for registration purposes and related costs.

Based on the Company's Statement of Affairs, it does not appear that there will be any funds available for distribution to the Company's creditors.

SECURED CREDITORS AND OTHER POTENTIAL PRIORITY CLAIMS

As per the Company's Statement of Affairs, the Company does not have any secured obligations or other potential priority claims.

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Trustee understands that the Company's operations were primarily carried out through third-party consultants and that, as at the Date of Bankruptcy, the Company had no remaining employees.

The Trustee is not aware of any potential claims pursuant to section 81.3 of the BIA. The Trustee, where applicable, will comply with the requirements of the *Wage Earner Protection Program Act*.

PREFERRED CREDITORS

The Company's Statement of Affairs indicates that, as at the Date of Bankruptcy, there were no known preferred creditors.

UNSECURED CREDITORS

According to SMRT's Statement of Affairs, the Company's unsecured obligations total approximately \$219,840.

CLAIMS FILED

As at 5:00 p.m. on February 23, 2023, the Bankruptcy Trustee has recorded Proofs of Claim filed, as follows:

	Claims Filed (#)	Amount (CAD)	Proxies in Favour of Trustee (#)	Amount (CAD)
Secured	0	\$0	-	-
Preferred	0	\$0	-	-
Unsecured	2	\$48,207.70	1	\$43,211.83
TOTAL	2	\$48,207.70	1	\$43,211.83

PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not performed a review of the Company's 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 estate inspectors, if any, appointed at the Meeting.

TRUSTEE'S FEES

In consideration for Richter consenting to act in these proceedings, CSI has guaranteed payment of the fees and disbursements of the Trustee, including the fees and disbursements of its legal counsel, to a maximum of \$30,000 (the "**Guarantee**"). In support of the Guarantee, CSI has provided a deposit in the amount of \$30,000.

OTHER

Further information relating to the Company's bankruptcy proceedings may be obtained from Richter's website at: <https://www.richter.ca/insolvencycase/smrt-labs-inc/>.

Dated at Toronto, Ontario, this 24th day of February, 2023.

RICHTER ADVISORY GROUP INC.

in its capacity as Bankruptcy Trustee of the estate of
SMRT Labs Inc.
and not in its personal or corporate capacity



Adam Sherman, MBA, CIRP, LIT