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**IN THE MATTER OF THE BANKRUPTCY OF: SPACERYDE INC. OF THE CITY OF CONCORD
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

SECTION A – BACKGROUND AND CAUSES OF FINANCIAL DIFFICULTY

SpaceRyde Inc. ("**SpaceRyde**"), formerly known as Loonify Space Inc. was federally incorporated on May 9, 2018 and was engaged in the business of sending cargo into space through high-altitude balloons and rockets. SpaceRyde was working on creating Canada's first orbital rocket engine. The Company maintained two locations in Canada, located in Concord and Trent Hills, Ontario.

Insolvency Causes and Proceedings

SpaceRyde planned for commercial operations to begin in 2024. In August 2021, the Company started to test its rocket engine in Trent Hills, Ontario. Residents of Trent Hills voiced complaints to the Trent Hills Municipality to stop SpaceRyde from rocket engine testing in the region due to the noise. On October 7, 2022, through legal counsel, the Trent Hills Municipality requested SpaceRyde to cease rocket engine testing. As a result, SpaceRyde was not able to test its rocket engine and continue operations.

On February 10, 2023, SpaceRyde filed an Assignment in Bankruptcy which was accepted by the Office of the Superintendent of Bankruptcy. Pursuant to the Assignment in Bankruptcy, Deloitte Restructuring Inc. ("**Deloitte**" or the "**Trustee**") was appointed as Trustee of the Bankrupt estate, subject to affirmation by the creditors at the First Meeting of Creditors.

SECTION B – PRELIMINARY EVALUATION OF ASSETS

According to SpaceRyde's Statement of Affairs, the assets of SpaceRyde as at the date of bankruptcy are as follows:

Preliminary Evaluation of Assets		
as at February 10, 2023	Cost	Estimated realizable value
Concord		
Accounts receivable	\$232,484	\$232,484
Deposits in financial institutions	1,701,340	1,701,340
Machinery and equipment	898,765	42,000
Vehicle lease	1	1
Furniture	11,544	2,169
Funds held by trustee	75,000	75,000
Prepaid expenses	399,007	-
	3,318,141	2,052,994
Trent Hills		
Machinery and equipment	171,200	8,000
Furniture	1,759	331
	172,959	8,331
Total	3,491,100	2,061,325

Accounts receivable

On February 16, 2023, GST/HST receivable, amounting to \$232,484, was remitted from the Canada Revenue Agency to SpaceRyde's Royal Bank of Canada's ("RBC") bank account.

The Trustee understands that the final GST/HST return has not been filed by SpaceRyde. The Trustee will prepare and file that return.

Deposits in financial institutions

On February 10, 2023, the Trustee wrote to RBC, where SpaceRyde's bank accounts were held, to notify RBC of the bankruptcy, and request that RBC freeze SpaceRyde's bank accounts, permitting deposits only, and arrange for the transfer of the balance in SpaceRyde's bank accounts to the Trustee.

On February 17, 2023, the Trustee was informed by RBC that the restrictions have been placed and RBC will be preparing the bank drafts.

On February 24, 2023, total cash of \$1,943,700, which includes the GST/HST refund discussed above, was deposited into the Trustee's trust account.

Machinery and equipment

The machinery and equipment consist of computers and laptops, tools, flight engine, flight computers, carrier cards, propulsion system, and other equipment. The machinery and equipment are located in Concord and Trent Hills, Ontario. As the computers and laptops contain data files, there will be a cost to the estate to either scrub the data or destroy the hard drives.

Vehicle Lease

SpaceRyde leased a 2021 Ford F150 vehicle with an option to buy at the end of the lease term in July 2023. Ford Credit Canada Leasing is registered as the secured party on the Personal Property Security Registration System.

Furniture

The office furniture consists of sofas, television, chairs, desks, tables, monitors, and cabinets.

The Trustee has received offers to purchase/proposals ("**Offers**") for the liquidation of SpaceRyde's machinery, equipment, vehicle and furniture. The Trustee will review the Offers with the Inspectors.

Funds held by trustee

In addition to the funds held in SpaceRyde's bank accounts at RBC, the Trustee is in possession of \$75,000 which was provided to Deloitte by SpaceRyde on February 6, 2023 pending the filing of the assignment in bankruptcy. Transfer of these funds to the Trustee's trust account is in progress.

Prepaid expenses

Prepaid expenses consist of six months of prepaid rent for the Concord location, one month of security deposit for the Concord location, and prepaid insurance for general liability and equipment breakdown. Limited recoveries are expected from prepaid rent and prepaid insurance.

SECTION C – BOOKS AND RECORDS

SpaceRyde's electronic data and email accounts are maintained on the Cloud via third party providers, Google Workspace, Github, Rise People and Wave Financial. Upon its appointment, the Trustee arranged for access to the third-party providers and restricted access to SpaceRyde's files and accounts.

The Trustee will arrange for the boxing of SpaceRyde's paper records which remained in the leased premise in Concord, Ontario.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has implemented the following conservatory and protective measures:

Funds held in financial institutions

As set out in Section B, the Trustee advised RBC to freeze all bank accounts of SpaceRyde and has requested a transfer of funds to its trust account.

Leased premise

The Trustee has notified the landlord of the leased premise in Concord, Ontario of SpaceRyde's filing for bankruptcy and its appointment as Trustee of the bankrupt estate. The Trustee arranged for the lock change of all of the doors and restricted access to the leased premise. The Trustee intends to disclaim the lease when the assets have been removed from the leased premise and will seek approval from the Inspectors to do so.

Given the limited estimated realizable value of machinery, equipment and furniture located at the leased premise in Trent Hills, Ontario (as shown in the table in Section B), the Trustee has determined that it would not be commercially reasonable to take possession of the Trent Hills, Ontario leased premise or the limited assets available onsite until further information is obtained regarding the net realizable value of these assets. We have now received Offers for the liquidation of SpaceRyde's machinery, equipment, vehicle and furniture and will review these Offers with the Inspectors.

Mail redirection

The Trustee has arranged for the redirection of SpaceRyde's mail to the Trustee's office for a period to June 27, 2023.

Insurance

SpaceRyde maintained insurance policies for commercial general liability, boiler and machinery liability, and automobile liability. The Trustee has notified the insurance brokers of SpaceRyde filing for bankruptcy and its appointment as Trustee of the bankrupt estate. The Trustee requested to be added to the insurance policies as the named insured and loss payee. As a result, the Trustee has arranged for a separate insurance policy pending the response of the insurance broker. The Trustee will review the status of the insurance policies with the Inspectors.

SECTION E – PROVABLE CLAIMS

The claims of creditors as per SpaceRyde's Statement of Affairs and the claims filed prior to 5:00 pm on March 1, 2023 are summarized below.

Provable Claims	Statement of Affairs	As of March 1, 2023
Unsecured creditors	\$3,541,991	\$1,169,443
Secured creditors	1	-
Preferred creditor	143,338	3,570
Other claimants	<u>7,122,596</u>	<u>402,000</u>
	10,807,925	1,575,013

The former CEO/Director (“**CEO**”) and COO/Director (“**COO**”) of SpaceRyde have filed proofs of claims with the Trustee related to amounts owing under a promissory note and lease agreement for the Trent Hills premise, respectively. The proofs of claims are in prescribed form, properly completed and supported by evidence of indebtedness, as a result, the Trustee admitted the claims. For the purposes of ranking the claims for future distribution, the Trustee's view is that the promissory note constituted a proper transaction within the meaning of section 137 of the *Bankruptcy and Insolvency Act* and will rank *pari passu* with other unsecured creditors. The Trustee continues to review the COO's claim to determine if the transaction is a proper transaction.

SECTION F – LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has not commenced any legal proceedings and it does not expect to commence any such proceedings prior to the First Meeting of Creditors. The Trustee proposes to appoint Chaitons LLP (“**Chaitons**”) as counsel to the Estate. Chaitons' appointment will be confirmed at the First Meeting of Creditors.

The Trustee will report its findings to the Inspectors, if any, following the completion of its review of SpaceRyde's books and records.

SECTION G – PROJECTED DISTRIBUTION AND TRUSTEE COMMENTS ON ANTICIPATED ASSET REALIZATIONS

Based on the information on the Statement of Affairs, the proofs of claim file to date, and the uncertainty of the net realizable value of machinery, equipment and furniture, the Trustee is unable to estimate at this time the amount that may be available for distribution to SpaceRyde's creditors. The Trustee will review this matter further with the Inspectors.

Dated at Toronto, Ontario this 1st day of March, 2023.

DELOITTE RESTRUCTURING INC.
in its capacity as
Trustee of the Estate of
SpaceRyde Inc.
and not in its personal capacity



Per:
Warren Leung, CPA, CA, CIRP, LIT
Senior Vice-President