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Court File No. CV-20-00639897-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

CANADIAN EQUIPMENT FINANCE & LEASING INC.

Applicant

- and -

EVELEY INTERNATIONAL CORPORATION

Respondent

**FIRST REPORT OF MSI SPERGEL INC.
IN ITS CAPACITY AS THE COURT-APPOINTED INTERIM RECEIVER OF
EVELEY INTERNATIONAL CORPORATION**

May 21, 2020

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1.0 **APPOINTMENT AND BACKGROUND**

- 1.0.1 This report (this “**First Report**”) is filed by msi Spergel inc. (“**Spergel**”), in its capacity as the Court-appointed interim receiver (in such capacity, the “**Interim Receiver**”) of Eveley International Corporation (“**Eveley**” or the “**Company**”).
- 1.0.2 Eveley is a Canadian owned, private corporation in the business of the manufacturing and sale of undercarriage components for vehicles, including trailers to be used in the trucking industry.
- 1.0.3 The Company previously operated out of leased premises located at 665 Arvin Avenue, Stoney Creek, Ontario (the “**Premises**”).
- 1.0.4 Shortly before the Interim Receiver’s appointment, the Interim Receiver understands that Eveley’s lease in respect of the Premises was terminated by the landlord, 2565698 Ontario Inc. (the “**Former Landlord**”).
- 1.0.5 Spergel was appointed as the Interim Receiver, without security, of all of the assets, undertakings and properties of the Company (collectively, the “**Property**”) by Order of The Honourable Mr. Justice McEwen of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made April 23, 2020 (the “**Appointment Order**”). The Appointment Order was made upon the application of one of the Company’s general secured creditors, Canadian Equipment Finance & Leasing Inc. (“**CEFL**”), and was made pursuant to subsection 47(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Attached as **Appendix “1”** to this First Report is a copy of the Appointment Order.
- 1.0.6 Pursuant to the Appointment Order, the Interim Receiver is empowered and authorized, but not obligated, to do certain tasks where the Interim

Receiver considers it necessary or desirable to preserve and protect the Property, including, amongst other things:

- a) pursuant to paragraph 3(a) of the Appointment Order, to take possession and exercise control over the Property, to occupy the Premises and to negotiate and enter into an occupation agreement with the Former Landlord in respect of the Premises;
- b) pursuant to paragraph 3(c) of the Appointment Order, to investigate and prepare a report as to the business and operations of Eveley, including the viability of maintaining Eveley's business as a going concern, which report shall be filed by the Interim Receiver as soon as reasonably possible and by no later than May 21, 2020;
- c) pursuant to paragraph 3(d) of the Appointment Order, to use best efforts to take steps to reboot the Company's servers at the Premises and to use best efforts to restart the machinery and equipment used by the Company in its business operations; and
- d) pursuant to paragraph 3(e) of the Appointment Order, to use best efforts to, on the Company's behalf, package and ship any of the Company's completed orders.

2.0 PURPOSE OF THIS FIRST REPORT AND DISCLAIMER

- 2.0.1 The Interim Receiver is filing this First Report in accordance with paragraph 3(c) of the Appointment Order.
- 2.0.2 The Interim Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report for any other purpose.
- 2.0.3 In preparing this First Report, the Interim Receiver has relied upon certain information provided to it by the Company's management, including,

without limitation, past financial performance and go-forward financial projections. The Interim Receiver has not performed an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards. Accordingly, the Interim Receiver expresses no opinion or other form of assurance with respect to such information.

2.0.4 In addition, this First Report does not take into account the future impact of Covid-19 on any forecasts or other assumptions presented by the Company to the Interim Receiver. The potential for unknown ramifications on consumers, supply chains, commercial counterparties (both direct and indirect to the Company's operations) and future decisions that may need to be made as a result of the evolving Covid-19 situation means that the forecasts and other assumptions may be significantly impacted by Covid-19. The full impact of Covid-19, both on the Company's business and in general, is not capable of being qualitatively or quantitatively at this time, and the Interim Receiver has not endeavoured to do so in this First Report.

2.0.5 All references to dollars in this First Report are in Canadian currency unless otherwise noted.

3.0 ACTIONS OF THE INTERIM RECEIVER UPON APPOINTMENT

3.0.1 A copy of the Appointment Order was provided to the Company by counsel for CEFL.

Occupancy Agreement

3.0.2 As contemplated by the Appointment Order, the Interim Receiver commenced negotiations with the Former Landlord in respect of occupying the Premises, which negotiations resulted in the execution of

an occupancy agreement between the Interim Receiver and the Former Landlord dated April 27, 2020 (the “**Occupancy Agreement**”). A copy of the Occupancy Agreement, which took effect on April 29, 2020, is attached as **Appendix “2”** to this First Report.

- 3.0.3 In substance, the Occupancy Agreement requires the Interim Receiver to pay to the Former Landlord occupancy costs equal to the rent payments under the terminated lease.
- 3.0.4 On April 30, 2020, the Interim Receiver arranged for the changing of the locks and the securing of the Premises.

Insurance and related matters

- 3.0.5 Immediately upon the granting of the Appointment Order, the Interim Receiver also contacted the Company’s principal, Dawn Eveley, to obtain the name of the Company’s insurance broker so as to enable the Interim Receiver to make arrangements to have its name added as an additional named insured party on the Company’s existing insurance policies.
- 3.0.6 On or about April 27, 2020, the Company’s controller provided the Interim Receiver with a copy of the current policies, and the Interim Receiver took immediate steps to contact the Company’s broker to have the Interim Receiver added to the Company’s insurance policies. As this could not be implemented on an expedited basis, the Interim Receiver arranged month-to-month insurance coverage with its insolvency insurer for property damage and third-party liability. The Interim Receiver’s insolvency insurer would not provide coverage for inventory or product liability. The Interim Receiver also contacted two other brokers in an effort to obtain full insurance coverage at a lesser cost; however, as of the date of this First Report, the insolvency industry limited insurance remains in place.
- 3.0.7 With respect to the Company’s own insurance policy, the Interim Receiver understands that the Company’s insurance premium (including in respect

of product liability) had not been paid by the Company prior to the Interim Receiver's appointment. To the best of the Interim Receiver's knowledge, this premium remains unpaid as of the date of this First Report. The amount owing for such premium is \$145,000, which amount exceeds the Interim Receiver's borrowing powers of \$100,000 under the Appointment Order.

Product Shipping

3.0.8 The lack of product liability coverage prevented the Interim Receiver from shipping completed orders on the Company's behalf.

3.0.9 On May 20, 2020, with a view of overcoming this obstacle, the Interim Receiver proposed to the Company that completed orders be permitted to be shipped, provided that the corresponding customer execute a liability waiver in favour of the Interim Receiver. As a result of receiving one such executed liability waiver as of the date of this First Report, shipping in respect of this one customer is anticipated to occur after the date of this First Report.

The Company's Servers

3.0.10 On or about April 26, 2020, the Interim Receiver attended at the Premises with Ms. Eveley, together with the Company's controller (Sandra McDonald) and the Former Landlord's principal (Benny DiFranco). This attendance was made to attempt to reboot the Company's servers so as to enable access offsite. The servers could not be re-booted due to local networking and internet issues. As a result, there was initially no access to the Company's accounting software, which access temporarily delayed the ability of the Company's controller to provide financial information to the Interim Receiver.

3.0.11 However, on May 1, 2020, the Interim Receiver was able to reboot the Company's servers with assistance from the Company.

Delayed Reporting to the Interim Receiver

3.0.12 The Interim Receiver spent the entire day of May 1, 2020 at the Premises.

In addition to rebooting the servers on this date, the Interim Receiver spent most of the day meeting with Ms. Eveley and Ms. McDonald, with a view to trying to obtain an understanding of the Company's business. At this meeting, the Interim Receiver confirmed with Ms. Eveley and Ms. McDonald as to what they would be required to provide the Interim Receiver, so that, in turn, the Interim Receiver would be able to review, consider and further probe this information, all with a view to preparing a meaningful report to the Court regarding the viability of the Company's business.

3.0.13 Despite repeated requests by the Interim Receiver and promises made by the Company, the Interim Receiver did not receive any financial information from the Company until May 15, 2020. Even then, the financial information provided was unsupported and patently insufficient for the Interim Receiver to formulate any meaningful view regarding the future viability of the Company. Over the course of the period from May 15 through to the date of this First Report, several emails were exchanged amongst the Interim Receiver, the Company and their respective counsel, as applicable, regarding the need for the Company to provide specific information and supporting documentation with respect to a financial forecast. Although certain information began to flow during the Victoria Day weekend ending on May 18, 2020, the Interim Receiver is still awaiting receipt of a revised financial forecast and additional documents to support certain material assumptions underlying the financial forecast. Attached as **Appendix "3"** to this First Report are copies of these email exchanges.

3.0.14 The Interim Receiver has worked diligently and under significant time restraints to, with the assistance of the Company, prepare and review a financial forecast.

3.0.15 Although the Company has now provided some information, additional information (and therefore time) is required to finalize a financial forecast with supportable assumptions, including, without limitation, a scenario analysis reflecting a move from the current Premises (or the basis upon which the Company would be permitted to remain at the Premises) and evidence of financing in place to fund cash shortfalls and/or repayment of certain liabilities in full. The Company has advised the Interim Receiver that it will be able to provide this information to the Interim Receiver by the end of day tomorrow (Friday, May 22, 2020), being the last business day prior to which the Interim Receiver's mandate is scheduled to expire in the ordinary course pursuant to the terms of the Appointment Order (Monday, May 25, 2020).

3.0.16 At the present time, the Interim Receiver has been provided with insufficient information to report on the viability of maintaining Eveley's business as a going concern. The Interim Receiver very much hopes that such information of a meaningful nature is provided to the Interim Receiver on May 22, 2020. Once the Interim Receiver's go-forward mandate, if any, post-May 25, 2020 is determined, a further report or supplemental report will then be prepared and filed, as appropriate.

4.0 TERM OF THE INTERIM RECEIVER'S MANDATE

4.0.1 The Appointment Order provides that the Interim Receiver's mandate shall only continue until the earlier of:

- a) the taking of possession of the Property by a receiver, within the meaning of subsection 243(2) of the BIA;

- b) the taking of possession of the Property by a trustee in bankruptcy;
- c) May 25, 2020; and
- d) further Order of the Court.

4.0.2 Accordingly, absent further Order of the Court, the Interim Receiver's mandate will be at an end by no later than May 25, 2020 (or earlier if a receiver or trustee is appointed beforehand), such that, amongst other things and for greater certainty, the Interim Receiver shall no longer be in place with any protective or other powers with respect to the Property, the Premises or the Company's business, as applicable.

Dated at Toronto this 21st day of May, 2020

msi Spergel inc.,
solely in its capacity as Court-appointed
Interim Receiver of Eveley International
Corporation, and not in its personal or
corporate capacity

Per:



Mukul Manchanda, CPA, CIRP, LIT
Principal
40066988.2

APPENDIX 1

Court File No. CV-20-00639897-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.

)

THURSDAY, THE 23RD

JUSTICE MCEWEN

)

DAY OF APRIL, 2020

)

B E T W E E N:

CANADIAN EQUIPMENT FINANCE & LEASING INC.

Applicant

- and -

EVELEY INTERNATIONAL CORPORATION

Respondent

APPLICATION UNDER subsection 47(1) of the *Bankruptcy and Insolvency Act*

**ORDER
(appointing Interim Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to subsection 47(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") appointing msi Spergel inc. as interim receiver (in such capacity, the "**Interim Receiver**") without security, of all of the assets, undertakings and properties of Eveley International Corporation (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day via videoconference.

ON READING the affidavits of Brent Keenan and Dawn Eveley sworn April 22, 2020 and the exhibits thereto and on hearing the submissions of counsel for the Applicant, the Debtor, 2565698 Ontario Inc. ("**256**") and the Interim Receiver, no one appearing for any other party on the service list although duly served as appears from the affidavit of service of Brendan Bissell

sworn April 23, 2020 and on reading the consent of msi Spergel inc. to act as the Interim Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to subsection 47(1) of the BIA, msi Spergel inc. is hereby appointed Interim Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**") until the earlier of:

- (a) the taking of possession by a receiver, within the meaning of subsection 243(2) of the BIA, of the Property;
- (b) the taking of possession by a trustee in bankruptcy of the Property;
- (c) May 25, 2020; and
- (d) further order of this Court.

INTERIM RECEIVER'S POWERS

3. THIS COURT ORDERS that the Interim Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Interim Receiver is hereby expressly empowered and authorized to do any of the following where the Interim Receiver considers it necessary or desirable to preserve and protect the Property:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property and to occupy the premises municipally known as 665 Arvin

Avenue in Stoney Creek, Ontario (the "Arvin Premises") subject to payment of occupation costs on a per diem basis, payable bi-weekly and based on a monthly cost of rent and additional rent calculated in accordance with the terms of the terminated lease between the Debtor and 256, and subject to the terms of an occupation agreement to be mutually agreed upon between the Interim Receiver and 256;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to investigate and prepare a report as to the business and operations of the Debtor, including the viability of maintaining the Debtor's business as a going concern, which report shall be filed by the Interim Receiver as soon as reasonably possible and by no later than May 21, 2020;
- (d) to use best efforts to take steps to reboot the Debtor's servers at the Arvin Premises and to use best efforts to restart the machinery and equipment owned by the Debtor and located at the Arvin Premises, for which the Interim Receiver shall incur no liability or obligation save and except for any gross negligence or willful misconduct on its part;
- (e) to use best efforts to, on the Debtor's behalf, package and ship any of the Debtor's completed customer orders, for which the Interim Receiver shall incur no liability or obligation save and except for any gross negligence or willful misconduct on its part;
- (f) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise

of the Interim Receiver's powers and duties, including without limitation those conferred by this Order;

- (g) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (h) to report to, meet with and discuss with such affected Persons (as defined below) as the Interim Receiver deems appropriate on all matters relating to the Property and the interim receivership, and to share information, subject to such terms as to confidentiality as the Interim Receiver deems advisable; and
- (i) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

and in each case where the Interim Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INTERIM RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Interim Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Interim Receiver, and shall deliver all such Property to the Interim Receiver upon the Interim Receiver's request, with the exception, pending further Order of this Court, of any Property located at the Arvin Premises.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Interim Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Interim Receiver or permit the Interim Receiver to make, retain and take away copies thereof and grant to the Interim Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Interim Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Interim Receiver for the purpose of allowing the Interim Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Interim Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Interim Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Interim Receiver with all such assistance in gaining immediate access to the information in the Records as the Interim Receiver may in its discretion require including providing the Interim Receiver with instructions on the use of any computer or other system and providing the Interim Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE INTERIM RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Interim Receiver except with the written consent of the Interim Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Interim Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtor, the Interim Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Interim Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Interim Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Interim Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE INTERIM RECEIVER

10. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Interim Receiver or leave of this Court.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized

banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Interim Receiver, and that the Interim Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Interim Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Interim Receiver, or as may be ordered by this Court.

INTERIM RECEIVER TO HOLD FUNDS

12. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Interim Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Interim Receiver (the "**Post Interim Receivership Accounts**") and the monies standing to the credit of such Post Interim Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Interim Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Interim Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Interim Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Interim Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

LIMITATION ON ENVIRONMENTAL LIABILITIES

14. THIS COURT ORDERS that nothing herein contained shall require the Interim Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Interim Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Interim Receiver shall not, as a result of this Order or anything done in pursuance of the Interim Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE INTERIM RECEIVER'S LIABILITY

15. THIS COURT ORDERS that the Interim Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, including, but not limited to, any illness or bodily harm resulting from a party or parties contracting COVID-19, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Interim Receiver by section 14.06 of the BIA or by any other applicable legislation.

INTERIM RECEIVER'S ACCOUNTS

16. THIS COURT ORDERS that the Interim Receiver and counsel to the Interim Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Interim Receiver and counsel to the Interim Receiver shall be entitled to and are hereby granted a charge

(the "**Interim Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Interim Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

17. THIS COURT ORDERS that the Interim Receiver and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Interim Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

18. THIS COURT ORDERS that prior to the passing of its accounts, the Interim Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Interim Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE INTERIM RECEIVERSHIP

19. THIS COURT ORDERS that the Interim Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$100,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Interim Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Interim Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Interim Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

20. THIS COURT ORDERS that neither the Interim Receiver's Borrowings Charge nor any other security granted by the Interim Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

21. THIS COURT ORDERS that the Interim Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Interim Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

22. THIS COURT ORDERS that the monies from time to time borrowed by the Interim Receiver pursuant to this Order or any further order of this Court and any and all Interim Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Interim Receiver's Certificates.

SERVICE AND NOTICE

23. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/> shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL www.spergelcorporate.ca .

24. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Interim Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next

business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

25. THIS COURT ORDERS that the Interim Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

26. THIS COURT ORDERS that nothing in this Order shall prevent the Interim Receiver from acting as a trustee in bankruptcy of the Debtor.

27. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Interim Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Interim Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Interim Receiver and its agents in carrying out the terms of this Order.

28. THIS COURT ORDERS that the Interim Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Interim Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

29. THIS COURT ORDERS that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Interim Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

30. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Interim Receiver and to any other

- 12 -

party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

A handwritten signature in black ink, appearing to be "McLennan", written over a horizontal line.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

APR 24 2020

PER / PAR: 

SCHEDULE "A"

INTERIM RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that msi Spergel inc., in its capacity as the interim receiver (in such capacity, the "**Interim Receiver**") of the assets, undertakings and properties of Eveley International Corporation (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 23rd day of April, 2020 (the "**Order**") made in an application having Court file number CV-20-00639897-00CL has received as such Interim Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Interim Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Interim Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Interim Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Interim Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Interim Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Interim Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

msi Spergel inc, solely in its capacity
as Interim Receiver of the Property, and
not in its personal capacity

Per: _____
Name:
Title:

CANADIAN EQUIPMENT FINANCE & LEASING INC.
Applicant

- and -

EVELEY INTERNATIONAL CORPORATION
Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**ORDER
(appointing interim receiver)**

GOLDMAN SLOAN NASH & HABER LLP
Barristers & Solicitors
480 University Avenue, Suite 1600
Toronto, Ontario
M5G 1V2

R. Brendan Bissell [LSO No. 40354V]
Email: bissell@gsnh.com
Tel: (416) 597-6489
Fax: (416) 597-3370

Lawyers for the Applicant,
Canadian Equipment Finance & Leasing Inc.

APPENDIX 2

THIS AGREEMENT made as of the 27th day of April, 2020 (this “**Agreement**”).

B E T W E E N:

msi Spergel inc., solely in its capacity as the court-appointed interim receiver of all the assets, undertakings and properties of Eveley International Corporation, and not in any personal or corporate capacity

(hereinafter referred to as the “**Interim Receiver**”)

OF THE FIRST PART

- and -

2565698 Ontario Inc.

(hereafter referred to as “**256**”)

OF THE SECOND PART

WHEREAS:

- A. 256 is the owner of the premises municipally known as 665 Arvin Avenue in Stoney Creek, Ontario (the “**Premises**”);
- B. msi Spergel inc. (“**Spergel**”) was appointed as the Interim Receiver pursuant to the Order of The Honourable Mr. Justice McEwen of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made on April 23, 2020 (the “**Appointment Order**”);
- C. as set out in the Appointment Order, and subject to further order of the Court, the term of the Interim Receiver’s appointment (the “**Term**”) shall expire on the earliest of: (i) the taking of possession of the assets, undertakings and properties of Eveley International Corporation (collectively, the “**Property**”) by a receiver, within the meaning of subsection 243(2) of the *Bankruptcy and Insolvency Act* (Canada); (ii) the taking of possession of the Property by a trustee in bankruptcy; and (iii) May 25, 2020;
- D. amongst other things, the Appointment Order expressly empowers and authorizes the Interim Receiver to occupy the Premises upon the payment to 256 of occupation costs on a per diem basis, payable bi-weekly, subject to the terms of an occupation agreement to be mutually agreed upon between the Interim Receiver and 256; and
- E. the Interim Receiver and 256 have agreed to enter into this Agreement to set forth the terms upon which the Interim Receiver shall occupy the Premises.

NOW THEREFORE, in consideration of the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of the parties does hereby covenant and agree as follows:

OCCUPATION AND USE OF PREMISES

1. Notwithstanding the terms of any lease agreement between Eveley International Corporation (the “**Debtor**”) and 256, including, without limitation, the industrial building lease agreement between the Debtor and 256 dated January 2, 2019, the Interim Receiver’s obligations during its occupation of the Premises shall solely be governed by the terms set out in this Agreement. For greater certainty, and without limiting the generality of the foregoing, 256 hereby agrees that the Interim Receiver shall not be bound to perform any of the terms, covenants or obligations of the Debtor under any lease agreement that existed between the Debtor and 256.

2. Subject to the terms and conditions of this Agreement, 256 hereby covenants and agrees to provide the Interim Receiver and its agents and representatives with uninterrupted occupation and access to the Premises from the date hereof to and including the last day of the Term or such other date as may be mutually agreed in writing between the Interim Receiver and 256; provided, however, that the Interim Receiver may in its sole discretion, on no less than two business days notice to 256, vacate the Premises on an earlier date of its choosing (the period from the date hereof to the date on which the Interim Receiver vacates the Premises being the “**Occupation Period**”). The Interim Receiver shall have no responsibility whatsoever in respect of the Premises, including, without limitation, occupation costs, in respect of any period falling outside the Occupation Period.

3. The Interim Receiver agrees that it will occupy the Premises on an “as is, where is” basis and shall use, keep, maintain and ultimately return the Premises occupied by it pursuant to this Agreement in no worse condition than it was in at the beginning of the Occupation Period, reasonable wear and tear excepted. The Interim Receiver also agrees that it will maintain or cause to be maintained liability insurance and property damage insurance relating to any Property that may be located on Premises in an amount and with coverage acceptable to 256, acting reasonably.

OCCUPATION COSTS

4. The Interim Receiver shall pay to 256 occupation costs on a per diem basis during the Occupancy Period, payable bi-weekly, in arrears, and based on a monthly basic cost of occupation of \$50,000 (plus HST) plus incurred utilities and accrued realty taxes for the period in question with the first payment due on May 8, 2020. Written evidence satisfactory to the Interim Receiver, acting reasonably, of such incurred utilities and accrued realty taxes (or reasonable estimates thereof) shall be provided by 256 to the Interim Receiver prior to payment of same by the Interim Receiver.

5. The Interim Receiver shall have no other financial obligation to 256 hereunder other than the occupation costs specified by section 4 of this Agreement and damages for breach of this Agreement.

LIMITATION ON TERMS

6. Nothing in this Agreement shall affect the right of 256 to have access to the Premises for the purpose of fulfilling its duties and obligations at law as owner of the Premises, it being understood however that 256 shall not unreasonably interfere with the Interim Receiver's use of the Premises.

7. 256 and the Interim Receiver each hereby acknowledge and agree that nothing in this Agreement is intended, or shall be construed, to create a lease or sublease or an assignment of any terminated lease in favour of the Interim Receiver or otherwise impose on the Interim Receiver any obligations as a lessee, sub-lessee or assignee.

GENERAL

8. This Agreement shall be binding upon and enure to the benefit of the Interim Receiver, its successors and permitted assigns.

9. This Agreement shall be binding upon and enure to the benefit of 256 and its successors and permitted assigns.

10. It is acknowledged by 256 that Spergel is entering into this Agreement solely in its capacity as the Interim Receiver and that Spergel shall have absolutely no personal or corporate liability under or as a result of this Agreement in any respect.

11. This Agreement shall be governed by, and construed and enforced in accordance with, the laws in force in the Province of Ontario. Each party irrecoverably submits to the exclusive jurisdiction of the Court in Toronto with respect to any matter arising hereunder or related hereto.

12. This Agreement may be executed in counterpart by facsimile or other electronic transmission. Each executed counterpart shall be deemed to be an original, and all executed counterparts taken together shall constitute one agreement.

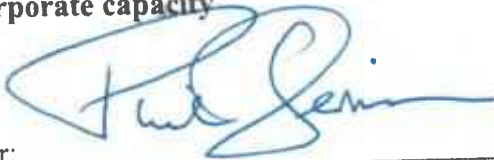
13. This Agreement may be amended or supplemented only by a written agreement signed by each party.

14. This Agreement may be assigned by a party only with the prior written consent of the other party.

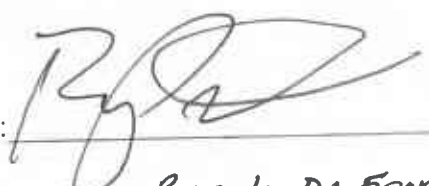
IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

MSI SPERGEL INC.

solely in its capacity as the Court-appointed interim receiver
of Eveley International Corporation, and not in any personal or
corporate capacity


Per: _____
Philip H. Gennis, Senior Principal

2565698 ONTARIO INC.


Per: _____
Name: Benito Di Franco
Title: President

39731252.1

APPENDIX 3

Mukul Manchanda

From: Mukul Manchanda
Sent: May 5, 2020 7:18 PM
To: Dawn Eveley; sandram@eveley-int.com
Cc: Philip Gennis
Subject: Update

Hi Dawn and Sandra

Do you have an update for us regarding the forecast?

Mukul Manchanda, CPA, CIRP, LIT | Partner
msi Spergel inc.
505 Consumers Road, Suite 200
Toronto, ON M2J 4V8
T/F: 416-498-4314

Mukul Manchanda

From: Gustavo Camelino <gcamelino@clegal.ca>
Sent: May 6, 2020 1:46 PM
To: Philip Gennis
Cc: Mukul Manchanda
Subject: RE: Eveley-Request for Financial Information

Phil,

I spoke with Dawn about this earlier today.

She told me that the controller is working feverishly to get the financials finished and delivered to you and Mukul. The server related downtime put a wrench in the works as you might imagine.

In terms of the timing, both Dawn and the controller understood that they were to come back to you by tomorrow with any questions they may have. There were none so you didn't hear from them. From your email, I surmise that there was an honest misunderstanding about expectations.

In any event, they expect to have it all to you in 2 days (by Friday). If that expectation changes we will let you know.

I think it important that you get the complete picture for your report so my client is working diligently to do that for you.

Let me know if you have any questions/concerns.

Gus

Sent from my Bell Samsung device over Canada's largest network.

----- Original message -----

From: Philip Gennis <PGennis@spergel.ca>
Date: 2020-05-06 1:31 p.m. (GMT-05:00)
To: Gustavo Camelino <gcamelino@clegal.ca>
Cc: Mukul Manchanda <mmanchanda@spergel.ca>, Philip Gennis <PGennis@spergel.ca>
Subject: Eveley-Request for Financial Information

Gus,

I hope that you and yours are well.

Just reaching out to get your assistance in getting financial information to us.

We were assured last Friday that the controller would be assembling information and getting it to us yesterday so that we could have our review completed by this coming Friday.

When I spoke with Dawn this morning, she was under a different impression, namely that the information was to be provided by this Friday.

Just trying to expedite this. Delays do not bode well for the future of this business.

Thanks in advance for your help,

Philip

Philip Gennis, J.D., CIRP, LIT | Partner

msi Spergel Inc. | Licensed Insolvency Trustees

505 Consumers Road, Suite 200, North York, M2J 4V8

T/F: 416-498-4325 | C: (416) 457-4773

PGennis@spergel.ca | www.spergelcorporate.ca

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Mukul Manchanda

From: dawn@eveley-int.com
Sent: May 7, 2020 11:33 AM
To: Philip Gennis
Cc: gcamelino@cglegal.ca; Mukul Manchanda; Philip Gennis
Subject: Re: Eveley - AR and AP

Good Morning:

Thanks for your email.

I believe the accounts payable and accounts receivable trial balances are in need of update. I will check on the status with Sandra.

I know Sandra told me last Friday when we discussed what getting your project done entailed, that part of the exercise was updating the a/p and a/r for unposted transactions, as it was part of the cash flow. Her agenda was to prepare the cash flow package, with scenario analysis for Mukul (a/r & a/p are part of this) and offered to try to have it a week earlier than Mukul requested. I understand she spoke with Mukul yesterday to confirm the original arrangement and reiterate the conversation that the three of us had about trying for this Friday. She had asked Mukul that day if she could ask him any questions, and he said he would be available on the weekend, unavailable Monday, but he would be good Tuesday if she needed him. Mukul indicated that if we needed to get into the building, he could send a junior to let her in. They agreed that Monday all the information would be sent instead of Friday, which is where they left it in agreement that day.

We all understand how important this is and that time is of the essence, and we are working toward this common goal. I will update you as soon as I can.

Regards,
 Dawn

On Thu, 7 May 2020 01:28:48 +0000, Philip Gennis <PGennis@spergel.ca> wrote:

Dawn,

While we are awaiting receipt of the forecast, can you please provide us with a list of AR and AP together with supporting documents on an urgent basis.

Thanks,

Philip Gennis, J.D., CIRP, LIT | Partner

msi Spergel Inc. | Licensed Insolvency Trustees
 505 Consumers Road, Suite 200, North York, M2J 4V8
 T/F: 416-498-4325 | C: (416) 457-4773

PGennis@spergel.ca | www.spergelcorporate.ca

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Mukul Manchanda

From: sandram@eveley-int.com
Sent: May 11, 2020 4:14 PM
To: Mukul Manchanda
Cc: Dawn Eveley
Subject: Reporting Update

Good Afternoon, Mukul:

I hope you had a good weekend.

I have been working diligently on this project and now I understand why you originally suggested this Friday as an expected delivery date; it was probably the most realistic choice, given the speed of the VPN connection and the work involved. It has been especially slow in the windy weather we have been having. That being said, I do greatly appreciate that it is available to use.

Dawn and I are getting together tomorrow to review the information with a view of finalizing the content. We are making good progress, however, we do understand that you're anxious to get the information as soon as possible.

We will call you in the afternoon to discuss our progress and the delivery of the report.

Best regards,
Sandra

Mukul Manchanda

From: dawn@eveley-int.com
Sent: May 12, 2020 4:35 PM
To: Mukul Manchanda
Cc: sandram@eveley-int.com
Subject: Report

Good Afternoon, Mukul:

I hope your day is going well.

Sandra and I are 1 step closer to completion; we are getting together once again tomorrow to get right back at the report. We will again be in touch tomorrow.

Regards,
Dawn

Mukul Manchanda

From: Gustavo Camelino <gcamelino@clegal.ca>
Sent: May 12, 2020 5:58 PM
To: Philip Gennis
Cc: Ian Aversa (iaversa@airdberlis.com); Brendan Bissell - Goldman Sloan Nash & Haber LLP (bissell@gsnh.com); Brent Keenan; Mukul Manchanda
Subject: RE: Report

Phil,

Thanks for the message. I will follow up with Dawn. It sounds like she and Sandra are working on the documents.

I haven't been involved in any of your discussions with them – is there something specific that I can inquire about that may assist you?

Gus

Gustavo F. Camelino
 416-306-3834

From: Philip Gennis <PGennis@spergel.ca>
Sent: Tuesday, May 12, 2020 5:11 PM
To: Gustavo Camelino <gcamelino@clegal.ca>
Cc: Ian Aversa (iaversa@airdberlis.com) <iaversa@airdberlis.com>; Brendan Bissell - Goldman Sloan Nash & Haber LLP (bissell@gsnh.com) <bissell@gsnh.com>; Brent Keenan <brent.keenan@cefl.ca>; Mukul Manchanda <mmanchanda@spergel.ca>; Philip Gennis <PGennis@spergel.ca>
Subject: FW: Report
Importance: High

Gus,

Please see the email below from Dawn and the controller.

Frankly, these recurring delays are unacceptable as we are under a tight timeline for compliance with the IR Order.

Regards,

Philip Gennis, J.D., CIRP, LIT | Partner
 msi Spergel Inc. | Licensed Insolvency Trustees
 505 Consumers Road, Suite 200, North York, M2J 4V8
 T/F: 416-498-4325 | C: (416) 457-4773
PGennis@spergel.ca | www.spergelcorporate.ca
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From: Mukul Manchanda <mmanchanda@spergel.ca>

Sent: May 12, 2020 4:39 PM

To: Philip Gennis <PGennis@spergel.ca>

Subject: Fwd: Report

Mukul Manchanda, CPA, CIRP, LIT | Partner
msi Spergel inc.

505 Consumers Road, Suite 200

Toronto, ON M2J 4V8

T/F: 416-498-4314

Begin forwarded message:

From: "dawn@eveley-int.com" <dawn@eveley-int.com>

Date: May 12, 2020 at 4:34:43 PM EDT

To: Mukul Manchanda <mmanchanda@spergel.ca>

Cc: "sandram@eveley-int.com" <sandram@eveley-int.com>

Subject: Report

Good Afternoon, Mukul:

I hope your day is going well.

Sandra and I are 1 step closer to completion; we are getting together once again tomorrow to get right back at the report. We will again be in touch tomorrow.

Regards,
Dawn

Mukul Manchanda

From: Sandra McDonald <sandram@eveley-int.com>
Sent: May 12, 2020 7:40 PM
To: Mukul Manchanda
Subject: FINANCIAL STATEMENTS
Attachments: Eveley Financial Statements December 31, 2018.pdf; Eveley Alignment & Spring Service Limited - 2017FS.PDF; 534755 Ontario Limited - 2017FS.PDF; 534755 Ontario Limited - Group - 2017FS.PDF; 2442968 Ontario Inc. - 2017FS.PDF; EVELEY DECEMBER, 2019 FINANCIAL STATEMENTS IN-HOUSE.pdf; 534755 OL FS DECEMBER 31, 2018.pdf; 2442968 OI FS DECEMBER 31, 2018.pdf

Hello Mukul:

I received a phone call requesting I send you this information. Due to the amalgamation of the three companies represented by the financial statements on January 1, 2019, it was advised to prepare in-house statements only for the two numbered companies.

Regards,
Sandra

Mukul Manchanda

From: Mukul Manchanda
Sent: May 13, 2020 4:34 PM
To: sandram@eveley-int.com
Cc: Dawn Eveley; Philip Gennis
Subject: Re: Report

Thanks Sandra

Mukul Manchanda, CPA, CIRP, LIT | Partner
msi Spergel inc.
505 Consumers Road, Suite 200
Toronto, ON M2J 4V8
T/F: 416-498-4314

On May 13, 2020, at 3:57 PM, "sandram@eveley-int.com" <sandram@eveley-int.com> wrote:

Hello Mukol:

Dawn and I have continued to work on the report and will be sending it to you tomorrow for feedback.

Regards,
Sandra

Mukul Manchanda

From: Mukul Manchanda
Sent: May 14, 2020 4:29 PM
To: 'sandram@eveley-int.com'
Cc: Dawn Eveley; Philip Gennis
Subject: RE: Report

Hi Sandra,

I am just following up on the status of the report? Please note that we have to file our report with the court by May 21st and the upcoming weekend is a long weekend.

Look forward to hearing from you.

Regards,

Mukul Manchanda, CPA, CIRP, LIT | **Partner**
 msi Spergel inc. | Licensed Insolvency Trustees
 505 Consumers Road, Suite 200, North York, M2J 4V8
 T: 416-498-4314 | C: 416-454-4246 | F: 416-498-4314
mmanchanda@spergel.ca | www.spergelcorporate.ca
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From: sandram@eveley-int.com <sandram@eveley-int.com>
Sent: May 13, 2020 3:58 PM
To: Mukul Manchanda <mmanchanda@spergel.ca>
Cc: Dawn Eveley <dawn@eveley-int.com>
Subject: Report

Hello Mukol:

Dawn and I have continued to work on the report and will be sending it to you tomorrow for feedback.

Regards,
 Sandra

Mukul Manchanda

From: Philip Gennis
Sent: May 14, 2020 4:46 PM
To: gcamelino@cglegal.ca
Cc: Brendan Bissell - Goldman Sloan Nash & Haber LLP (bissell@gsnh.com); Ian Aversa (iaversa@airdberlis.com); Mukul Manchanda; Philip Gennis
Subject: FW: Report
Importance: High

Gus,

With the utmost of respect, this has gotten out of hand.
 Despite repeated promises we are no further ahead today than we were on April 23rd.
 Our appointment as Interim Receiver expires on May 25th and we are required to put in a Report by May 21st.
 Given the date, our ability to review and report on the financial future of this Company has been severely impaired.

Regards,

Philip Gennis, J.D., CIRP, LIT | Partner

msi Spergel Inc. | Licensed Insolvency Trustees
 505 Consumers Road, Suite 200, North York, M2J 4V8
 T/F: 416-498-4325 | C: (416) 457-4773
PGennis@spergel.ca | www.spergelcorporate.ca
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From: Mukul Manchanda <mmanchanda@spergel.ca>
Sent: May 14, 2020 4:29 PM
To: 'sandram@eveley-int.com' <sandram@eveley-int.com>
Cc: Dawn Eveley <dawn@eveley-int.com>; Philip Gennis <PGennis@spergel.ca>
Subject: RE: Report

Hi Sandra,

I am just following up on the status of the report? Please note that we have to file our report with the court by May 21st and the upcoming weekend is a long weekend.

Look forward to hearing from you.

Regards,

Mukul Manchanda, CPA, CIRP, LIT | Partner

msi Spergel inc. | Licensed Insolvency Trustees
505 Consumers Road, Suite 200, North York, M2J 4V8
T: 416-498-4314 | C: 416-454-4246 | F: 416-498-4314
mmanchanda@spergel.ca | www.spergelcorporate.ca
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From: sandram@eveley-int.com <sandram@eveley-int.com>
Sent: May 13, 2020 3:58 PM
To: Mukul Manchanda <mmanchanda@spergel.ca>
Cc: Dawn Eveley <dawn@eveley-int.com>
Subject: Report

Hello Mukol:

Dawn and I have continued to work on the report and will be sending it to you tomorrow for feedback.

Regards,
Sandra



Ian Aversa
Direct: 416.865.3082
Email: iaversa@airdberlis.com

May 14, 2020

VIA EMAIL (gcamelino@clegal.ca)

Camelino Galessiere LLP
6 Adelaide Street East, Suite 220
Toronto, ON M5C 1H6

Attention: Gustavo F. Camelino

Dear Mr. Camelino:

**Re: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation /
Court File No. CV-19-00639897-00CL**

We understand that you are counsel for Eveley International Corporation (the “**Debtor**”).

As you know, we are the lawyers for msi Spergel inc. (“**Spergel**”), in its capacity as the court-appointed interim receiver (in such capacity, the “**Interim Receiver**”) of the Debtor. Spergel was appointed as the Interim Receiver pursuant to the Order of The Honourable Mr. Justice McEwen of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made on April 23, 2020 (the “**Appointment Order**”).

As you also know, paragraph 3 of the Appointment Order empowers and authorizes, but does not obligate, the Interim Receiver to act once in respect of the Property (as defined in the Appointment Order) where the Interim Receiver considers it necessary or desirable to preserve and protect the Property, including, without limitation, to investigate and prepare a report (the “**Report**”) as to the business and operations of the Debtor, including the viability of maintaining the Debtor’s business as a going concern (the “**Specified Purpose**”), which Report shall be filed by the Interim Receiver as soon as reasonably possible and by no later than May 21, 2020 (the “**Report Filing Deadline**”).

As you also know, and notwithstanding repeated requests made of the Debtor by the Interim Receiver to obtain the necessary information to prepare the Report for the Specified Purpose, and notwithstanding the obligation of all Persons (as defined in the Appointment Order) to provide such information to the Interim Receiver upon request, virtually no meaningful information has been provided to date by the Debtor. Specifically, other than the Interim Receiver receiving certain internally-prepared financial statements as at December 31, 2019, the limited information provided thus far by the Debtor is from 2018 and 2017 and is of virtually no assistance whatsoever in investigating the Specified Purpose.

The outstanding Requested Information (the “**Outstanding Information**”) includes, but is not limited to:

- a. a fully-integrated financial forecast on a monthly basis for the next six months and assumptions underlying such forecast;
- b. year-to-date internally prepared financial statements;

- c. accounts receivable and payable listings as at the start date of the financial forecast;
- d. copies of statements from Canada Revenue Agency with respect to outstanding payroll liabilities, HST and income taxes;
- e. copies of contracts on hand and evidence that the underlying customers are willing to continue doing business with the Debtor;
- f. evidence that the Debtor will be able to arrange for a sufficient workforce to service the contracts on hand;
- g. plan with respect to finding an alternative premises to continue operations; and
- h. source of cash infusion to restart operations, if required.

We understand that the Interim Receiver originally asked the Debtor to provide the Outstanding Information by no later than May 5, 2020, after which date the Debtor advised that there was miscommunication as the Debtor understood it was required to provide the Outstanding Information by May 8, 2020, and, when that did not occur, by May 11, 2020, and, when that did not occur, by May 12, 2020, and, when that did not occur, by today, May 14, 2020. Notwithstanding the Debtor's repeated promises to deliver the Outstanding Information, and notwithstanding the obligation to do so under the Appointment Order, the Outstanding Information remains outstanding. As a result, the ability for the Interim Receiver to deliver a meaningful Report for the Specified Purpose by the Report Filing Deadline is very much in jeopardy.

Please be advised that if the Outstanding Information is not delivered to the Interim Receiver, in full, **by no later than the close of business tomorrow, May 15, 2020:**

- a. it will be impossible for the Interim Receiver to perform the necessary analysis to produce a meaningful Report for the Specified Purpose by the Report Filing Deadline; and
- b. the Interim Receiver will have no alternative to advise the Court of the foregoing.

The Interim Receiver very much hopes the Outstanding Information will finally be provided to the Interim Receiver, in full, by no later than the close of business tomorrow and that the Debtor's representatives will make themselves available over the weekend to answer any follow-up questions, and provide any follow-up information, as may be requested by the Interim Receiver.

Yours very truly,

AIRD & BERLIS LLP

Ian Aversa

Ian Aversa

IA/jn

cc: Client (via email)
B. Bissell, counsel for Canadian Equipment Finance & Leasing Inc. (via email)

Mukul Manchanda

From: Gustavo Camelino <gcamelino@clegal.ca>
Sent: May 15, 2020 5:16 PM
To: Philip Gennis; Mukul Manchanda; Gustavo Camelino
Cc: dawn@eveley-int.com; Ian Aversa; jnemers@airdberlis.com; Brendan Bissell
Subject: FW: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation / Court File No. CV-19-00639897-00CL

Phil and Mukul,

Please see below from Sandra. She has indicated that you will have the requested documents today. My client is frustrated as you will note that they were not made aware that you needed many of the documents listed in your lawyers letter until now.

In any event, that's water under the bridge as all documents requested will be delivered today.

Thanks

Gus

Sent from my Bell Samsung device over Canada's largest network.

----- Original message -----

From: Sandra McDonald <sandram@eveley-int.com>
Date: 2020-05-15 4:30 p.m. (GMT-05:00)
To: Gustavo Camelino <gcamelino@clegal.ca>
Cc: dawn@eveley-int.com
Subject: RE: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation / Court File No. CV-19-00639897-00CL

Good Afternoon, Gus:

I just wanted to let you know that I will be sending the information today, I'm just not sure what time.

I have not been asked for all this information prior to today. I could have missed it but I would really like to see the original request.

Regards,
Sandra

From: Gustavo Camelino [mailto:gcamelino@clegal.ca]
Sent: May 15, 2020 11:45 AM
To: Sandra McDonald <sandram@eveley-int.com>
Cc: 'dawn@eveley-int.com' <dawn@eveley-int.com>
Subject: FW: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation / Court File No. CV-19-00639897-00CL

Sandra:

Dawn has asked me to send a copy of the attached letter to you.

It includes a list of the specific documents that Phil and Mukul are looking for.

They need the documents by today.

Gus

Gustavo F. Camelino
416-306-3834

From: Jeremy Nemers <jnemers@airdberlis.com>
Sent: Thursday, May 14, 2020 8:43 PM
To: Gustavo Camelino <gcamelino@clegal.ca>
Cc: Ian Aversa <iaversa@airdberlis.com>; Mukul Manchanda <mmanchanda@spergel.ca>; Philip Gennis <PGennis@spergel.ca>; Brendan Bissell <bissell@gsnh.com>
Subject: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation / Court File No. CV-19-00639897-00CL

Please see the attached letter of today's date.

Jeremy Nemers

T 416.865.7724
F 416.863.1515
E jnemers@airdberlis.com

Aird & Berlis LLP | Lawyers
Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Canada M5J 2T9 | airdberlis.com



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If you did receive this email in error, the information in this email may be confidential and must not be disclosed to anyone.

Mukul Manchanda

From: Jeremy Nemers <jnemers@airdberlis.com>
Sent: May 15, 2020 7:28 PM
To: gcamelino@cglegal.ca
Cc: Philip Gennis; Mukul Manchanda; Ian Aversa; Brendan Bissell
Subject: Re: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation / Court File No. CV-19-00639897-00CL
Attachments: Fwd: Eveley - AR and AP; Fwd: Reporting Update

Thanks for your email Gus. The Interim Receiver looks forward to receiving the materials today.

However, to set the record straight, the Interim Receiver strongly disagrees with the second paragraph of Ms. McDonald's email. The Interim Receiver met with Ms. McDonald in person on April 26 and May 1. At those meetings, the Interim Receiver confirmed with Ms. McDonald that the very purpose of its mandate is to prepare a report addressing the potential viability of maintaining the company's business as a going concern, that the Interim Receiver would therefore need to see both a fully-integrated financial forecast and underlying assumptions and that these materials would need to be provided much earlier than with a few days left in the Interim Receiver's 30-day mandate (assuming that they will be provided tonight). The suggestion that the Interim Receiver could assess the business on a go-forward basis without this information (or that Ms. McDonald could prepare the cash flow without the underlying supporting documentation) is neither credible nor truthful. In this regard, please see the attached emails where the company acknowledges that it needs to provide the Interim Receiver with a financial forecast along with all supporting documents.

This email is not being sent to inflame tensions, but the record does need to be set straight. Provided that the complete set of requested materials is finally provided tonight, the Interim Receiver will be working very hard over the weekend to analyze these materials in a time-compressed manner in an attempt to provide a meaningful report for the court and the stakeholders.

Thanks,

Jeremy Nemers
Aird & Berlis LLP

T 416.865.7724
E jnemers@airdberlis.com

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Cc: dawn@eveley-int.com; Ian Aversa <iaversa@airdberlis.com>; Jeremy Nemers <jnemers@airdberlis.com>; Brendan Bissell <bissell@gsnh.com>
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Phil and Mukul,

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Cc: dawn@eveley-int.com

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Cc: 'dawn@eveley-int.com' <dawn@eveley-int.com>

Subject: FW: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation / Court File No. CV-19-00639897-00CL

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From: Jeremy Nemers <jnemers@airdberlis.com>

Sent: Thursday, May 14, 2020 8:43 PM

To: Gustavo Camelino <gcamelino@cgllegal.ca>

Cc: Ian Aversa <iaversa@airdberlis.com>; Mukul Manchanda <mmanchanda@spergel.ca>; Philip Gennis <PGennis@spergel.ca>; Brendan Bissell <bissell@gsnh.com>

Subject: Canadian Equipment Finance & Leasing Inc. v. Eveley International Corporation / Court File No. CV-19-00639897-00CL

Please see the attached letter of today's date.

Jeremy Nemers

T 416.865.7724

F 416.863.1515

E jnemers@airdberlis.com

Aird & Berlis LLP | Lawyers

Brookfield Place, 181 Bay Street, Suite 1800

Toronto, Canada M5J 2T9 | airdberlis.com



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Mukul Manchanda

From: sandram@eveley-int.com
Sent: May 16, 2020 10:33 PM
To: Mukul Manchanda; iaversa@airdberlis.com
Cc: Dawn Eveley; gcamelino@cglegal.ca; bissell@gsnh.com; Philip Gennis; jnemers@airdberlis.com
Subject: Re: Additional Information
Attachments: SPERGEL EVELEY 2020 SIX MONTH PROJECTIONS.xlsx

Good Evening, Mukul:

Here is the file you requested.

Regards,
Sandra

On Sat, 16 May 2020 23:42:58 +0000, Mukul Manchanda <mmanchanda@spergel.ca> wrote:

Just following up Sandra,

I didn't receive anything after your below email. Any chance I can receive the forecast in excel format today?

If you need any assistance from me, please do not hesitate to reach out.

Mukul Manchanda, CPA, CIRP, LIT | Partner
msi Spergel inc.
 505 Consumers Road, Suite 200
 Toronto, ON M2J 4V8
T/F: 416-498-4314

On May 16, 2020, at 1:48 PM, Ian Aversa <iaversa@airdberlis.com> wrote:

Thank you, Sandra. As you know, time is of the essence. Thanks.

On May 16, 2020, at 12:40 PM, "sandram@eveley-int.com" <sandram@eveley-int.com> wrote:

CAUTION -- EXTERNAL E-MAIL - Do not click links or open attachments unless you recognize the sender.

Good Afternoon, Mukul:

I will read through your observations and respond back as soon as possible.

Regards,
Sandra

On Sat, 16 May 2020 15:49:45 +0000, Mukul Manchanda <mmanchanda@spergel.ca> wrote:

Good morning Sandra,

Please provide the financial forecast in excel format along with all working sheets (outlining sales and cost of sales on a monthly basis per contract per customer), as it is much easier to review excel spreadsheets than a pdf version.

The Interim Receiver has reviewed the information and have the following preliminary comments (although you have provided assumptions underlying the forecast, I have attached for your benefit a template of assumptions that are typically used in preparing a cash flow forecast):

- * Assumptions underlying the projections indicates:

- *

- * The 3rd quarter increase is due to [REDACTED]
[REDACTED]. Eveley's largest customer, [REDACTED], has been [REDACTED]
[REDACTED]
[REDACTED]

- *

- *

- * This indicates that the production for this order will begin in September 2020 however the sales appear to be recorded ahead of the order being produced and shipped.

- *

- *

- * Please advise the company's policy with respect to recording sales on all orders on hand and provide a working schedule of same along with reference to the specific contract on a customer by customer basis.

- *

- * Direct wages and benefits are calculated with the assumption that there will be access to the building beginning in May and the implementation of the Work-Sharing Agreement:

*

*

* As you know we are already past mid-May and it appears that the company may not have access to the building this month, if at all, unless a satisfactory arrangements is made with the landlord. Accordingly, it would be prudent to factor such delay in the forecast and commence any operations toward either the end of May or first week of June.

*

* It is assumed that Eveley will continue to rent at the current rate; Eveley has engaged an agent to find an alternative location, and has also had discussions with a company that would be interested in leasing a property with Eveley at the current or new location:

*

*

* As discussed before, the landlord has indicated to the Interim Receiver that it will not allow the company to operate from its premises. It maybe prudent to incorporate a planned move from the premises in a short period of time. The cost of such move (including any business interruption) should also be included in the forecast. The Interim Receiver had a discussion with the company during its initial visit with respect to preparing a scenario analysis for same. Absent any concrete plan in place for moving premises, the company will have to make arrangements with the landlord to stay at the premises and such arrangements should be finalized before the Interim Receiver is required to report to court on May 21, 2020.

*

* Accounts receivable are assumed to be outstanding for 90 days:

*

*

* An accounts receivable aging as at March 31, 2020 indicating a balance of \$1,441,506 was provided. In the financial forecast, you have indicated the balance of the accounts receivable as at April 30, 2020 to be \$1,062,994. Sale in April were nil. The assumption indicates the receivable will be collected in 90 days. The over 90 days balance in April would be approximately \$295,000 however the forecast indicates a collection of \$378,512 in the month of April 2020.

*

*

* Please provide a working sheet indicating the collections of accounts receivable on a month by month basis and on a customer by customer basis. Please also provide copies of bank statements for the months of March and April 2020.

*

* Inventory is assumed to remain constant:

*

*

* The financial forecast indicates changes in the inventory level on a month by month basis. Please clarify.

*

* Accounts payables are assumed to be outstanding for 60 - 90 days, and purchases are made by cash, also:

*

*

* An accounts payable aging as at March 31, 2020 indicating a balance of \$764,975 was provided. In the financial forecast, you have indicated the balance of accounts payable as at April 30, 2020 to be \$514,613 (inclusive of \$283,000 outstanding to 2565968 Ontario Inc.). It would appear that a payment of approximately \$295,000 (taking into account an increase of \$45K in the inventory) was made towards payables.

*

*

* Please provide an updated accounts payable listing as at April 30, 2020 and confirm that the above referenced payment was made to suppliers. In addition please advise what is the arrangement with the suppliers on a go forward basis i.e. COD only or the suppliers are still willing to extend credit and to what extent?

*

* Eveley is in current negotiations to repay 2565968 Ontario Inc. loan amount of \$1,000,000, the details of which are being finalized, therefore, it is assumed that the loan will remain outstanding with predicted interest rate of 10% per annum:

*

*

* Did 2565968 agree to forbear its rights with respect to the outstanding amount while an arrangement is being worked?

*

* Eveley is in current negotiations to purchase a building utilizing new term debt; the details for this have not been finalized:

*

*

* Refer back to the comment with respect to operating from a premises. In the event, the company does not have an arrangement with the existing landlord, it will not be able to operate and continue as a going concern.

* The Interim Receiver's understanding was that the company operated till mid-April 2020. Did the company make no sales during that period as reported in the financial forecast? Please provide an updated accounts receivable as at April 30, 2020 along with documents supporting the accounts receivable i.e. copies of invoices, proof of delivery etc.

* The bank loan/operating line in the forecasted balance sheet is forecasted to be nil for the projected period. However, the statement of changes in net cash flow indicates increases/ (decreases) in bank indebtedness on monthly basis. Please clarify.

* The forecast indicates that no principal payments towards the long-term debt will be made until July 2020. Did the company make formal arrangements with the lenders with respect to deferral of principal loan payments?

*

* Please provide a schedule outlining amounts outstanding to each lender (along with terms attached to the indebtedness) and confirmation from each lender regarding deferral of payment.

* The forecasted balance sheet indicates cash balance on a month over month basis

however the statement of changes in cash flow indicates nil cash balance at every month end. Please clarify.

* With respect to the projected income statement, the Interim Receiver noted that the company is forecasting a gross profit of between 35% and 46% during the forecasted period. The internally prepared financial statements as at December 31, 2019 indicates a gross profit of 21.4%.

*

* Please provide a worksheet on a contract by contract basis and customer by customer basis outlining the calculation of the gross margin per contract.

Other than the observation made above, at this point the Interim Receiver is not able to make any comments with respect to the projected income statement as the supporting documents provided are not accompanied with a worksheet tying them to the financial forecast. As you can appreciate it will be a very time consuming process for the Interim Receiver to trace each contract to the forecast which the company most likely did as part of preparing the forecast. Without such working sheets tying into the forecast along with the supporting documents, it is impossible for the Interim Receiver to review and provide meaningful comments.

As indicated before, the Interim Receiver remains available in order to assist in the preparation of a forecast however time is of the essence with respect to the conclusions that can be made in the Interim Receiver's report that is to be filed with the court in the next few days.

The Interim Receiver looks forward to receiving the information requested. Should you want to discuss any of the comments and observations please do not hesitate to reach out to me on my cell at 416-454-4246.

Thank you in advance for your cooperation in this matter.

Regards,
Mukul Manchanda, CPA, CIRP, LIT | Partner
msi Spergel inc. | Licensed Insolvency Trustees
505 Consumers Road, Suite 200, North York, M2J 4V8
T: 416-498-4314 | C: 416-454-4246 | F: 416-498-4314
mmanchanda@spergel.ca <mailto:mmanchanda@spergel.ca> |
www.spergelcorporate.ca <https://www.spergelcorporate.ca>

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[cid:image001.jpg@01D62B78.17BB0250]<http://www.spergelcorporate.ca/>
[cid:image002.png@01D62B78.17BB0250] <https://www.linkedin.com/company/msi-spergel-inc/>

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recipient. Distribution, disclosure or copying of this email by anyone other than the named recipient is prohibited. If you are not the named recipient, please notify us immediately by return email and permanently destroy this email and all copies.

From: sandram@eveley-int.com <sandram@eveley-int.com>
 Sent: May 16, 2020 10:32 AM
 To: Mukul Manchanda <mmanchanda@spergel.ca>
 Cc: Dawn Eveley <dawn@eveley-int.com>; gcamelino@cglegal.ca
 Subject: Additional Information

Hi Mukul:

Here is the additional information responses; please see below.

I can be reached at 905-975-5116. I haven't initialized my mailbox so you can't leave a message but you can email me.

Thanks you,
 Sandra

The outstanding Requested Information (the "Outstanding Information") includes, but is not

limited to:

a. a fully-integrated financial forecast on a monthly basis for the next six months (SENT) and

assumptions underlying such forecast (ATTACHED);

b. year-to-date internally prepared financial statements (SENT);

c. accounts receivable and payable listings as at the start date of the financial forecast (SENT);

d. copies of statements from Canada Revenue Agency with respect to outstanding payroll

liabilities, HST and income taxes; -ARE CANCELLED CHEQUES OK FOR SOURCE? EVELEY HAS A LARGE POOL OF SR&ED EXPENDITURES DEDUCTIBLE AGAINST TAXABLE INCOME. I WILL FORWARD HST REPORT TODAY.

e. copies of contracts on hand and evidence that the underlying customers are willing to continue doing business with the Debtor (ATTACHED);

f. evidence that the Debtor will be able to arrange for a sufficient workforce to service the

contracts on hand; EMPLOYEES HAVE AGREED TO A WORK SHARE CONTRACT (ATTACHED); MANY EMPLOYEES HAVE BEEN WITH THE COMPANY FOR A LONG TIME AND HAVE INDICATED AN INTENTION TO RETURN.

g. plan with respect to finding an alternative premises to continue operations; and - DAWN HAS ENGAGED A REAL ESTATE AGENT AND HAS LOOKED AT SEVERAL POSSIBLE LOCATIONS. DAWN IS NEGOTIATING FINANCING AND AN OPERATING LINE OF CREDIT, AND EXPECTS TO FINALIZE FUNDING SHORTLY.

h. source of cash infusion to restart operations, if required.-DAWN IS NEGOTIATING PAYMENT TO BENNY WITH SOME EXCESS FUNDING FOR IMMEDIATE EXPENSES, AND ALSO, A LINE OF CREDIT.

Mukul Manchanda

From: sandram@eveley-int.com
Sent: May 19, 2020 9:14 AM
To: Mukul Manchanda
Cc: Dawn Eveley; gcamelino@cglegal.ca; bissell@gsnh.com; Philip Gennis; iaversa@airdberlis.com; jnemers@airdberlis.com
Subject: RE: Meeting Today
Attachments: SPERGEL EVELEY 2020 SIX MONTH PROJECTIONS.xlsx

Good Morning, Mukul:

I didn't see your email until Dawn saw it just now and called me. I'm apologize, I shutdown at 6:00 p.m. yesterday

We are able to meet at 2:00 today, however, I'm able to send along additional information very shortly to help fulfill your requests. I'm just finalizing the scenario analysis, as I had to adjust and update the statement formatting. I have also changed the presentation on the cash flow to accommodate your preferred method and attached the file for your approval.

Please confirm 2:00 today.

Regards,
Sandra

On Mon, 18 May 2020 19:03:50 +0000, Mukul Manchanda <mmanchanda@spergel.ca> wrote:

Dawn and Sandra,

Are you available tomorrow to meet at the company's premises to go over the financial forecast and any additional information that you will provide today? I can attend at the premises tomorrow at 9:00am and available to stay the entire day to finish our review. Please advise.

Thanks

Mukul Manchanda, CPA, CIRP, LIT | **Partner**
 msi Spergel inc. | Licensed Insolvency Trustees
 505 Consumers Road, Suite 200, North York, M2J 4V8
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mmanchanda@spergel.ca | www.spergelcorporate.ca
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Mukul Manchanda

From: Mukul Manchanda
Sent: May 18, 2020 7:31 PM
To: 'sandram@eveley-int.com'
Cc: 'Dawn Eveley'; 'gcamelino@cglegal.ca'; 'bissell@gsnh.com'; Philip Gennis; 'iaversa@airdberlis.com'; 'jnemers@airdberlis.com'
Subject: RE: Additional Information-Finance Contracts

Hi Sandra,

I am still awaiting to receive following information:

- The Interim Receiver's understanding was that the company operated till mid-April 2020. Did the company make no sales during that period as reported in the financial forecast? Please provide an updated accounts receivable as at April 30, 2020 along with documents supporting the accounts receivable i.e. copies of invoices, proof of delivery etc.

The company's last day of operations was April 10. On April 11, 2565968 Ontario Inc. changed the locks on the building. We are currently unable to access proof of delivery reports due to the restricted access to the building. – The Interim Receiver notes that it advised you and Dawn that should access to the building be required for anything, the Interim Receiver is prepared to arrange for that.

- Please provide a worksheet on a contract by contract basis and customer by customer basis outlining the calculation of the gross margin per contract.

I review this and report back as soon as I am able.

- As discussed before, the landlord has indicated to the Interim Receiver that it will not allow the company to operate from its premises. It maybe prudent to incorporate a planned move from the premises in a short period of time. The cost of such move (including any business interruption) should also be included in the forecast. The Interim Receiver had a discussion with the company during its initial visit with respect to preparing a scenario analysis for same. Absent any concrete plan in place for moving premises, the company will have to make arrangements with the landlord to stay at the premises and such arrangements should be finalized before the Interim Receiver is required to report to court on May 21, 2020.

I don't know where we stand legally on whether or not the company could operate during a notice period, given no monies outstanding to the landlord; again this is outside my scope, but a prudent person would believe that as long as all was paid up and the legal period of occupation was still in effect, that they could use the premises status quo. Again, it's just my opinion, this is a question for the lawyers.

Eveley is in negotiations for a property suitable for operations, and the financing for the related moving costs, all of which are positive. Dawn is meeting with respective representatives on Tuesday to move forward with the financing proposals. I will provide a scenario analysis for a planned move and the related financing as soon as possible.

- Please provide a working sheet indicating the collections of accounts receivable on a month by month basis and on a customer by customer basis. Please also provide copies of bank statements for the months of March and April 2020.

I will prepare this after the scenario analysis; it will most likely be a deliverable for tomorrow.

- The forecasted balance sheet indicates cash balance on a month over month basis however the statement of changes in cash flow indicates nil cash balance at every month end. Please clarify.
This was addressed earlier; I will provide the adjusted Cash Flow report with the cash balances at the bottom.
- Please provide a worksheet on a contract by contract basis and customer by customer basis outlining the calculation of the gross margin per contract.
I review this and report back as soon as I am able.

In addition there was no date on the [REDACTED] letter. Did you receive it by email? If yes, please forward the email with the date and time stamp.

Further, may I please have a response with respect to attendance at the premises tomorrow. As you can appreciate that I would have to make staff arrangements for other engagements if I have to be in Stoney Creek tomorrow, as such a quick reply will be appreciated.

The Interim Receiver notes that in the event it is not able to conclude its review of the financial forecast due to lack of supporting documents, it will have no other alternative but to report same to the court.

Look forward to hearing from you.

Thanks

Mukul Manchanda, CPA, CIRP, LIT | **Partner**

msi Spergel inc. | Licensed Insolvency Trustees
505 Consumers Road, Suite 200, North York, M2J 4V8
T: 416-498-4314 | C: 416-454-4246 | F: 416-498-4314
mmanchanda@spergel.ca | www.spergelcorporate.ca
Insolvency • Restructuring • Consulting



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From: Mukul Manchanda

Sent: May 18, 2020 3:04 PM

To: 'sandram@eveley-int.com' <sandram@eveley-int.com>

Cc: Dawn Eveley <dawn@eveley-int.com>; gcamelino@cglegal.ca; bissell@gsnh.com; Philip Gennis <PGennis@spergel.ca>; iaversa@airdberlis.com; jnemers@airdberlis.com

Subject: RE: Additional Information-Finance Contracts

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Mukul Manchanda, CPA, CIRP, LIT | Partner

msi Spergel inc. | Licensed Insolvency Trustees
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Insolvency • Restructuring • Consulting



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From: sandram@eveley-int.com <sandram@eveley-int.com>
Sent: May 17, 2020 3:25 PM
To: Mukul Manchanda <mmanchanda@spergel.ca>
Cc: Dawn Eveley <dawn@eveley-int.com>; gcamelino@clegal.ca; bissell@gsnh.com; Philip Gennis <PGennis@spergel.ca>; iaversa@airdberlis.com; jnemers@airdberlis.com
Subject: RE: Additional Information-Finance Contracts

Hi Mukul:

Here are the amortization schedules and the summary of the finance contracts.

I will need to send CEFL 1&2 loan documents, and the 2565968 Ontario Inc. Promissory Note as soon as I can locate the files.

Regards,
 Sandra

On Sun, 17 May 2020 13:46:40 -0400, sandram@eveley-int.com wrote:

Hi Mukul:

I had an unexpected interruption that was unavoidable and I need to revise my time from 2:00 - 3:30 on the finance contract detail comment. I apologize for any inconvenience this may cause.

Also, I can only locate the 1st and 2nd loan copies; I will continue to look for these other copies.

Dawn received a reference letter from our number one customer, [REDACTED], which I have attached for your file.

Thank you,
 Sandra

On Sun, 17 May 2020 11:53:05 -0400, sandram@eveley-int.com wrote:

Please see replies below. I will get this information to your as soon as I can between today and tomorrow.

Regards,
Sandra

On Sat, 16 May 2020 15:49:45 +0000, Mukul Manchanda <mmanchanda@spergel.ca> wrote:

Good morning Sandra,

Please provide the financial forecast in excel format along with all working sheets (outlining sales and cost of sales on a monthly basis per contract per customer), as it is much easier to review excel spreadsheets than a pdf version. -Provided

The Interim Receiver has reviewed the information and have the following preliminary comments (although you have provided assumptions underlying the forecast, I have attached for your benefit a template of assumptions that are typically used in preparing a cash flow forecast):

- Assumptions underlying the projections indicates:

- - The 3rd quarter increase is due to [REDACTED]. Eveley's largest customer, [REDACTED], has been [REDACTED]:

- - This indicates that the production for this order will begin in September 2020 however the sales appear to be recorded ahead of the order being produced and shipped.

-My response needs to be clarified; I should provided a better explanation. [REDACTED] begins shipping in September; Eveley begins producing in August to ship to [REDACTED] so they build for shipment in September. [REDACTED] pays in 10 days on shipment of goods.

- - Please advise the company's policy with respect to recording sales on all orders on hand and provide a working schedule of same along with reference to the specific contract on a customer by customer basis.

The primary criteria are:

- Purchase order and agreed upon pricing must be received from the customer, including any applicable signed off drawings or contracts; On production of the goods, invoicing is prepared;
- Customers must have an account with an approved credit limit, or agreed upon terms;
- The purchase order must be approved or the contract signed, and any applicable deposits or agreed upon conditions, prepayments or terms must have been received to begin production on the order;
- - Direct wages and benefits are calculated with the assumption that there will be access to the building beginning in May and the implementation of the Work-Sharing Agreement:
- - As you know we are already past mid-May and it appears that the company may not have access to the building this month, if at all, unless a satisfactory arrangements is made with the landlord. Accordingly, it would be prudent to factor such delay in the forecast and commence any operations toward either the end of May or first week of June.

I agree that operations cannot commence until the 2nd half of May, however, the model is prepared on a monthly basis, therefore, I believe the assumption has been considered and presented as you are suggesting. I understand that Eveley has been requesting a payout statement from 2565968 Ontario Inc. for approximately 11 days so that the outstanding monies can be paid. This would have to be clarified by Dawn's

lawyer as it is outside my scope. Once 2565968 Ontario Inc. responds to the request, it is hoped that things can move forward.

- - It is assumed that Eveley will continue to rent at the current rate; Eveley has engaged an agent to find an alternative location, and has also had discussions with a company that would be interested in leasing a property with Eveley at the current or new location:
- - As discussed before, the landlord has indicated to the Interim Receiver that it will not allow the company to operate from its premises. It maybe prudent to incorporate a planned move from the premises in a short period of time. The cost of such move (including any business interruption) should also be included in the forecast. The Interim Receiver had a discussion with the company during its initial visit with respect to preparing a scenario analysis for same. Absent any concrete plan in place for moving premises, the company will have to make arrangements with the landlord to stay at the premises and such arrangements should be finalized before the Interim Receiver is required to report to court on May 21, 2020.

I don't know where we stand legally on whether or not the company could operate during a notice period, given no monies outstanding to the landlord; again this is outside my scope, but a prudent person would believe that as long as all was paid up and the legal period of occupation was still in effect, that they could use the premises status quo. Again, it's just my opinion, this is a question for the lawyers.

Eveley is in negotiations for a property suitable for operations, and the financing for the related moving costs, all of which are positive. Dawn is meeting with respective representatives on Tuesday to move forward with the financing proposals. I will provide a scenario analysis for a planned move and the related financing as soon as possible.

- - accounts receivable are assumed to be outstanding for 90 days:
- - An accounts receivable aging as at March 31, 2020 indicating a balance of \$1,441,506 was provided. In the financial forecast, you have indicated the balance of the accounts receivable as at April 30, 2020 to be \$1,062,994. Sale in April were nil. The assumption indicates the receivable will be collected in 90 days. The over 90 days balance in April would be approximately \$295,000 however the forecast indicates a collection of \$378,512 in the month of April 2020.
- - Please provide a working sheet indicating the collections of accounts receivable on a month by month basis and on a customer by customer basis. Please also provide copies of bank statements for the months of March and April 2020.

I will prepare this after the scenario analysis; it will most likely be a deliverable for tomorrow.

- - Inventory is assumed to remain constant:
- - The financial forecast indicates changes in the inventory level on a month by month basis. Please clarify.

I should have provided a range at which it would remain constant; it is assumed that the inventory will range from \$4,000,000 to \$5,000,000.

-
- Accounts payables are assumed to be outstanding for 60 - 90 days, and purchases are made by cash, also:
-
-
- An accounts payable aging as at March 31, 2020 indicating a balance of \$764,975 was provided. In the financial forecast, you have indicated the balance of accounts payable as at April 30, 2020 to be \$514,613 (inclusive of \$283,000 outstanding to 2565968 Ontario Inc.). It would appear that a payment of approximately \$295,000 (taking into account an increase of \$45K in the inventory) was made towards payables.
-
-
- Please provide an updated accounts payable listing as at April 30, 2020 and confirm that the above referenced payment was made to suppliers. In addition please advise what is the arrangement with the suppliers on a go forward basis i.e. COD only or the suppliers are still willing to extend credit and to what extent?
 Eveley has had the same supplier for years, with good rapport, and they have been working with Eveley as they always have. Our suppliers have been supportive and are still willing to extend credit to Eveley. Where required, a deposit is forwarded to the supplier based on the purchase order value, generally for custom products, a practice common in the industry. Eveley has accounts with its major suppliers and has had these accounts for many years. Sometimes, in order to get product in where the regular supplier's lead time is too long, Eveley will pay upfront for similar product from a alternate supplier so an order can be completed.
-
- Eveley is in current negotiations to repay 2565968 Ontario Inc. loan amount of \$1,000,000, the details of which are being finalized, therefore, it is assumed that the loan will remain outstanding with predicted interest rate of 10% per annum:
-
-
- Did 2565968 agree to forbear its rights with respect to the outstanding amount while an arrangement is being worked?
 I am not aware of 2565968 Ontario Inc. forbearing its rights to the outstanding amount while the arrangement is being worked on. This is a legal question which I am unable to answer.
-
- Eveley is in current negotiations to purchase a building utilizing new term debt; the details for this have not been finalized:
-
-
- Refer back to the comment with respect to operating from a premises. In the event, the company does not have an arrangement with the existing landlord, it will not be able to operate and continue as a going concern.

Please refer back to my response on the same comment you refer to. Eveley is in current negotiations.

- The Interim Receiver's understanding was that the company operated till mid-April 2020. Did the company make no sales during that period as reported in the financial forecast? Please provide an updated accounts receivable as at April 30, 2020 along with documents supporting the accounts receivable i.e. copies of invoices, proof of delivery etc.

The company's last day of operations was April 10. On April 11, 2565968 Ontario Inc. changed the locks on the building. We are currently unable to access proof of delivery reports due to the restricted access to the building.

- The bank loan/operating line in the forecasted balance sheet is forecasted to be nil for the projected period. However, the statement of changes in net cash flow indicates increases/ (decreases) in bank indebtedness on monthly basis. Please clarify.

This is simply a matter of presentation preference. Grant Thornton preferred this presentation, however, I can move the net cash flow changes to the bottom of the cash flow report, if you so desire. Please confirm.

- The forecast indicates that no principal payments towards the long-term debt will be made until July 2020. Did the company make formal arrangements with the lenders with respect to deferral of principal loan payments?

Yes, Eveley has signed agreements with the lenders in respect to deferral of principal loan payments.

- - Please provide a schedule outlining amounts outstanding to each lender (along with terms attached to the indebtedness) and confirmation from each lender regarding deferral of payment.

I will send this information by 2:00 this afternoon.

- The forecasted balance sheet indicates cash balance on a month over month basis however the statement of changes in cash flow indicates nil cash balance at every month end. Please clarify.

This was addressed earlier; I will provide the adjusted Cash Flow report with the cash balances at the bottom.

- With respect to the projected income statement, the Interim Receiver noted that the company is forecasting a gross profit of between 35% and 46% during the forecasted period. The internally prepared financial statements as at December 31, 2019 indicates a gross profit of \$21.4%.

- - Please provide a worksheet on a contract by contract basis and customer by customer basis outlining the calculation of the gross margin per contract.

I review this and report back as soon as I am able.

Other than the observation made above, at this point the Interim Receiver is not able to make any comments with respect to the projected income statement as the supporting documents provided are not accompanied with a worksheet tying them to the financial forecast. As you can appreciate it will be a very time consuming process for the Interim Receiver to trace each contract to the forecast which the company most likely did as part of preparing the forecast. Without such working sheets tying into the forecast along with the supporting documents, it is impossible for the Interim Receiver to review and provide meaningful comments.

As indicated before, the Interim Receiver remains available in order to assist in the preparation of a forecast however time is of the essence with respect to the conclusions that can be made in the Interim Receiver's report that is to be filed with the court in the next few days.

The Interim Receiver looks forward to receiving the information requested. Should you want to discuss any of the comments and observations please do not hesitate to reach out to me on my cell at 416-454-4246.

Thank you in advance for your cooperation in this matter.

Regards,

Mukul Manchanda, CPA, CIRP, LIT | **Partner**

msi Spergel inc. | Licensed Insolvency Trustees

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From: sandram@eveley-int.com <sandram@eveley-int.com>
Sent: May 16, 2020 10:32 AM
To: Mukul Manchanda <mmanchanda@spergel.ca>
Cc: Dawn Eveley <dawn@eveley-int.com>; gcamelino@clegal.ca
Subject: Additional Information

Hi Mukul:

Here is the additional information responses; please see below.

I can be reached at 905-975-5116. I haven't initialized my mailbox so you can't leave a message but you can email me.

Thanks you,
 Sandra

The outstanding Requested Information (the “**Outstanding Information**”) includes, but is not limited to:

- a. a fully-integrated financial forecast on a monthly basis for the next six months (SENT) and assumptions underlying such forecast (ATTACHED);
- b. year-to-date internally prepared financial statements (SENT);
- c. accounts receivable and payable listings as at the start date of the financial forecast (SENT);
- d. copies of statements from Canada Revenue Agency with respect to outstanding payroll liabilities, HST and income taxes; -ARE CANCELLED CHEQUES OK FOR SOURCE? EVELEY HAS A LARGE POOL OF SR&ED EXPENDITURES DEDUCTIBLE AGAINST TAXABLE INCOME. I WILL FORWARD HST REPORT TODAY.
- e. copies of contracts on hand and evidence that the underlying customers are willing to continue doing business with the Debtor (ATTACHED);
- f. evidence that the Debtor will be able to arrange for a sufficient workforce to service the contracts on hand; EMPLOYEES HAVE AGREED TO A WORK SHARE CONTRACT (ATTACHED); MANY EMPLOYEES HAVE BEEN WITH THE COMPANY FOR A LONG TIME AND HAVE INDICATED AN INTENTION TO RETURN.

g. plan with respect to finding an alternative premises to continue operations; and -DAWN HAS ENGAGED A REAL ESTATE AGENT AND HAS LOOKED AT SEVERAL POSSIBLE LOCATIONS. DAWN IS NEGOTIATING FINANCING AND AN OPERATING LINE OF CREDIT, AND EXPECTS TO FINALIZE FUNDING SHORTLY.

h. source of cash infusion to restart operations, if required.-DAWN IS NEGOTIATING PAYMENT TO BENNY WITH SOME EXCESS FUNDING FOR IMMEDIATE EXPENSES, AND ALSO, A LINE OF CREDIT.

Mukul Manchanda

From: Mukul Manchanda
Sent: May 19, 2020 7:45 PM
To: 'sandram@eveley-int.com'
Cc: Dawn Eveley; gcamelino@cglegal.ca; bissell@gsnh.com; Philip Gennis; iaversa@airdberlis.com; jnemers@airdberlis.com
Subject: RE: Meeting Today
Attachments: ACCOUNTS RECEIVABLE MARCH 31, 2020.pdf; Eveley Accounts Receivable as at May 1, 2020.pdf

Dawn and Sandra,

Thank you for meeting with me today. Below I have summarized the results of our review today and the information that the Interim Receiver requires in order to provide a meaningful report to the court.

Accounts Receivable Aging

1. The company provided an accounts receivable aging as at March 31, 2020 indicating an accounts receivable balance of \$1,441,505.64. A copy of the accounts receivable aging as at March 31, 2020 is attached to this email. The same was incorporated in the financial forecast prepared by the company.
2. At the Interim Receiver's attendance at the premises today, the company provided an accounts receivable aging as at May 1, 2020 indicating an accounts receivable balance of \$803,776.96. A copy of the accounts receivable aging as at May 1, 2020 is attached to this email. A review of the accounts receivable aging as at May 1, 2020 indicated that:
 - a) the shipping documents for the following receivables were not available and that the company will request the customers, where applicable, to confirm receipt of products and that the invoice remain outstanding:
 - i. [REDACTED] – Invoice # 35180 - \$41,277.51 (require confirmation from customer)
 - ii. [REDACTED] – Invoice #s 40173 and 35166 - \$93,077.71 and \$31,025.90 (require copies of supporting documents)
 - iii. [REDACTED] – Invoice #s 41174, 41175 and 41176 - \$1,068.70, \$9,721.80 and \$6,544.48 (require copies of supporting documents)
 - iv. [REDACTED] – Invoice# 41173 - \$46,960.89 (require confirmation from customer)
 - v. [REDACTED] - \$145,636.27 (the company advised that counsel has documents related to this receivable. Counsel for the company to provide the supporting documents).
 - b) the following receivables were not actual receivables but are related to request for advance from customers prior to commencing the manufacturing:
 - i. [REDACTED] – Invoice #s 35151 and 35185 - \$9,311.72 and \$5,061.11 (should be reversed); and

- ii. [REDACTED] – Invoice #s 41178, 41179 and 41180 - \$20,686.77, \$173,727.42 and \$81,754.08 (should be reversed).

Given the foregoing, the company is to:

1. advise the reasons and explanation for the decrease (along with supporting documents) in accounts receivable from \$1,441,505.64 as at March 31, 2020 to \$803,776.96 as at May 1, 2020;
2. provide supporting documents with respect to the accounts receivable noted in paragraph 2(a) above. In the event supporting documents and/or confirmation from the customer is not obtained advise how it intends to deal with the collection of the accounts receivable in the financial forecast; and
3. revise the accounts receivable listing in accordance with paragraph 2(b).

Financial Forecast

1. The company is to prepare and provide a revised financial forecast taking into account the changes to accounts receivable mentioned above and with the assumption that the company will not be able to gain access to the premises before first week of June 2020.
2. The company is to provide a schedule outlining the forecasted sale on a customer by customer basis along with supporting documents. Supporting documents may consist of copies of contracts, purchase orders, emails and/or letters from customers etc.
3. The company to prepare and provide a scenario/sensitivity analysis assuming that the company has to move out of the current premises in a short period of time.

Gross Margin

1. As indicated previously, the projected income statement indicated that the company is forecasting a gross profit of between 35% and 46% during the forecasted period. The internally prepared financial statements as at December 31, 2019 indicates a gross profit of \$21.4%. The company is to provide satisfactory explanation/evidence with respect to the forecasted increase in the gross profit.

Re-financing Efforts

1. The company advised that it is currently in the process of obtaining refinancing in order to pay out the amounts outstanding to 2565698 Ontario Inc. Please provide any information that you are able to share with the Interim Receiver with respect to the source and timing of re-financing.

Please let me know if I have missed anything. I confirm that we have agreed to meet tomorrow at 7:00am in order to work on the financial forecast, the sensitivity analysis and other relevant information.

Best Regards,

Mukul Manchanda, CPA, CIRP, LIT | **Partner**

msi Spergel inc. | Licensed Insolvency Trustees

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From: Gustavo Camelino <gcamelino@clegal.ca>
Date: May 20, 2020 at 3:57:51 PM EDT
To: Ian Aversa <iaversa@airdberlis.com>, Jeremy Nemers <jnemers@airdberlis.com>
Cc: Brendan Bissell <bissell@gsnh.com>, Philip Gennis <PGennis@spergel.ca>, Mukul Manchanda <mmanchanda@spergel.ca>
Subject: RE: Eveley International Corporation

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Ian,

Thanks for speaking with me today. It was useful. I have read through the proposed disclaimer language and it is fine with me as is. I have flipped it to Dawn for review by her customers.

Gus

Sent from my Bell Samsung device over Canada's largest network.

----- Original message -----

From: Ian Aversa <iaversa@airdberlis.com>
Date: 2020-05-20 3:34 p.m. (GMT-05:00)
To: Gustavo Camelino <gcamelino@clegal.ca>, Jeremy Nemers <jnemers@airdberlis.com>
Cc: Brendan Bissell <bissell@gsnh.com>, Philip Gennis <PGennis@spergel.ca>, Mukul Manchanda <mmanchanda@spergel.ca>
Subject: RE: Eveley International Corporation

Gus – Thanks for the call. We'll wait to hear from you with respect to comments, if any, on the proposed language at the bottom of Jeremy's email below. Thanks.

Ian Aversa

T 416.865.3082
 M 416.509.3822
 F 416.863.1515
 E iaversa@airdberlis.com

Aird & Berlis LLP | Lawyers
 Brookfield Place, 181 Bay Street, Suite 1800
 Toronto, Canada M5J 2T9 | airdberlis.com



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From: Gustavo Camelino [<mailto:gcamelino@clegal.ca>]
Sent: May-20-20 3:02 PM
To: Ian Aversa <iaversa@airdberlis.com>; Jeremy Nemers <jnemers@airdberlis.com>
Cc: Brendan Bissell <bissell@gsnh.com>; Philip Gennis <PGennis@spergel.ca>; Mukul Manchanda <mmanchanda@spergel.ca>
Subject: RE: Eveley International Corporation

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416-306-3834

Gustavo F. Camelino
 416-306-3834

From: Ian Aversa <iaversa@airdberlis.com>
Sent: Wednesday, May 20, 2020 3:01 PM
To: Gustavo Camelino <gcamelino@clegal.ca>; Jeremy Nemers <jnemers@airdberlis.com>
Cc: Brendan Bissell <bissell@gsnh.com>; Philip Gennis <PGennis@spergel.ca>; Mukul Manchanda <mmanchanda@spergel.ca>
Subject: RE: Eveley International Corporation

Gus – Happy to speak at 3:15. Where can we reach you?

Ian Aversa

T 416.865.3082
 M 416.509.3822
 F 416.863.1515
 E iaversa@airdberlis.com

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 Brookfield Place, 181 Bay Street, Suite 1800
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From: Gustavo Camelino [<mailto:gcamelino@clegal.ca>]
Sent: May-20-20 2:15 PM
To: Jeremy Nemers <jnemers@airdberlis.com>
Cc: Ian Aversa <iaversa@airdberlis.com>; Brendan Bissell <bissell@gsnh.com>; Philip Gennis <PGennis@spergel.ca>; Mukul Manchanda <mmanchanda@spergel.ca>
Subject: RE: Eveley International Corporation

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Jeremy,

I appreciate that you are trying to be of assistance but much of the information that you have provided below is new to me (I don't know the specifics of discussions which may have taken place between the IR and my client).

Unless I am misreading your response below, you seem to be projecting some hostility towards me and my client. I hope that is not the case as I certainly was not trying to create an issue of contention. Rather, you will note that what I was requesting is that we as professionals arrange a time to speak to see if we can work through this issue in a way that would work for everyone.

With that said, I was hoping to speak with Ian (or you) to see if we can sort this out and so I can understand better what the issue is. I admit that I don't fully understand it at this time.

Would you or Ian have time to speak before 3:30 today?

Gus

Gustavo F. Camelino
 416-306-3834

From: Jeremy Nemers <jnemers@airdberlis.com>
Sent: Wednesday, May 20, 2020 2:06 PM
To: Gustavo Camelino <gcamelino@clegal.ca>
Cc: Ian Aversa <iaversa@airdberlis.com>; Brendan Bissell <bissell@gsnh.com>; Philip Gennis <PGennis@spergel.ca>; Mukul Manchanda <mmanchanda@spergel.ca>
Subject: FW: Eveley International Corporation

Gus,

As your client knows, and as you know, this issue has been discussed many times.

The Interim Receivership Order empowers, but does not obligate, the Interim Receiver to "use its best efforts to, on the Debtor's behalf, package and ship any of the Debtor's completed customer orders, for which the Interim Receiver shall incur no liability or obligation save and except for any gross negligence

or wilful misconduct on its part.” As previously discussed, the Debtor’s insurance premium (including in respect of product liability) had not been paid by the Debtor prior to the Interim Receiver’s appointment (and, to the best of the Interim Receiver’s knowledge, remains unpaid). The amount owing for such premium is \$145,000, which amount exceeds the Interim Receiver’s borrowing powers of \$100,000 under the Interim Receivership Order.

On April 29, 2020, you wrote to the Interim Receiver, asking if the failure to obtain insurance was still preventing the Interim Receiver from *“get[ting] the completed orders out the door.”* Phil Gennis from the Interim Receiver’s office wrote back that same day, confirming *“Yes. As previously advised I am not prepared to accept the risk. If you wish we can have a discussion with Ian tomorrow,”* and you then confirmed *“Ok. Thanks Phil. I understand. I was just looking for a clarification.”* Ms. Eveley was also copied on that email chain.

The Interim Receiver has been working very hard since the outset of its mandate to receive the necessary information and materials from your client so that the Interim Receiver can attempt to fulfill its mandate in the most meaningful way possible, for the benefit of all stakeholders. It is unfortunate that this issue, as with the provision of the requested books and records, is only being dealt with by your client at the eleventh hour. Nonetheless, in order to be of assistance at the eleventh hour, and notwithstanding the non-payment of product liability insurance by the Debtor, the Interim Receiver is prepared to use its best efforts to arrange for the shipment of the completed customer orders, provided that no product is shipped until and unless the corresponding customer completes and delivers to the Interim Receiver a fully-executed notice with the below language. Please let us know if your client would like to proceed on this basis.

Thanks.

NOTICE: XYZ Co. (the “Customer”) acknowledges and agrees that this product is packaged and shipped to the customer on behalf of Eveley International Corporation (the “Company”) by msi Spergel inc., solely in its capacity as the court-appointed interim receiver (in such capacity, the “Interim Receiver”) of the Company, on an “as is, where is” basis with absolutely no recourse to the Interim Receiver whatsoever. Without in any way limiting the generality of the foregoing, the Customer acknowledges and agrees that the Interim Receiver assumes no liability for the product, and that the product is packaged, shipped and sold to the Customer with no representations, warranties or conditions whatsoever, whether statutory (including under the *Sale of Goods Act*), express, implied or otherwise, including, without limitation, with respect to the condition, merchantability, fitness for any particular purpose, manufacturing, quality, suitability, durability, marketability, craftsmanship, quality or condition of the product, or in respect of any other matter or thing whatsoever, and all of the same are expressly excluded. The Customer further acknowledges and agrees that any claims as against the Company with respect to this product or otherwise shall be against that entity only and not as against the Interim Receiver, and shall be subordinate in priority to any claim, charge or interest of the Interim Receiver as against the Company.

The undersigned agrees to be bound by the terms set out in the above notice.

Jeremy Nemers
Aird & Berlis LLP

T 416.865.7724

E jnemers@airdberlis.com

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From: Gustavo Camelino [<mailto:gcamelino@clegal.ca>]
Sent: May 20, 2020 9:11 AM
To: Ian Aversa <iaversa@airdberlis.com>
Cc: Jeremy Nemers <jnemers@airdberlis.com>; 'Brendan Bissell' <bissell@gsnh.com>
Subject: Eveley International Corporation

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Ian:

Dawn called me today and advised that the IR is still not allowing completed goods to be shipped from the premises. I thought this was already sorted out weeks ago.

I take it that this is due to the inability of the IR to get insurance.

I have to confess that I don't understand the issue since my client is still technically operating and has its own liability insurance.

The following materials are at the property and ready to be shipped:

1. 6 suspensions plus parts
2. 9 axles
3. Various parts

The company that ordered the suspensions is my client's biggest client and has indicated that it may have to go elsewhere if the suspensions are not delivered.

I know that the IR is not trying to get in my client's way but can we please figure out how these goods can be released?

I wonder if you could call me this morning.

Gus

Gustavo F. Camelino
 Partner

<image002.jpg>

6 Adelaide St. East, Suite 220
 Toronto, ON M5C 1H6
 Tel: 416.306.3834
 Fax: 416.306.3820
gcamelino@clegal.ca
www.clegal.ca

.....
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instructions, please ensure that we acknowledge receipt of those instructions.

Please consider the environment. Please don't print this email unless you really need to.

Mukul Manchanda

From: sandram@eveley-int.com
Sent: May 21, 2020 8:21 AM
To: Mukul Manchanda
Subject: Appointment

Good Morning, Mukul:

I forgot that I have an appointment this morning. I started to incorporate changes but ran into a couple of issues which I think I have resolved, however, I will have to send the balance sheet late morning, early afternoon, after I get back. Once I have resolved the issue, the scenario analysis will be fairly easy to update.

I apologize for this inconvenience, and I do understand you need this as soon as possible. Unfortunately, I wasn't expecting to need this morning to work when I booked the appointment, and I can't change it now.

Regards,
Sandra

Mukul Manchanda

From: Gustavo Camelino <gcamelino@clegal.ca>
Sent: May 21, 2020 3:38 PM
To: Mukul Manchanda; 'dawn@eveley-int.com'
Cc: Ian Aversa; Jeremy Nemers; Philip Gennis
Subject: RE: RE:

Thank you all for working hard to get this done (especially on this otherwise very busy day for Phil and Mukul).

Gus

Gustavo F. Camelino
 416-306-3834

From: Mukul Manchanda <mmanchanda@spergel.ca>
Sent: Thursday, May 21, 2020 2:53 PM
To: 'dawn@eveley-int.com' <dawn@eveley-int.com>
Cc: Gustavo Camelino <gcamelino@clegal.ca>; Ian Aversa <iaversa@airdberlis.com>; Jeremy Nemers <jnemers@airdberlis.com>; Philip Gennis <PGennis@spergel.ca>
Subject: RE:

Hi Dawn,

I will arrange for someone to be at the premises tomorrow at 7:30am. Please note we will allow for the goods to be shipped once the requirement in the attached email is fulfilled.

Thanks

Mukul Manchanda, CPA, CIRP, LIT | **Partner**
 msi Spergel inc. | Licensed Insolvency Trustees
 505 Consumers Road, Suite 200, North York, M2J 4V8
 T: 416-498-4314 | C: 416-454-4246 | F: 416-498-4314
mmanchanda@spergel.ca | www.spergelcorporate.ca
Insolvency • Restructuring • Consulting



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From: dawn@eveley-int.com <dawn@eveley-int.com>
Sent: May 21, 2020 2:49 PM
To: Mukul Manchanda <mmanchanda@spergel.ca>
Cc: gcamelino@clegal.ca
Subject:

Good afternoon

I have sent everything you need for [REDACTED] has sent a e-mail to your office confirming the shipment
is it possible to have someone at the plant for 7:30 am tommrrow.

please confirm as soon as possible.

Cheers
Dawn

Mukul Manchanda

From: Gustavo Camelino <gcamelino@clegal.ca>
Sent: May 21, 2020 4:25 PM
To: Philip Gennis
Cc: Mukul Manchanda; Ian Aversa (iaversa@airdberlis.com); Jeremy Nemers; Brendan Bissell - Goldman Sloan Nash & Haber LLP (bissell@gsnh.com)
Subject: RE: Eveley International

Thank Phil. I will discuss this with Dawn for urgent action.

Sent from my Bell Samsung device over Canada's largest network.

----- Original message -----

From: Philip Gennis <PGennis@spergel.ca>
Date: 2020-05-21 4:17 p.m. (GMT-05:00)
To: Gustavo Camelino <gcamelino@clegal.ca>
Cc: Mukul Manchanda <mmanchanda@spergel.ca>, "Ian Aversa (iaversa@airdberlis.com)" <iaversa@airdberlis.com>, Jeremy Nemers <jnemers@airdberlis.com>, "Brendan Bissell - Goldman Sloan Nash & Haber LLP (bissell@gsnh.com)" <bissell@gsnh.com>
Subject: FW: Eveley International

Gus,

Just an FYI regarding the current state of the Company's insurance.

Philip Gennis, J.D., CIRP, LIT | Partner

msi Spergel Inc. | Licensed Insolvency Trustees
 505 Consumers Road, Suite 200, North York, M2J 4V8
 T/F: 416-498-4325 | C: (416) 457-4773
PGennis@spergel.ca | www.spergelcorporate.ca
Insolvency • Restructuring • Consulting



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From: Christine Toyne <christine.toyne@aon.ca>
Sent: May 19, 2020 3:56 PM
To: Philip Gennis <PGennis@spergel.ca>
Cc: Breckon Husband <breckon.husband@aon.ca>
Subject: Eveley International

Hi Mr. Gennis,

I am reaching out to inquire on payment for Eveley International insurance premiums. I have spoken to my colleague Breckon Husband and he advised that Spergel has requested to be added as additional interest on Eveley's policies. These policies were effective April 1, 2020 and we are required to forward funds to underwriters to keep coverage in effect. Please advise plans for payment of these premiums as soon as possible.

Regards,

Christine E Toyne | National Credit & Collections Manager
Aon Risk Solutions | Controllershship | Finance
Suite 1800, 600 - 3rd Avenue SW | Calgary, Alberta T2P 0G5
t +1.403.267.7741 | m +1.403.540.8937
christine.toyne@aon.ca
Aon Canada Inc.

aon.ca | [linkedIn](#) | [twitter](#) | [facebook](#)

CANADIAN EQUIPMENT FINANCE & LEASING INC.

-and-

EVELEY INTERNATIONAL CORPORATION

Applicant

Respondent

Court File No. CV-20-00639897-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

FIRST REPORT OF THE INTERIM RECEIVER

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Ian Aversa (LSO # 55449N)

Tel: (416) 865-3082

Fax: (416) 863-1515

Email: iaversa@airdberlis.com

Jeremy Nemers (LSO # 66410Q)

Tel: (416) 865-7724

Fax: (416) 863-1515

Email: jnemers@airdberlis.com

Lawyers for the Interim Receiver, msi Spergel inc.

TAB H

SERVICE LIST
(AS AT NOVEMBER 3, 2020)

TO:	<p>MSI SPERGEL INC. 505 Consumers Road, Suite 200 North York, ON M2J 4V8</p> <p>Philip Gennis Tel: (416) 498-4325 Email: pgennis@spergel.ca</p> <p>Mukul Manchanda Tel: (416) 498-4314 Email: mmanchanda@spergel.ca</p> <p>Receiver of Eveley International Corporation</p>
AND TO:	<p>AIRD & BERLIS LLP Barristers & Solicitors Brookfield Place 181 Bay Street, Suite 1800 Toronto, Ontario M5J 2T9</p> <p>Ian Aversa Tel: (416) 865-3082 Email: iaversa@airdberlis.com</p> <p>Jeremy Nemers Tel: (416) 865-7724 Email: jnemers@airdberlis.com</p> <p>Lawyers for the Receiver</p>
AND TO:	<p>GOLDMAN SLOAN NASH & HABER LLP 480 University Avenue, Suite 1600 Toronto, ON M5G 1V2</p> <p>R. Brendan Bissell Tel: (416) 597-6489 Email: bissell@gsnh.com</p> <p>Lawyers for the Applicant, Canadian Equipment Finance and Leasing Inc. and Lawyers for the Proposed Purchaser</p>

AND TO:	CAMELINO GALESSIERE LLP 6 Adelaide Street East, Suite 220 Toronto, ON M5C 1H6 Gus Camelino Tel: (416) 306-3834 Email: gcamelino@clegal.ca Lawyers for the Respondent, Eveley International Corporation
AND TO:	CHAITONS LLP 5000 Yonge Street, 10 th Floor Toronto, ON M2N 7E9 Harvey Chaiton Tel: (416) 218-1129 Email: harvey@chaitons.com Lawyers for 2565698 Ontario Inc.
AND TO:	CANADIAN WESTERN BANK Calgary Broker Buying Centre 285 – 4000 Glenmore Court SE Calgary, AB T2C 5R8 Dave Miller, Sr. AVP & Manager Tel: (403) 720-8960 Fax: (403) 920-0204
AND TO:	DEPARTMENT OF JUSTICE The Exchange Tower 130 King Street West, Suite 3400 Toronto, ON M5X 1K6 Diane Winters Tel: (416) 973-3172 Email: diane.winters@justice.gc.ca

- 3 -

AND TO:	HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE Legal Service Branch 777 Bay Street, 11th Floor Toronto, ON M5G 2C8 Kevin J. O'Hara Tel: (416) 327-8463 Email: kevin.ohara@fin.gov.on.ca
AND TO:	PRAXAIR CANADA INC. 1 City Centre Drive Mississauga, ON L5B 1M2

Email Service

pgennis@spergel.ca; mmanchanda@spergel.ca; iaversa@airdberlis.com;
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diane.winters@justice.gc.ca; kevin.ohara@fin.gov.on.ca;

39747758.1

CANADIAN EQUIPMENT FINANCE & LEASING INC.

- and -

EVELEY INTERNATIONAL CORPORATION

Applicant

Respondent

CV-20-00639897-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**MOTION RECORD
(returnable November 13, 2020)**

AIRD & BERLIS LLP
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Lawyers for the Court-appointed Receiver