

District of: British Columbia
Division No.: 03 - Vancouver
Court No.: 11-3127492
Estate No.: 11-3127492

**IN THE MATTER OF THE BANKRUPTCY OF
NEXTPOINT FINANCIAL INC.**

**OF THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA**

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

September 25, 2024

BACKGROUND AND CAUSES OF INSOLVENCY

Background

1. NextPoint Financial, Inc. (“**NPI**”) was a publicly listed company incorporated pursuant to the laws of British Columbia and with a registered office in Vancouver, British Columbia. It had direct and indirect ownership of several subsidiaries spanning multiple jurisdictions in Canada and the United States (collectively referred to as “**Nextpoint**”).
2. NextPoint provided financial and tax services for small businesses and consumers under three primary business lines:
 - a) a tax preparation and settlement business (“**Liberty Tax**”);
 - b) a tax debt resolution service (“**Community Tax**”); and
 - c) a lending and loan marketing business (“**LoanMe**”).

3. On July 25, 2023, NPI and 29 other petitioners (collectively, the “**Petitioners**”) were granted an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA Proceedings**”) in the Supreme Court of British Columbia (the “**Court**”).
4. On October 31, 2023, the Court granted an order, among other things:
 - a) approving the transactions contemplated by a transaction agreement (the “**Transaction Agreement**”) among NPI and certain subsidiaries and certain of its secured lenders (the “**Purchasers**”);
 - b) vesting in a Canadian residual company all of the right, title and interest in and to certain assets (the “**Excluded Assets**”) and liabilities (the “**Excluded Liabilities**”) of the acquired entities which were not formed or incorporated in the United States; and
 - c) vesting in a United States residual company all of the right, title and interest in and to the Excluded Assets and Excluded Liabilities of the acquired entities which were formed or incorporated in the United States.
5. On January 2, 2024, the transaction contemplated by the Transaction Agreement closed. The Purchasers did not acquire certain entities, including NPI and 1000694777 Ontario Limited (“**Residual Co. 1**”).
6. On January 26, 2024, the Court granted an order (the “**Termination Order**”) authorizing FTI Consulting Canada Inc. (the “**Monitor**”), in its capacity as monitor in the CCAA Proceedings, to file assignments in bankruptcy on behalf of NPI and Residual Co. 1.

Causes of Insolvency

7. The three primary causes of NextPoint’s financial difficulties were as follows:
 - a) an unsustainable capital structure;

- b) a decline in tax enforcement steps taken by tax authorities in response to COVID-19 resulting in lower revenues for both Liberty Tax and Community Tax; and
- c) the depletion of NextPoint's cash reserves and significant debt obligations incurred in respect of the purchase of LoanMe.

APPOINTMENT OF TRUSTEE IN BANKRUPTCY

- 8. On September 11, 2024, pursuant to the Termination Order, the Monitor filed an assignment in bankruptcy for NPI pursuant to section 49(1) of the Bankruptcy and Insolvency Act (the "**BIA**"). A Certificate of Bankruptcy for NPI was issued on September 12, 2024, by the Official Receiver appointing FTI Consulting Canada Inc. as Trustee. A copy of the Certificate of Bankruptcy is attached hereto as Appendix "**A**".

PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTEREST

- 9. NPI does not hold any assets other than the shares of various subsidiaries which were not acquired under the Transaction Agreement (the "**Remaining Entities**"). The shares of the Remaining Entities have not been ascribed any value as they have been independently wound down pursuant to the Termination Order.
- 10. As part of the Initial Order, the Court approved an interim facility (the "**Interim Facility**") which was subsequently increased to the maximum principal amount of US\$25.0 million and also approved a charge on the property of the Petitioners to secure obligations under the Interim Facility.
- 11. BP Commercial Funding Trust provided an initial commitment under the Interim Facility of which \$2.2 million remained outstanding as of the bankruptcy date.

POSSESSION OF BOOKS AND RECORDS

- 12. The Trustee anticipates being able to access the required books and records of NPI in order to complete the administration of the estate.

CONSERVATORY AND PROTECTIVE MEASURES

13. There is no property requiring conservatory or protective measures.

PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS

14. The claims disclosed in the statement of affairs of NPI are summarized as follows:

- a) Secured claim: approximately \$2.2 million; and
- b) Unsecured claims: \$1.8 million.

LEGAL PROCEEDINGS, TRANSFERS AT UNDERVALUE, PREFERENCE PAYMENTS

15. The Trustee is not aware of any other legal proceedings commenced against or by NPI.

16. The Trustee is not aware of any potential transfers at undervalue or preference payments.

THIRD-PARTY DEPOSITS AND GUARANTEES

17. The fees and disbursements of the Trustee will be funded from a reserve for professional fees related to wind-down costs under the CCAA Proceedings.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

18. The Trustee does anticipate any realizations from the bankruptcy proceedings given the nature of the assets.

OTHER MATTERS

19. There are no other matters.

FTI Consulting Canada Inc.

In its capacity as Trustee in Bankruptcy of
Nextpoint Financial Inc.
and not in its personal capacity

A handwritten signature in blue ink, appearing to read "Mike Clark".

Mike Clark
Managing Director

Appendix A

Certificate of Bankruptcy



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of: British Columbia
Division No.: 03 - Vancouver
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In the Matter of the Bankruptcy of:

Nextpoint Financial Inc.

Debtor

FTI CONSULTING CANADA INC.

Licensed Insolvency Trustee

Ordinary Administration

Date and time of bankruptcy:	September 12, 2024, 08:39	Security:	\$0.00
Date of trustee appointment:	September 12, 2024		
Meeting of creditors:	October 02, 2024, 10:00 https://www.microsoft.com/microsoft-team Meeting ID: 241 613 095 588 Passcode: NQYuHQ, British Columbia Canada,		
Chair:	Official Receiver		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

-- AMENDED --

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: September 12, 2024, 17:37

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

Canada