

**IN THE MATTER OF THE PROPOSAL OF
CANAMIDEX INTERNATIONAL CORP
OF THE CITY OF RICHMOND HILL
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S INITIAL REPORT TO CREDITORS ON PROPOSAL

A formal Proposal under Division I, Part III of the Bankruptcy and Insolvency Act is a legal procedure whereby a Debtor makes an offer to his creditors to settle and compromise debt. Creditors vote on the proposal and if 2/3 in dollars, and 1/2 in number, accept it, and if the Court then ratifies it, it becomes binding on all unsecured creditors and on those classes of secured creditors having voted for it.

Before the Proposal is made, the Trustee assesses the financial situation of the Debtor. The Trustee reports its findings to creditors so that they may be better informed in making their decision on accepting or rejecting the Proposal. If the unsecured creditors reject the Proposal, the Debtor automatically becomes bankrupt.

Canamidex International Corp. ("Canamidex") or (the "Company") filed a Notice of Intention to Make a Proposal ("NOI") pursuant to the *Bankruptcy and Insolvency Act* (the "Act" or the "BIA") on June 3, 2022 ("NOI Filing Date") with Crowe Soberman Inc., Licensed Insolvency Trustee (the "Proposal Trustee"). The Ontario Superior Court of Justice granted orders on June 29, 2022; August 17, 2022; and October 23, 2022, extending the time in which the Company was required to file a Proposal.

On November 16, 2022, the Company filed a Proposal to its creditors, the details of which are summarized in **Section B** below.

The following Report will outline the background and financial position of the Company, including relevant information that should be of assistance to creditors in considering their position with respect to accepting or rejecting the Proposal.

The description of the Proposal in this Report is a summary only and is provided for the assistance of Creditors. In the event there is any inconsistency between this Report and the Proposal, the terms of the Proposal shall govern. Creditors are advised to read the Proposal.

Section A – Introduction and Background

The Proposal Trustee understands that the reason for the Company's filing of a NOI can be attributed to a specific contract that the Company had with the NATO Support and Procurement Agency ("NSPA") that has resulted in losses to the Company that it was not able to sustain.

The Company required the stay of proceedings afforded through these Proposal Proceedings to allow it an opportunity to restructure its business operations on a going-concern basis under the supervision of the Proposal Trustee, and in a manner that will maximize value for the benefit of the Company's stakeholders.

Details of the events leading up to the Company's insolvency are more amply set out in the Proposal Trustee's prior reports available using the following link:
[<https://www.crowe.com/ca/crowesoberman/insolvency-engagements/canamidex-international-corp>].

The Company was incorporated under the **Ontario Business Corporations Act** on February 9, 2007. Mr. Mehdi Darbari ("Mr. Darbari") is the President, Director, and Sole Shareholder of Canamidex.

The Proposal Trustee understands that at the Company's inception, it was involved primarily in civilian engineering projects. In or around the year 2014, the Company began supplying parts and materials to the Canadian Department of National Defense ("DND"). The Company acquired the necessary licenses and clearances giving it access to confidential and potentially sensitive military specifications and procurement details, enabling the Company to work with the DND on several projects. Working with the DND enabled the Company to become an authorized supplier to the NSPA. In addition, the Company currently supplies parts and bids on procurements run by the Defense Logistics Agency, an American defense procurement entity.

Prior to Canamidex's insolvency, the Company had three employees. Those employees have since been laid off while the Company attempts to restructure its operations by way of these Proposal proceedings.

The Company's corporate head office is leased and located at 95 Mural Street, Suite 600, Richmond Hill, Ontario. The Company's inventory is stored at a storage facility located in Newmarket, Ontario.

Section B – Summary of Proposal

The Company is filing its Proposal to satisfy its debts and obligations to its creditors. This Section contains a summary of the Proposal, the terms of which would be effective if:

- i) all Unsecured Creditors with valid proven claims vote for the acceptance of the Proposal by a majority in number and two thirds in value of creditors present, personally or by proxy, at the general meeting of creditors; and
- ii) the Proposal is approved by the Court, in accordance with the provisions of the Act.

The Proposal provides for the restructuring of the Company's liabilities through a monetary distribution to its secured creditor and the potential for a monetary distribution to its unsecured creditors.

The Proposal provides for the following:

1. Claims as at the NOI Filing Date that could be subject to a demand under subsection 224(1.2) of the **Income Tax Act (Canada)** ("ITA"), any provision of the **Canada Pension Plan** or of the **Employment Insurance Act** that refers to subsection 224(1.2) of the ITA, or any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the ITA, shall be paid within six months after Court approval of the Proposal or as otherwise agreed. Generally, these amounts are for arrears in payment of payroll deductions. **The Company has not declared any debts in this regard.**

2. Any outstanding fees and expenses of the Trustee shall be paid from the amounts paid to fund the Proposal.
3. Any amounts owing to employees or former employees of the Company that would qualify as claims under paragraph 136(1) (d) of the Act if the Company became bankrupt on the Proposal Date, are to be paid on Court approval of the Proposal. For greater certainty, amounts due or which may become due do not include claims for severance or termination pay or any compensation in lieu of termination. **The Company has not declared any debts in this regard.**
4. Details of how the Debtor will fund the Proposal are pursuant to **ARTICLE 7** in the Proposal and are as follows:
 - a) five (5) instalments to the Proposal Trustee totaling \$125,000. Details and timing of the payments are as follows:
 - (i) \$25,000 - upon acceptance of the Proposal at the Creditors' Meeting;
 - (ii) \$25,000 - upon Court Approval of the Proposal;
 - (iii) \$25,000 - 90 days after Court Approval;
 - (iv) \$25,000 - 90 days thereafter; and
 - (v) \$25,000 - 90 days thereafter; and
 - b) payments to the Proposal Trustee of 60% of the Debtor's earnings before interest, taxes, depreciation, and amortization for the second and third years after the date of this Proposal, which payments shall be made 90 days after the conclusion of the period second and third years, respectively.
5. The Trustee shall distribute the dividends within sixty days of receiving all the funds referred to in paragraph 4a) above. The Trustee shall distribute further dividends within sixty days of each payment referred to in paragraph 4b) above.
6. Payments shall be distributed by the Trustee first to secured creditors to the maximum amount of (i) the debt owing to them, or (ii) the value of each secured creditor's security. For purposes of this Proposal, the security held by Bank of Montreal shall be valued at \$200,000 and the value of the security held by any creditor subordinate to Bank of Montreal shall be valued at NIL.

Section C – Assets

The Company's assets, as per the Statement of Affairs, dated November 17, 2022, consists of various equipment and inventory which was estimated to have an approximate value in the amount of \$14,000.

Section D – Creditor Claims

According to information provided to the Proposal Trustee by the creditors, the Company's estimated creditors are comprised of:

Creditor classification	Amount
Secured*	\$3,060,000
Unsecured	\$531,113
Total Claims	\$3,591,113

*This amount is owing to the Company's senior lender, the Bank of Montreal ("BMO"). As noted above, for purposes of this Proposal, BMO's security has been valued at \$200,000.

Section E – Estimated Realization

We have estimated the percentage of return to the secured creditor and the unsecured creditors in a Proposal vs bankruptcy.

In the event of a bankruptcy, inventory which has been estimated to have a value of approximately \$14,000 would be available for distribution. Therefore, the secured creditor would receive the full available amount of \$14,000 resulting in an estimated return to the secured creditor at 0.46% ($14,000 / 3,060,000$). Accordingly, there will be no funds available for distribution to the unsecured creditors.

In the event of the Proposal being accepted by the Creditors and approved by the court, at a minimum, pursuant to Article 7.1(a) of the Proposal, the debtor would pay \$125,000 to the Proposal Trustee to fund the Proposal. Given the Proposal Trustee estimates that ongoing administration fees for of this Proposal will be \$20,000, there will be approximately \$105,000 available for distribution. Accordingly, the secured creditor would receive the full available amount of \$105,000 resulting in an estimated return to the secured creditor at 3.43% ($105,000 / 3,060,000$).

As well, in the event of a Proposal there is potential for additional payments pursuant to Article 7.1(b) of the Proposal. It states therein "**payments to the Proposal Trustee of 60% of the Debtor's earnings before interest, taxes, depreciation, and amortization for the second and third years after the date of this Proposal, which payments shall be made 90 days after the conclusion of the period second and third years, respectively.**" This provision implies that if the Company is profitable based on specific measures, in the years after the Proposal, there can be additional payments made to the Proposal Trustee to fund the Proposal. Therefore, the return to the secured creditor may be higher than 3.43%. In addition, if payments pursuant to Article 7.1(b) of the Proposal exceed \$95,000, there would also potentially be a return to the unsecured creditors as the Proposal states that for purposes of the Proposal, BMO's security is to be valued at \$200,000.

The Proposal Trustee notes that it cannot comment on whether it is expected that there will be payments pursuant to Article 7.1(b) of the Proposal.

It should be noted that these comparisons are an estimate only, and the actual recovery may differ. Creditors are advised that these estimates should only be used as a guide and the Trustee takes no responsibility for any difference.

If Proposal Accepted

If the Proposal is accepted by 66.67% of the unsecured creditors (in dollars) and 50% plus one (in number), the Proposal passes, subject only to final Court approval. All creditors are thereafter bound by its terms, whether they voted for the Proposal or not. The amount that unsecured creditors can expect to receive will ultimately depend on whether the debtor will be required to make payments pursuant to Article 7.1(b) of the Proposal. As well, it will depend on the final dollar amount of filed claims.

Distributions to all creditors in respect of their proven claims will be subject to the Superintendent of Bankruptcy levy equal to 5% of the dividend paid.

If Proposal Not Accepted

If the Proposal is not accepted, the Company would be deemed a bankrupt and their assets would vest with the Trustee, subject to the rights of secured creditors.

Section F – Statement of Projected Cash-flow

In accordance with the Act, the Trustee has reviewed the Statement of Projected Cash-flow prepared by the Company.

Section G – Previous Business Dealings with the Debtor

The undersigned Trustee, and Crowe Soberman Inc., confirm that they have no previous business dealings with the Company.

Section H – Remuneration of Trustee

The Company executed an engagement letter where it undertook to pay the Trustee's administrative fees and expenses up to a set amount. If the Trustee's administrative fees and expenses surpass the amount of the agreement, then any shortfall would be payable out of the Proposal Fund.

Section I – Procedures for Dealing with Proposal and Completing a Proof of Claim

In completing the proof of claim form submitted herewith, creditors should only include amounts outstanding as at June 3, 2022.

The Creditors meeting will be held via Microsoft Teams Meeting. Dial in details are below:

Date & Time: **Thursday, December 8, 2022 at 2:00 pm**

Microsoft Teams meeting

Join on your computer, mobile app or room device

[Click here to join the meeting](#)

Meeting ID: 277 338 016 143

Passcode: 9BTdfX

Or call in (audio only)

[+1 437-703-4645](#)

Phone Conference ID: 405 251 306#

Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the enclosed proof of claim and voting documents prior to the meeting.


Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their proofs of claim and voting letters to the Trustee via fax, e-mail or mail, so as to be received prior to the meeting.

If you have any questions on the Proposal or this Report, please contact Daniel Posner via email at daniel.posner@crowesoberman.com or by telephone at 416-644-8447.

Dated at the City of Toronto, Province of Ontario, this 28th day of November, 2022.

CROWE SOBERMAN INC.
Licensed Insolvency Trustee
acting in re: the Proposal of
CANAMIDEX INTERNATIONAL CORP.

Per: _____


Hans Rizarri, CIRP, LIT