

CANADA
Province of Ontario
Court No. 32-2710228
Estate No. 32-2710228

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF EVOLUTION LIGHTING CANADA, INC. OF THE CITY OF MISSISSAUGA IN THE PROVINCE OF ONTARIO

The information contained in this Preliminary Report has been prepared from the available books and records of the Company and discussions with Management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information taken from those records contained herein.

SECTION A - BACKGROUND

Evolution Lighting Canada, Inc. ("**Evolution**" or the "**Company**") is a private corporation that imported and distributed lighting fixtures. Evolution ended operations on June 30, 2020 and had previously operated out of leased premises located at 228 Ambassador Drive, Mississauga, Ontario.

The Company filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy on February 8, 2021 (the "**Bankruptcy Date**"). MNP was appointed the Trustee of the estate, subject to affirmation by creditors.

On February 12, 2021, the Notice to Creditors advising of the bankruptcy and the First Meeting of Creditors ("**FMOC**"), a list of creditors and a proof of claim form, along with a proxy, were sent to all known creditors of the Company. Pursuant to subsection 102(4) of the *Bankruptcy and Insolvency Act* ("**BIA**"), the Notice of Bankruptcy was published in the February 18, 2021 edition of the National Post.

Other available information in respect of this bankruptcy estate is available on MNP's website at www.mnpdebt.ca/evolutionlighting.

SECTION B - PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS

According to Evolution's sworn Statement of Affairs ("**SOA**") it had no assets as at February 5, 2021.

It is the Trustee's understanding that Evolution's assets were sold for approximately \$5.5 million in May 2020 with such proceeds realized used paid to its first ranking secured creditor, Canadian Imperial Bank of Commerce ("**CIBC**"), to reduce the indebtedness owed directly or

Trustee's Preliminary Report

indirectly by way of a guarantee. CIBC has since been repaid in full from the proceeds realized from the sale of a related entity and other security.

The Trustee has learned that there is a potential asset that may be recovered relating to cash collateral of \$625,000 (the "**Cash Collateral**") held by CIBC in support of an outstanding letter of credit ("**LOC**") issued to backstop customs and duties charges. The Cash Collateral will only be released once the LOC is returned, which could be 12 to 18 months. Notwithstanding that these monies may be recovered, the Cash Collateral would be subject to the security interests of Banyan Mezzanine Fund ("**Banyan**"), who was reflected as an unsecured creditor on the SOA, as it was believed that there were no assets remaining.

SECTION C - BOOKS AND RECORDS

The Trustee is in the process of taken possession and control of the Company's books and records necessary to complete the administration of the estate.

SECTION D - CONSERVATORY AND PROTECTIVE MEASURES

As the Company had no physical assets on the Bankruptcy Date, no conservatory or protective measures were necessary.

SECTION E - PROVABLE CLAIMS AND CREDITOR GROUPS

Provable Claims

The claims of creditors who have filed a claim as at 12:00 pm on February 24, 2021 as per the Company's SOA and as filed are summarized below:

Creditor Group	Statement of Affairs	As Filed
Unsecured creditors	\$ 8,427,822.68	\$ 4,933.25
Preferred creditors	Nil	Nil
Secured creditors	Nil	Nil
Total	\$ 8,427,822.68	\$ 4,933.25

The Trustee was appointed/received 1 proxy in the amount of \$2,570.75.

With respect to the \$4,933.25 noted above as being the claims As Filed, such creditors' claims were reflected on the SOA at \$4,933.25. Please note that the Trustee has not determined the admissibility of the above-noted claims for dividend purposes.

Creditor Groups

Unsecured creditors - The largest unsecured creditor identified by Company was Banyan, which as per the SOA total approximately \$6.077 million and represent 79.6% of the total unsecured creditors identified on the SOA. As noted earlier, Banyan holds a security interest

Trustee's Preliminary Report

over all of the assets of the Company, but since no assets were reflected on the SOA Banyan's claim was shown all as unsecured. Even if the Cash Collateral is collected and paid to Banyan under its security, Banyan would still have the largest unsecured claim. The balance of the unsecured creditors are principally trade suppliers.

Preferred creditors – The Trustee is not aware of any preferred creditors under section 136 of the BIA.

Secured creditors – As noted above, Banyan holds a security interest over all of the assets of the Company. If the Cash Collateral is collected, Banyan would be secured creditor who would have priority over and to the extent of such monies realized therefrom; the balance would be unsecured.

SECTION F - LEGAL PROCEEDINGS

To date, the Trustee has not commenced any legal proceedings and the Trustee has not yet retained independent legal counsel. Any review of the security of CIBC and Banyan and the retaining of independent legal counsel will be subject to inspector approval and direction.

SECTION G – REVIEWABLE TRANSACTIONS

The Trustee is still in the process of completing its review of the Company's books and records in order of identifying any potential transfers at undervalue or preference payments. The scope of the review will be limited to a review of disbursements made in the 12 months preceding the bankruptcy and inquiries with management.

SECTION H - ANTICIPATED REALIZATIONS AND DISTRIBUTIONS

Given the forgoing and the SOA, the Trustee does not expect there to be any funds to be available for distribution to Evolution's unsecured creditors in this bankruptcy proceeding.

SECTION I - OTHER MATTERS

The Trustee has been provided with a third-party deposit in the amount of \$18,871.88 by ACM Capital Partners LLC to cover the basic fees and disbursements of the Trustee to administer these bankruptcy proceedings

There are no employees eligible for compensation under the Wage Earner Protection Program as all of the employees were terminated on or before June 30, 2020, which was more than six (6) months prior to the Bankruptcy Date.

Trustee's Preliminary Report

Dated at Toronto, Ontario this 24th day of February 2021.

MNP LTD.

**Trustee of the Estate of
Evolution Lighting Canada, Inc., a bankrupt**

Per:



Matthew Lem, CIRP
Licensed Insolvency Trustee