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DISTRICT of : Ontario
DIVISION No.: 09 - Mississauga
COURT No.: 32-3074278
ESTATE No.: 32-3074278

**IN THE MATTER OF THE BANKRUPTCY OF
SIMEX INC.
OF THE CITY OF MISSISSAUGA
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

The *Bankruptcy and Insolvency Act* provides for a first meeting of creditors. The purpose of this Report is to provide information to the creditors of the Bankrupt for consideration in advance of and/or at the first meetings of creditors.

SECTION A – BACKGROUND

On January 19, 2024, SimEx Inc. ("**SimEx**") and its subsidiaries, Iwerks Entertainment, Inc. ("**Iwerks**") and SimEx-Iwerks Myrtle Beach LLC ("**SIMB**" and, together with SimEx and Iwerks, "**SimEx-Iwerks**") initiated proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). On the same day, the Ontario Superior Court of Justice (the "**Court**") granted an Initial Order which, among other things, appointed Deloitte Restructuring Inc. ("**Deloitte**") as CCAA Monitor ("**Monitor**") of the business and financial affairs of SimEx-Iwerks.

The objective of the CCAA Proceedings was to provide SimEx-Iwerks with breathing room to pursue a sale or investment transaction. With the assistance of the Monitor, SimEx-Iwerks conducted a sale and investment solicitation process (the "**SISP**"). Unfortunately, the SISP did not result in a viable transaction.

On April 26, 2024, the Court issued an order (the "**CCAA Termination Order**") that, among other things, terminated the CCAA Proceedings and authorized the Monitor to file an assignment in bankruptcy on behalf of SimEx.

On April 30, 2024 (the "**Date of Bankruptcy**"), Deloitte Restructuring Inc., in its capacity as monitor of SimEx, caused SimEx to file an assignment in bankruptcy (the "**Assignment**") under section 49 of the *Bankruptcy and Insolvency Act* (the "**BIA**"). Pursuant to the Assignment, Deloitte Restructuring Inc. was appointed as trustee of the estate (in such capacity, the "**Trustee**"). The Trustee's appointment is subject to confirmation by the creditors at the First Meeting of Creditors. Creditors can access a copy of the certificate of appointment, previous Court orders, reports of the Monitor and the Trustee filed to date and other information on the activities of the Trustee, from the Trustee's case website (the "**Website**") at:

www.insolvencies.deloitte.ca/en-ca/simex

SimEx operates a single, united business enterprise specializing in “4D” motion rides and cinematic attractions. They operate in the “theatre attraction” space and rely heavily, if not exclusively, on tourism.

SimEx suffered heavy losses primarily due to the COVID-19 pandemic and the associated lockdowns. In addition, SimEx spent significant time and resources into projects that have been delayed or terminated coming out of COVID-19. As a result, SimEx was not able to satisfy obligations such as interest, payroll, rent, and licensing fees without the protections offered by the CCAA.

SimEx’ reporting currency is USD; accordingly, all dollar amounts referenced herein are in USD unless specifically noted otherwise. Canadian dollar amounts have been converted to USD at 0.73.

The Royal Bank of Canada (“**RBC**”) and BDC Capital Inc. (“**BDC**”) are the senior secured lenders to SimEx (the “**Senior Secured Lenders**”). RBC and SimEx are parties to an amended and restated loan agreement (the “**RBC Credit Agreement**”) dated March 31, 2023. The RBC Credit Agreement governs four credit facilities. BDC and SimEx are parties to a Letter of Offer dated June 15, 2018 (the “**BDC Letter**”). The BDC Letter governs a term loan, with a maturity date of February 1, 2024.

The accounting book value of the SimEx’s assets at the date of bankruptcy totaled approximately \$15.0 million. All owned assets are subject to RBC and BDC’s security and governed by an intercreditor agreement, dated June 29, 2018, between the Senior Secured Lenders and SimEx.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND DETAILS OF SECURITY INTERESTS

A preliminary evaluation of the assets of SimEx as at the Date of Bankruptcy is summarized in the table below.

SimEx Inc.		
Preliminary assessment of assets		
As at the date of bankruptcy (\$’000’s)	Net Book Value	Estimated Realizable Value
Assets		
Accounts Receivable	1,206	200
Furniture	75	-
Inventory	856	-
Prepaid Expense	700	-
Property, Plant, and Equipment	12,160	-
Total Assets	14,997	200
Estimated Net Realizations before Costs	14,797	

As set out above, the primary assets of SimEx are accounts receivable, inventory, prepaid expenses, and property, plant, and equipment. Given the limited estimated realizable value of inventory and property, plant and equipment, the Trustee is evaluating whether it will be commercially reasonable to take possession of the leased premises or the fixed assets located in various theatre attractions across North America. The Trustee intends to vigorously pursue the accounts receivable, but anticipates customers will exercise set-off claims to address the cost of securing a replacement supplier.

All realizations are subject to RBC’s and BDC’s security (together, the “**Security**”) and are not expected to satisfy amounts due to RBC and BDC. Accordingly, it is not expected that there will be any funds in the bankruptcy estate other than a third-party advance from Deloitte as Monitor to fund the administration of the estate, as discussed in Section G below.

As noted in the above table, even if the Trustee realizes all assets in full, there will remain a shortfall on the secured indebtedness due to RBC and BDC, with the result that there will be no funds available for distribution to the unsecured creditors of the estate.

The main creditors of SimEx are RBC, BDC, and trade creditors. Other creditors include SimEx's former employees, certain trade creditors and shareholders who provided loans to SimEx.

Counsel to the Trustee is in the process of reviewing the Security.

SECTION C – BOOKS AND RECORDS

The Trustee has access to SimEx's available books and records. SimEx's electronic files are stored off-site and in a cloud computing platform. The Trustee intends to move the files from the cloud computing platform to the Trustee's computing environment. Upon the migration, the Trustee intends to obtain confirmation that the files are permanently deleted from the original cloud computing platform.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has implemented the following conservatory and protective measures:

Funds held in financial institutions:

The Trustee advised RBC to freeze all bank accounts of SimEx Inc. and has requested a transfer of funds through a bank draft.

Leased premises:

The Trustee has notified the landlord of the leased premise at 2299 Drew Road, Mississauga, Ontario ("**Drew Road**") of SimEx's filing for bankruptcy and its appointment as Trustee of the bankrupt estate. The Trustee changed the locks of all of the doors and restricted access to Drew Road.

SECTION E – PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS

Based on a review the SimEx's books and records, SimEx has secured creditors owed approximately \$21.6 million and 193 unsecured creditors owed approximately \$10.1 million.

These claims are summarized in the table below. The Trustee will update the creditors on proofs of claim received at the first meeting.

SimEx Inc.	
As at the date of bankruptcy (\$000's)	Statement of Affairs
Secured	21,646
Unsecured	10,132
Preferred	-
Contingent	-
Total	31,779

SECTION F – LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee intends to perform an assessment of preferences and transactions at undervalue and will provide an update on the status of this assessment at the first meeting of creditors.

SECTION G – DETAILS OF THIRD-PARTY DEPOSITS OR GUARANTEES

The Trustee obtained a deposit from Deloitte as Monitor in the amount of \$50,000 to fund the costs of administering the estate. The Trustee and the Monitor have entered into a third-party deposit agreement. The deposit will only be drawn upon in the event there are no available funds in the estate. The deposit is available to the estate of the Bankrupt. If this deposit is not fully disbursed in the administration of the SimEx estate, pursuant to the third-party deposit agreement, any unspent deposit will be returned to the Monitor or the private receiver, if appointed.

SECTION H – TRUSTEE’S INTENTION TO ACT FOR SECURED CREDITORS

Subject to the Trustee’s counsel completing its independent review of the Security, Deloitte expects to be engaged as a privately appointed receiver by RBC for the purpose of realizing on assets subject to the Security.

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

As noted above, the Trustee advises that, based on its estimate of the realizable value of assets, there will be no assets available over and above the claims of the secured creditors.

Dated at Toronto, Ontario this 2nd day of May, 2024.

DELOITTE RESTRUCTURING INC.

solely in its capacity as Trustee of the
Estate of SimEx Inc. and not in its
Personal or corporate capacity

Per:



Jorden Sleeth, CPA, CIRP, LIT
Senior Vice-President