

District of Ontario
Division No. 09-Mississauga

Court File No. 32-1859233
Estate No. 32-1859233

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**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY**

**IN THE MATTER OF THE PROPOSAL OF
733907 ONTARIO LTD. O/A EUROPEAN QUALITY MEATS & SAUSAGES
OF THE CITY OF BRAMPTON,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO**

AND

**IN THE MATTER OF THE PROPOSAL OF
1268549 ONTARIO INC.
OF THE CITY OF BRAMPTON,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO**

AND

**IN THE MATTER OF THE PROPOSAL OF
LEIDER PROPERTIES INC.
OF THE CITY OF BRAMPTON,
IN THE REGIONAL MUNICIPALITY OF PEEL,
IN THE PROVINCE OF ONTARIO.**

AFFIDAVIT

I, Eugene P. Migus, of the Town of Halton Hills, in the Province of Ontario, MAKE OATH
AND SAY THAT:

1. I am a Senior Vice President and a licensed trustee in bankruptcy with BDO Canada Limited, Proposal Trustee of 733907 Ontario Ltd. o/a European Quality Meats & Sausages ("European"), Leider Properties Inc. ("LeiderCo"), and 1268549 Ontario Inc. ("HoldCo") (collectively, all three are referred to as the

“Companies”). As such, I have knowledge of the matters hereinafter deposed to.

2. BDO Canada Limited was appointed as the Proposal Trustee under Notices of Intention to Make a Proposal filed by each of the Companies on April 11, 2014.
3. European carried on business as a manufacturer and seller of meat products to the food services industry and maintained a wholesale and retail division. LeiderCo and HoldCo are related companies to European. LeiderCo holds legal title for the benefit of HoldCo of various equipment and real estate used by European in the operation of its business.
4. The Companies’ management initiated the NOI for the following reasons:
 - European had suffered dramatic financial losses as a result of record increases in the cost of beef and pork;
 - European’s lender, Bank of Montreal, issued a Notice of Intention to Enforce Security to the Company and its guarantors demanding payment of the indebtedness and liabilities of European to Bank of Montreal;
 - In the absence of a stay of proceedings, European’s business would have to be shut down, at least temporarily, which would adversely affect the marketability and value of the business, jeopardize the collectability of accounts receivables and negatively impact repayment of the obligations owing to Bank of Montreal and other creditors;
 - Management had come to the conclusion that a sale of a portion or all of European’s business was necessary to restructure the operations of European and maximize the repayment of obligations owing to Bank of Montreal and other stakeholders.
5. Pursuant to the Order granted by the Honourable Justice Penny on May 6, 2014, the Proposal Trustee implemented a marketing and sale process for European’s business. The Proposal Trustee, in conjunction with management, dealt with the resulting offers and assisted in the negotiation of the Asset Purchase Agreement (the “Sale Agreement”) between the Companies and the purchaser, 2427400 Ontario Inc. (the “Purchaser”).
6. The Order granted by the Honourable Justice Penny on May 6, 2014 also granted a first ranking priority charge over all of the Companies’ assets, undertakings, and property (the “Administration Charge”) in favour of the Proposal Trustee, the Proposal Trustee’s legal counsel, Cassels Brock & Blackwell LLP, the Companies’ legal counsel, Davis LLP, and European’s external accountant, Gilmore & Company LLC (and together with the Proposal Trustee, collectively referred to as the “Professional Group”) to secure payment of their professional fees and disbursements.

7. On August 29, 2014, this Court approved the sale of substantially all of the business and assets of European to the Purchaser pursuant to the terms of Sale Agreement and granted an order vesting title to the purchased assets in and to the Purchaser. The sale transaction was completed on September 26, 2014 and the Proposal Trustee issued the required Proposal Trustee's Certificate.
8. The Proposal Trustee has performed the services described in the detailed time dockets attached as Exhibit "A".
9. The time incurred with respect to the foregoing administration of this estate from March 5, 2014 to September 30, 2014 is as follows:

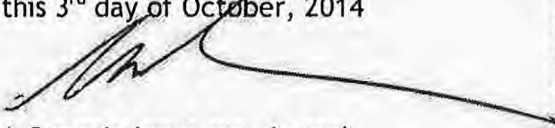
<u>Name</u>	<u>Position</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
McKeown, Clark	Trustee and Senior Vice President	\$ 495.00	12.50	\$ 6,187.50
Migus, Eugene	Trustee and Senior Vice President	540.79	192.65	104,183.50
Siciliano, Vince	Trustee and Senior Vice President	575.00	90.60	52,095.00
Krieger, Michael	Trustee and Vice President	325.00	10.00	3,250.00
McConnell, Darryl	Trustee and Vice President	435.00	0.10	43.50
Naumis, Peter	Trustee and Vice President	395.00	5.00	1,975.00
Porter, Christopher	Trustee and Vice President	465.00	231.60	107,694.00
O'Looney, Cathal	Manager	200.00	37.00	7,400.00
Zhang, Stella	Senior Financial Analyst	180.00	194.30	34,974.00
Leung, Kevin	Estate Administrator	145.00	36.20	5,249.00
Wong, Nathan	Estate Administrator	175.00	263.35	46,086.25
Botticella, Carm	Office	130.00	2.00	260.00
Iannilli, Franca	Office	148.00	7.30	1,080.40
McCreath, Jan	Office	148.00	6.90	1,021.20
Dula, Lourdes	Accounting	135.00	8.50	1,147.50
		<u>\$ 339.39</u>	<u>1,098.00</u>	372,646.85
	Administrative fee			14,905.87
	Out of pocket disbursements			
	Appraisal fee			10,000.00
	Newspaper advertisement			1,956.00
	Travel			1,064.80
	Harmonized Sales Tax			<u>52,074.56</u>
	TOTAL			<u>\$ 452,648.08</u>

10. A portion of the above time was incurred by BDO Canada Limited prior to the filing of the Notices of Intention to Make a Proposal. The Companies, through its external accountant, first approached BDO Canada Limited as early as March 5, 2014 to explore various restructuring options as well as assist with discussions and negotiations with their operating lender, Bank of Montreal. The

professional time incurred prior to the filing of the Notices of Intention to Make a Proposal totalled 104.00 hours at cost of \$42,666.85.

11. The professional costs are higher than originally anticipated for a number of reasons, including the following:
 - a) The complexity of the Sales Process resulted in significant time monitoring and responding to the needs of participating parties. The complexities are derived from:
 - (i) the operation by European of the Wholesale Business and the Retail Business;
 - (ii) the ownership by Holdco of the assets used in the operation of the two divisions;
 - (iii) the ownership by Holdco of the real properties on which European operates;
 - (iv) the interests of three separate pools of creditors, some of whom overlap;
 - (v) the obligation of the Proposal Trustee and the Companies to solicit offers for sale of the business and the assets, as well as offers for equity injections or financing; and
 - (vi) the number of steps required to be completed by a potential bidder before a bid could be considered.
 - b) The initial number of parties who expressed interest in the purchase and finance opportunity was higher than expected which resulted in more meetings, requests for site tours, and other unanticipated information requests;
 - c) The Proposal Trustee was required to spend more time than initially anticipated for the preparation of the CIM and the Data Room;
 - d) Various issues relating to the unionized employees;
 - e) Negotiations with the Purchaser were complicated. The Purchaser purchased only select assets as it did not intend to continue European's wholesale operations and the conditions to its initial offer form required significant negotiation such that it could be considered and accepted (in the form set out in the Sale Agreement). Furthermore, the Purchaser paid a "going concern" value for the purchased assets and, as such, required certain "going concern" types of representations and warranties. As well, the Purchaser's condition to have access to European's business systems and monitoring rights to the Wholesale Business prior to closing required significant unanticipated coordination;

- f) Management spent more time than expected stabilizing business operations and ensuring continued supply and fulfilment of customer orders. The Companies' cash flow constraints (due to restrictions under the forbearance agreement and lower than forecasted cash receipts) impacted European's ability to fill customer orders;
 - g) The Proposal Trustee spent considerably more time assisting with the closing of the sale transaction. A significant amount of time was expended on assisting with the physical count of inventory on hand as well as inquiries on the lower than expected inventory valuation; and
 - h) Management relied heavily on the Professional Group for advice and assistance in a number of matters peripheral to the Sales Process, including disputes with suppliers and communications with employees.
12. The Proposal Trustee requests Court approval of fees, disbursements, and Harmonized Sales Tax totalling \$452,648.08 for the services performed to September 30, 2014.

SWORN BEFORE ME at the)
 City of Mississauga)
 this 3rd day of October, 2014)

 A Commissioner etc. in and)
 For the Province of Ontario)


 Eugene P. Migus

Vince Franco Siciliano, a Commissioner, etc., Province of Ontario, for BDO Canada LLP, Chartered Accountants and BDO Canada Limited, Trustee in Bankruptcy and their subsidiaries, associates and affiliates. Expires January 5, 2016.

SCHEDULE "A"

Date	Professional	Hours	Amount	Particulars
5-Mar-14	Migus, Eugene	0.75	382.50	Discussion with Gilmore & Company LP (Steve Schwets) regarding the demand request issued by Bank of Montreal; related message to Bank of Montreal (Keith McGregor).
12-Mar-14	Siciliano, Vince	0.75	431.25	Conference call with E. Migus and Steve Schwets; telephone discussion with Gary Feldman (Chaitons).
13-Mar-14	Siciliano, Vince	1.75	1,006.25	Review Jan/2014 financial statements; telephone discussion with Gary Feldman re margin report and shortfall, and year-end financial statements; telephone discussion with Clark McKeown; review BMO demands and 244 Notice of enforcement.
14-Mar-14	Siciliano, Vince	0.75	431.25	Various discussions with BMO; strategic planning discussions with Eugene Migus; communication re BMO concerns.
17-Mar-14	Migus, Eugene	0.10	51.00	Discussion with Gilmore & Company (Steve Schwets).
17-Mar-14	Siciliano, Vince	0.50	287.50	Conference call with Eugene Migus and Steve Schwets regarding upcoming meeting with company.
18-Mar-14	Migus, Eugene	4.20	2,142.00	Preparation for client meeting; attend meeting with family members, Gilmore & Company (Steve Schwets), Davis LLP (Noam Goodman); conference call and update to solicitors for Bank of Montreal, Chaitons LLP (Gary Feldman); follow-up conference call with Davis LLP (Noam Goodman, Bruce Darlington), Gilmore & Company (Steve Schwets).
18-Mar-14	Siciliano, Vince	5.00	2,875.00	Prepare for and attend meeting with family to discuss financial position and alternatives available; various discussions with Bank and legal counsel; conference call with Davis LLP; conference call with Chaitons and Davis.
19-Mar-14	Migus, Eugene	0.35	178.50	Follow-up communication with Gilmore & Company (Steve Schwets); prepare draft engagement letter.
19-Mar-14	Siciliano, Vince	1.50	862.50	Review sale process document; various communication and discussions.

SCHEDULE "A"

Date	Professional	Hours	Amount	Particulars
20-Mar-14	Migus, Eugene	5.20	2,652.00	Telephone update from Gilmore & Company (Steve Schwets); conference call with Davis LLP (Noam Goodman, Bruce Darlington); instructions to Nathan Wong; review weekly cashflow projection; subsequent conference call with Steve Schwets regarding required revisions to the cashflow projection; continue drafting memorandum on restructuring process; follow-up with Clark McKeown.
20-Mar-14	Siciliano, Vince	2.25	1,293.75	Correspondence with BMO; review reporting memo on NOI process; number of discussions re cashflow projections; review sale process.
20-Mar-14	Wong, Nathan	3.90	682.50	Go through cash flows, come up with list of questions in regards to cash flow for field work. Consult with Eugene in regards to initial engagement.
21-Mar-14	Migus, Eugene	3.50	1,785.00	Review draft presentation prepared by BDO Transaction Advisory Services; attend meeting at client premises and provide instructions to staff, Gilmore & Company regarding necessary adjustments to the cashflow projection.
21-Mar-14	Siciliano, Vince	1.00	575.00	Review updated reporting memorandum and sale process; communication with bank.
21-Mar-14	Wong, Nathan	7.10	1,242.50	Vetting cash flow provided by Gilmore, went through cash flow with Steve Ip from Gilmore; talked to Frank the controller for source documents; talked to Mike Leider in regards to sales trends.
24-Mar-14	Migus, Eugene	1.75	892.50	Instructions to Nathan Wong; review cashflow assumptions; review various updates of the weekly cashflow projection; communication with Christopher Porter regarding marketing and sale process; communication with Larry Leider; communication with Gilmore & Company regarding the forecasted bank operating line balance; communication with Larry Leider.
24-Mar-14	Siciliano, Vince	1.20	690.00	Various discussions with Gary Feldman regarding cashflows and restructuring plan; review cashflows.

SCHEDULE "A"

Date	Professional	Hours	Amount	Particulars
24-Mar-14	Wong, Nathan	7.25	1,268.75	Vetted cash flow, corresponded with Steve Ip in regards to different drafts; talked to Mike Leider in regards to historical sales trends; talked to Frank for more comfort on uncollectible receivables.
25-Mar-14	Migus, Eugene	1.40	714.00	Finalize memorandum and presentation; related discussion with Gilmore & Company (Steve Schwets); release cashflow forecast to Bank of Montreal; release restructuring memorandum to Leider family and advisors.
25-Mar-14	Siciliano, Vince	1.50	862.50	Finalize cashflows and restructuring plan.
25-Mar-14	Wong, Nathan	1.10	192.50	Review balance sheet and income statement.
26-Mar-14	Migus, Eugene	1.65	841.50	Telephone call from Larry Leider; communication with Chaitons LLP (Gary Feldman); conference call with Leider family members and Gilmore & Company (Steve Schwets); forward communication precedents to Leider family members.
26-Mar-14	Siciliano, Vince	0.75	431.25	Prepare for call with BMO regarding business plan and cash flows.
28-Mar-14	Migus, Eugene	2.80	1,428.00	Conference call with Bank of Montreal (Keith McGregor), Chaitons LLP (Gary Feldman) regarding restructuring plan, court order for marketing and sale process; follow-up discussion with Gary Feldman regarding requirement for 1268549 Ontario Ltd. to file a Notice of Intention to Make a Proposal as well; discussion with Davis LLP (Bruce Darlington, Noam Goodman); conference call with Davis LLP and Chaitons LLP; update call to Gilmore & Company; cal with Cassels Brock & Blackwell LLP (Marc Mercier, David Ward); follow-up with Gilmore & Company on additional information requested by Bank of Montreal; instructions to Nathan Wong regarding projected financial statements; follow up with Davis LLP for bank security documents; review 6-month forecasted balance sheet and income statement.

SCHEDULE "A"

Date	Professional	Hours	Amount	Particulars
28-Mar-14	Siciliano, Vince	3.30	1,897.50	conference call with G. Feldman; conference call with BMO; conference call with Davis partners; further telephone discussion with G. Feldman; conference call with Cassels Brock.
28-Mar-14	Wong, Nathan	4.10	717.50	Talk to Steve Ip in regards to 6 month balance sheet and income statement; vetted balance sheet and income statement to ensure it reconciles to 26 week cash flow; forwarded documents to Gilmore & Company LLP for approval; requested Steve Ip from Gilmore for documents in regards to filing of NOI over email and phone.
31-Mar-14	Migus, Eugene	0.30	153.00	Telephone discussion with Leider family; follow-up with Clark McKeown; communications with Davis LLP (Bruce Darlington) regarding effect of multiple insolvency proceeding filings on court application(s).
31-Mar-14	Siciliano, Vince	0.75	431.25	Various communication and review with respect to consolidating proceeding.
31-Mar-14	Wong, Nathan	0.70	122.50	Correspondence with Steve Ip from Gilmore in regards to requirements for filing NOI for 1268549 Ontario Inc. and Leider Properties Inc.
1-Apr-14	Iannilli, Franca	0.20	29.60	Finalize Filing of a Notice of Intention to Make a Proposal; update and forward to Eugene Migus.
1-Apr-14	Migus, Eugene	2.30	1,173.00	Revisions to engagement letter; follow-up with Gilmore & Company; review draft forbearance agreement circulated by Chaitons LLP; conference call with Clark McKeown and Christopher Porter; review agenda items; request Cassels Brock & Blackwell LLP to review and comment on our proposed engagement letter; review information request list, updated agenda; communication with Sandy Leider; finalize and issue engagement letter; conference call with Davis LLP (Bruce Darlington, Noam Goodman) regarding draft forbearance agreement.

SCHEDULE "A"

Date	Professional	Hours	Amount	Particulars
1-Apr-14	Porter, Chris	1.50	697.50	Review target list; mandate planning; research; follow up on information to be requested.
1-Apr-14	Siciliano, Vince	1.25	718.75	Review draft forbearance agreement; communication with BMO.
1-Apr-14	Wong, Nathan	1.00	175.00	Entering in ascend information.
2-Apr-14	Migus, Eugene	3.25	1,657.50	Communication with Gilmore & Company; complete risk assessment; communication with Bank of Montreal (Keith McGregor) including forwarding projected balance sheet and income statements for the next six months; update call with Gilmore & Company (Steve Schwets); conference call with Leider family members, Steve Schwets, Clark McKeown, Christopher Porter; follow-up call with Leider family regarding engagement letter, retainer request, and draft forbearance agreement; follow-up instructions to Nathan Wong; conference call with Davis LLP (Noam Goodman, Bruce Darlington) and Larry Leider; telephone discussion with Bank of Montreal (Keith McGregor) regarding forecasted margin position; subsequent discussion with Steve Schwets regarding forecasted margin position; draft outline of court report.
2-Apr-14	Naumis, Peter	1.25	437.50	Assist Nathan with Ascend, new file, creditor template for upload, etc.
2-Apr-14	Porter, Chris	2.00	930.00	Prepare for and lead project kick-off call; various follow up items.
2-Apr-14	Siciliano, Vince	0.30	172.50	Various communications from BMO regarding financial information.
2-Apr-14	Wong, Nathan	4.40	770.00	Inputting creditor information using template into ascend. Updating ascend information for initial interview.
2-Apr-14	Zhang, Stella	1.20	216.00	Screening target listing.