

**Court File No. 31-2836316
Estate File No. 31-2836316**

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANAMIDEX INTERNATIONAL CORP**

**FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANAMIDEX INTERNATIONAL CORP**

June 27, 2022

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	TERMS OF REFERENCE.....	2
III.	GENERAL BACKGROUND INFORMATION OF THE COMPANY.....	2
IV.	THE NOI PROCEEDINGS.....	5
V.	EXTENSION OF THE STAY PERIOD TO AUGUST 17, 2022.....	5
VI.	CONCLUSION AND RECOMMENDATIONS.....	7

APPENDICES

APPENDIX "A"- CERTIFICATE OF FILING THE NOTICE TO MAKE A PROPOSAL	8
APPENDIX "B"- NOTICE TO CREDITORS – JUNE 8, 2022	10
APPENDIX "C"- CASH FLOW PROJECTIONS	16

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June 27, 2022

I. INTRODUCTION

1. This report (the “**First Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Canamidex International Corp (“**Canamidex**” or the “**Company**”).
2. On June 3, 2022 (the “**Filing Date**”), the Company filed an NOI and Crowe was appointed as Proposal Trustee. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy for the Company is attached as **Appendix “A”**.
3. Attached as **Appendix “B”** is a copy of the June 8, 2022 Notice to Creditors advising of the June 3, 2022 NOI filing and the documents comprising Form 33 including the list of creditors and the creditor mailing list.
4. The purpose of this First Report is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) and stakeholders with information pertaining to the following:
 - a. a limited summary of certain background information about the Company;
 - b. the restructuring steps to be undertaken by the Company during these proceedings; and

- c. the Company's request for an extension of the stay initiated on the Filing Date (the "**Stay Period**") to August 17, 2022.

II. TERMS OF REFERENCE

5. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
6. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company's representatives, the Company's books and records and discussions with their management and employees (collectively, the "**Information**"). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook (the "**CPA Handbook**") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information. This First Report is prepared for use in these proceedings and the reader is cautioned against using, or relying in any way, upon this First Report for any other purpose.

III. GENERAL BACKGROUND INFORMATION OF THE COMPANY

7. 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.
8. 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 clearance giving it access to confidential and potentially sensitive military specifications and procurement details, enabling the Company to work with the DND on several projects.

9. Working with the DND enabled the Company to become an authorized supplier to the NATO Support and Procurement Agency (“**NSPA**”). In addition, the Company currently supplies parts and bids on procurements run by the Defense Logistics Agency (“**DLA**”), an American defense procurement entity.

Overview of Operations

10. Prior to Canamidex’s insolvency (discussed below), 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.
11. The Company’s corporate head office is leased and located at 95 Mural St, Suite 600, Richmond Hill, Ontario. The Company’s inventory is stored at a storage facility located in Newmarket, Ontario.

Causes of Insolvency

12. The Proposal Trustee has been advised that the cause of the Company’s insolvency can be attributed to a specific contract that the Company had with the NSPA that has resulted in losses to the Company that it was not able to sustain (the “**Contract**”).
13. As discussed in the affidavit sworn by Mr. Darbari on June 24, 2022 (the “**Darbari Affidavit**”), in the year 2020, Canamidex entered into a relationship with California Aircraft and Avionics Corporation (“**CAAC**”), whereby Canamidex would purchase parts from CAAC and supply those parts to NSPA, to fulfil its obligations as part of the Contract.
14. In September 2021, NSPA contacted Canamidex to inform Canamidex that certain products supplied as part of the Contract were incorrect and counterfeit. Accordingly, NSPA halted all further orders and payments under the Contract. Further, in June 2021, NSPA cancelled the Contract.
15. The Proposal Trustee has been advised that the Company was a victim of a fraud that was perpetrated by CAAC. As well, the Company has engaged Pillsbury

Wintrop Shaw Pittman LLP, lawyers in the state of California, to take legal action against CAAC.

16. Additional information with respect to the causes of the Company's insolvency and its ongoing litigation against CAAC are further detailed in the Darbari Affidavit.
17. The Proposal Trustee has been advised that due to the ongoing problems with CAAC and the Contract, the Company incurred losses in the amount of approximately \$3,000,000. These losses relate to amounts spent on new orders with CAAC and other costs with respect to fulfilling its obligations as part of the Contract with NSPA. In addition, the Proposal Trustee has been advised that these losses far exceed the projected profit earning potential of the Company for years to come. These losses have limited the Company's ability to borrow funds that would be required for the purpose of funding further projects.

The Company's Creditors

18. As of the Filing Date, the Company's records show that it owed approximately \$3,700,000 to creditors. The largest creditor is Bank of Montreal ("**BMO**"), which is owed approximately \$3,000,000. Claims from NSPA are expected to be in the amount of approximately \$300,000.
19. The Proposal Trustee understands that prior to the Contract, the Company had a credit facility at BMO in the form of a line of credit which ranged from approximately \$500,000 to \$750,000. This credit facility was increased by BMO to \$3,000,000 so that the Company could fulfill its obligations with respect to the Contract. The Proposal Trustee has been advised that all amounts owing to BMO are secured.
20. The Proposal Trustee understands that Export Development Canada is a guarantor in the amount of \$2,250,000 on amounts owing to BMO. In addition, Mr. Darbari is a guarantor in the amount of \$750,000 to BMO.

IV. THE NOI PROCEEDINGS

21. Due to the financial challenges experienced by the Company and its inability to continue its operations, it was determined that it was in the best interest of all stakeholders for the Company to file a NOI and to explore restructuring options.
22. The Company is reviewing several options for restructuring during the NOI process and requires a 45-day extension to more fully explore its restructuring options and seek feedback from the Company's main lender, BMO.
23. One option is a potential sale of the Company's assets in a publicly advertised manner under the supervision of the Proposal Trustee. The Proposal Trustee has reviewed interim information from the Company's accountant who is preparing the Company's financial statements. Realizable accounts receivable consist of approximately \$25,000 and inventory/equipment is estimated to have a realizable value between \$30,000-\$50,000. In addition, there may be a contingent asset with respect to the ongoing litigation between the Company and CAAC. The Proposal Trustee is continuing to review this contingent asset and will report on its findings in the next Report. The potential value of this contingent asset is unknown at this time.
24. Another option that the Company is considering is negotiating with creditors for an amount to be paid to satisfy all creditor claims. Again, time is needed during this requested 45-day period to further explore this.

V. EXTENSION OF THE STAY PERIOD TO AUGUST 17, 2022

25. The current stay of proceedings will expire on July 4, 2022. Accordingly, the Company is seeking a 45-day extension of time pursuant to section 50.4(9) of the BIA to August 17, 2022 (the "**Stay Extension**").
26. The Company, with the assistance of the Proposal Trustee, has prepared Cash Flow Projections. A copy of the Cash Flow Projections is attached as **Appendix "C"**, which is summarized below:

Canamidex International Corp
Cash flow Projections
For the Period June 20 to September 12, 2022

Receipts		
Sales		253,500
Shareholder Deposits		25,000
Total Receipts	A	<u>278,500</u>
Disbursements		
Rent		540
Professional fees		33,500
Bank charges and interest		45,000
Supplies/product		195,195
Fuel & Transportation Costs		7,605
Utilities		300
Insurance		900
Equipment lease/rental		4,500
Total Disbursements	B	<u>287,540</u>
Net Cash	C=A-B	(9,040)
Opening Bank Balance	D	6,050
Closing Bank Balance (deficit)	C+D	(2,990)

27. The Cash Flow Projections indicate that during the Stay Extension, the Company will continue to operate at a cash deficit, with costs exceeding revenues. The Proposal Trustee has been advised that in the event of a deficit, the principal (Mr. Darbari) will provide the funds as needed.

28. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:

- a. More time is required to develop a restructuring plan with the involvement of the Company's main lender, BMO;
- b. The Company is acting in good faith and with due diligence; and

- c. It is the Proposal Trustee's view that the Stay Extension will not materially prejudice any creditors.

VI. CONCLUSION AND RECOMMENDATIONS

29. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the Order sought by the Company, extending the Stay Period to August 17, 2022.

All of which is respectfully submitted this 27th day of June 2022.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of Canamidex International Corp under the *Bankruptcy and Insolvency Act*

A handwritten signature in blue ink, appearing to be a stylized 'B' or similar character, located below the text of the trustee's name and role.

APPENDIX "A"

**CERTIFICATE OF FILING THE NOTICE OF
INTENTION TO MAKE A PROPOSAL**



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2836316
Estate No. 31-2836316

In the Matter of the Notice of Intention to make a proposal of:

CANAMIDEX INTERNATIONAL CORP

Insolvent Person

CROWE SOBERMAN INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

June 03, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: June 06, 2022, 12:27

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

APPENDIX “B”

NOTICE TO CREDITORS – JUNE 8, 2022



Crowe Soberman Inc.

Crowe Soberman Inc.
Licensed Insolvency Trustee
Member Crowe Global

2 St. Clair Avenue East, Suite 1100
Toronto, ON M4T 2T5
416 929 2500
416 929 2555 Fax
1 877 929 2501 Toll Free
www.crowesobermaninc.com

June 8, 2022

TO THE CREDITORS OF CANAMIDEX INTERNATIONAL CORP

Please be advised that CANAMIDEX INTERNATIONAL CORP (“**CANAMIDEX**”) filed a **Notice of Intention to Make a Proposal** on June 3, 2022, under the **Bankruptcy and Insolvency Act**. A copy of this Notice is enclosed herewith.

This is a procedure whereby a debtor, with creditor and Court approval, reorganizes its financial affairs. Our role as Proposal Trustee in this matter is to assist the debtor with the development of the Proposal, to liaise with creditors, that is, to fully explain the Proposal to them and to support and facilitate the decision-making process which creditors will ultimately undertake, ending with their acceptance or rejection of the Proposal.

All liabilities, actual and contingent, of CANAMIDEX as at June 03, 2022 are subject to the Proposal mentioned above and are fixed by Section 62(1.1) of the **Bankruptcy and Insolvency Act** as at that date.

All creditors are **STAYED** from commencing or continuing any actions against CANAMIDEX until the Proposal is dealt with by the creditors.

CANAMIDEX has thirty (30) days from the date of filing the **Notice of Intention to Make a Proposal** (subject to Court approved extensions of this time period) to lodge a Proposal with us so that we may file it with the Official Receiver.

We will be calling a meeting of creditors to consider the Proposal within twenty-one (21) days of the date on which the Proposal is filed. You will receive Notice of the meeting along with all other necessary documents including the proof of claim form, voting letter, at least ten days in advance of the meeting.

Please feel free to contact our office if you require any further information with respect to this matter.

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

Per: Daniel Posner
Daniel Posner, CPA, CIRP

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
CANAMIDEX INTERNATIONAL CORP.
of the City of Richmond Hill
in the Province of Ontario

Take notice that:

1. I, CANAMIDEX INTERNATIONAL CORP, an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Crowe Soberman Inc., LIT of 2 St. Clair Ave East, Suite 1100, Toronto, ON, M4T 2T5, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Richmond Hill in the Province of Ontario, this 27th day of May 2022.



 CANAMIDEX INTERNATIONAL CORP
 Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of:
 Division No. -
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 CANAMIDEX INTERNATIONAL CORP.
 of the City of Richmond Hill
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
BMO Bank of Montreal	PO BOX 6044, STN Centre Ville Montreal QC H3C 3X2	5112420000300966	60,000.00
BMO Financial Group	1st Canadian Place - 100 King St W Toronto ON M5X 1A9		3,000,000.00
EDC Insurance	150 Slater Ottawa ON K1A 1K3		4,590.78
GS1 Canada accounts.receivable@gs1ca.org	800 - 1500 Don Mills Rd North York ON M3B 3K4		2,463.50
Jet Procurement Services	965 E Andrew Johnson Hwy Greenville TN 37745 USA		83,526.00
NSPA/NATO Amandine Bernard	11 rue de la gare L-8325 Capellen (GD Luxembourg)	LC-CH/4500451455	9,755.00
NSPA/NATO Arnaud Kindt	11 rue de la gare L-8325 Capellen (GD Luxembourg)	LC-CC/4500451506	3,700.00
NSPA/NATO Geraldine Bruguere	11 rue de la gare L-8325 Capellen (GD Luxembourg)	LD-E874500449644	15,293.00
NSPA/NATO Inge Berckmans	11 rue de la gare - L8325 Capellen (GD Luxembourg)	LW-WW/4500430528	152,313.00
NSPA/NATO Pierre-Yve Urlings	11 rue de la gare L-8325 Capellen (GD Luxembourg)	LW-WW4500450085	1,531.00
NSPA/NATO Sebastien Decroupet	11 rue de la gare L-8325 Capellen (GD Luxembourg)	LC-CC 4500442226	111,410.00
NSPA/NATO Thomas Engel	11 rue de la gare L-8325 Capellen (GD Luxembourg)	LC-CC4500447447	27,117.00
Pillsbury Winthrop Shaw Pittman LLP John Wetherell	150-11710 El Camino Real San Diego, CA 92130-2245 USA		167,117.60
Pratt & Whitney Canada	1000 Marie-Vitorin Longueuil QC J4G 1A1		38,285.00

District of:
Division No. -
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
CANAMIDEX INTERNATIONAL CORP.
of the City of Richmond Hill
in the Province of Ontario

Total			3,677,101.88
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CANAMIDEX INTERNATIONAL CORP
Insolvent Person

- Creditor Mailing List -

015

In the Matter of the Proposal of
CANAMIDEX INTERNATIONAL CORP.
of the City of Richmond Hill
in the Province of Ontario

Creditor Type	Name	Attention	Address
Unsecured	BMO Bank of Montreal		5112420000300966 PO BOX 6044, STN Centre Ville Montreal QC H3C 3X2
	BMO Financial Group		1st Canadian Place - 100 King St W Toronto ON M5X 1A9 milan.maharaj@bmo.com
	EDC Insurance		150 Slater Ottawa ON K1A 1K3 support@edc.ca
	GS1 Canada	accounts.receivable@gs1ca.org	800 - 1500 Don Mills Rd North York ON M3B 3K4 Fax: (416) 510-1916 info@gs1ca.org
	Jet Procurement Services		965 E Andrew Johnson Hwy Greenville TN 37745 USA zjanzen@jetpro.net
	NSPA/NATO	Sebastien Decroupet	LC-CC 4500442226 11 rue de la gare L-8325 Capellen (GD Luxembourg) sebastien.decroupet@nspa.nato.int
	NSPA/NATO	Arnaud Kindt	LC-CC/4500451506 11 rue de la gare L-8325 Capellen (GD Luxembourg) arnaud.tkint.external@nspa.nato.int
	NSPA/NATO	Thomas Engel	LC-CC4500447447 11 rue de la gare L-8325 Capellen (GD Luxembourg) thomas.engel@nspa.nato.int
	NSPA/NATO	Amandine Bernard	LC-CH/4500451455 11 rue de la gare L-8325 Capellen (GD Luxembourg) amandine.bernard@nspa.nato.int
	NSPA/NATO	Geraldine Bruguere	LD-E874500449644 11 rue de la gare L-8325 Capellen (GD Luxembourg) geraldine.bruguere@nspa.nato.int
	NSPA/NATO	Inge Berckmans	LW-WW/4500430528 11 rue de la gare - L8325 Capellen (GD Luxembourg) inge.berckmans@nspa.nato.int
	NSPA/NATO	Pierre-Yve Urlings	LW-WW4500450085 11 rue de la gare L-8325 Capellen (GD Luxembourg) pierre-yves.urlings@nspa.nato.int
	Pillsbury Winthrop Shaw Pittman LLP	John Wetherell	150-11710 El Camino Real San Diego, CA 92130-2245 USA john.weatherell@pillsburylaw.com
	Pratt & Whitney Canada		1000 Marie-Vitorin Longueuil QC J4G 1A1 moez.mizouri@prattwhitney.com

APPENDIX “C”
CASH FLOW PROJECTIONS

Canamidex International Corp
Cash flow Projections
For the Period June 20 to September 12, 2022

For the Week Beginning:

	20-Jun	27-Jun	04-Jul	11-Jul	18-Jul	25-Jul	01-Aug	08-Aug	15-Aug	22-Aug	29-Aug	05-Sep	12-Sep	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash-in														
Sales	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	253,500
Shareholder Deposits				5,500					8,000				11,500	25,000
Total Cash-in	19,500	19,500	19,500	25,000	19,500	19,500	19,500	19,500	27,500	19,500	19,500	19,500	31,000	278,500
Cash-out														
Rent				180					180				180	540
Professional fees		3,500		10,000					10,000				10,000	33,500
Bank charges and interest (Note 1)				15,000					15,000				15,000	45,000
Supplies/product	15,015	15,015	15,015	15,015	15,015	15,015	15,015	15,015	15,015	15,015	15,015	15,015	15,015	195,195
Fuel & Transportation Costs	585	585	585	585	585	585	585	585	585	585	585	585	585	7,605
Utilities				100					100				100	300
Insurance				300					300				300	900
Equipment lease/rental				1,500					1,500				1,500	4,500
Total Cash-out	15,600	19,100	15,600	42,680	15,600	15,600	15,600	15,600	42,680	15,600	15,600	15,600	42,680	287,540
Net Cash inflow (outflow)	3,900	400	3,900	(17,680)	3,900	3,900	3,900	3,900	(15,180)	3,900	3,900	3,900	(11,680)	(9,040)
Opening cash balance	6,050	9,950	10,350	14,250	(3,430)	470	4,370	8,270	12,170	(3,010)	890	4,790	8,690	6,050
Net Cash (above)	3,900	400	3,900	(17,680)	3,900	3,900	3,900	3,900	(15,180)	3,900	3,900	3,900	(11,680)	(9,040)
Closing cash (deficit) (Note 2)	9,950	10,350	14,250	(3,430)	470	4,370	8,270	12,170	(3,010)	890	4,790	8,690	(2,990)	(2,990)

Notes:

1. Bank charges and interest reflect monthly payments to the Bank of Montreal.
2. In the event of a deficit, the principal will provide the funds as needed.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF CANAMIDEX INTERNATIONAL CORP, OF THE CITY OF RICHMOND HILL, IN THE PROVINCE OF ONTARIO

Court File No. 31-2836316

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

**FIRST REPORT OF CROWE SOBERMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE
UNDER THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF CANAMIDEX
INTERNATIONAL CORP.**

SIMPSON WIGLE LAW LLP
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Burlington, ON L7P 0V1

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Lawyers for Crowe Soberman Inc., Proposal Trustee
of Canamidex International Corp.