



Clerk's Stamp

COURT FILE NUMBER

BK NO: 25-1642764

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*

AND IN THE MATTER OF THE PROPOSAL OF POYNT CORPORATION

DOCUMENT

**SECOND REPORT OF THE TRUSTEE,
HARDIE & KELLY INC.
AUGUST 27, 2012**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Norton Rose Canada LLP
3700 Canterra Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2

Phone: 403-267-8144
Fax: 403-264-5973

Attention: Howard A. Gorman

File No. 285202

SECOND REPORT OF THE TRUSTEE
HARDIE & KELLY INC.
AUGUST 27, 2012

INDEX

INTRODUCTION	1
TERMS OF REFERENCE	2
OPERATIONAL UPDATE.....	2
FINANCIAL PERFORMANCE	3
CASH FLOW FORECAST	4
INTERIM FINANCING.....	6
RESTRUCTURING EFFORTS	6
EXTENSION OF STAY OF PROCEEDINGS.....	7

INTRODUCTION

1. On July 5, 2012, Poynt Corporation (“Poynt” or the “Company”) filed a Notice of Intention to Make a Proposal (the “NOI”) pursuant to the Bankruptcy & Insolvency Act (the “Act”). Hardie & Kelly Inc. consented to act as trustee (the “Trustee”).
2. On July 26 2012, the Trustee prepared a report to the Court (the “First Report”) in advance of the Company’s July 30, 2012 application for an extension of the Stay of Proceedings (the “Stay”) that was to expire on August 4, 2012.
3. On July 30, 2012, the Court granted an order extending the Stay through to Sunday, August 12, 2012. On August 13, 2012, the Company sought and obtained a brief extension of the Stay through to August 15, 2012 to allow the Company the opportunity to finalize negotiations in respect of additional interim financing.
4. On August 15, 2012, the Court granted two orders:
 - a. the first was an order extending the Stay through to August 20, 2012 to allow the principal secured creditor, Intertainment Media Inc. (“Intertainment”), the opportunity to review the terms of additional debtor-in-possession financing (“DIP #2); and
 - b. the second was an order (the “August 26 Extension Order”) extending the stay through to August 26, 2012 and approving the terms of DIP #2, which order was to be held in trust until and not effective until such time as Intertainment’s legal counsel confirmed Intertainment was satisfied with the terms of DIP #2.
5. On August 17, 2012, Intertainment’s legal counsel advised that the August 26 Extension Order was being released, thereby making the Stay effective through to August 26, 2012.

6. The purpose of this second report (the "Second Report") is to provide an update to this Honourable Court with respect to the following:
 - a. The Company's operations since the date of the First Report;
 - b. The Company's financial performance since the date of the First Report;
 - c. The Company's revised cash flow forecast for the period August 13 – September 9, 2012;
 - d. The Company's restructuring activities;
 - e. The Company's anticipated request for authority to borrow priority funds and the Trustee's recommendation thereto; and
 - f. The Company's request for a further extension of the Stay through to August 30, 2012 and or September 10, 2012.

TERMS OF REFERENCE

7. In preparing this Second Report, the Trustee has relied upon unaudited financial information, records of the Company and discussions with the Company's management ("Management"). The Trustee has not performed an audit, review or other verification of such information. An examination of the cash flow information as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future-oriented financial information relied upon in this report is based on Management's assumptions regarding future events and actual results achieved may vary from this information and the variations may be significant. Accordingly, the Trustee expresses no opinion or other form of assurance in respect of such information.

OPERATIONAL UPDATE

8. Management, with assistance from the Trustee, has been able to continue communicating with suppliers and make mutually satisfactory arrangements to ensure the uninterrupted supply of goods and services.
9. To date, Management's proactive approach of contacting key customers and suppliers to advise them of the Company's status has resulted in a minimal effect on day-to-day operating activities.

FINANCIAL PERFORMANCE

10. Concurrent with the Company's July 30, 2012 application to Court for an extension of the Stay, Poynt filed a revised cash flow forecast through to the week ending August 12, 2012 which was attached as Exhibit "A" to the July 26, 2012 sworn Affidavit of Andrew Osis (the "Revised Forecast"). A variance analysis of the Company's actual receipts and disbursements over the period July 23 – August 12, 2011 versus the Revised Forecast is set out in the following table:

Poynt Corporation			
Forecast to Actual Analysis			
For the Period of July 23 - August 12, 2012			
	Actual	Forecast	Variance
<u>RECEIPTS</u>			
Receivables collections	99,758	61,666	38,092
DIP Financing	300,000	300,000	0
	<u>399,758</u>	<u>361,666</u>	<u>38,092</u>
<u>DISBURSEMENTS</u>			
Data costs	(8,400)	(40,450)	32,050
Finance lease	(23,717)	(23,717)	(0)
Payroll	(184,331)	(225,271)	40,939
Benefits/parking/business tax	(10,741)	(14,015)	3,274
Consultants	(45,779)	(53,900)	8,121
Investor/Public relations	(13,357)	(1,400)	(11,957)
Rent	(19,040)	(19,040)	(0)
Internet	(18,506)	(18,656)	150
Miscellaneous	(2,590)	(9,582)	6,992
Selling expenses	(2,465)	(8,000)	5,535
Insurance	(3,382)	0	(3,382)
Professional fees	(4,000)	(14,000)	10,000
	<u>(336,309)</u>	<u>(428,031)</u>	<u>91,721</u>
Net cash flow	63,449	(66,364)	129,813
Opening cash	74,369	74,369	
Closing cash	137,818	8,005	

11. Poynt experienced a positive cash flow of approximately \$63,000 over the period July 23 – August 12, 2012 versus an anticipated cash flow deficit of approximately \$66,000. However, the Trustee notes that the variance of approximately \$130,000 is primarily attributed to timing differences with respect to the delayed payment of data costs of approximately \$32,000 and the delayed payment of payroll related remittances of approximately \$41,000. These variances have been provided for in the Company's Second Report Forecast as discussed below.
12. Lastly, the Trustee would note that the professionals covered by the Administration Charge have continued to accrue fees which have not yet been paid.
13. The Company maintained a cash balance of approximately \$138,000 as at August 12, 2012.

CASH FLOW FORECAST

14. Management, with the assistance of the Trustee, has prepared a revised cash flow forecast for the period August 13, 2012 through to September 9, 2012 ("The Second Report Forecast") which is attached as Appendix "A" to this Second Report and is summarized in the table below:

Poynt Corporation	
Cash flow forecast	
For the period Aug. 13 - Sep. 9, 2012	
	Forecast
<u>RECEIPTS</u>	
DIP Financing	300,000
Accounts receivable	95,785
	<u>395,785</u>
<u>DISBURSEMENTS</u>	
Data costs	(54,592)
Finance Lease	(23,717)
Payroll	(266,122)
Benefits/Parking/Business Tax	(14,015)
Consultants	(67,991)
Investor/Public relations	(1,109)
Rent	(19,040)
Internet	(15,519)
Miscellaneous	(7,017)
Selling Expenses	(2,000)
Insurance	(2,000)
Restructuring fees	(40,000)
Professional fees	(5,644)
	<u>(518,766)</u>
Net Cash Flow	(122,981)
Opening cash	137,817
Closing cash	<u>14,835</u>

15. Actual receipts and disbursements from the first two weeks of the forecast period have been incorporated including the receipt of \$80,000 from DIP #2 reflected in the week ending August 26, 2012. The Second Report Forecast reflects negative cash flow of approximately \$123,000 over the forecast period leaving an estimated cash balance of approximately \$15,000 as at September 9, 2012. Included in the forecast payments during the Second Report Forecast Period are the catch up payments related to the delayed payment of the data costs and the payroll remittances as discussed above.
16. It is critical to highlight that the Second Report Forecast and Poynt's ability to continue operations is dependent upon the Company securing and obtaining this Honourable Court's approval for additional interim financing. Otherwise the Company will be unable to fund its day-to-day expenditures from operational revenues during the Second Report Forecast Period.
17. The Trustee is satisfied that the Second Report Forecast is reasonable in the circumstances provided the additional \$220,000 of interim financing can be successfully finalized.

INTERIM FINANCING

18. As discussed above, the Company recently secured DIP #2 in the amount of \$80,000. To date, the scheme of priority approved by the Court is as follows:
- a. the Administration Charge to the extent of \$200,000;
 - b. DIP#2 provided by Gris Gris, LLC (“Gris Gris”);
 - c. Intertainment Media Inc.; and
 - d. BlueCrest Re-Insurance Company Ltd. who provided an initial interim financing facility and was granted a DIP Lender’s Charge in the amount of \$300,000 by this Honourable Court on July 30, 2012.
19. As noted above, the Company requires additional interim financing of \$220,000 in order to fund operations through to September 9, 2012. However, it is important to note that the Company will still require additional financing in order to maintain any opportunity of formulating a successful proposal.
20. The Trustee is aware that Management continues to have ongoing negotiations with Gris Gris regarding additional interim financing; however, an agreement has yet to be confirmed as of the time of filing of this Second Report. In addition, Intertainment have advised they will require time to review the terms of any proposed additional financing before consenting to same.

RESTRUCTURING EFFORTS

21. The Trustee is satisfied that Management has been acting with due diligence and in good faith and has been working towards ultimately presenting a proposal to its creditors. Since the date of the First Report, Management has:
- a. continued to respond to inquiries from various creditors and customers regarding the status of the proceedings;
 - b. identified potential sources of interim financing which the Company hopes will enable the Company to operate until additional interim financing can be provided to allow for the Company to formulate a restructuring plan;
 - c. held discussions with legal counsel and the Trustee in regard to the anticipated terms and structure of a proposal; and

- d. held discussions with several significant creditors, shareholders and third parties in respect to the terms and structure of a proposal.

EXTENSION OF THE STAY OF PROCEEDINGS

24. The Trustee is of the view that a brief extension of the Stay to August 30, 2012 is warranted to allow the Company the opportunity to finalize a further interim financing agreement. In the event the Company can secure the required \$220,000 of additional interim financing, the Trustee is supportive of an extension of the Stay through to September 10, 2012 to continue to allow the Company to work towards the finalization of the terms of its proposal as the Trustee is satisfied that:
- a. Management continues to act in good faith and with due diligence with a view towards preparing a proposal for presentation to its creditors;
 - b. at this time, provided that the Company is able to secure additional interim financing, the Trustee is satisfied that the Company should be able to formulate a viable proposal; and
 - c. no creditor would be materially prejudiced if a further extension is granted provided the Company can secure additional interim financing.

All of which is respectfully submitted this 27th day of August 2012.

Hardie & Kelly Inc.

In its capacity as the Proposal Trustee of Poynt Corporation
and not in its personal capacity

Per: 

Marc Kelly, CA • CIRP
Senior Vice President

APPENDIX “A”

Poynt Corporation
Cash Flow Forecast
for the period
August 19 - September 9, 2012
(unaudited)

	Week ending Aug-19	Week ending Aug-26	Week ending Sep-02	Week ending Sep-09	Total
<u>RECEIPTS</u>					
Receivable Collection	\$ 179	\$ 29,000	\$ 16,606	\$ 50,000	\$ 95,785
DIP Financing	-	80,000	220,000	-	\$ 300,000
	179	109,000	236,606	50,000	395,785
<u>DISBURSEMENTS</u>					
Data Costs	-	18,742	-	35,850	54,592
Finance Lease	-	-	23,717	-	23,717
Payroll	80,257	71,948	80,257	33,662	266,122
Benefits/parking/business tax	-	-	14,015	-	14,015
Consultants	33,996	-	33,996	-	67,991
Investor/Public relations	-	1,109	-	-	1,109
Rent	-	-	19,040	-	19,040
Internet	-	-	15,519	-	15,519
Miscellaneous	3,763	754	2,500	-	7,017
Selling Expenses	-	-	2,000	-	2,000
Insurance	-	-	2,000	-	2,000
Restructuring Fees	-	-	40,000	-	40,000
Professional Fees	-	5,644	-	-	5,644
Total disbursements	118,015	98,197	233,043	69,512	518,767
Net cash flow	(117,836)	10,803	3,563	(19,512)	(122,982)
Opening cash	137,817	19,982	30,784	34,347	137,817
Closing cash	\$19,982	\$30,784	\$34,347	\$14,835	\$14,835

-