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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

**MATERIAL ADVERSE CHANGE
REPORT OF THE TRUSTEE,
HARDIE & KELLY INC.
OCTOBER 25, 2012**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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**MATERIAL ADVERSE CHANGE REPORT OF THE TRUSTEE
HARDIE & KELLY INC.
OCTOBER 25, 2012**

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INTRODUCTION

1. On July 5, 2012, Poynt Corporation (“Poynt” or the “Company”) filed a Notice of Intention to Make a Proposal pursuant to the Bankruptcy & Insolvency Act (the “Act”). Hardie & Kelly Inc. consented to act as trustee (the “Trustee”).
2. During the course of these proceedings, several extensions of the Stay of Proceedings (the “Stay”) have been granted. On October 15, 2012, the Court of Queen’s Bench of Alberta (the “Court”) made an Order:
 - a. establishing a further extension of the Stay through to November 26, 2012; and
 - b. approving a further \$1 Million of interim financing (the “O2O Financing”) to be funded by O2O Corporation (“O2O”).
3. The Trustee previously prepared reports to the Court dated July 26, 2012 (the “First Report”), August 27, 2012 (the “Second Report”), September 13, 2012 (the “Third Report”) and October 15, 2012 (the “Fourth Report”). This report (the “Material Adverse Change Report”) should be read in conjunction with the previous reports.
4. The purpose of this Material Adverse Change Report is to advise the Office of the Superintendent of Bankruptcy (the “OSB”) and the Court of:
 - a. what the Trustee considers to be a material adverse change in the Company’s cash-flow and financial circumstances; and
 - b. the Trustee’s intention to make an application to the Court to terminate the Stay.

TERMS OF REFERENCE

5. In preparing this Material Adverse Change 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.

CHANGE IN FINANCIAL CIRCUMSTANCES

6. Concurrent with the Company's October 15, 2012 application to Court for an extension of the Stay, Poynt filed a revised cash flow forecast through to November 26, 2012 (the "Revised Forecast") which was attached as Exhibit "A" to the October 15, 2012 sworn Affidavit of Andrew Osis (the "Osis Affidavit").
7. The Revised Forecast provided for the following:
 - a. that the Company would receive \$1 Million from the O2O Financing by October 22, 2012;
 - b. that approximately \$212,000 of post-filing expenses would be paid by October 22, 2012, principally from the O2O Financing; and
 - c. that a further amount of approximately \$267,000 of post-filing expenses would be paid, principally from the O2O Financing, by October 29, 2012.

8. As of the date of this Material Adverse Change Report, the O2O Financing has not been advanced to Poynt. The Trustee understands that O2O has advised the Company that it is no longer prepared to do so under the terms and conditions as set out in Exhibit "B" of the Osis Affidavit.
9. The Company is at this time effectively out of funds with a significant amount of unpaid post-filing obligations outstanding.
10. In the circumstances, the Trustee considers there to be a material adverse change in the cash-flow and financial circumstances of the Company giving rise to the Trustee's requirement to file a report with the OSB pursuant to S.50.4(7)(b)(i) of the Act.

APPLICATION TO TERMINATE STAY OF PROCEEDINGS

11. In light of the foregoing, the Company has been advised that the Trustee intends on making an application to Court to terminate the Stay pursuant to S.50.4(11)(d) of the Act as the Trustee is of the opinion that the creditors as a whole would be materially prejudiced should the Stay remain in place given the current circumstances.
12. Notwithstanding the Trustee's position, Management has advised the Trustee that the Company intends on attempting to rectify its current financial circumstances in advance of the Trustee's application to terminate the Stay.

RECOMMENDATION

13. Given the current circumstances, the Trustee recommends the Stay be terminated which will result in the Company being deemed to have made an assignment into bankruptcy.

All of which is respectfully submitted this 25th day of October 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