

In the Matter of the Bankruptcy of
Team Syntegrity Americas Inc.
of the City of Toronto in the Province of Ontario

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

I BACKGROUND

Team Syntegrity Americas Inc. ("**Syntegrity**" or the "**Company**") is a privately held corporation incorporated on May 30, 2002, under the *Business Corporations Act* (Ontario) under the name The Syntegrity Group Inc. On June 21, 2002, The Syntegrity Group Inc. filed articles of amendment changing its corporate name to Team Syntegrity Americas Inc. The Company's registered office and principal place of business was leased premises located at 181 Bay Street, Suite 3410, Toronto, Ontario (the "**Premises**").

Syntegrity was a provider of business consultancy services that assisted large organizations to quickly mobilize around and solve their most complex challenges. The Company utilized a non-consulting, proprietary science-based collisional process to break down silos within a large organization and engineer deep multi-stakeholder collaboration to achieve fast solutions and alignment. The Company's typical projects were delivered over two- to three-week periods. Syntegrity employed 25 full-time employees and none of the employees were unionized.

In June 2016, Syntegrity was acquired by RTI International ("**RTI**"), a leading non-profit research institute, based in North Carolina, USA (such acquisition, the "**2016 Acquisition**"). RTI incorporated a new North Carolina based company, called RTI Syntegrity ("**RTIS**"), to be the direct owner of 100% of the shares of Syntegrity as part of the acquisition.

As a result of Syntegrity's poor financial performance and a liquidity crisis, on June 11, 2021 (the "**Date of Bankruptcy**"), Syntegrity filed an assignment in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). KPMG Inc., a Licensed Insolvency Trustee, was appointed trustee (the "**Trustee**") of Syntegrity's bankrupt estate by the Official Receiver, subject to affirmation by the creditors at the first meeting of creditors.

On June 16, 2021, all known creditors of Syntegrity were provided by the Trustee with notice of the first meeting of creditors, a list of creditors, a proof of claim form and a form of proxy. On June 17, 2021, notice of the bankruptcy and the first meeting of creditors was published in the National Post.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

II CAUSES OF BANKRUPTCY

Based on the information available to the Trustee, it appears to the Trustee that the Company experienced declining financial performance and significant net losses since the 2016 Acquisition, as Syntegrity incurred expenses aimed at increasing its client base as detailed in the table below:

(in USD\$000s)	FY17	FY18	FY19	FY20	FY21 (8 months)
Revenue	\$ 3,415	\$ 3,774	\$ 3,139	\$ 3,016	\$ 1,984
COGS	\$ 1,392	\$ 1,926	\$ 807	\$ 868	\$ 887
Gross Profit	\$ 2,023	\$ 1,848	\$ 2,332	\$ 2,148	\$ 1,097
Total SG&A Expenses	\$ 3,376	\$ 4,910	\$ 6,307	\$ 5,636	\$ 2,829
EBIT	\$ (1,354)	\$ (3,061)	\$ (3,975)	\$ (3,488)	\$ (1,731)

Note: Syntegrity's functional currency is CAD but all financial reporting was in USD.

As noted above, the Company incurred net losses of approximately USD\$4.0 million and USD\$3.5 million in fiscal 2019 and 2020, respectively. Further, for the 8 months ended May 31, 2021, Syntegrity had generated net losses of approximately USD\$1.7 million due in part to sales and the growth of the Company's client base being lower than expected. For the year, management had forecasted a loss of approximately USD\$3.1 million for fiscal 2021. As a result of the sustained losses, the Company had a monthly net cash outflow of approximately USD\$0.4 million to account for operating costs such as payroll, rent, and marketing.

Syntegrity's sustained losses have been funded by capital injections from RTI, which had been the primary source of funding for the Company since the 2016 Acquisition. The Trustee understands that on or about May 17, 2021 RTI notified the Syntegrity Board of Directors to advise it would cease funding the Company after May 28, 2021. The Trustee further understands that without funding from RTI, Syntegrity would have exhausted its cash reserves by the end of June 2021 if it had continued as a going concern and would no longer have been able to meet its obligations as they became due.

III FINANCIAL POSITION/ASSETS

As detailed in the Statement of Affairs, the Company's realizable assets consist of cash of approximately \$445,000 and accounts receivable totalling \$313,660 as at the Date of Bankruptcy.

A claims process has been initiated by the Trustee and it is anticipated that there will be funds available for distribution to the Company's proven creditors.

IV SECURED CREDITORS

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

The Trustee understands that, as at the Date of Bankruptcy, the Company's cash holdings were on deposit with the Royal Bank of Canada ("RBC"). The Company also had a corporate credit card facility with RBC. On June 15, 2021, RBC advised the Trustee that approximately \$8,200 was owed to RBC under the credit

card facility and that it was contemplating what actions, if any, RBC would take against the cash balances on deposit.

As at the date of this report, RBC has not released the funds on deposit to the Trustee as the parties continue to discuss this matter. It is the intention of the Trustee to seek instructions from the Inspectors to be appointed at the first meeting of creditors with respect to what actions, if any, the Trustee should take in this regard.

V SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Trustee is not aware of any potential claims pursuant to section 81.3 of the BIA. Based on the Company's books and records, all amounts owing in respect of wages and/or vacation pay to the Company's former employees, including certain of its now former Directors, were paid by Syntegrity prior to the Date of Bankruptcy. The Trustee understands funding for these amounts were provided by RTI to TSA on or about May 28, 2021.

The Trustee will comply with the requirements of the *Wage Earner Protection Program Act*, where applicable.

VI PREFERRED CREDITORS

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

The Trustee notes the Premises is leased from Brookfield Place (Wellington) Limited (the "**Landlord**") pursuant to a lease agreement dated June 16, 2017. The Trustee understands that, prior to the Date of Bankruptcy, the Company paid rent to the Landlord in respect of June 2021 and that the Landlord is in possession of a \$136,000 letter of credit issued by the Company in favour the Landlord.

The Trustee is currently considering its options in connection with the Premises with its legal counsel and it is the intention of the Trustee to discuss the status of the Premises with the Inspectors and obtain instructions regarding same.

VII UNSECURED CREDITORS

The Company's Statement of Affairs indicates that there are approximately 45 unsecured creditors (including claims of individual former employees in respect of severance and/or termination pay but excluding any amounts owing to the Landlord) with claims totalling approximately \$15,471,826, of which approximately \$14.6 million are claims from RTI and RTIS.

VIII CLAIMS FILED

As at 9:00 a.m. on the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Claims Filed (#)	Amount (\$)	Proxies in Favour of Trustee (#)	Amount (\$)
Secured	Nil	Nil	Nil	Nil
Preferred	3	27,707	Nil	Nil
Unsecured	11	15,648,805	1	4,709.25
TOTAL	14	15,676,512	1	4,709.25

The Trustee received three claims from creditors claiming a right to a priority under Section 136 of the BIA, two of which were filed by former employees and the other was filed by a former consultant to the Company. Both of these creditors were listed as unsecured claims in the Company's statement of affairs. The Trustee has not been able to resolve these discrepancies as at the time of this report and as such, these claims have been included in the table above as filed and will be admitted by the Trustee for purposes of voting at the first meeting of creditors.

IX CONSERVATORY AND PROTECTIVE MEASURES

In an effort to increase the cash receipts into the estate, the Trustee retained the services of a now former Director of Syntegrity to assist with the delivery and completion of a planning session to one of the Company's clients. The project, which was commenced prior to the Date of Bankruptcy, was completed on June 17, 2021 and the final invoice has been issued to the client.

The Trustee also retained the services of two of the Company's former accounting/finance/IT staff to assist with, among other things, asset identification and recovery, records and data storage, and facilitate the retrieval of personal effects from the Premises by the Company's former employees.

In order to realize value on the Company's furniture, fixtures and equipment (the "FF&E") located at the Premises, the Trustee commenced a process to market the FF&E to 4 prospective liquidators that were known to the Trustee as having interest in like assets. The Trustee commenced the process prior to the date of the First Meeting of Creditors in order to avoid incurring additional rent costs for the Premises. As of June 23, 2021, the Trustee received three bids for the FF&E from the prospective interested parties and it is the intention of the Trustee to further discuss the sale of the FF&E with the Inspectors.

X 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 Inspectors.

XI TRUSTEE'S FEES

The Trustee's fees and disbursements (and those of its counsel) will be funded out of the bankrupt estate of Syntegrity, subject to the provisions of the BIA and taxation by the Court.

XII OTHER

In preparing this Report, the Trustee has relied solely on information and documents provided by the Company and RTI, including unaudited financial information (collectively, the "**Information**"). In accordance with industry practice, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, the Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

Further information relating to the Company's bankruptcy proceedings may be obtained from KPMG's website at <http://home.kpmg/ca/syntegrity>

Dated at Toronto, Ontario, this 25th day of June, 2021.

KPMG INC.

in its capacity as Trustee of the estate of
Team Syntegrity Americas Inc.,
and not in its personal capacity



Pritesh Patel, CIRP, LIT
Senior Vice President