

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**BETWEEN:**

**ECOHOME FINANCIAL INC.**

Applicant

- and -

**ECO ENERGY HOME SERVICES INC.**

Respondent

**FIFTH REPORT OF THE RECEIVER**

**July 25, 2019**

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## I. INTRODUCTION

1. RSM Canada Limited ("**RSM**") was appointed as receiver and manager of all assets, undertakings and properties of Eco Energy Home Services Inc. (the "**Debtor**") pursuant to an Order of the Ontario Superior Court of Justice (the "**Court**") dated April 3, 2019 (the "**Appointment Order**") on application made by EcoHome Financial Inc. ("**EcoHome**"). A copy of the Appointment Order is attached as Appendix "**A**".
2. The purpose of this Report (the "**Fifth Report**") is to report to the Court and the Debtor's stakeholders regarding:
  - a. the activities of the Receiver since the issuance of the Third Report;
  - b. payments, transactions and other actions made or taken by the Debtor prior to the issuance of the Appointment Order to transfer value from the Debtor's estate, and actions by the Receiver to recover the assets and property of the Debtor; and
  - c. the conduct of certain of the principals, shareholders, directors, officers, employees, consultants and advisors of the Debtor and the Debtor Affiliates (as defined below) in the pre- and post-receivership period.

## II. BACKGROUND TO THE RECEIVERSHIP

3. The Debtor and EcoHome were parties to an Amended and Restated Consumer Lease Program Agreement dated as of November 12, 2015 (the "**Program Agreement**") pursuant to which the Debtor assisted with the servicing of certain consumer finance lease contracts owned by EcoHome. Under the Program Agreement, the Debtor was required to receive in trust and



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punctually pay over to EcoHome all amounts received by the Debtor from time to time on account of the contracts owned by EcoHome.

4. EcoHome issued a demand letter to the Debtor on January 14, 2019 and a second demand letter on January 22, 2019. On January 22, 2019 EcoHome delivered a Notice of Intention to Enforce its Security pursuant to Subsection 244(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). The receivership application was filed by EcoHome on February 8, 2019.
5. The Debtor initially contested the application by, among other things, claiming that no amounts were owing to EcoHome. As a result, between February and March 2019 numerous Court hearings were held, including the Debtor’s cross-application for an audit of certain amounts owing between the parties under the Program Agreement. The Receiver has reviewed documentation indicating that principals of the Debtor believed that amounts were owing to EcoHome despite the position taken by the Debtor in contesting the receivership application.
6. As a result of the Debtor’s opposition to the application, an audit was ordered and conducted by BDO Canada. The audit cost EcoHome and the Debtor in excess of \$185,000. BDO Canada determined that the Debtor had collected and not remitted at least \$409,775 in funds relating to contracts owned by EcoHome. A copy of the BDO Canada Report of Investigative Procedures (the “**BDO Report**”) is attached as Appendix “**B**”.
7. The Receiver was ultimately appointed on an unopposed basis on April 3, 2019. As set out in this Fifth Report and in the Receiver’s previous reports,

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the Debtor and certain of its affiliates controlled or managed by David Ouyang took deliberate actions during the period between January 22, 2019 (the date that EcoHome issued its Notice of Intention to Enforce its Security pursuant to the BIA) and April 3, 2019 (the date of the Appointment Order) (the “**Pre-Receivership Period**”) to transfer substantially all of the Debtor’s assets from its estate. They also intentionally took steps to delete, conceal, transfer, alter and/or remove records and information of the Debtor prior to the Receiver’s appointment, which has impaired the Receiver’s ability to effectively review the Debtor’s pre-receivership transactions and collect and realize on the Debtor’s assets. In addition, certain of the Debtor’s employees either did not co-operate with the Receiver or provided very limited or non-responsive support. These actions have significantly increased the costs of administering the receivership. Copies of email correspondence and other records evidencing such actions are attached as Appendix “C”.

### **III. SUMMARY OF COURT ORDERS ISSUED TO DATE**

8. Following its appointment on April 3, 2019, the Receiver attended at the Debtor’s head office premises located at 3761 Victoria Park Avenue, Toronto, Ontario (the “**Head Office**”) to take control of the premises in accordance with the Appointment Order. However, the Receiver was denied access to the premises and was told by the Debtor’s management that it could not change the locks and alarm codes at the Head Office. The Debtor’s management also denied the Receiver access to the books and records of the Debtor on the basis that such records were comingled with the records of related parties.

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The report of the Receiver dated April 3, 2019 (the “**First Report**”) describes the issues experienced by the Receiver in attempting to take possession and control of the assets and property of the Debtor as authorized pursuant to the Appointment Order. A copy of the Receiver’s First Report, without appendices, is attached as Appendix “D”.

9. On a motion brought by the Receiver on April 4, 2019 – the day after its appointment – the Court granted an order (the “**Access Order**”) providing the Receiver with the authority to, *inter alia*:
  - a. have full and unfettered access to and take possession and control of the Head Office and to change the locks and security and alarm codes at the Head Office;
  - b. have full and unfettered access to the operating, accounting and other systems of the Debtor and any affiliated or related entity; and
  - c. engage EcoHome as an agent to assist with the exercise of the Receiver’s powers and duties and to undertake such actions on behalf of the Receiver as the Receiver may direct.

A copy of the Access Order is attached as Appendix “E”.

10. On April 8, 2019 – five days following the appointment of the Receiver – the Receiver filed its second report (the “**Second Report**”) with the Court. The Second Report describes deliberate actions taken by the Debtor and its principals, employees and agents to prevent the Receiver from obtaining information and records in respect of the Debtor, realizing on the assets of the

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Debtor, and administering the receivership. The issues identified by the Receiver in the Second Report included, *inter alia*, the following:

- a. information provided to the Receiver was either limited in scope, outdated or intentionally misleading;
- b. the Debtor effected the transfer of data from the customer relationship management ("**CRM**") system of the Debtor to the CRM system of 2360777 Ontario Inc., operating as Global Eco Energy Group ("**Global Eco**"), and employees of the Debtor had been instructed to use the Global Eco CRM system to record all 'deals' going forward;
- c. the password that the Debtor's management provided to the Receiver on April 4, 2019 to access the Global Eco CRM had been changed, after the granting of the Appointment Order, which prevented the Receiver from accessing the CRM system to obtain information regarding the portfolio of contracts owned or serviced by the Debtor;
- d. nearly all of the data and records on computers that remained at the Head Office after the Receiver's appointment had been erased, either partially or completely, prior to the Receiver's attendance at the Head Office. E-mail profiles had been erased from personal computers. In some cases, the computers the Debtor provided to the Receiver as being the computers of the Debtor's key employees contained no material data and showed no evidence of having been used prior to February 5, 2019, suggesting they were decoys;

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- e. on March 27, 2019 the Debtor had submitted a request to Equifax – which billed customers in respect of certain contracts owned by the Debtor – to have the authorizations on the Debtor's accounts changed to Greensaving Group Inc. ("**Greensaving**"), for the apparent purpose of enabling Greensaving to manage billings in respect of the Debtor's contracts on the eve of the receivership; and
  - f. the Debtor had completed a number of transactions, payments and other steps during the Pre-Receivership Period to transfer value from the Debtor's estate.

A copy of the Receiver's Second Report (without appendices) is attached as Appendix "**F**".

- 11. On April 8, 2019, the Court issued the Access and Preservation Order on an *ex parte* motion brought by the Receiver. The Access and Preservation Order provides, *inter alia*, that:

- a. the Receiver shall have access to the premises of Global Eco, Greensaving, D&G Enterprises Inc. ("**D&G**"), Can-Service Inc. ("**Can-Service**") and 2586322 Ontario Inc. o/a Air Quality Dunrite ("**AQD**") (collectively, the "**Debtor Affiliates**") for the purpose of obtaining records of the Debtor, investigating whether the Debtor Affiliates are in possession of any Property of the Debtor, and investigating whether the Debtor Affiliates or their representatives have engaged in conduct that constitutes a fraudulent conveyance, transfer at undervalue, or other

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prohibited, illegal or fraudulent transaction to the detriment of the Debtor and its estate;

- b. the Receiver shall have access to all servers and operating, accounting, computer and information technology systems located at the premises of the Debtor Affiliates and to make and retain a copy of any data or information on such computer systems;
- c. the Debtor Affiliates and their representatives shall not receive or convey any property of the Debtor and shall promptly furnish to the Receiver any property of the Debtor previously transferred or conveyed to the Debtor Affiliates or their representatives; and
- d. the Debtor Affiliates are subject to freezing provisions in respect of any dissipation or transfer of their assets during a Restricted Period (as defined in the Order) that was subsequently extended on two occasions by the Court.

A copy of the Access and Preservation Order is attached as Appendix “G”.

12. At a comeback hearing in respect of the Access and Preservation Order held on April 10, 2019, the Court issued an endorsement on consent of the Receiver, the Debtor and the Debtor Affiliates (the “**April 10 Endorsement**”) pursuant to which, *inter alia*, the Restricted Period was extended to April 30, 2019 and the Debtor and Debtor Affiliates agreed to provide the information requested by the Receiver in the Priority Request List dated April 9, 2019 (the “**Priority Request List**”) by no later than April 11, 2019. A copy of the April 10 Endorsement is attached as Appendix “H”.

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13. On April 25, 2019, the Receiver filed its third report (the “**Third Report**”) with the Court. The Third Report reported on a number of issues identified by the Receiver, including:
- a. the refusal of the Debtor and certain Debtor Affiliates to provide information to the Receiver as required pursuant to the Appointment Order and the April 10 Endorsement;
  - b. intercompany transactions undertaken between the Debtor and certain of the Debtor Affiliates during the Pre-Receivership Period that removed substantial value from the Debtor’s estate, including the transfer of the Debtor’s self-billing portfolio of contracts (the “**Self-Billing Portfolio**”) to Global Eco on or about February 1, 2019 and thereafter the receipt by Global Eco of ongoing customer payments in respect of the Self-Billing Portfolio;
  - c. a transaction undertaken between Global Eco and Crown Crest Capital Trust (“**Crown Crest**”) during the Pre-Receivership Period (the “**Crown Crest Transaction**”) under which Global Eco sold 326 lease contracts to Crown Crest. Based on the Receiver’s review of the transaction, the Receiver determined that: at least 75% of the contracts sold were in fact owned by the Debtor; EcoHome and other third parties had ownership interests in certain contracts; and the Transaction may have been completed at undervalue to the detriment of the Debtor’s estate; and

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- d. payments totaling at least \$1,192,350.45 made by the Debtor during the two weeks prior to the appointment of the Receiver to junior secured or unsecured creditors or other persons despite the pending receivership application by the Debtor's senior secured creditor, EcoHome.

A copy of the Receiver's Third Report (without appendices) is attached as Appendix "I".

14. On April 29, 2019, the Court granted Extension Order No. 2 extending the Restricted Period to June 15, 2019 and releasing Can-Service and AQD from the asset freezing provisions in the Access and Preservation Order. The Court also granted a Standstill Approval Order approving a standstill agreement between the Receiver, Global Eco and Crown Crest (the "**Standstill Agreement**") providing for a standstill period in respect of the Crown Crest Transaction until June 28, 2019 pending ongoing review and discussions in respect of the transaction.
15. On May 3, 2019, the Court granted an Amendment Order on consent of the Receiver and Global Eco, Greensaving and D&G (the "**Specified Affiliates**"). The Amendment Order terminated the applicability of the freezing provisions in the Access and Preservation Order with respect to the Specified Affiliates and confirmed that all other provisions in the Access and Preservation Order would continue to apply to the Specified Affiliates. The Amendment Order also ordered, *inter alia*, that:



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- a. the Specified Affiliates shall not disburse, pay or transfer any funds from an account in the name of a Specified Affiliate, other than Payroll Payments (as defined therein), without the prior written consent of the Receiver;
  - b. the Specified Affiliates shall provide the Receiver with all credentials and passwords necessary to enable the Receiver to obtain online access to the bank accounts of the Specified Affiliates for the purpose of enabling the Receiver to monitor the Specified Affiliates' compliance with the terms of the Amendment Order; and
  - c. David Ouyang shall be responsible for ensuring that the Specified Affiliates and their representatives comply with the Amendment Order.

A copy of the Amendment Order is attached as Appendix "J".

16. On June 26, 2019, the Receiver filed its fourth report (the "**Fourth Report**") with the Court. The Fourth Report described a settlement reached between the Receiver and Crown Crest (the "**Crown Crest Settlement**") with respect to the Crown Crest Transaction. Under the settlement, Crown Crest agreed to make a settlement payment to the Receiver for the benefit of the Debtor's estate and the parties agreed to the transfer of the purchased contracts to Crown Crest (other than eight excluded contracts which were owned by EcoHome and not the Debtor) on June 28, 2019. The Crown Crest Settlement was approved by the Court pursuant to a Settlement Approval Order dated June 26, 2019.

A copy of the Fourth Report (without appendices) is attached as Appendix "K".

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#### **IV. TERMS OF REFERENCE**

17. In preparing this report and making the comments herein, the Receiver has relied upon certain unaudited financial information and documentation obtained by the Receiver and its agents from the Debtor and the Debtor Affiliates and their respective principals, employees and representatives and from other third-party sources (collectively, the “**Information**”). The Receiver has, to the extent possible, reviewed the Information for reasonableness. However, the Receiver has serious concerns with respect to the veracity of certain information provided by the Debtor and Debtor Affiliates and has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook. Accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.
18. Unless otherwise stated, all dollar amounts contained in this report are expressed in Canadian dollars.

#### **V. ACTIVITIES OF THE RECEIVER**

19. The Receiver’s activities since the Third Report include the following:
- a. responding to inquiries and communicating with customers and other stakeholders of the Debtor regarding the receivership and related matters;

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- b. reviewing employee claims and administering the WEPPA submission process;
  - c. liquidating the Debtor's physical assets;
  - d. reviewing payments by, and payment requests from, the Specified Affiliates pursuant to the terms of the Amendment Order;
  - e. reviewing financial, accounting, business and other records and documents relating to the Debtor and the Debtor Affiliates and the business and affairs of the Debtor;
  - f. reviewing litigation claims of the Debtor and advancing efforts to obtain recoveries or continue the prosecution of such claims;
  - g. advancing efforts to obtain the repayment of preferential and other improper payments made by the Debtor in advance of the receivership; and
  - h. investigating and reviewing actions taken by the Debtor, certain Debtor Affiliates and certain Affiliate Representatives that have diminished the value of the Debtor's estate, impaired the ability of the Receiver to administer the receivership, and/or contravened the terms of the Court orders or the BIA.
20. Pursuant to the Access Order, EcoHome is entitled to assist with the exercise of the Receiver's powers and duties and to undertake actions on behalf of the Receiver as the Receiver may direct. Given its industry knowledge and the limited resources of the Debtor's estate, EcoHome has assisted the Receiver in servicing customer contracts, reviewing records and documentation, and

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determining assets and property of the Debtor. As the Debtor's senior secured creditor with the remaining economic interest in its estate, EcoHome has also participated in or been consulted by the Receiver with respect to settlement discussions involving the Debtor's estate.

## **VI. RECEIVER'S INFORMATION REQUESTS**

21. As described in the Receiver's previous reports, the Receiver has expended significant time and resources in an effort to obtain the records and information in respect of the Debtor to which it is entitled pursuant to the Appointment Order. These efforts have included, *inter alia*, obtaining the Access Order and the Access and Preservation Order and filing reports in support thereof; reviewing records of the Debtor Affiliates, which was made necessary by the significant comingling of the businesses of the Debtor and the Debtor Affiliates and the intentional efforts of the Debtor and its representatives to transfer records of the Debtor to the Debtor Affiliates; and making repeated requests to obtain information in the Priority Request List.
22. Pursuant to the April 10 Endorsement, the Debtor and Debtor Affiliates agreed to provide the information in the Priority Request List by no later than April 11, 2019. After failing to meet that deadline, they agreed pursuant to a consent endorsement dated April 29, 2019 to provide the information to the Receiver by no later than May 3, 2019. A further two months have passed and certain information required pursuant to the Priority Request List has still not been provided to the satisfaction of the Receiver. Certain of the information provided is only partially responsive to the requests, is incomplete, or is

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unusable to the Receiver without expending significant resources to construct the information in a useful form.

23. The fourth item in the Priority Request List is “digital copies of all warranties, and an excel file which ties each warranty to a specific contract held by the Debtor or a Debtor Affiliate”. This warranty information, presented in a useful electronic form that reconciles each warranty to a particular contract, is needed by the Receiver to maximize the value of the Debtor’s remaining contracts and by EcoHome to support its own portfolio that was being managed by the Debtor pursuant to the Program Agreement. In response to the Receiver’s repeated requests for the warranty information, counsel to the Debtor has now informed the Receiver on June 4, 2019 that only some of the warranties are available, that certain warranties are only maintained in hard copy, and that there is no document reconciling the warranties to the applicable contracts. If this statement is accurate, it appears that the Debtor’s and Debtor Affiliates’ representations to the Receiver and the Court pursuant to two consent endorsements to provide the Receiver with digital copies and reconciliations of all warranties pursuant to the Priority Request List was false or misleading.
24. The intentional failure of the Debtor and the Debtor Affiliates to provide the Receiver with complete and accurate records on a timely basis has significantly impaired the Receiver’s ability to administer the receivership and realize on the assets of the Debtor, and has materially increased the costs of the receivership. EcoHome has informed the Receiver that the information

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provided by the Debtor and its representatives in respect of contracts owned by EcoHome is insufficient for EcoHome to fully service and enforce its \$28 million portfolio.

## **VII. PRE-RECEIVERSHIP TRANSFERS OF THE DEBTOR'S PROPERTY**

25. As set out in the Receiver's previous reports, the Receiver has identified a number of transactions undertaken and payments made by the Debtor during the Pre-Receivership Period that transferred significant value from the Debtor's estate to certain affiliated entities and third parties in advance of the Receiver's appointment. The following is an update with respect to the status of certain of these transactions.

### **Transfer of the Self-Billing Portfolio**

26. In advance of the receivership, the Debtor assisted with the servicing of certain lease contracts owned by EcoHome pursuant to the Program Agreement. The Debtor also owned its own portfolio of contracts, referred to as the Self-Billing Portfolio. The Receiver estimates that prior to the Pre-Receivership Period, the Self-Billing Portfolio consisted of at least 506 contracts, but it has been unable to verify the precise number of contracts given conflicting and incomplete information. The contracts in the Self-Billing Portfolio are the property of the Debtor and the Debtor is the beneficiary of payments made by customers under these owned contracts.
27. Mr. Ouyang has advised the Receiver that the entirety of the Debtor's Self-Billing Portfolio was "transferred" to Global Eco on or about February 1, 2019,

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which was during the Pre-Receivership Period. The Self-Billing Portfolio forms part of the collateral over which EcoHome has a first-ranking security interest. Following the transfer, Global Eco and Greensaving began to collect customer payments relating to the Self-Billing Portfolio. The Receiver has not been provided with, nor is the Receiver aware of, any contemporaneous documentation or consideration at the time of the purported transfer of the Self-Billing Portfolio. Global Eco and Greensaving simply received the Self-Billing Portfolio from the Debtor and began collecting customer payments relating to assets belonging to the Debtor.

28. The Receiver has concluded that, based on the Debtor's internal allocations and other evidence, more than 75% of the contracts sold by Global Eco to Crown Crest in the Crown Crest Transaction were in fact contracts in the Self-Billing Portfolio owned by the Debtor. This conclusion is supported by the fact that Global Eco transferred a significant portion of the proceeds from the Crown Crest Transaction to the Debtor (which then promptly disbursed such funds to junior secured and unsecured creditors and other third parties in advance of the Receiver's appointment). As described more fully in the Fourth Report, the Receiver and Crown Crest ultimately reached agreement on the Crown Crest Settlement providing for a payment by Crown Crest to the Receiver in settlement of the Receiver's claims against Crown Crest in respect of the transaction.
29. Global Eco and/or Greensaving continued to bill and collect funds on the Self-Billing Portfolio during April, May and June, 2019 on behalf of the Receiver.

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Global Eco and Greensaving and certain of their representatives have provided conflicting information to the Receiver regarding the remaining number of contracts in the Self-Billing Portfolio that were not sold to Crown Crest. On June 13, 2019, Mr. Ouyang provided the Receiver with a reconciliation in respect of amounts collected by Greensaving in the Self-Billing Portfolio suggesting there were 106 contracts. On June 21, 2019, Bianca Myles-Jansen, a former employee of the Debtor that now works for certain of the Debtor Affiliates, provided the Receiver with billing information for 180 contracts in the Self-Billing Portfolio. By email dated July 5, 2019, a copy of which is attached as Appendix "L", the Receiver requested an explanation for the discrepancy in the number of contracts in the Self-Billing Portfolio and an updated schedule showing the full amount of proceeds collected by Greensaving and Global Eco in respect of the Self-Billing Portfolio. The Receiver has not received a satisfactory response to date.

30. In late June 2019, Global Eco and Greensaving began to provide limited cooperation to the Receiver in order to transition the billing and collection activities in respect of the remaining Self-Billing Portfolio to EcoHome, as agent for the Receiver, for billings and collections commencing in July 2019. Global Eco and Greensaving have provided only minimal information to date and have failed to provide important information that the Receiver believes is or ought to be in the possession of these parties, including copies of all pre-authorized payment files submitted to the processing bank and remittance requests submitted to Enbridge for the collection periods October 1, 2018 to



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May 31, 2019. These files would have been produced by Global Eco or Greensaving to bill customers during the October-May billing period and should be readily available. The Receiver does not believe that Global Eco has provided the same level of support and information in respect of the Self-Billing Portfolio as it provided to Crown Crest to transition contracts sold under the Crown Crest Transaction. Attached as Appendix “**M**” is a post-acquisition project plan between Global Eco and Crown Crest indicating the significant transition support that Global Eco was prepared to provide to Crown Crest.

31. Based on the incomplete and contradictory information provided by Global Eco and Greensaving to date, the Receiver has the following concerns with respect to the Self-Billing Portfolio:
- a. Global Eco and Greensaving have failed to provide or maintain appropriate records to facilitate the transfer of the Self-Billing Portfolio to the Receiver on an orderly basis;
  - b. Global Eco and Greensaving have provided conflicting information and have not been sufficiently forthcoming regarding billing and collection activities to enable the Receiver to determine the total number of Self-Billing Contracts;
  - c. Global Eco and Greensaving have failed to properly account for, preserve and promptly remit to the Receiver all collections and other proceeds received by them in respect of the remaining Self-Billing Portfolio (both during the Pre-Receivership Period and during the receivership);

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- d. since assuming servicing and collection efforts in respect of the Self-Billing Portfolio, Global Eco and Greensaving have failed to service the portfolio in accordance with prudent industry practice; and
  - e. the failure of Global Eco and Greensaving to properly service and maintain records for the remaining Self-Billing Portfolio has impaired the value of the Self-Billing Portfolio to the detriment of the Debtor and its estate.
32. The Receiver believes that Global Eco and Greensaving and certain of their representatives have failed to comply with the Appointment Order, the Access and Preservation Order and the BIA by failing to promptly transfer to the Receiver the entire Self-Billing Portfolio and all proceeds and other amounts collected in respect of the Self-Billing Portfolio.

#### **Payments to Subordinate Creditors**

33. On March 19, 2019 (during the Pre-Receivership Period), EcoHome's counsel advised counsel to the Debtor that in view of the impending appointment of the Receiver no steps should be taken by the Debtor out of the ordinary course of business. A copy of such email correspondence is attached as Appendix "N".
34. On March 22, 2019, Global Eco assigned certain contracts in the Self-Billing Portfolio to Crown Crest and transferred \$936,000 of the proceeds of the Crown Crest Transaction to the Debtor. During the following 11 days prior to the appointment of the Receiver, the Debtor disbursed these and other funds to subordinate creditors of the Debtor and other persons, such that the

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aggregate funds in the Debtor's account upon the Receiver taking possession of the Debtor's bank accounts on April 3, 2019 was approximately \$5,500.

35. As set out at paragraph 55 of the Receiver's Third Report, Mr. Ouyang provided the Receiver with a summary of payments totaling \$1,192,350.45 made by the Debtor in the two-week period prior to the appointment of the Receiver. These payments include, *inter alia*, \$514,250 paid to Royal Bank of Canada ("**RBC**"), \$150,935.87 paid to the Canada Revenue Agency, \$116,841.28 paid to the Debtor Affiliates, \$100,000 paid to a company controlled by Michael Sifontes, and \$179,820.26 paid to a shareholder, contractors and trade creditors (including a \$10,857.13 payment to Yuzhou (Grace) Liu, Mr. Ouyang's wife). The Receiver also identified a \$24,000 payment that was made to Mr. Tam on February 11, 2019. No payments were made to EcoHome, the Debtor's senior secured creditor, even though as described below Mr. Ouyang and Mr. Tam had previously been advised by the Debtor's financial advisor that EcoHome had a priority security interest in the Debtor's assets.
36. The Receiver continues to advance efforts to recover amounts owing to the Debtor, including, *inter alia*, amounts that the Receiver believes were paid by the Debtor in contravention of the restrictions on preference payments in section 95 of the BIA. In particular:
- a. during the Pre-Receivership Period, the Debtor paid RBC \$684,250 to repay in full a line of credit (the "**LOC**"). The Receiver understands that the LOC is personally guaranteed by Mr. Ouyang. The Receiver has

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reviewed email correspondence that indicates that Mr. Ouyang, Mr. Tam and other representatives of the Debtor were informed on January 25, 2019 by the Debtor's financial advisor that the obligations owing to EcoHome ranked in priority to the obligations owing to RBC. The Debtor and Mr. Ouyang were therefore aware when repaying the LOC that the Debtor was preferring RBC at the expense of EcoHome, a prior ranking creditor. The Receiver demanded repayment of \$684,250 from RBC on May 1, 2019 and counsel to the parties have discussed the demand. The Receiver continues to wait for a response from RBC regarding the demand. A copy of the demand letter is attached as Appendix "O".

- b. the Debtor made a \$100,000 payment to a corporation owned by Michael Sifontes on March 29, 2019. Mr. Sifontes is a business partner of Mr. Ouyang. Mr. Ouyang has advised the Receiver that the payment was issued to repay an unsecured loan. The Receiver is also in the process of challenging other payments made to Mr. Sifontes or entities owned by him in the Pre-Receivership Period and is in discussions with counsel to Mr. Sifontes regarding the various payments made by the Debtor.

#### **VIII. INTERCOMPANY ACCOUNTS AND OTHER IMPROPER TRANSACTIONS**

- 37. The Receiver's review of the financial and other records of the Debtor and Debtor Affiliates indicates that the entities frequently engaged in transactions and made accounting entries to transfer value within the corporate group. As

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described in more detail in the Third Report, certain of these intercompany transactions and adjustments appear to have been undertaken in advance of the receivership in order to remove value from the Debtor's estate during the Pre-Receivership Period. The Receiver has identified a number of accounting adjustments that in its view are improper or not supported by evidence available to the Receiver. Copies of email correspondence and documentation in respect of such adjustments are attached as Appendix "P".

38. On June 11, 2019, after significant efforts were expended to reconstruct the intercompany accounts, the Receiver issued initial demands for payment to the following entities (the "**Demand Notices**") seeking repayment of the following amounts:

<b>Company</b>	<b>Amount</b>
D&G Enterprise Inc.	93,061.35
Global Eco Energy Group	25,667.08
Greensaving Group Inc.	78,380.74
Enterprise Portal Solutions Inc. <sup>1</sup>	<u>16,872.08</u>
Total	<u><u>213,981.25</u></u>

39. On June 25, 2019, counsel to the Debtor Affiliates responded to the Demand Notices by providing certain documentation to the Receiver relating to the adjustments challenged by the Receiver in the Demand Notices. Counsel to the Debtor Affiliates provided additional information on July 24, 2019. The Receiver continues to review the documentation provided by counsel to the Debtor Affiliates and to cross-reference such documentation to the Debtor's

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<sup>1</sup> Enterprise Portal Solutions Inc. is a corporation of which Raza Farooq is a director and officer. Mr. Farooq is a consultant to certain of the Debtor Affiliates.

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records. Given the record keeping practices of the Debtor and the Debtor Affiliates and past actions taken by their principals and representatives to withhold, falsify or provide misleading documentation, the Receiver cannot be certain of the veracity of all of the documentation provided.

40. Based on its review of the intercompany accounts and information provided by counsel to the Debtor Affiliates, the Receiver observes the following:
- a. On March 22, 2019, an adjusting entry was posted to reduce the amount owing from D&G to the Debtor by \$92,468.08 by reducing a shareholder loan payable balance owing to Mr. Ouyang. This accounting adjustment had the effect of diverting value (an intercompany receivable) from the Debtor's estate on the eve of the receivership, in exchange for the reduction of an unsecured loan payable to Mr. Ouyang that ranked behind the interests of the Debtor's secured creditors. Mr. Ouyang indicates that no documentation exists for the adjustment but takes the position that the adjustment is not improper because Mr. Ouyang and his wife are the owners of D&G, which in turn owns the Debtor. The Receiver believes that the write-off of a significant intercompany receivable by the Debtor at a time when the receivership application was pending is improper and contrary to the BIA. The Receiver intends to pursue the collection of this balance, in full, from D&G.
  - b. In response to the Receiver's demand for Global Eco to repay \$25,667.08 to the Debtor, counsel to Global Eco provided the Receiver

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with various customer contracts, invoices, bank statements, and general ledger details relating to the intercompany account. Based on the information provided, the Receiver is unable to confirm whether or not the majority of the cash receipts relating to these contracts were in fact received by the Debtor. The Receiver has requested this information from the Debtor and its counsel on several occasions.

- c. In response to the Receiver's demand for repayment from Enterprise Portal Solutions ("**Enterprise**") in the amount of \$16,872.08 (the "**Enterprise Receivable**"), counsel to Mr. Ouyang provided the Receiver with details of a batch deposit in the Debtor's bank account, completed on March 27, 2019, which purportedly includes the repayment of Enterprise's debt to the Debtor. The Receiver notes that details of the batch deposit have not been provided, and therefore the Receiver cannot make a determination as to the status of the Enterprise Receivable at this time. The Receiver will investigate this matter further.
- d. The Receiver investigated the support provided by counsel to Greensaving in respect of the claim asserted by the Receiver in the Greensaving Demand Notice, and has determined not to pursue the claim at this time. However, the Receiver reserves all of its rights as against Greensaving in respect of this claim.

- 41. The Receiver has reason to believe that other transactions or arrangements have given rise to additional amounts owing by the Debtor Affiliates to the Debtor that are not reflected in the Demand Notices, but has not obtained

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sufficient information to date to quantify their financial impact. In particular, the Receiver has identified the following intercompany transactions and arrangements that may give rise to additional amounts owing to the Debtor:

- a. certain former employees of the Debtor devoted significant portions of their time on work performed for the benefit of the Debtor Affiliates rather than the Debtor. The Receiver understands that these employees were paid solely by the Debtor and that no amounts were reimbursed by the Debtor Affiliates. Email correspondence indicating that payroll amounts were paid by the Debtor for the benefit of the Debtor Affiliates is attached as Appendix "Q";
- b. as indicated in the e-mail correspondence attached as Appendix "R", employees and advisors of the Debtor discussed transferring inventory from the Debtor to certain Debtor Affiliates for cash and with no records;
- c. the Receiver has not been provided sufficient information by Global Eco and Greensaving to determine the amounts collected by those entities in respect of the remaining Self-Billing Portfolio in advance of and during the receivership proceedings, all of which are property of the Debtor;
- d. though it has settled its claims against Crown Crest in relation to the Crown Crest Transaction, the Receiver continues to review and consider the amount of its claim against Global Eco and Mr. Ouyang arising from the improper transfer of the Debtor's property at undervalue pursuant to the transaction;



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- e. the Debtor's books and records indicate, and Mr. Ouyang has confirmed to the Receiver, that the Debtor paid for certain expenses for the benefit of the Debtor Affiliates for which it did not receive reimbursement. For instance, prior to the assignment of the tenancy interest in the Head Office lease from the Debtor to D&G in February 2019 (as described at paragraph 12 of the First Report), each of Global Eco, Greensaving and D&G operated from the Head Office. The Debtor paid all rent for the lease of the Head Office; the other entities did not pay any rent or reimburse the Debtor despite benefiting from their occupation of the leased premises; and
- f. the Receiver continues to review payments made by the Debtor to the Debtor Affiliates during the Pre-Receivership Period to determine whether such payments constitute preferences or transfers at undervalue pursuant to the BIA.
42. At this time, the Receiver has been unable to quantify the amount of salaries, rent, inventory and other expenses paid by the Debtor for the benefit of the Debtor Affiliates.
43. Additionally, the Receiver has reviewed email correspondence that suggests that certain principals of and advisors to Greensaving misrepresented Greensaving's financial situation to secure a bank loan. A copy of the email correspondence in which they describe adjusting the actual financial performance of Greensaving to report higher sales for the purpose of obtaining a bank loan is attached as Appendix "S". If true, such actions may prejudice

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the Debtor's ability to recover intercompany and shareholder indebtedness as a result of the incurrence of priority secured debt.

44. The Receiver continues to review intercompany transactions, arrangements and accounting adjustments involving the Debtor and the Debtor Affiliates to determine and quantify the amounts owing to the Debtor.

## **IX. NON-COMPLIANCE WITH COURT ORDERS**

45. During the course of the receivership, the Debtor, Global Eco, Greensaving and certain of their principals and management have taken actions, or intentionally failed to take actions, that have undermined, delayed and impeded the Receiver's ability to administer the receivership and exercise the authority given to it pursuant to the Appointment Order and the other Orders issued in the proceedings. In certain cases, the actions of such parties are in direct contravention of the Court's Orders, including, *inter alia*, the following:
- a. as set out in the First Report, on April 3, 2019 the Debtor and its representatives refused to permit the Receiver to access and take possession of the Head Office premises in contravention of the Appointment Order.
  - b. the Debtor and its representatives failed to promptly provide the Receiver with all documents, corporate and accounting records and other information related to the business and affairs of the Debtor, in contravention of the Appointment Order. This necessitated the Receiver to obtain two additional orders – the Access Order and the

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Access and Preservation Order – within five days of the appointment of the Receiver to obtain records that such parties were required to provide pursuant to the Appointment Order.

- c. the Debtor and the Debtor Affiliates agreed pursuant to the April 10 Endorsement to provide all of the information in the Priority Request List by April 11, 2019 and then failed to do so. The Debtor and the Debtor Affiliates agreed pursuant to a consent endorsement dated April 29, 2019 to provide all of the information in the Priority Request List by May 3, 2019 and then failed to do so. The parties now indicate that they will not or cannot provide the warranty information required pursuant to the Priority Request List despite committing to the Receiver and the Court on multiple occasions that they would do so. Other information provided by the Debtor and Debtor Affiliates pursuant to the Priority Request List is incomplete and not fully responsive to the requests.
- d. pursuant to paragraph 3 of the Amendment Order, the Specified Affiliates are prohibited from disbursing, paying or transferring any funds from their bank accounts, other than Payroll Payments, without the prior written consent of the Receiver. The Specified Affiliates have repeatedly contravened the Amendment Order by making payments without the prior written consent of the Receiver. The Receiver believes that the Specified Affiliates are continuing to contravene the Appointment Order by making unauthorized payments, but the Receiver is unable to verify the extent of such non-compliance because

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the Specified Affiliates have cut-off the Receiver's access to their banking information, in direct violation of the Amendment Order (as noted below);

- e. pursuant to paragraph 7 of the Amendment Order, the Specified Affiliates are required to provide the Receiver with login information necessary to enable the Receiver to obtain online access to the bank accounts of the Specified Affiliates for purposes of enabling the Receiver to monitor their compliance with the terms of the Amendment Order. The Specified Affiliates changed their login credentials and terminated the Receiver's access to their online banking information on or prior to June 20, 2019. Counsel to the Specified Affiliates wrote to the Receiver on June 20, 2019 to indicate that the Receiver's access to the Specified Affiliates' online banking information would be terminated on June 21, 2019. Counsel to the Receiver wrote to counsel to the Specified Affiliates on June 20, 2019 to demand that the Receiver's access be reinstated in accordance with paragraph 7 of the Amendment Order. As of the date of this Report, access to the Specified Affiliates' online banking information has not been restored and no response has been received from counsel to the Specified Affiliates. The Specified Affiliates are therefore in continuing breach of the Amendment Order.
- f. paragraph 13 of the Access and Preservation Order prohibits the Debtor Affiliates and Affiliate Representatives (which definition

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expressly names Ms. Myles-Jansen) from requesting that a notice of security interest (a “**NOSI**”) be registered, altered or transferred and from effecting or recognizing the alteration or transfer of a NOSI in the name of the Debtor or a Debtor Affiliate without the consent of the Receiver. On or about April 17, 2019, Ms. Myles-Jansen, a Commissioner of Oaths, executed a postponement document, in the name and on behalf of the Debtor, relating to a NOSI registered to the Debtor. A copy of the postponement document signed by Ms. Myles-Jansen is attached as Appendix “**T**”. This action was in direct violation of paragraph 13 of the Access and Preservation Order and paragraph 3 of the Appointment Order, which provides the Receiver with the authority to execute documents in the name of the Debtor to the exclusion of all other persons.

- g. pursuant to paragraph 4 of the Receivership Order and paragraph 12 of the Access and Preservation Order, the Debtor Affiliates and the Affiliate Representatives are required to promptly furnish to the Receiver any property of the Debtor in their possession. Global Eco and/or Greensaving are in possession of proceeds collected under the Self-Billing Portfolio. These proceeds, together with the entire Self-Billing Portfolio, are assets of the Debtor. Despite repeated demands by the Receiver, Mr. Ouyang has not caused these proceeds to be transferred to the Receiver. Mr. Ouyang has taken the position that the Receiver must first agree to compensate Global Eco for the costs it has

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incurred in managing the Self-Billing Portfolio (including the contracts acquired by Crown Crest) despite the fact that Global Eco improperly appropriated these contracts from the Debtor. The Receiver has indicated that it is not prepared to do so and that Global Eco is not permitted to any such serving costs in respect of the contracts acquired by Crown Crest pursuant to the terms of the Court-approved Standstill Agreement. The Receiver continues to demand that Global Eco and/or Greensaving turn over the proceeds from the Self-Billing Portfolio that are in their possession.

- h. on or about April 22, 2019, Ms. Liu attempted to return certain equipment of the Debtor to a vendor for credit, and requested that the credit be issued to Greensaving rather than the Debtor. This request appears to have been an attempt to divert value from the Debtor to Greensaving. The Receiver has not been able to determine the extent of this kind of activity.

#### **X. OTHER ACTIVITIES OF THE RECEIVER**

- 46. The Receiver continues to take steps to realize on the assets of the Debtor. The Receiver solicited offers from a number of liquidators for the sale of the Debtor's physical assets, which consisted primarily of furniture and equipment at the Debtor's Head Office and a vehicle. The Receiver reviewed with EcoHome the offers received in the marketing process and Ecohome concluded that the consideration was inadequate. EcoHome elected to purchase the assets in exchange for the cancellation of secured obligations

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owing by the Debtor to EcoHome in an amount equal to the purchase price of the assets. The Receiver sold the Debtor's office furniture and equipment to EcoHome for \$50,000 pursuant to a bill of sale dated May 10, 2019 and sold a vehicle owned by the Debtor to EcoHome for \$30,000 pursuant to a bill of sale dated May 21, 2019.

47. On May 6, 2019, EcoHome filed a Statement of Claim to initiate a lawsuit against Mr. Ouyang, Ms. Myles-Jansen, Mr. Tam, Trent Knackstedt, Benedict Leung, Ms. Liu and the Debtor (the "**EcoHome Action**"). On May 24, 2019, counsel to Mr. Ouyang wrote to the Receiver seeking confirmation with respect to representation of the Debtor in the EcoHome Action. By reply letter dated June 7, 2019, a copy of which is attached as Appendix "**U**", the Receiver (in its capacity as bankruptcy trustee) indicated that:

- a. it consented to the lifting of the stay of proceedings in respect of the Debtor solely for the purpose of enabling EcoHome to issue its statement of claim;
- b. the Ecohome Action is stayed for all other purposes pursuant to the Appointment Order and the BIA and that the Receiver understands that EcoHome does not intend at this time to move for an order to enable EcoHome to advance the EcoHome Action against the Debtor;
- c. the Receiver does not intend to defend the Debtor in the EcoHome action and will not be asserting a counterclaim against EcoHome (as counsel to Mr. Ouyang had requested it to do); and

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- d. the Receiver does not consent to Mr. Ouyang taking on the defence of the Debtor in the EcoHome Action or asserting a counterclaim against EcoHome on behalf of the Debtor.
48. In its May 24, 2019 letter, counsel to the Debtor asserted that Mr. Ouyang and the Debtor believe that there is a positive balance in favour of the Debtor for which EcoHome is liable once all obligations between the parties are reconciled. Having regard to the results of the BDO Report and its own review, the Receiver does not believe this to be the case; rather, the Receiver is of the view that the Debtor is indebted to EcoHome in a significant amount and EcoHome will suffer a significant deficiency on its secured claim.
49. The Receiver understands that one aspect of EcoHome's claim against the debtor relates to the misappropriation of trust funds that the Debtor was required to hold in trust for EcoHome pursuant to the Program Agreement. The BDO Report, which was prepared as of March 8, 2019, indicated that the Debtor had collected but failed to remit to EcoHome a total of \$409,775.61. The Receiver has reviewed the books and records of the Debtor and has identified an additional \$276,137.85 in funds that appear to have been collected by the Debtor in trust for EcoHome and not remitted to EcoHome as required pursuant to the Program Agreement. In summary, unremitted trust funds currently total in excess of \$685,913.46
50. The Receiver intends to continue its review of the claims between the Debtor and EcoHome and will provide a further update to the Court.



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All of which is respectfully submitted to this Court as of this 25<sup>th</sup> day of July, 2019.

**RSM CANADA LIMITED**

In its capacity as Court Appointed Receiver  
of Eco Energy Home Services Inc. and  
not in its personal capacity

A handwritten signature in black ink, appearing to read 'Bryan A. Tannenbaum', is written over the text 'not in its personal capacity'.

Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT  
President

**A**

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

THE HONOURABLE **MADAM**

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WEDNESDAY, THE 3RD ~~DAY~~

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JUSTICE **CONWAY**

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OF APRIL, 2019

**ECOHOME FINANCIAL INC.**

Applicant

- and -

**ECO ENERGY HOME SERVICES INC.**

Respondent



**ORDER**  
**(appointing Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing RSM Canada Limited ("**RSM**") as receiver and manager (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of Eco Energy Home Services Inc. (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

THIS CROSS APPLICATION made by the Debtor to adjourn the Applicant's application.

ON READING the affidavit of Brent Houlden sworn February 7, 2019 and the Exhibits thereto, the consent endorsement of the Honourable Mr. Justice McEwen made February 13, 2019, the endorsement of the Honourable Mr. Justice McEwen made February 21, 2019, the

affidavit of Wei (David) Ouyang sworn February 25, 2019 and the Exhibits thereto, the affidavit of Brent Houlden sworn February 28, 2019, the Report of Investigative Procedures of BDO Canada LLP dated March 8, 2019, the factum of the Applicant dated March 8, 2019, the factum of the Debtor dated March 12, 2019, the endorsement of the Honourable Madam Justice Conway made March 14, 2019 and the affidavit of Jonathan Yantzi sworn March 28, 2019, and on hearing the submissions of counsel for the Applicant, counsel for the Debtor and such other counsel as were present as indicated on the counsel slip, no one else appearing although duly served as appears from the affidavit of service of Jenaya McLean sworn February 8, 2019, and on reading the consent of RSM to act as the Receiver,

### **SERVICE**

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

### **APPOINTMENT**

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, RSM is hereby appointed 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**").

### **RECEIVER'S POWERS**

3. THIS COURT ORDERS that the 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 Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (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;

- (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 manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) 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 Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) 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;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter

instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$50,000.00, provided that the aggregate consideration for all such transactions does not exceed \$200,000.00; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required;

(l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;



- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to make an assignment in bankruptcy on behalf of the Debtor and to consent, on behalf of the Debtor, to the bankruptcy application currently outstanding against the Debtor bearing court file number 31-OR-208359-T (the "**Bankruptcy Application**");
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (s) 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 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 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

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 Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the 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 Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the 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 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 Receiver for the purpose of allowing the 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 Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.



7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

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

#### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

9. THIS COURT ORDERS that, save and except for the Bankruptcy Application: (i) no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court; and (ii) 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**

10. THIS COURT ORDERS that, save and except for the Bankruptcy Application, all rights and remedies against the Debtor, the Receiver or affecting the Property, including, without limiting the generality of the foregoing, all rights and remedies of Enbridge Gas Distribution Inc. under its agreements with EcoHome or the Debtor, are hereby stayed and suspended except with the written consent of the 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 Receiver or the Debtor

to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the 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 RECEIVER**

11. 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 Receiver or leave of this Court.

#### **CONTINUATION OF SERVICES**

12. 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 Receiver, and that the 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 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 Receiver, or as may be ordered by this Court.

#### **RECEIVER TO HOLD FUNDS**

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the 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 Receiver (the "Post Receivership Accounts") and the monies standing to the credit

of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

#### **EMPLOYEES**

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as: (i) the Receiver, on the Debtor's behalf, may terminate the employment of such employees; or (ii) the employees of the Debtor are otherwise terminated by operation of law. The 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 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*.

#### **PIPEDA**

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall be permitted to disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

#### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

16. THIS COURT ORDERS that nothing herein contained shall require the 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 Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the 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 RECEIVER'S LIABILITY**

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, 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 Receiver by section 14.06 of the BIA or by any other applicable legislation.

#### **RECEIVER'S ACCOUNTS**

18. THIS COURT ORDERS that the Receiver and counsel to the 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 Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**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 Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts (including statutory, deemed and

constructive 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.

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

20. THIS COURT ORDERS that prior to the passing of its accounts, the 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 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 RECEIVERSHIP**

21. THIS COURT ORDERS that the 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 \$500,000.00 (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 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 "**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 Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all 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 Receiver's Certificates.

### **SERVICE AND NOTICE**

25. 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 <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (Ontario) (the "**Rules**"), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules 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.rsmcanada.com/eco-energy-home-services-inc](http://www.rsmcanada.com/eco-energy-home-services-inc).

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the 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

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

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor, including, without limitation, as a result of the Bankruptcy Application.

29. 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 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. THIS COURT ORDERS that the 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 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.

31. THIS COURT ORDERS that the Debtor's cross application be and is dismissed.

32. THIS COURT ORDERS that the Applicant shall have its costs of this application and the Debtor's cross 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 Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

33. 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 Receiver and to any other party

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



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

APR 03 2019

PER / PAR: *um*



## SCHEDULE "A"

### RECEIVER CERTIFICATE

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that RSM Canada Limited, the receiver (the "**Receiver**") of the assets, undertakings and properties of Eco Energy Home Services Inc. 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 \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Order") made in an action having Court file number \_\_\_\_-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$\_\_\_\_\_, being part of the total principal sum of \$\_\_\_\_\_ which the 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 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 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 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 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 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\_\_.

RSM Canada Limited, solely in its capacity  
as Receiver of the Property, and not in its  
personal capacity

Per: \_\_\_\_\_

Name:

Title:

ECOHOME FINANCIAL INC.

Applicant

and

ECO ENERGY HOME SERVICES INC.

Respondent

Court File No. CV-19-614122-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST  
PROCEEDING COMMENCED AT TORONTO**

**RECEIVERSHIP ORDER**

**AIRD & BERLIS LLP**  
Barristers and Solicitors  
Brookfield Place  
Suite 1800, Box 754  
181 Bay Street  
Toronto, ON M5J 2T9

Tel: 416.863.1500

Fax: 416.863.1515

Email: [sgraff@airdberlis.com](mailto:sgraff@airdberlis.com) / [sjohn@airdberlis.com](mailto:sjohn@airdberlis.com)

**Steven L. Graff – LSO# 31871V**  
**Shakaira L. John – LSO# 72263D**

*Lawyers for the Applicant*

**B**

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## Report of Investigative Procedures

EcoHome Financial Inc.

And

Eco Energy Home Services Inc.

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Court File: CV-19-614122-00CL

Report Date: [March 8, 2019]



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## EXHIBITS

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Exhibit A	Curriculum Vitae of Alan T. Mak
Exhibit B	Scope of Review



Tel: 416 865 0210  
Fax: 416 865 0904  
www.bdo.ca

BDO Canada LLP  
20 Wellington St. East Suite 500  
Toronto ON M5E 1C5 Canada

**Privileged & Confidential**

March 8, 2019

Ms. Leila Burden Nixon  
Gowling WLG  
100 King St. Suite 1600  
Toronto, ON M5X 1G5

Ms. Kathryn Houlden  
DealNet Capital / EcoHome Financial Inc.  
4 King St. West, Suite 1700  
Toronto, ON M5H 1B6

Dear Meses. Nixon and Houlden:

RE: EcoHome Financial Inc. and Eco Energy Home Services Inc.  
Court File No.: CV-19-614122-00CL

**1.0 INTRODUCTION**

- 1.1 You have asked us, as professional accountants experienced in financial investigations, to assist in the dispute between EcoHome Financial Inc. ("EcoHome") and Eco Energy Home Services Inc. ("Eco Energy"). EcoHome has made an Application in Court to appoint a Receiver and Manager for Eco Energy. Eco Energy has made a Cross-Application for a full audit of the reserve account that is subject to this dispute in order to determine the amount owing between the parties.
- 1.2 Our engagement has been conducted pursuant to the Endorsement of Justice McEwen, dated February 21, 2019. The terms of our engagement are set out in a letter dated February 19, 2019, which was signed by representatives of the parties on February 21, 2019. Our engagement contemplates the following procedures:
  - a) Test of the EcoHome LeasePlus System: to assess the reliability of EcoHome's LeasePlus account administration system; and,
  - b) Examination of Charged-Off Accounts<sup>1</sup>: to assess the reporting of Charged-Off accounts without a Notice of Security Interest ("NOSI") on title.

---

<sup>1</sup> Charged-Off accounts are delinquent leases that have been deemed to be uncollectible.



- 1.3 This report has been prepared by Alan T. Mak, with the assistance of members of his firm working under his supervision. He holds professional accountancy designations in Canada, the U.S.A and Hong Kong. Mr. Mak has held faculty appointments at York University and the University of Toronto lecturing in financial accounting, management accounting and auditing. He has provided expert testimony in matters before the Federal Court of Canada, Tax Court of Canada, Ontario Superior Court and the Manitoba Court of Queen's Bench, as well as proceedings before the Copyright Board of Canada, the Ontario Energy Board and in private arbitrations. The author's professional qualifications are attached at **Exhibit A**.
- 1.4 Our analysis herein is based upon information that is set out at **Exhibit B**.
- 1.5 Unless otherwise specified, all values in this report are expressed in Canadian dollars ("CAD").

## **2.0 SUMMARY OF OUR OPINION**

- 2.1 Based upon the procedures outline in this report, and subject to the assumptions and restrictions as specified herein, it is our opinion that:
- 2.2 The LeasePlus system utilized by EcoHome to administer leases under the Program Agreement fairly reflects the terms and conditions of the leases and provides reliable reporting on the "net book value", or current values, of the leases.
- 2.3 EcoHome's list of accounts and balances thereon fairly reflects non-performing accounts that may be charged-off. These accounts are confirmed to have been terminated and were not performing as leases as of December 31, 2018.
- 2.4 We identified minor adjustments to the Charged-Off balance, which include:
- a) HST not credited on certain recoveries; and,
  - b) Excess amounts credited to the Charged-Off accounts balance.

The adjusted Charged-Off balance pursuant to our calculations is as follows:





EcoHome Financial Inc. and Eco Energy Home Services Inc.

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Charged-Off Accounts per EcoHome Lease Reserve Analysis	\$ 4,504,475
HST on Recoveries	(4,635)
Adjustments from Recalculation No-NOSI Charge-offs	2,494
Adjusted Amount of Charged-Off Accounts	\$ 4,502,334

2.5 On the Charged-Off accounts that we examined, we verified the following cash flows:

- a) Amounts collected by Eco Energy: \$419,719;
- b) Amounts remitted by Eco Energy directly to EcoHome: \$9,944; and,
- c) Amounts collected directly by EcoHome: \$298,404.

The foregoing amounts remitted to or collected by EcoHome have been reflected in the Charge-Off balance.

2.6 As set out in the terms of our engagement, we have examined only Charged-Off accounts for which a NOSI does not appear on title as of December 31, 2018. We have not examined all of the lease accounts that comprise EcoHome's analysis of the reserve account that is in dispute.

### **3.0 BACKGROUND**

3.1 Our understanding of the material facts in this matter is as follows:

3.2 EcoHome is a company based in Toronto, Ontario providing financing for consumer home improvement loans.

3.3 Eco Energy is also based in Toronto, Ontario selling, leasing and installing heating, ventilation and air conditioning ("HVAC") equipment to residential consumers.

3.4 On or about November 23, 2015, EcoHome and Eco Energy entered into an Amended and Restated Consumer Lease Program Agreement ("Program Agreement").

3.5 Pursuant to the Program Agreement, EcoHome purchased residential HVAC lease accounts from Eco Energy.

3.6 The Program Agreement requires that the vendor of the leases, Eco Energy, maintain a reserve for obligations to the buyer, EcoHome (the "Cash Reserve Account"). The



EcoHome Financial Inc. and Eco Energy Home Services Inc.

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Program Agreement specifies the contributions to, and deductions from, the Cash Reserve Account.<sup>2</sup>

- 3.7 EcoHome alleges that Eco Energy has failed to remit customer funds received in trust by Eco Energy in relation to accounts that were sold to EcoHome. EcoHome also alleges that Eco Energy failed to remit funds necessary to maintain the Cash Reserve Account as prescribed by the Program Agreement.
- 3.8 Eco Energy alleges that EcoHome has failed to maintain or provide proper accounting records to substantiate the Cash Reserve Account. Further, Eco Energy claims an interest in various amounts relating to customer accounts.<sup>3</sup>

#### **4.0 ASSESSMENT OF LEASEPLUS SYSTEM**

- 4.1 Our assessment of the LeasePlus system included examination of 200 accounts, selected from before and after the acquisition of EcoHome by DealNet Capital in or about February 2016.
- 4.2 Our procedures included:
- a) Verifying the completeness of the list of contracts written between Eco Energy and EcoHome.
    - (i) In the initial exploratory meeting with both parties and BDO on February 14, 2019, it was estimated that there are approximately 10,000 lease contracts that have been written and transacted under the Program Agreement.
    - (ii) We obtained a list of contracts from EcoHome and verified the total population of lease accounts under the Program Agreement.
  - b) Sampling of accounts for analysis
    - (i) The list of customer accounts was sorted by funding date and split into two categories: pre-February 1, 2016 and post-January 31, 2016 (coinciding with the acquisition of EcoHome by DealNet Capital).
    - (ii) We selected, on a statistically random basis, 100 samples from each category for detailed verification (200 accounts examined in total).

---

<sup>2</sup> As defined in the Program Agreement, see paragraphs 2.02 and 2.04.

<sup>3</sup> See paragraph 5(b) of the Affidavit of Wei (David) Ouyang, sworn February 25, 2019.



c) Testing the LeasePlus System

For each sample (pre- and post-January 2016), we:

- (i) Reviewed the signed contract;
- (ii) Noted from the contract: the contract number, equipment cost, signing date, start date, rental term, monthly rental charge, and interest rate, together referred to as the "Lease Terms";
- (iii) Agreed the Lease Terms to the LeasePlus system; and,
- (iv) Verified the current status of the contract in LeasePlus as follows:
  - If active, note accordingly; and
  - If terminated, note termination date and agree to supporting documentation to verify termination date and reason for termination (from "noteline" documentation).

d) Test of Interest Calculation in LeasePlus

As a further test of the arithmetical accuracy of the LeasePlus system, we:

- (i) Selected a sample, also using statistical selection, of 10 accounts pre-February 1, 2016 and 10 accounts post-January 31, 2016;
- (ii) Judgmentally selected one month from each sample to recalculate the monthly interest and balance (including adjustments, if any);
- (iii) Prepared an amortization schedule in Excel for each sample (as the independent calculation);
- (v) Agreed the original net book value and interest rate to the contract; and,
- (vi) Compared the recalculated interest and balance for the selected month/year.

4.3 Our procedures were performed as planned and the results were satisfactorily completed to indicate the reliability of the LeasePlus system.



EcoHome Financial Inc. and Eco Energy Home Services Inc.

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## 5.0 ASSESSMENT OF CHARGED-OFF ACCOUNTS

- 5.1 Our assessment of Charged-Off accounts comprised examination of **465** leases, selected from the list of Charged-Off accounts in EcoHome's Cash Reserve Account analysis.
- 5.2 The volume of accounts examined exceeded our original expectation of **286** accounts, which was based on estimate of no-NOSI accounts on the Charge-Off list. Our procedures, as outlined hereafter, identified significantly more accounts without NOSI in place, which required examination.
- 5.3 To test the completeness of the account list, the property identification number report ("PIN") for accounts believed to have NOSI on title were retrieved. This process identified an additional **127** accounts that did not have a corresponding NOSI in place and therefore qualified for inclusion in our examination population.
- 5.4 We further identified **52** accounts on the Charge-Off list of accounts without NOSI. These were omitted in the original cross-referencing of account records because of differences in the spelling of names or the inclusion/exclusion of middle names of customers.
- 5.5 As a final test of completeness of the examination list, we randomly selected 10% of the accounts on the "with NOSI" list to verify the existence of NOSI on title. This test was completed without exception.
- 5.6 Our procedures with respect to the **465** no-NOSI accounts follow:
  - a) Testing of No-NOSI accounts
    - (i) For each account, we reviewed the Eco Energy notes in its administration portal, emails and third party documentation, where applicable, to determine the status of the account.
    - (ii) We concurrently reviewed EcoHome's LeasePlus "Notelines" and correspondence to corroborate the status of the account.
    - (iii) Documented the installation date, removal date, reason for termination, and any other pertinent information relating to the status of the lease.
    - (iv) In cases where a buyout is indicated, we obtained the cash receipt advice and bank statement to verify cash flow (to Eco Energy or EcoHome).
    - (v) For accounts requiring follow-up, such as where cash flows were expected but not confirmed, we requested explanation from EcoHome or Eco Energy as appropriate and received further documentation to support explanations.
    - (vi) For each account, recalculated the Charge-Off amount.



EcoHome Financial Inc. and Eco Energy Home Services Inc.

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- (vii) Conclude on each account whether it is appropriately included in the Charge-Off list.

5.7 Our verification of cash flows relating to the examined accounts are summarized as follows:

- a) Amounts collected by Eco Energy: \$419,719
- b) Amounts remitted by Eco Energy to EcoHome: \$9,944
- c) Amounts collected directly by EcoHome: \$298,404

The foregoing amounts remitted to or collected by EcoHome have been reflected in the Charge-Off balance.

5.8 Our procedures also included verification of Cash Reserve Account transactions that related to the examined lease account but that were recorded elsewhere in EcoHome's Reserve analysis. For example, if EcoHome claimed a "clawback" on funding as a result of a non-performing loan, we confirmed the inclusion of the clawback in the analysis. This additional step was necessary to ensure that the Charged-Off amount was appropriate.

5.9 Based upon the foregoing procedures, we are satisfied that the no-NOSI accounts that are included in EcoHome's Charge-Off list are non-performing leases. As such, they are appropriately included in the Charge-Off analysis.

5.10 However, we encountered two discrepancies:

- a) HST on Recoveries (\$4,635, reduction to Charged-Off account balance): In the course of conducting our analysis, it was brought to our attention by EcoHome that a computational inconsistency had been found in its Charge-Off list. Upon reviewing its internal records, EcoHome determined that its calculations did not include HST on recoveries of previously written-off accounts during the period December 2015 to February 2017. HST had been charged on the write-off of those accounts in the first instance. Hence, the credit to Eco Energy for the recoveries has been understated in the Charge-Off analysis. We have reviewed the transactions in question and agree with the required adjustment.
- b) Excess Credit to the Charge-Off Account (\$2,494, increase to Charged-Off account balance): In recalculating the Charge-Off amount for each account, we identified five accounts for which EcoHome had recorded excess amount for recoveries. These include the recovery of NOSI fees and clerical errors in classifying amounts.



EcoHome Financial Inc. and Eco Energy Home Services Inc.

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- 5.11 Giving effect to the foregoing adjustments, we recalculate the balance of the Charge-Off account as of December 31, 2018 to be **\$4,502,334 (a \$2,141 reduction to the originally indicated Charge-Off balance)**.
- 5.12 Our procedures identified the following anomalies in the reporting of lease accounts by the parties:
- a) Subcontractor Remittance: We identified instances wherein installation sub-contractors appear to have negotiated a buyout and received a payout from the customer, but did not remit the funds to Eco Energy (or EcoHome). For purposes of accounting for the Cash Account Reserve, the charge-off is appropriately recorded as no funds were received by EcoHome on these accounts.
  - b) Restocking Fees: In the event that a contract is terminated by the customer within the cooling off period and the installed equipment is removed, the customer is charged a "restocking fee". We identified a number of terminated accounts wherein restocking fees appear to have been charged and collected by Eco Energy but not remitted to EcoHome.

## **6.0 RESTRICTIONS AND QUALIFICATIONS**

- 6.1 This Report is intended solely to assist the Court in this matter. It is not intended for general circulation, publication, reproduction or other use without our prior written consent. We will not assume any responsibility for losses resulting from the circulation, publication, reproduction or use of this Report other than for its intended purposes and by the intended users. The analyses and conclusions contained in this Report must be considered as a whole. Selecting portions of the facts and analyses could lead to a misleading view of the conclusions reached in this Report. We reserve the right but will be under no obligation, to review and/or revise any and all assumptions and/or calculations included in or referred to in this Report and to update this Report in light of further information that becomes known to us after the date of this Report.



EcoHome Financial Inc. and Eco Energy Home Services Inc.  
Page 9  
March 8, 2019

## **7.0 STATEMENT OF INDEPENDENCE**

7.1 No member of BDO Canada LLP that was involved in the preparation of this Report has, or intends to have, any financial involvement with the parties in this action and/or their respective shareholders and affiliates. We have no stake, directly or indirectly, in the outcome of this action. Our fees for this engagement were based strictly on professional time expended and were in no way contingent upon the conclusions of the Report or any action or event resulting from the use of the Report.

Respectfully submitted,

*BDO Canada LLP*

Alan T. Mak  
Partner

BDO Canada LLP  
Chartered Professional Accountants



## Exhibit A

### Alan T. Mak Professional Profile (As of March 2019)

#### EDUCATION

Bachelor of Business Administration (*With Distinction*) (1996)  
York University, Ontario  
Chartered Accountant (1999)  
CICA In-Depth Income Tax, Levels I, II & III (2000)  
Chartered Business Valuator (2003)  
ICD/Rotman Directors Education Program (2017)

#### DESIGNATIONS

FCPA, FCA, Ontario  
CBV, Ontario  
CPA / CFF, Illinois  
CGMA, UK/USA  
FCPA, Hong Kong  
CFE  
ICD.D

#### PROFESSIONAL ASSOCIATIONS

Chartered Professional Accountants of Ontario  
Chartered Professional Accountants of Canada  
Canadian Institute of Chartered Business Valuators  
American Institute of Certified Public Accountants  
(Forensic and Valuation Services Section)  
Chartered Institute of Management Accountants  
Hong Kong Institute of Certified Public Accountants  
Association of Certified Fraud Examiners  
Institute of Corporate Directors

#### EMPLOYMENT





EcoHome Financial Inc. and Eco Energy Home Services Inc.

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March 8, 2019

Partner and National Practice Leader - Forensics, **BDO Canada LLP** (February 2018 - Present)

- Qualified as Expert Witness before the Ontario Superior Court of Justice, the Ontario Energy Board, the Copyright Board of Canada and in proceedings pursuant to the American Arbitration Association.
- Quantification of Damages
- Business Valuation
- Litigation Support
- Forensic and Litigation Accounting
- Accountants' Negligence

Partner, **Ferguson + Mak LLP** (August 2013 - January 2018)

- Quantification of Damages
- Business Valuation
- Litigation Support
- Forensic and Litigation Accounting
- Accountants' Negligence

Principal (formerly "Associate"), **Rosen & Associates Limited**, (April 2000 - July 2013)

- Quantification of Damages
- Business Valuation
- Litigation Support
- Forensic and Litigation Accounting
- Accountants' Negligence

Senior Accountant, **Arthur Andersen LLP**, (September 1997 - March 2000)

- International Corporate Tax
- Transfer Pricing
- Corporate Re-organizations
- Income Tax Audit Consulting

Staff Accountant, **Arthur Andersen LLP**, (September 1996 - September 1997)



EcoHome Financial Inc. and Eco Energy Home Services Inc.

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March 8, 2019

- Audit and review of Canadian businesses
- Consumer products, financial services, and media/advertising industries

Sessional Lecturer, **University of Toronto**, (September 2004 - April 2013)

- Lecture in undergraduate financial accounting theory and policy and managerial accounting.

Adjunct Professor, **York University**, (January 2000 - April 2004)

- Lecture undergraduate and graduate level financial accounting, management accounting and auditing courses

Teaching Assistant, **York University**, (September 1994 - December 1999)

- Conduct tutorials for undergraduate students

#### **OTHER**

Governing Council of the Chartered Professional Accountants of Ontario (2012-2019)

- Elected Member (2012-2019)
- Elected Officer (Secretary, 2013-2016; Vice-Chair, 2016-2017; Chair, 2017-2019)
- Governance and Nominations Committee (2012-2013, Chair 2013-2016)
- Audit and Finance Committee (2016-2017)

Member, Board of Directors, The Scarborough-Rough Hospital (formerly The Scarborough Hospital) (2014-2018)

Member, Board of Directors, Homes First Society (2014-2016)

Member, Board of Directors and Treasurer, The Real News (2010-2014)



**COURT FILE NO. CV-19-614122-00CL**

Form 53

*Courts of Justice Act*

**ACKNOWLEDGMENT OF EXPERT'S DUTY**

ECOHOME FINANCIAL INC.

*Applicant*

-and-

ECO ENERGY HOME SERVICES INC.

*Respondent*

**ACKNOWLEDGMENT OF EXPERT'S DUTY**

1. My name is ALAN T. MAK. I live at TORONTO, in the province of ONTARIO.
2. I have been engaged by the Applicant and the Respondent to provide evidence in relation to the above-noted court proceeding.
3. I acknowledge that it is my duty to provide evidence in relation to this proceeding as follows:
  - (a) to provide opinion evidence that is fair, objective and non-partisan;
  - (b) to provide opinion evidence that is related only to matters that are within my area of expertise; and
  - (c) to provide such additional assistance as the court may reasonably require, to determine a matter in issue.
4. I acknowledge that the duty referred to above prevails over any obligation which I may owe to any party by whom or on whose behalf I am engaged.

Date: March 8, 2019

---

*Signature*



## **Exhibit B**

### **Scope of Review**

1. Application Record of the Applicant, EcoHome Financial Inc., dated February 8, 2019
2. Cross-Application Record of Respondent, Eco Energy Inc., dated February 25, 2019
3. Reply Affidavit of Brent Houlden, sworn February 28, 2019
4. Executed and Restated Consumer Lease Agreement, dated as of November 23, 2015
5. Cash Reserve Account analysis, prepared by EcoHome (Excel Workbook)
6. Screen review of LeasePlus system of selected accounts
7. Screen review of Eco Energy portal of selected accounts
8. Screen review of Eco Energy email correspondence of selected accounts
9. Eco Energy litigation files
10. EcoHome and Eco Energy Bank Statements, specifically
  - a. Eco Energy RBC account # 39528
  - b. Eco Energy RBC account # 37522
  - c. EcoHome TD account # 5403050
  - d. EcoHome TD account # 5423450
11. Eco Energy cheque copies and deposit packages for selected accounts
12. Eco Energy cancelled cheques for payments to EcoHome
13. EcoHome cash receipts and deposits for selected accounts
14. Various customer rental agreements
15. Title search (PIN) reports
16. Various reports from EcoHome's Great Plains accounting system
17. Customer transaction summaries for selected accounts from Eco Energy's Quickbooks system

**C**

Subject **Approval needed: You're gaining one or more domains.**  
From GoDaddy <donotreply@godaddy.com>  
To <douyang@greensaving.ca>  
Date 2019-04-06 13:24



24/7 Support: +1 (480) 505-8877

David Ouyang — Customer Number: 110102400

## You're gaining one or more domains.

**You've got until 4/8/2019 to accept the domain registration change.**

The current owner triggered a registration change for:

**ECOENERGYHS.COM**

When a change like this is made, ICANN — the organization that oversees domain name policies — requires the current and new owner to approve it.

**Review and Approve the Update**

The domain(s) will not transfer to you unless we receive your approval by 4/8/2019.

Call us 24/7 at +1 (480) 505-8877 if you have any questions.

Please do not reply to this email. Emails sent to this address will not be answered.

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2429188619

Subject **Approval needed: You're gaining one or more domains.**  
From GoDaddy <donotreply@godaddy.com>  
To <douyang@greensaving.ca>  
Date 2019-04-06 13:25



24/7 Support: +1 (480) 505-8877

David Ouyang — Customer Number: 110102400

## You're gaining one or more domains.

**You've got until 4/8/2019 to accept the domain registration change.**

The current owner triggered a registration change for:

**ecoenergyportal.com**

When a change like this is made, ICANN — the organization that oversees domain name policies — requires the current and new owner to approve it.

**Review and Approve the Update**

The domain(s) will not transfer to you unless we receive your approval by 4/8/2019.

Call us 24/7 at +1 (480) 505-8877 if you have any questions.

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2429188793

4/17/2019

Roundcube Webmail :: We've updated the domain ownership info.

Subject **We've updated the domain ownership info.**  
From GoDaddy <donotreply@godaddy.com>  
To <douyang@greensaving.ca>  
Date 2019-04-06 18:19



David Ouyang — Customer Number: 110102400

## The domain ownership update is complete.

This applies to the following domain(s):

**ECOENERGYHS.COM**

**Important:** The previous owner opted out of the 60-day inter-registrar transfer lock so you can move the domain(s) any time.

Please do not reply to this email. Emails sent to this address will not be answered.

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2429406151



4/17/2019

Roundcube Webmail :: We've updated the domain ownership info.

Subject **We've updated the domain ownership info.**  
From GoDaddy <donotreply@godaddy.com>  
To <douyang@greensaving.ca>  
Date 2019-04-06 18:17



David Ouyang — Customer Number: 110102400

## The domain ownership update is complete.

This applies to the following domain(s):

**ecoenergyportal.com**

**Important:** The previous owner opted out of the 60-day inter-registrar transfer lock so you can move the domain(s) any time.

Please do not reply to this email. Emails sent to this address will not be answered.

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2429405825

CANCEL

SUBMIT

System - Raza Farooq

Mar 29th, 2019 - 02:50 pm

Email has been changed from  
'customerservice@ecoenergyhs.ca' to  
'customerservice@globalecoenergygroup.com'.

System - Savannah Paul

May 29th, 2017 - 11:20 am

Password Updated At has been changed from '2017-03-02  
00:00:00' to '2017-05-29'.

## **Bianca Myles-Jansen**

---

**From:** Devon Prasad <dprasad@3dnetworktechnology.com>  
**Sent:** April-02-19 11:08 AM  
**To:** support@ixica.com  
**Cc:** Yashar Nourbash; Michael Sifontes; David Ouyang; Bianca Myles-Jansen  
**Subject:** Account - Eco Energy

Eco Energy Home Services

Please point 1-866-326-9898 to the following domain and IP

[canservice.encryptedtel.com](http://canservice.encryptedtel.com)

IP: 64.34.222.68

Please let us know what 1866-326-9898 was pointing to before

Please send us the username and password so we can set-up the trunk on our end.

Thanks  
Devon

Thank-you

Devon Prasad  
3D Network Technology Inc.  
6-6150 Highway 7  
Woodbridge Ontario L4H 0R6  
(P)(905)861-9082 ext 222  
[www.3dnetworktechnology.com](http://www.3dnetworktechnology.com)

## **Bianca Myles-Jansen**

---

**From:** Bianca Myles-Jansen  
**Sent:** March-26-19 9:39 AM  
**To:** Grace Liu  
**Cc:** David Ouyang; Yashar Nourbash  
**Subject:** RE: Greensaving email

Hi Grace,

I informed everyone to start using their Greensaving's email moving forward.

Yashar will provide me with a list of all the users in order to establish who has no greensavings email.

Thank you,

Bianca Myles-Jansen

-----Original Message-----

**From:** Grace Liu <gliu@ecoenergyhs.ca>  
**Sent:** March 26, 2019 8:24 AM  
**To:** Yashar Nourbash <Y.Nourbash@ecoenergyhs.ca>  
**Cc:** David Ouyang <douyang@ecoenergyhs.ca>; Bianca Myles-Jansen <b.myles-jansen@ecoenergyhs.ca>  
**Subject:** Greensaving email

Hi Yashar,

Please check everyone has Greensaving email, send them note use Greensaving email now.

Thanks,

Grace

Sent from my iPhone

⌵ Reply all | ∨  Delete Junk | ∨ ...

✕

## QBs

JJ

Jacky Jiang &lt;j.jiang@greensaving.ca&gt;

Fri 3/22, 4:52 PM

bianca@truealliancefinancial.com; tony.tam@myaqd.ca; David Ouyang; Grace Liu; . ✉

⌵ Reply all | ∨

David Email

Hi Bianca,

We would like to move QBs desktop version to QBs online version.

And we need IT expert here as we need to transfer on sever.

Could you please ask them to come on next Monday?

Thanks,  
Jacky

# Ecoenergy Portal Transferred to Global Ecoenergy Group Portal

Raza Farooq

Thu 2/28/2019 10:39 AM

To: Bianca Myles-Jansen <b.myles-jansen@ecoenergyhs.ca>; Aaron Liu <a.liu@ecoenergyhs.ca>; Bernard Keenan <b.keenan@ecoenergyhs.ca>; Branavan Eswaran <b.eswaran@ecoenergyhs.ca>; Calla Zhao <C.Zhao@ecoenergyhs.ca>; Ebony Oliver-Delva <E.Oliver-Delva@ecoenergyhs.ca>; Elaha Shamss <e.shamss@ecoenergyhs.ca>; Jacklyn Strelchik <j.strelchik@ecoenergyhs.ca>; Jacky Jiang <j.jiang@ecoenergyhs.ca>; Jenny Liu <Jenny.liu@ecoenergyhs.ca>; Joe Zhou <j.zhou@ecoenergyhs.ca>; Aurora Zhang <a.zhang@ecoenergyhs.ca>; Sandeep Singh <s.singh@ecoenergyhs.ca>; Tony Tam <tony.tam@ecoenergyhs.ca>; Trent Knackstedt <t.knackstedt@ecoenergyhs.ca>; vouyang <vouyang@ecoenergyhs.ca>; Watson Wang <w.wang@ecoenergyhs.ca>; Yashar Nourbash <Y.Nourbash@ecoenergyhs.ca>; z.yuan <z.yuan@ecoenergyhs.ca>; Chelsea Sousa <c.sousa@ecoenergyhs.ca>; Savannah Paul <savannah.paul@ecoenergyhs.ca>; Shanon Paul <Shannon.Paul@ecoenergyhs.ca>;

Cc: Grace Liu <gliu@ecoenergyhs.ca>; David Ouyang <douyang@ecoenergyhs.ca>; Michael Sifontes <m.sifontes@ecoenergyhs.ca>; Devon Prasad <dprasad@3dnetworktechnology.com>; Support <support@3dnetworktechnology.com>;

Hello All,

As of now, all deals have been transferred over to [geeg.hvac-portal.com](http://geeg.hvac-portal.com). Please login with the same credentials as [ecoenergy.hvac-portal.com](http://ecoenergy.hvac-portal.com). The ecoenergy portal currently only have EcoHome deals. Unfortunately, I cannot be there for this transition but I am available all day on via email and whatsapp at 647-784-9773. Please add new deals on the geeg portal.

Raza Farooq | Software Developer  
3761 Victoria Park Ave #10-11, Toronto, ON, M1W 3S3  
TOLL-FREE: 1 (877) 475-6888 EXT:3025 | DIRECT: (647) 784-9773

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4/17/2019

Roundcube Webmail :: Simply Green

Subject **Simply Green**

From Raza Farooq <r.farooq@globalecoenergygroup.com>

To <douyang@globalecoenergygroup.com>, <c.zhao@globalecoenergygroup.com>, <s.singh@globalecoenergygroup.com>

Date 2019-04-01 15:31



---

<https://sg.hvac-portal.com/>

you can use the same login credentials as the geeg portal.

## **Bianca Myles-Jansen**

---

**From:** Bianca Myles-Jansen  
**Sent:** March-19-19 2:00 PM  
**To:** Devon Prasad  
**Subject:** RE: Meeting

If you can tomorrow morning same time?

**From:** Devon Prasad <dprasad@3dnetworktechnology.com>  
**Sent:** March 19, 2019 1:09 PM  
**To:** Bianca Myles-Jansen <b.myles-jansen@ecoenergyhs.ca>  
**Subject:** Re: Meeting

Hi Bianca,

I am available Thursday anytime after 10:00am or anytime on Monday.

Let me know if you need to see me sooner and I can make arrangements.

Please let me know what works best for you.

Thanks  
Devon

On Mar 19, 2019, at 11:49 AM, Bianca Myles-Jansen <[b.myles-jansen@ecoenergyhs.ca](mailto:b.myles-jansen@ecoenergyhs.ca)> wrote:

Hi Devon,

Can you accommodate a meeting on-site to discuss new Equipment and the phone system?

This is important given that your team will need to time to configure all the new system to be implemented under D&G Enterprise.

We will be moving into receivership to close off EcoEnergy and we need to ensure that we are fully setup and operational before this happens. I will discuss details with you in person.

Thank you,

**Bianca Myles-Jansen**  
**Executive Assistant to President**

<image001.png>

**3761 VICTORIA PARK AVE #10-11, TORONTO, ON, M1W 3S3**  
**TEL: (905) 475-6888 EXT. 3002 | FAX: 905) 475-6588**  
**[www.ecoenergyhs.ca](http://www.ecoenergyhs.ca) | [b.myles-jansen@ecoenergyhs.ca](mailto:b.myles-jansen@ecoenergyhs.ca)**

<image002.png>



**David Ouyang**

To: [ben@leungandcompany.ca](mailto:ben@leungandcompany.ca) <[ben@leungandcompany.ca](mailto:ben@leungandcompany.ca)>;

CC: Jacky Jiang <jjiang@ecoenergyhs.ca>; Tony Tam <tony.tam@ecoenergyhs.ca>;

**This is for the purpose of apply Line of Credit from BMO, please check with Angel if we can apply \$500,000?**

**Eco Energy side, we will prepare bankruptcy and not pay them directly.**

**Sent from my iPhone**

On: Jan 31, 2019, at 6:27 PM, "[ben@leungandcompany.ca](mailto:ben@leungandcompany.ca)" <[ben@leungandcompany.ca](mailto:ben@leungandcompany.ca)> wrote:

## Thanks

**The B/C is not too healthy.**

**A/R is about 4 months of sales, which is high.**

**Amount owing to affiliated companies may have to consider as S/H injections.**

## Do we have A/R listing?

**Regards**

**Ben**

**On Thu, 31 Jan 2019 22:48:16 +0000, Jacky Jiang wrote:**

Hi Ben,

**As per David's request, attached please find Greensaving 2018 FS.**

**Thanks,**

**Jacky**

✉ Reply all | ▼ 🗑 Delete Junk | ▼ ...

## Buyout-Postponement-Assumptions

BM

Bianca Myles-Jansen

Thu 1/17, 4:40 PM

cs2; Savannah Paul; Shanon Paul; Chelsea Sousa; Sandeep Singh; Ebony Oliver-Del ✉

✉ Reply all | ▼

David Email

This message was sent with high importance.

Hi All,

Effective immediately, please do not re-direct customers to contact EcoHome when they are requesting either or of the above written subject line.

Email request to payoutrequest, cc Sandeep, Ebony and I in the requests.

Thank you,

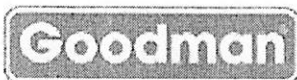
BIANCA MYLES-JANSEN | EXECUTIVE ASSISTANT TO PRESIDENT

**eco ENERGY**  
HOME SERVICES INC.

3761 VICTORIA PARK AVE #10-11, TORONTO, ON, M1W 3S3

TOLL-FREE: 1 (877) 475-6888 | DIRECT: (647) 503-2020 | EXT:3002

[www.ecoenergyhs.ca](http://www.ecoenergyhs.ca) | [b.myles-jansen@ecoenergyhs.ca](mailto:b.myles-jansen@ecoenergyhs.ca)



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## Bianca Myles-Jansen

---

**From:** Bianca Myles-Jansen  
**Sent:** January-29-19 4:52 PM  
**To:** Tony Tam  
**Subject:** EH Buyouts

Hey Tony,

Can you advise if we are to continue with preparing buyouts on funded deals by EcoHome or should we send them the requests we receive?

I don't want us to get into further issues with them....

BIANCA MYLES-JANSEN | EXECUTIVE ASSISTANT TO PRESIDENT

**eco ENERGY**  
**HOME SERVICES INC.**

3761 VICTORIA PARK AVE #10-11, TORONTO, ON, M1W 3S3

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**Bianca Myles-Jansen**

---

**From:** Bianca Myles-Jansen  
**Sent:** January-30-19 10:23 AM  
**To:** Ebony Oliver-Delva  
**Subject:** EH Buyouts

Hi Ebony,

Is there any pending buyouts related to EH that you are aware of? If so, I informed Sandeep yesterday to let me handle all related to EH given that the relationship is rocky with them.

Best,

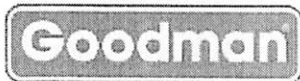
**BIANCA MYLES-JANSEN | EXECUTIVE ASSISTANT TO PRESIDENT**

**eco ENERGY**  
**HOME SERVICES INC.**

3761 VICTORIA PARK AVE #10-11, TORONTO, ON, M1W 3S3

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📧 Reply all | ▼ 🗑 Delete Junk | ▼ ...

## Re: Greensaving 2018 FS

TT

Tony Tam

Fri 2/1, 12:15 PM

ben@leungandcompany.ca; David Ouyang ✉

📧 Reply all | ▼

David Email

Sorry please delete this email

Get [Outlook for iOS](#)

---

**From:** ben@leungandcompany.ca

**Sent:** Friday, February 1, 2019 10:36 AM

**To:** Tony Tam; David Ouyang

**Subject:** Re: Greensaving 2018 FS

In Canada

A company is bankrupted, which does not imply the director Bankrupt as well. For certain trust worth business, such as accountant, etc, cannot operate any business after bankrupt.

Regards

Ben

On Fri, 1 Feb 2019 15:31:32 +0000, Tony Tam wrote:

Hi Ben

Is the name of director of an bankrupted company searchable in company registry (公司)册 BMO may not grant their line of credit or will call back their loan based on that

In Hong Kong 破b人 cannot be a Company Director , not sure about 破a公司的董事。 We may need to think of switching director (who?) of affiliated companies. AQD should add my name as Director and David resigns as Director to lower the risk

EcoHome may go after David personal because of inappropriate handling of fund (switching EcoHome customers cash receipt) and moving inventory (took out equipment from company with no record) when receiver comes in

Thanks

Get [Outlook for iOS](#)

Due to continued restructuring, we have changed our domain name for the following communication listed below effective immediately;

Eco Energy Home Services Inc. & Global Eco Energy Group related requests to buyout, assumption or postponement - new email address to send emails to: [payout@greensaving.ca](mailto:payout@greensaving.ca)  
Eco Energy Home Services Inc. related requests service/installation - new email address to send emails to: [service@greensaving.ca](mailto:service@greensaving.ca)

Global Eco Energy Group related requests service/installation - new email address to send emails to: [service@globalecoenergygroup.com](mailto:service@globalecoenergygroup.com)

Other future changes will be communicated when setup has been completed.

If you have any questions, please email me at your earliest convenience.

Thank you,

Bianca Myles-Jansen | Executive Assistant to President



TOLL-FREE: 1 (888) 676-4822 DIRECT: (647) 503-2010 Ext. 3002

[www.greensaving.ca](http://www.greensaving.ca) | [b.myles-jansen@greensaving.ca](mailto:b.myles-jansen@greensaving.ca)

**D**

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

**BETWEEN:**

**ECOHOME FINANCIAL INC.**

Applicant

- and -

**ECO ENERGY HOME SERVICES INC.**

Respondent

**FIRST REPORT OF THE RECEIVER**

**April 3, 2019**



---

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<b>I. INTRODUCTION .....</b>	<b>1</b>
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## I. INTRODUCTION

1. Pursuant to an Application made by EcoHome Financial Inc. ("**EcoHome**"), by Order of the Ontario Superior Court of Justice (the "**Court**") dated April 3, 2019 (the "**Appointment Order**"), RSM Canada Limited ("**RSM**") was appointed as receiver (the "**Receiver**"), without security, of all assets, undertakings and properties of Eco Energy Home Services Inc. ("**Eco Energy**" or the "**Debtor**") acquired for, or used in relation to a business carried on by Eco Energy, including all proceeds thereof (the "**Property**"). A copy of the Appointment Order is attached hereto as Appendix "**A**".
2. The Appointment Order authorized the Receiver to, among other things, take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property.
3. In addition the Receiver was expressly empowered and authorized to:
  - a) manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor; and
  - b) 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 Receiver's powers and duties, including without limitation those conferred by the Appointment Order.

- 
4. The Appointment Order further provided 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 the Appointment Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the 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 Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.
  5. The Appointment Order further provides that all Persons shall forthwith advise the 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 (collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto.
  6. The Receiver has retained the firm of Goodmans LLP to act as the Receiver's independent legal counsel.

---

## II. PURPOSE OF THE FIRST REPORT

7. The purpose of this Report (the "**First Report**") is to:

- a) report to the Court on the activities of the Receiver upon attempting to taking possession of the Debtor's premises;
- b) report on the conduct of the Debtor's officers, directors and employees and the lack of cooperation received by the Receiver; and
- c) seek an order (the "**Access Order**") confirming the Receiver's authority to:
  - i. have full and unfettered access to and take possession and control of the Premises (as defined below);
  - ii. change the locks and security and alarm codes at the Premises;
  - iii. restrict access to the Premises by any Person, including any director, officer, employee, agent, representative or advisor of (A) the Debtor, (B) any entity that is related to, or affiliated or under common control with, the Debtor (a "**Debtor Affiliate**"), or (C) without limiting the meaning of Debtor Affiliate, D&G Enterprises Inc. ("**D&G**"), GreenSaving Group Inc. ("**GSGI**"), and 2360777 Ontario Inc. o/a Global Eco Energy Group ("**Global Eco**") (collectively, the "**Other Companies**"); and all such Persons shall be permitted to access the Premises solely at such times and for such purposes as the Receiver may permit or the Court may order;

- 
- iv. have full and unfettered access the operating, accounting and other systems of the Debtor and the Other Companies;
  - v. redirect, change or alter the Debtor's website, email addresses and telephone number(s) to "point" to an alternate URL, email address or telephone number(s);
  - vi. obtain immediate access to all Records (whether such Records are owned or controlled by the Debtor or the Other Companies; and
  - vii. engage EcoHome as its agent to assist with the exercise of the Receiver's powers and duties and to undertake such actions on behalf of the Receiver as the Receiver may direct.

#### **Terms of Reference**

8. In preparing this report and making the comments herein, the Receiver has relied upon certain unaudited financial information and documentation obtained at the Eco Energy premises, where possible, and information and documentation received from third-party sources (collectively, the "**Information**"). The Receiver has, to the extent possible, reviewed the Information for reasonableness. However, the Receiver has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.

- 
9. Unless otherwise stated, all dollar amounts contained in this report are expressed in Canadian dollars.

### III. DIFFICULTIES IN OBTAINING POSSESSION

#### *Attempts to take possession of the Head Office*

10. Subsequent to the issuance and entry of the Appointment Order, the Receiver attended at Eco Energy's head office located at 3761 Victoria Park Avenue, Units 10-11, Toronto, Ontario (the "**Head Office**") and satellite office located at 1051 Upper James St., Unit 201, Hamilton, Ontario (collectively, the "**Premises**").
11. Accompanying the Receiver were its possessory agents who were tasked with assisting the Receiver with the review and control of the Debtor's computer systems, books and records, and inventory of the assets located at the premises. Due to EcoHome's familiarity with the Debtor's operations and its computer and operating systems, the Receiver requested that certain representatives of EcoHome attend with the Receiver to assist the Receiver as it learned about the Debtor's business and operating systems.
12. Upon presenting the Appointment Order to the Debtor at the Head Office, the Receiver was advised by the Debtor that Eco Energy was not the sole tenant of the Head Office, and therefore the Receiver would not be permitted to take any measures to change the locks to the Head Office or take any other actions that may interfere with other tenants of the office space. The Receiver requested copies of the lease documents with respect to the Head Office, certain of which were subsequently provided by the Debtor.

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- a) Based on a preliminary review of the lease documentation, the Receiver understands that the Head Office was originally leased by the Debtor, as tenant, pursuant to a lease with 3761 Victoria Park Holdings Limited, as lessor, dated September 12, 2013, for an initial term ending on February 28, 2019. By a lease amending agreement dated November 20, 2018, the term of the head lease was extended to February 28, 2022.
- b) In or around February 2019, the Debtor assigned its tenancy interest in the head lease to D&G, which the Receiver understands is a company related to the Debtor.
- c) Pursuant to three separate sublease agreements each dated as of February 28, 2019, D&G entered into sublease arrangements with the Debtor, GSGL and Global Eco with respect to the Head Office. The Receiver understands that GSGL and Global Eco are related to both the Debtor and D&G based on their review and on the basis that the same individual signed the subleases for each of the Debtor and the Other Companies. The Receiver understands that the Debtor and the Other Companies have common management (“**Management**”).
- d) The Receiver notes that the assignment of the tenancy interest from the Debtor to D&G, and the subleases of the Head Office to each of the Debtor, GSGL and Global Eco, occurred after the filing of the receivership application by EcoHome on February 8, 2019.

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e) The Receiver also notes that, pursuant to the sublease agreements, the total area of the Head Office leased to the Debtor is 8,362 square feet and the total area of the Head Office leased to each of GSCI and Global Eco is 1,286 square feet. Accordingly, more than 75% of the Head Office floor space is leased by the Debtor.

13. One of the Receiver's possessory agents, a locksmith, was prevented by Management from changing the locks at the Head Office on the basis that it would unfairly restrict the operations of the Other Companies. The locks at the Hamilton office were successfully changed.

***Books and Records***

14. The Receiver asked Management to provide the Receiver with access to Eco Energy's books and records. Management advised the Receiver that the Receiver would not be permitted access to the Debtor's books and records, as all of the data was stored on hard drives and servers that are shared among the Other Companies. Management took the position that the Appointment Order only authorized the Receiver to collect information pertaining to Eco Energy, and the fact that Eco Energy's information was stored on shared servers was reason to withhold access from the Receiver.
15. After several discussions between Management and the Receiver, Management agreed to provide the Receiver with certain information from the computer and accounting systems; however, Management continued to obstruct the Receiver's access to the computer and accounting systems.



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16. Despite Management's representation to the Receiver that they would provide certain information to the Receiver, Management has failed or refused to provide substantially all of the requested information to the Receiver as of 11:30 p.m. on April 3, 2019 (being the time of writing of this report).

***Other Matters***

17. Pursuant to Paragraph 3(d) of the Appointment Order, the Receiver asked certain representatives of EcoHome to attend with the Receiver to assist the Receiver as it learned about the Debtor's business and operating systems. This was done with a view to increasing the Receiver's efficiency and effectiveness in the gathering and understanding of the Debtor's books and records, as the Receiver understands that EcoHome has unique and extensive knowledge of Eco Energy's operations and IT infrastructure. When the Receiver attended at the Head Office, Management refused to allow EcoHome's representatives to enter the premises, despite receiving a copy of the Appointment Order and being informed that EcoHome was acting in a capacity as agent of the Receiver. Management further advised the Receiver that no information would be provided to the Receiver while EcoHome's representatives were on site.

**IV. NEED FOR URGENT RELIEF**

18. Based on information received to date, the Receiver is concerned that the Debtor may be taking steps, including with the involvement of the Other Companies, to frustrate the conduct of the receivership and to transfer value

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from the Debtor's estate. As an initial and urgent step, the Debtor requires control over and unfettered access to the Premises so that it can carry out its duties, obtain additional information, and preserve and protect the value of the Property. The Receiver is of the view that the Appointment Order provides the Receiver with the authority to carry out these actions. However, given the Debtor's refusal to fully comply with the Appointment Order, the Receiver is seeking the Access Order to ensure the Receiver has access to the Debtor's Premises and Records to carry out its duties and preserve and protect value for the benefit of all stakeholders.

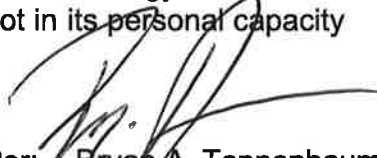
#### **V. RELIEF SOUGHT**

The Receiver respectfully requests that the Court grant the Order described in paragraph 6 (c) above.

All of which is respectfully submitted to this Court as of this 3rd day of April, 2019.

#### **RSM CANADA LIMITED**

In its capacity as Court Appointed Receiver  
of Eco Energy Home Services Inc. and  
not in its personal capacity



Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT  
President

**E**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE MADAM

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THURSDAY, THE 4<sup>TH</sup>

)

JUSTICE CONWAY

)

DAY OF APRIL, 2019



ECOHOME FINANCIAL INC.

Applicant

- and -

ECO ENERGY HOME SERVICES INC.

Respondent

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION  
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.  
B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE*  
*ACT*, R.S.O. 1990, c. C-43, AS AMENDED

ACCESS ORDER

**THIS MOTION**, made by RSM Canada Limited in its capacity as the Court-appointed receiver (the “**Receiver**”) of all of the assets, undertakings and properties of Eco Energy Home Services Inc. (the “**Debtor**”) for an order with respect to access to, and control and preservation of, the Debtor’s Premises (as defined below) and Property, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Brent Houlden sworn February 7, 2019, the affidavit of Brent Houlden sworn February 28, 2019, the Report of Investigative Procedures of BDO Canada

LLP dated March 8, 2019, and the First Report of the Receiver dated April 3, 2019, and on hearing the submissions of counsel to the Receiver, no one appearing for the Debtor though duly served as appears from the affidavit of service of Bradley Wiffen sworn April 4, 2019:

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

2. **THIS COURT ORDERS** that capitalized terms used and not otherwise defined herein shall have the meanings given to them in the Order of this Court dated April 3, 2019 (the “**Receivership Order**”).

3. **THIS COURT ORDERS** that, without limiting the Receivership Order, the Receiver is expressly authorized, empowered and permitted to:

- (a) have full and unfettered access to and to take possession and control of the offices and premises located at 3761 Victoria Park Avenue, Toronto, Ontario, Units 10-11 and 1051 Upper James Street, Unit 201, Hamilton, Ontario (collectively, the “**Premises**”);
- (b) change the locks and security and alarm codes at the Premises;
- (c) restrict access to the Premises by any Person, including any director, officer, employee, agent, representative or advisor of (i) the Debtor; (ii) any entity that is related to, or affiliated or under common control with, the Debtor (a “**Debtor Affiliate**”); and (iii) without limiting paragraph 3(c)(ii) herein, D&G Enterprises Inc., GreenSaving Group Inc., and 2360777 Ontario Inc. o/a Global Eco Energy Group (collectively, the “**Other Companies**”); and all such Persons shall be permitted to access the Premises solely at such times and for such purposes as the Receiver may permit or this Court may order;
- (d) have full and unfettered access to the operating, accounting and other systems of the Debtor, any Debtor Affiliate, and the Other Companies; and

- (e) redirect any telephone numbers, email addresses, websites or similar electronic resources of the Debtor to accounts or resources maintained or established by the Receiver.

4. **THIS COURT ORDERS** that the authorizations set forth in paragraph 3 of this Order shall apply notwithstanding any lease, sublease or other arrangement pursuant to which the Debtor, any Debtor Affiliate or the Other Companies occupy the Premises or any portion thereof.

5. **THIS COURT ORDERS** that, without limiting the Receivership Order, no Person shall alter, erase, destroy or interfere with or remove from the Premises without the Receiver's prior written consent any Records or other documents or assets located at the Premises, including on any computer system located at the Premises, whether such Record, other document or asset is owned or controlled by the Debtor, any Debtor Affiliate, the Other Companies or otherwise, and all Persons shall provide the Receiver with all such assistance in gaining immediate access to the Records and all information therein as the Receiver may in its discretion require pursuant to paragraphs 5 and 6 of the Receivership Order.

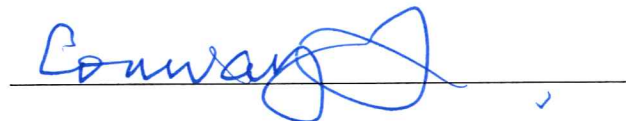
6. **THIS COURT ORDERS** that the Receiver is authorized to, but is not required to, return any Record, other document or asset to the possession or control of the Other Companies or any other Person where the Receiver, in its sole discretion, determines that such Record, other document or asset is not property of the Debtor and is not otherwise related or relevant to the within proceedings.

7. **THIS COURT ORDERS** that the Other Companies may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, ~~if any, as this Court may~~  
~~order.~~

*Carata 930 on April 5, 2019.*

8. **THIS COURT ORDERS** that the granting of this Order is without prejudice to the rights of the Receiver and EcoHome Financial Inc. ("**EcoHome**") arising out of the refusal or failure of any Person to comply with the Receivership Order on April 3, 2019, or at any other time.

9. **THIS COURT ORDERS** that pursuant to, and without limiting, paragraph 3(d) of the Receivership Order, the Receiver shall be entitled and authorized to engage EcoHome as an agent to assist with the exercise of the Receiver's powers and duties, and representatives of EcoHome shall be permitted to attend at the Premises at the request of the Receiver and to undertake such actions on behalf of the Receiver as the Receiver may direct.



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

APR 04 2019

PER / PAR: 

ECOHOME FINANCIAL INC.

Applicant

and

ECO ENERGY HOME SERVICES INC.

Respondent

Court File No. CV-19-614122-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST  
PROCEEDING COMMENCED AT TORONTO**

**ACCESS ORDER**

**GOODMANS LLP**  
Barristers & Solicitors  
333 Bay Street, Suite 3400  
Toronto, Canada M5H 2S7  
  
Jason Wadden LSO# 46757M  
jwadden@goodmans.ca  
  
Bradley Wiffen LSO# 64279L  
bwiffen@goodmans.ca

Tel: (416) 979-2211  
Fax: (416) 979-1234

Lawyers for the Receiver



**F**

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

**BETWEEN:**

**ECOHOME FINANCIAL INC.**

Applicant

- and -

**ECO ENERGY HOME SERVICES INC.**

Respondent

**SECOND REPORT OF THE RECEIVER**

**April 8, 2019**

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## I. INTRODUCTION

1. Pursuant to an application (the “**Application**”) made by EcoHome Financial Inc. (“**EcoHome**”), by Order of the Ontario Superior Court of Justice (the “**Court**”) dated April 3, 2019 (the “**Appointment Order**”), RSM Canada Limited (“**RSM**”) was appointed as receiver and manager (the “**Receiver**”), without security, of all assets, undertakings and properties of Eco Energy Home Services Inc. (“**Eco Energy**” or the “**Debtor**”) acquired for, or used in relation to a business carried on by Eco Energy, including all proceeds thereof (the “**Property**”). A copy of the Appointment Order is attached hereto as Appendix “**A**”.
2. The Appointment Order authorized the Receiver to, among other things, take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property.
3. In addition the Receiver was expressly empowered and authorized to:
  - a) manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor; and
  - b) 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 Receiver’s powers and duties, including without limitation those conferred by the Appointment Order.

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4. The Appointment Order further provides 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 the Appointment Order (all of the foregoing, collectively, being “**Persons**” and each being a “**Person**”) shall forthwith advise the 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 Receiver, and shall deliver all such Property to the Receiver upon the Receiver’s request.
  5. The Appointment Order further provides that all Persons shall forthwith advise the 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 (collectively, the “**Records**”) in that Person’s possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto.
  6. On April 4, 2018, the Receiver filed its first report dated April 3, 2019 with the Court (the “**First Report**”). The First Report sets out a number of issues experienced by the Receiver upon taking possession of the Debtor’s head

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office premises, located at 3761 Victoria Park Avenue in Toronto, Ontario (the “**Head Office**”). A summary of the various issues experienced by the Receiver is set out in the First Report, which issues include:

- (i) in or about February 2019, the Debtor assigned its interest in its Head Office tenancy to D&G Enterprises Inc. (“**D&G**”), a related party. D&G subsequently sub-leased the Head Office to several related parties. Upon the Receiver’s attendance at the Head Office, the Receiver was advised by management (“**Management**”) that it could not change the locks and alarm codes as there were several businesses working from the Head Office; and
- (ii) the Receiver was denied access by Management to the Debtor’s books and records as Management advised that the books and records of the related parties were co-mingled with those of the Debtor and the Receiver had no right to the related parties’ books and records.

A copy of the Receiver’s First Report is attached hereto as Appendix “**B**”.

7. Upon its review of the First Report, on April 4, 2019, the Court issued an order (the “**Access Order**”) providing the Receiver with the authority to, among other things:

- (i) have full and unfettered access to and take possession and control of the Head Office and a separate office of the Debtor located in Hamilton, Ontario (collectively, the “**Premises**”);

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- (ii) change the locks and security and alarm codes at the Premises;
- (iii) restrict access to the Premises by any Person, including any director, officer, employee, agent, representative or advisor of (A) the Debtor, (B) any entity that is related to, or affiliated or under common control with the Debtor, or (C) without limiting the meaning of (B) above, D&G, Greensaving Group Inc., (“**Greensaving**”) and 2360777 Ontario Inc. o/a Global Eco Energy Group (“**Global Eco**”) (collectively, the “**Other Companies**”)<sup>1</sup>; and all such Persons shall be permitted to access the Premises solely at such times and for such purposes as the Receiver may permit or the Court may order; and
- (iv) have full and unfettered access to the operating, accounting and other systems of the Debtor and the Other Companies.

A copy of the Access Order is attached hereto as Appendix “**C**”.

8. The Receiver has retained the firm of Goodmans LLP (“**Goodmans**”) to act as the Receiver’s independent legal counsel.

## **II. PURPOSE OF THE SECOND REPORT**

9. The purpose of this Report (the “**Second Report**”) is to:

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<sup>1</sup> When the First Report was prepared on April 3, 2019 (the date the Receiver was appointed), the Receiver was still in the process of confirming whether D&G, Greensaving and Global Eco were affiliated with the Debtor. As set out below, the Receiver understands that each of the foregoing entities is affiliated with Debtor, and accordingly such entities, together with Can-Service Inc. and 2586322 Ontario Inc., are defined as the “Debtor Affiliates” for purposes of this Second Report and the proposed Access and Preservation Order.

- 
- a) report to the Court on the activities of the Receiver since the issuance of the First Report;
  - b) report to the Court on the conduct of the Debtor's officers, directors and employees and the lack of cooperation and resistance and obfuscation received by the Receiver;
  - c) report to the Court on the findings of the Receiver as they relate to various activities of the Debtor during the approximately 8-week period from February 7, 2019 (the date on which the application to appoint a receiver over the Debtor was filed) to April 3, 2019 (the date of the issuance of the Appointment Order and attendance by the Receiver at the Head Office to take possession);
  - d) report on the relationship between D&G, Greensaving, Global Eco Can-Service Inc., and 2586322 Ontario Inc. o/a Air Quality Dunrite (collectively, the "**Debtor Affiliates**") and the Debtor; and
  - e) seek an order of the Court (the "**Access and Preservation Order**"), which, among other things:
    - i. authorizes entry into the offices and premises from which any Debtor Affiliate carries on business (the "**Affiliate Premises**"), including the premises located at (A) 4438 Sheppard Avenue East, Unit 311, Toronto, Ontario, (B) 12 Bradwick Drive, Suite #5, Concord, Ontario, (C) 160 Applewood Crescent, No. 15, Concord, Ontario, and (D) 885 Progress Avenue, Suite #LPH11, Toronto, Ontario to (a) the Receiver and its



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representatives and counsel, (b) any information technology or computer systems specialists retained by the Receiver, and (c) any representatives of a security company hired by the Receiver (collectively, the “**Authorized Persons**”) for the purpose of obtaining Records pursuant to paragraphs 5 and 6 of the Receivership Order, investigating whether the Debtor Affiliates are in possession of any Property of the Debtor, and investigating whether the Debtor Affiliates or the Affiliate Representatives (as defined in the Access and Preservation Order) have engaged in conduct that constitutes a fraudulent conveyance, transfer at undervalue, or other prohibited, illegal or fraudulent transactions to the detriment of the Debtor and its estate. Without limiting the foregoing, the Authorized Persons shall be permitted to do the following at the Affiliate Premises:

- have access to all Computer Systems at the Affiliate Premises; and
- make and retain a copy of all information on the Computer Systems to enable the Receiver to review whether information on the Computer Systems constitutes Records or Property of the Debtor or is otherwise relevant to the Debtor or these proceedings;

- 
- ii. authorizes the Authorized Persons to record by audio, video or photograph the Premises, the Computer Systems, and any acts, conversations and discussions occurring while the Authorized Persons are present at or gaining entry to the Premises, with the exception of any communications between the Debtor Affiliates or the Affiliate Representatives and their respective counsel;
  - iii. requires any information technology or similar specialist currently or previously engaged by the Debtor, any Debtor Affiliate or any Affiliate Representative that is in possession of, or has the ability to access, any data or information (wherever located, including on any external or cloud-based repository) that constitutes Records of the Debtor or is otherwise relevant to the Debtor or these proceedings to grant the Receiver unfettered access to any such information or Records for the purpose of allowing the Receiver to recover and fully copy all information and Records;
  - iv. requires the Debtor Affiliates and the Affiliate Representatives to cooperate fully with the Receiver in the exercise of its rights pursuant to this Order, the Receivership Order and the Access Order, including by granting access to the Computer Systems;

- 
- v. prohibits any Person from altering, destroying, transferring or removing any information or records from the Computer Systems or the Affiliated Premises except with authorization of the Receiver or pursuant to Court order;
- vi. prohibits the Debtor Affiliates and Affiliated Entities from taking actions to the detriment of the Debtor's estate, including receiving any Property of the Debtor or contacting or communicating with a party to a lease agreement owned by EcoHome;
- vii. orders that, until and including April 15, 2019 (as such date may be extended by the Court, the "**Restricted Period**"):
- no Debtor Affiliate or Affiliate Representative shall request that a notice of security interest under the *Personal Property Security Act* (Ontario) (the "**PPSA**") or any other personal property registry system (a "**NOSI**") be registered, altered or transferred;
  - the Debtor Affiliates and anyone with notice of the Order are restrained from selling, dissipating, transferring, assigning, encumbering or similarly dealing with any assets of the Debtor Affiliates;
  - any bank, credit union or other financial institution with notice of the Order (the "**Banks**") are required to freeze and prevent the removal or transfer of monies

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or assets held in any account with the Banks, provided that the Debtor Affiliates shall be able to make regularly scheduled payroll payments and any other payments as may be approved by the Receiver or authorized by the Court.

## **Terms of Reference**

10. In preparing this report and making the comments herein, the Receiver has relied upon certain unaudited financial information and documentation obtained at the Eco Energy premises, where possible, and information and documentation received from third-party sources (collectively, the **“Information”**). The Receiver has, to the extent possible, reviewed the Information for reasonableness. However, the Receiver has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.
11. Unless otherwise stated, all dollar amounts contained in this report are expressed in Canadian dollars.

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### **III. RECEIVER'S ACTIVITIES SINCE THE FIRST REPORT**

#### **Taking possession and securing the premises**

12. Subsequent to obtaining the Access Order on April 4, 2019, the Receiver attended at the Head Office and requested that Management provide access to all accounting systems and other systems of the Debtor and the Debtor Affiliates in accordance with the Access Order. Management advised the Receiver that it would not provide any further information or access to the Receiver until it had retained counsel and reviewed the Access Order with said counsel. In addition, Management advised that it did not agree with the Access Order and that the Receiver could not change the locks and reprogram the alarm system.
13. The Receiver held a meeting with Management, in an attempt to further explain and clarify its powers under the Access Order. During that meeting, as a result of the actions and disruption caused by one of the members of Management, Mr. Trent Knackstedt, the Receiver requested that staff member to leave the premises.
14. The Receiver then informed Management that it had the right to access all books and records on site whether they related to the Debtor or the Debtor Affiliates and that the Receiver would be proceeding to change the locks and reprogram the alarm system in compliance with the Access Order, which the Receiver then completed.

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## Review of books and records

15. After the Receiver's meeting, the Receiver provided an information request to management pursuant to its authority under the Appointment Order and the Access Order. Management agreed to provide the Receiver with access to certain limited information, including a list of contracts held by Eco Energy, access to the Eco Energy CRM, and the Debtor's accounting records, amongst other things (the "**Voluntary Information**").
16. The Receiver reviewed the Voluntary Information as it was provided, and determined that the Voluntary Information was either (i) limited in scope, (ii) outdated, or (iii) intentionally misleading.
17. Examples of limited and outdated information provided to the Receiver by Management are as follows:
  - i) Management advised that the only hardcopy contracts available on site were those originated in 2015 and prior. The Receiver is advised by Eco Home that hardcopy contracts for 2016 forward do exist, and were previously on site during the BDO audit completed in March, 2019. Pursuant to the Receiver's limited review of contracts found on site, no hardcopy contracts for 2016 forward were found.
  - ii) the Receiver requested that Management provide a list of all contracts held by Eco Energy, including contracts relating to deals funded by Eco Home and other lenders and deals funded by Eco Energy itself (the "**Self-billing Portfolio**"). Management provided the Receiver with a list of contracts; however, the Receiver understands that this is a listing of contracts funded by Eco Home only and that the schedule provided to the

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Receiver was a schedule that was originally provided by Eco Home to the Debtor. As of the date of this Second Report, the Receiver has not received any details pertaining to the Self-billing Portfolio; and

iii) the Receiver was provided with a password and access to the Global Eco CRM on April 4, 2019. The Receiver discovered on April 6, 2019 that the password to the CRM system no longer worked and had been changed.

### **Depleted Bank Accounts**

18. Upon its appointment on April 3, 2019, the Receiver contacted the Royal Bank of Canada ("**RBC**") to request, among other things, confirmation of the balance of all accounts held by the Debtor at RBC.
19. On April 5, 2019, RBC provided the Receiver with a summary of all balances in the Debtor's accounts. The RBC summary showed total cash on hand of \$5,521.99, and total outstanding liabilities of \$3,616.16 totaling a net cash balance of \$1,905.83. A copy of the RBC summary is attached hereto as Appendix "**D**".
20. The Receiver also requested detailed bank statements from RBC pertaining to all Eco Energy accounts, but these documents have not been received as of the date of this Second Report.
21. The Receiver has been unable to ascertain the location of the funds received by the Debtor on account of leased contracts purchased by EcoHome, which constitute trust funds for the benefit of EcoHome pursuant to Section 5.01(d) of the Program Agreement. In its Report of Investigative Procedures dated March 8, 2019, BDO Canada determined that Eco Energy had collected

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\$419,719 in funds that would appear to constitute trust funds for the benefit of EcoHome.

#### **Forensic IT analysis**

22. The Receiver engaged a forensic IT consultant, Kroll Cyber Risk (“**Kroll**”) to review and investigate the limited computer systems that remained on the Premises, namely the PCs located at the workstations of David Ouyang (President), Bianca Myles-Jansen (Assistant to the President), and Sandeep Singh’s (NOSI clerk). The Receiver notes that two of Eco Energy’s key employees, Mr. Trent Knackstedt and Mr. Tony Tam, did not have any PCs at their workstation upon the Receiver’s attendance at the Head Office on April 3, 2019. Kroll completed its assessment on April 6, 2019, and provided a summary of its findings to the Receiver (the “**Kroll Report**”). A copy of the Kroll Report is attached hereto as Appendix “**E**”.

23. The Kroll Report provided information regarding the historical registration and usage of the computers. Among other things, the Kroll Report identified the following:

- i) Until March 30, 2019, there was no user profile for Mr. Ouyang on the computer that was found in his office. A user profile was set up on March 30, 2019 under the name “David”, and this profile was used, on a limited basis, for six days until April 5, 2019. Prior to the establishment of the “David” profile on March 30, 2019, the only user profile on the PC was named “AMIR-LAP”, indicating that this equipment was not used by Mr. Ouyang:



- 
- ii) The email profile and web history were deleted from Mr. Ouyang's new computer on April 3, 2019, shortly after the Receiver arriving at the premises.
  - iii) Ms. Myles-Jansen's computer contained some documents and emails. These likely remained on her PC due to the fact that the Receiver seized this PC shortly after its arrival at the Head Office. However, the web history was erased prior to the Receiver seizing the computer. The Receiver notes, having thoroughly reviewed Ms. Myles-Jansen's computer, that there are only limited emails remaining on the computer and and no documents remained on the local hard drive.
  - iv) With respect to the computer found in Mr. Singh's workspace, the Kroll Report noted that there was no evidence of his usage of the computer prior to February 5, 2019, and very limited usage thereafter. The Receiver understands that Mr. Singh was responsible for administering all NOSIs on behalf of Eco Energy, and that Mr. Singh began operating under the GSCI banner shortly before the Receiver's appointment.

## **Employees**

- 24. On April 4, 2019, on the basis of the Receiver's discussions with Ms. Myles-Jansen and her obstructionism and lack of cooperation, the Receiver requested that she not attend at the Head Office on April 5, 2019. The Receiver does not know whether she will attend on April 8, 2019.
- 25. On April 5, 2019, only 4 employees attended at the Head Office. On the basis of its discussions with 3 of the employees, the Receiver ascertained that they had no work to do for Eco Energy or the Debtor Affiliates. Further,

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these employees, when asked to provide basic information to the Receiver, including their roles as they relate to operations, were vague and uninformative. As a result, the Receiver requested that these three employees leave the Head Office.

26. One employee, in the Debtor's accounting department, continued to work diligently on various items, including an HST reconciliation requested by Canada Revenue Agency. The Receiver has requested this employee to return on April 8, 2019 to continue the work that she was in the process of completing.

#### **IV. RELATED PARTIES UNDER COMMON CONTROL**

27. On April 6, 2019, Chand Snider LLP ("**Chand Snider**") sent a letter to Goodmans raising certain non-specific concerns with respect to the Access Order. A copy of the letter is attached hereto as Appendix "**F**". In the letter, the Debtor's counsel states that:

- i) "there is no evidence that the Other Companies [i.e. D&G, Greensaving and Global Eco] are under common control or affiliated with [the Debtor], but for the Access Order obtained on April 4, 2019 which refers to the Other Companies as being under "common control" of the debtor."
- ii) "We are of the view that the Other Companies are not under the common control of the debtor".

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Chand Snider sent a follow-up email on Sunday, April 7, 2019 re-attaching the letter and inviting the Receiver's counsel to contact the Debtor's counsel that day or the following day (Monday, April 8, 2019).

28. With respect to the letter from Chand Snider, the Receiver notes that:

- i) Chand Snider indicates that it has been retained by the Debtor. However, the balance of the letter focuses primarily on the impact of the Access Order on the Debtor Affiliates. It is unclear whether Chand Snider also acts for the Debtor Affiliates or why it would be so focused on the impact of the Debtor Affiliates if the Debtor and the Debtor Affiliates are not affiliated; and
- ii) The Debtor presumably authorized its counsel to send the letter and take the position that D&G, Greensaving and Global Eco are not affiliated with the Debtor. In light of the evidence described herein regarding the connection between the Debtor and the Debtor Affiliates, including the corporate chart referenced below, such an assertion appears to be demonstrably false. If the Debtor's principals in fact authorized or instructed the Debtor's counsel to take that position, it demonstrates that the principals are continuing to breach the Receivership Order and the Access Order by not providing truthful information regarding the affairs of the Debtor.

29. In reviewing certain books and records found at the Head Office, the Receiver identified a number of references to the Debtor Affiliates in email correspondence, digital records, and physical records. In response, the

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Receiver obtained copies of the Corporation Profile Report (“**CPR**”) for each of the Debtor Affiliates, copies of which are attached hereto as Appendix “**G**”.

The CPRs indicate that David (Wei) Ouyang is a director and/or officer of each of the Debtor Affiliates.

30. An organizational chart, which was included in a set of Eco Energy marketing materials located at the Head Office, supports the fact that Debtor Affiliates were represented by Eco Energy as being related. The document, which was prepared by Eco Energy, shows that a total of twelve companies, including Eco Energy and the Debtor Affiliates, are under the control of D&G, which is in turn controlled by Mr. Ouyang. A copy of the organizational chart is attached hereto as Appendix “**H**”.

31. In an email from Ms. Myles-Jansen to H&R Property Management Ltd. (the “**Landlord**”) dated March 7, 2019, Eco Energy advised the Landlord that Eco Energy was ‘rebranding’. Eco Energy further stated that D&G “owns” the Debtor Affiliates, among other entities. A copy of the aforementioned email is attached hereto as Appendix “**I**”.

32. The Receiver reviewed the November, 2018 Eco Energy internal financial statements prepared by the Debtor and notes that there was a total of \$5,441,296.76 recorded on the balance sheet and categorized as ‘Due from affiliated companies’. The Receiver further notes that the amount due from affiliated companies is comprised of balances owing from, or to, eleven of the twelve companies named in Eco Energy’s organizational chart. A copy of the November, 2018 balance sheet is attached hereto as Appendix “**J**”.

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## V. DEBTOR'S ATTEMPTS TO CIRCUMVENT THE RECEIVERSHIP

33. The Receiver has identified various actions and activities of the Debtor during the period between February 7, 2019, being the date of the initial application for a receivership order, and April 3, 2019, being the date that the Appointment Order was issued by the Court (the “**Application Period**”).

### **Deletion of emails and other documents**

34. As stated in the Kroll Report, and consistent with the Receiver's observations, almost all of the data on computers which remained on site at the Head Office after the Receiver's appointment were erased, either partially or completely, prior to the Receiver's attendance at the Head Office. Of the seven (7) PCs that were 'active' at the time the Receiver took possession of the Head Office on April 4, 2019, only one (1) PC had any relevant emails pertaining to the affairs of the Debtor.

35. The Receiver asked the Debtor and its employees to provide the location of the emails and other pertinent documents, and the Receiver was advised that all files relevant to the Receivership were located on the local drives of the active terminals at the Head Office location. The Debtor further advised that the Debtor did not have any data on local servers, cloud servers or data centers. However, the Receiver subsequently identified an invoice from 3D Network Technology (“**3D**”) referencing daily off-site data backup at a secure data center in the GTA, as well as seven other secure data centers in Western Canada.

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36. During its attendance at the Head Office, Kroll identified a server tower in one of the offices on site. Kroll advised the Receiver that, based on information found on the computers (as described below), the tower likely housed local servers for the Debtor, but any servers that may have been on site prior to the Receiver's appointment had been removed. A picture showing the server tower, in its form upon the Receiver's appointment, is attached hereto as Appendix "K".

37. The Receiver also identified, on Ms. Myles-Jansen's PC, a "mapping" of seven servers that appear to be related to the Debtor, which indicates that the computer was connected to seven servers. However, the servers were all inaccessible by the Receiver and Kroll, which is consistent with the finding that the servers had been removed and/or deactivated prior to the Receiver's appointment. A screenshot of the server map is attached hereto as Appendix "L".

**Transfers, assignments and redirection to related parties**

38. As set out in the Receiver's First Report, the Debtor made several assignments of the Head Office lease during the Application Period. Since the First Report, the Receiver has identified correspondence from the Debtor to the Landlord in which the Debtor expressed its intent to transfer the Debtor's lease for the Head Office to D&G due to ongoing 'restructuring' of Eco Energy. A copy of the email correspondence between the Debtor and the Landlord is attached hereto as Appendix "M".

39. On February 1, 2019, Ms. Myles-Jansen sent an email to Mr. Devon Prasad of 3D requesting a meeting the week of February 7, 2019 to discuss the

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migration of the Eco Energy email domain/account, as well as the backup of the server. On March 19, 2019, Ms. Myles-Jansen wrote to Mr. Prasad requesting a meeting to discuss the implementation of a new phone system under D&G. Copies of the email correspondence between the Debtor and 3D are attached hereto as Appendix “N”.

40. On February 28, 2019, Mr. Raza Farooq, who the Receiver understands to be the system administrator for the CRM platforms used by the Debtor and the Debtor Affiliates, sent an email to Eco Energy employees advising them that the data from the Eco Energy CRM system had been transferred to the Global Eco CRM system, and instructing employees to use the Global Eco system to record all deals going forward. The Receiver understands that information relating to all contracts under the control of the Debtor was stored in the Eco Energy CRM system prior to the migration of this data to the Global Eco CRM system. A copy of the email from Mr. Farooq is attached hereto as Appendix “O”.

41. By email correspondence on March 26, 2019, Ms. Myles-Jansen provided instruction to an unknown group, presumably employees of Eco Energy, to redirect any inquiries pertaining to Eco Energy to Global Eco. A copy of this correspondence is attached hereto as Appendix “P”.

**Attempted assignment of NOSIs**

42. To ensure priority with respect to HVAC leases originated by Eco Energy (including leases purchased by EcoHome and administered by Eco Energy pursuant to the Program Agreement), Eco Energy registers NOSIs on the properties where the leased HVAC equipment is situated.

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43. On March 25, 2019, EcoHome wrote to Equifax to advise them of the pending receivership of Eco Energy and request that no further transfers, alterations, discharges, or other actions be taken with respect to the NOSIs held by Eco Energy until further notice. A copy of this email correspondence is attached hereto as Appendix “Q”.

44. On April 4, 2019, the Receiver wrote to Equifax and ESC Corporate Services (“ESC”) (collectively, the “**NOSI Administrators**”), both of whom are responsible for administering the NOSIs registered by Eco Energy, to advise them of the Receiver’s appointment. The Receiver requested that the NOSI Administrators provide the Receiver with (i) a list of all NOSIs administered by the NOSI Administrators that are registered to Eco Energy; and (ii) a list of all NOSIs administered by the NOSI Administrators that were registered to the Debtor that have been transferred, terminated or otherwise altered in the last three years, including any pending requests to do any of the foregoing not yet completed.

45. On April 5, 2019, Equifax advised the Receiver, by email, of the following:

- i) Eco Energy had submitted a request to Equifax on March 27, 2019, to have the authorization on the Eco Energy accounts changed to Greensaving; and
- ii) On or around the same date, Eco Energy requested certain NOSIs to be transferred, discharged, or otherwise altered.

A copy of the Equifax email is attached hereto as Appendix “R”.



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46. Notwithstanding the actions taken by the Debtor, the Receiver was able to confirm with the NOSI Administrators that all changes to the Eco Energy registrations subsequent to March 25, 2019, if any, would be reversed.

**Potential Sale of assets immediately prior to receivership**

47. By email correspondence on February 25, 2019, representatives of Eco Energy engaged in discussions with representatives of Simply Group (“**SG**”), a competitor of EcoHome, regarding the sale of the Eco Energy self-billing portfolio. This email is evidence that Eco Energy was, at the very least, attempting to sell a block of contracts that are subject to EcoHome’s General Security Interest (“**GSA**”). A copy of this correspondence is attached hereto as Appendix “**S**”.

48. As per an email dated February 22, 2019, the agreed upon value of the transaction between Eco Energy and SG was stated as \$1,500,000. A copy of this email is attached hereto as Appendix “**T**”.

49. In an email from Ms. Myles-Jansen dated March 19, 2019 to Ms. Jane Woo, a Licensed Insolvency Trustee, Eco Energy requested ‘guidance in advance of [the] receivership’ with respect to “Eco Energy’s self-billing portfolio sale to Crown Crest Capital”. The Receiver understands that Crown Crest Capital is a subsidiary of SG. A copy of this correspondence is attached hereto as Appendix “**U**”.

50. As set out in the Kroll Report, there was a flurry of activity on April 2, 2019, which appears to relate to the transfer of NOSIs from Eco Energy to Crown Crest Capital, indicating that a transaction between Eco Energy and SG may have been completed immediately prior to the Receiver’s appointment. If a

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transaction was completed at the contemplated \$1,500,000 purchase price, the Receiver notes that such funds are not currently in the RBC bank account maintained by the Debtor.

51. On April 6, 2019, Goodmans sent a letter to Mr. Lawrence Krimker, who is the CEO of SG, to inquire about the status of the contemplated transaction between Eco Energy and SG. As of the date of this Second Report, no response has been received from SG or its counsel. A copy of this letter is attached hereto as Appendix “V”.

#### **Forgiveness of related party debt**

52. As set out in this Second Report, the November, 2018 Eco Energy financial statements indicated a balance receivable from affiliated companies of \$5,441,296.76. As per the March, 2019 Eco Energy financial statements, the balance receivable from affiliated companies had purportedly been reduced to \$50,000.00. A copy of the March, 2019 balance sheet is attached hereto as Appendix “W”.

53. The Receiver investigated the reduction in related party receivables, and obtained support for a journal entry showing that \$4,689,010.96 owing from ‘Hamilton’ was credited to the related party receivable account, and \$4,516,514.68 of this balance was debited to retained earnings. This suggests that the related company receivable was ‘written off’. A copy of this journal entry is attached hereto as Appendix “X”.

54. In the same way, the Receiver noted that the November, 2018 balance sheet showed a ‘notes receivable’ balance of \$650,000. The Receiver identified a journal entry showing that the full balance of \$650,000 was credited to the

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notes receivable account and debited to contributed surplus. This journal entry is not dated, but occurred at some point subsequent to December 1, 2018. A copy of this journal entry is attached hereto as Appendix “Y”.

### **Repayment of RBC Loan**

55. As per an email from Tony Tam, Eco Energy’s controller, dated January 25, 2019, which is subsequent to EcoHome’s initial demand pursuant to its security agreement, Eco Energy held a meeting and determined that assets should be liquidated in an effort to pay down a loan from RBC (the “**RBC Loan**”). A copy of the email is attached hereto as Appendix “Z”. The subject line of the email is “Assets to Cash” and suggests that the Debtor should collect intercompany receivables and sell inventory to certain Debtor Affiliates to obtain cash. The Receiver notes that any cash obtained by the Debtor pursuant to these transactions appears to have been dissipated, whether to repay the RBC Loan or otherwise.

56. The Receiver’s independent counsel, Goodmans, is in the process of conducting a security review in respect of the Debtor. The Receiver notes that pursuant to a general security agreement dated January 29, 2015, the Debtor granted Eco Home a security interest in all of its present and after acquired personal property and undertakings and all proceeds thereof as security for all present and future obligations of the Debtor to EcoHome.

57. According to a search of PPSA registrations against the Debtor, RBC obtained two PPSA registrations against Eco Energy; one on April 23, 2015, and the second on October 22, 2015. Both of the RBC registrations are later-in-time to the PPSA registration obtained by EcoHome on November 7, 2014

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against all of the Debtor's assets. A copy of the RBC and EcoHome PPSA registrations are attached hereto as Appendix "**AA**".

58. On the December, 2018 Eco Energy financial statements, a loan payable with a balance of \$408,250 was recorded as a current liability on the balance sheet. The Receiver understands that this loan payable was in fact the RBC Loan. As of March 31, 2019, no such account was listed on the Debtor's balance sheet. The Receiver believes that the Debtor may have utilized funds that were subject to EcoHome's GSA to pay off the RBC Loan prior to the appointment of the Receiver. A copy of the December, 2018 and March, 2019 balance sheets are attached hereto as Appendix "**BB**".

## **VI. CONTEMPT OF COURT**

59. In view of the conduct of the Debtor as set out in this Second Report, the Receiver believes that the Debtor has taken calculated and premeditated actions with the intent to frustrate the conduct of the receivership and to transfer value from the Debtor's estate to related parties.

60. The Receiver and its representatives have observed management of Eco Energy, on several occasions, actively directing Eco Energy employees not to co-operate with the Receiver or provide the Receiver with information that was requested by the Receiver pursuant to the Appointment Order and the Access Order.

61. The actions of the Debtor have demonstrably contributed to the dissipation of the Debtor's assets, seemingly in an effort to evade the scope of the

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Receiver's authority pursuant to the Application Order, to the detriment of all stakeholders.

## **VII. CONCLUSION AND REQUEST OF THE COURT**

62. On an urgent basis, the Receiver requires access to the Affiliated Premises to access the Computer Systems and books and records of the Affiliated Premises so that it can carry out its duties, obtain additional information, and preserve and protect the value of the receivership estate.

63. Based on the evidence obtained by the Receiver to date, the Receiver has significant concerns that the Debtor and the Debtor Affiliates have undertaken a number of actions during the Application Period to remove value from the Debtor's estate; transfer assets, records and other valuable rights to the Debtor Affiliates; and prevent the Receiver from ascertaining the true state of affairs.

64. Given the Debtor's conduct documented herein, as well as the Debtor's demonstrable refusal to comply with the Appointment Order and the Access Order, the Receiver is seeking the Access and Preservation Order on an ex-parte basis. The Receiver is concerned that the Debtor, if given advanced notice of the Receiver's motion, would take further steps to frustrate the Receiver's administration of the estate, to the detriment of all stakeholders.

65. The Receiver believes that the relief sought in this report is necessary for the identification and preservation the assets of the Debtor's estate.

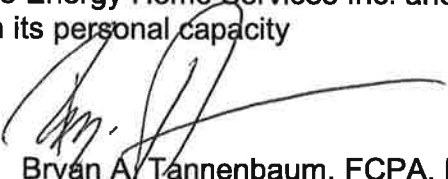
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The Receiver respectfully requests that the Court grant the proposed Access and Preservation Order.

All of which is respectfully submitted to this Court as of this 8th day of April, 2019.

**RSM CANADA LIMITED**

In its capacity as Court Appointed Receiver  
of Eco Energy Home Services Inc. and  
not in its personal capacity



Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT  
President

**G**

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

THE HONOURABLE MADAM

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MONDAY, THE 8TH

JUSTICE CONWAY

)

DAY OF APRIL, 2019

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**ECOHOME FINANCIAL INC.**

Applicant

- and -

**ECO ENERGY HOME SERVICES INC.**

Respondent

**IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION  
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.  
B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE*  
*ACT*, R.S.O. 1990, c. C-43, AS AMENDED**

**ACCESS AND PRESERVATION ORDER**

**NOTICE**

If you, a Debtor Affiliate or Affiliated Person (each as defined below), disobey this Order, you may be held to be in contempt of court and may be imprisoned, fined or have your assets seized. You are entitled to apply on at least twenty-four (24) hours' notice to the Receiver (as defined below) for an order granting you sufficient funds for ordinary living expenses and legal advice and representation.

Any other person who knows of this Order and does anything which helps or permits a Debtor Affiliate or Affiliated Person to breach the terms of this Order may also be held to be in contempt of court and may be imprisoned, fined or have their assets seized.



**THIS MOTION**, made, without notice, by RSM Canada Limited in its capacity as the Court-appointed receiver (the “**Receiver**”) of all of the assets, undertakings and properties of Eco Energy Home Services Inc. (the “**Debtor**”) for an order authorizing the Receiver to access and preserve the Property and Records of the Debtor or which may relate to the Debtor that may be in the possession or control of Greensaving Group Inc., 2360777 Ontario Inc. o/a Global Eco Energy Group, D&G Enterprise Inc., Can-Service Inc., and 2586322 Ontario Inc. o/a Air Quality Dunrite (each a “**Debtor Affiliate**” and collectively, the “**Debtor Affiliates**”) and granting related relief, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Brent Houlden sworn February 7, 2019, the affidavit of Brent Houlden sworn February 28, 2019, the Report of Investigative Procedures of BDO Canada LLP dated March 8, 2019, the First Report of the Receiver dated April 3, 2019, and the Second Report of the Receiver dated April 8, 2019, and on hearing the submissions of counsel to the Receiver:

#### **SERVICE AND DEFINITIONS**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms used and not otherwise defined herein shall have the meanings given to them in the Order of this Court dated April 3, 2019 (the “**Receivership Order**”).

#### **ACCESS TO AFFILIATE PREMISES AND COMPUTER SYSTEMS**

3. **THIS COURT ORDERS** that, without limiting the Receivership Order or the Access Order of this Court dated April 4, 2019 (the “**Access Order**”), (i) the Debtor Affiliates, (ii) the directors, officers, employees, agents and representatives of the Debtor Affiliates, including but not limited to David Ouyang, Tony Tam, Bianca Myles-Jansen and Trent Knackstedt (collectively, the “**Affiliate Representatives**”), and (iii) any other Person appearing to be in charge of the Affiliate Premises (as defined below), shall grant entry and permit re-entry into the offices and premises from which any Debtor Affiliate carries on business (the “**Affiliate**

**Premises**”), including, without limitation, the offices and premises located at 4438 Sheppard Avenue East, Unit 311, Toronto, Ontario; 12 Bradwick Drive, Concord, Ontario; 885 Progress Avenue, Toronto, Ontario; 305-7130 Warden Ave., Markham, Ontario; and 160 Applewood Crescent, No. 15, Concord, Ontario to (a) the Receiver and its representatives and counsel, (b) any information technology or computer systems specialists retained by the Receiver, and (c) any representatives of a security company hired by the Receiver (collectively, the “**Authorized Persons**”) for the purpose of obtaining Records pursuant to paragraphs 5 and 6 of the Receivership Order, investigating whether the Debtor Affiliates are in possession of any Property of the Debtor, and investigating whether the Debtor Affiliates or the Affiliate Representatives have engaged in conduct that constitutes a fraudulent conveyance, transfer at undervalue, or other prohibited, illegal or fraudulent transactions to the detriment of the Debtor and its estate. Without limiting the foregoing, the Authorized Persons shall be permitted to do the following at the Affiliate Premises:

- (a) have access to all servers and operating, accounting, computer and information technology systems located at the Affiliate Premises (collectively, the “**Computer Systems**”);
- (b) make and retain an electronic, digital or physical copy of all or any data and information on the Computer Systems to enable the Receiver to review and determine whether any data or information on the Computer Systems constitutes Records or Property of the Debtor or is otherwise relevant to the Debtor or these proceedings; and
- (c) review and make an electronic, digital or physical copy of any books, documents, records, papers or information in non-electronic form that in the reasonable opinion of the Receiver may constitute Records or Property of the Debtor or otherwise be relevant to the Debtor or these proceedings.

4. **THIS COURT ORDERS** that a sheriff, the Toronto Police Service, and any other police service having jurisdiction in the locality of any Premise are hereby authorized, at the request of the Receiver, to keep the peace in the carrying out of this Order.

5. **THIS COURT ORDERS** that the Authorized Persons are authorized and permitted to record by audio, video or photograph the Affiliate Premises, the Computer Systems, and any acts, conversations and discussions occurring while the Authorized Persons are present at or gaining entry to the Affiliate Premises, with the exception of any communications between the Debtor Affiliates or the Affiliate Representatives with their respective counsel.

6. **THIS COURT ORDERS** that any information technology, computer or similar specialist currently or previously engaged by the Debtor, any Debtor Affiliate or any Affiliate Representative, including but not limited to Devon Persaud and Raza Farooq, that is in possession of, or has the ability to access, any data or information (wherever located, including on any external or cloud-based repository) that constitutes Records of the Debtor or is otherwise relevant to the Debtor or these proceedings shall, immediately upon being provided with notice of this Order and without any prior communication with the Debtor, any Debtor Affiliates or any Affiliate Representative, grant the Receiver unfettered access to any such data, information or Records for the purpose of allowing the Receiver to recover and fully copy all such data, information and Records and shall provide the Receiver with instructions on the use of any applicable computer system or repository and with any and all access codes, passwords, account names, account numbers or other information that may be required to gain access to such computer system or repository.

7. **THIS COURT ORDERS** that the Debtor Affiliates, the Affiliate Representatives, and any other Persons on site at the Affiliate Premises shall cooperate fully with the Receiver in the exercise of its rights pursuant to this Order, the Receivership Order and the Access Order, and shall:

- (a) advise the Receiver of the existence at the Affiliate Premises of any Computer Systems and Records or Property of the Debtor or the Debtor Affiliates;
- (b) grant the Authorized Persons unfettered access to and use of the Computer Systems for the purposes set forth in this Order; and
- (c) provide the Authorized Persons with all such assistance in gaining immediate access to the Computer Systems as the Receiver may in its discretion require,

including providing the Authorized Persons with instructions on the use of the Computer Systems and any and all access codes, passwords, account names, account numbers or other information that may be required to gain access to the Computer Systems.

8. **THIS COURT ORDERS** that nothing in this Order shall require the delivery to the Receiver of records of the Debtor Affiliates which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client privilege or due to statutory provisions prohibiting such disclosure.

9. **THIS COURT ORDERS** that the authorizations set forth in this Order shall apply notwithstanding any lease, sublease or other arrangement pursuant to which the Debtor Affiliates may occupy the Affiliate Premises or any portion thereof.

10. **THIS COURT ORDERS** that, except with the prior written authorization of the Receiver or pursuant to further order of this Court, no Person, including the Debtor Affiliates and the Affiliate Representatives, shall alter, erase, destroy, transfer, interfere with or remove any data, information or digital or electronic records from the Computer Systems or the Affiliated Premises, notwithstanding the terms of any pre-existing document retention policy.

11. **THIS COURT ORDERS** that the Receiver is authorized and directed to forthwith review the records, documents and information it obtains from the Debtor Affiliates and the Affiliated Premises pursuant to this Order for the purposes of determining the records, documents and information that belong (or belonged) to the Debtor or relate (or related) to the business and affairs of the Debtor or the Lease Contracts that constitute a Purchased Asset (as such terms are defined in the Amended and Restated Consumer Lease Program Agreement dated as of November 12, 2015 between the Debtor and EcoHome Financial Inc. (the “**Program Agreement**”)) pursuant to the Program Agreement.

## **PRESERVATION OF DEBTOR ASSETS**

12. **THIS COURT ORDERS** that, without limiting anything in the Receivership Order, the Debtor Affiliates and the Affiliate Representatives shall not do any of the following except with the prior written authorization of the Receiver or pursuant to further order of this Court:

- (a) receive any Property (or former Property) of the Debtor or transfer or convey any Property (or former Property) of the Debtor to any Person, and shall promptly furnish to the Receiver any Property of the Debtor previously transferred or conveyed to the Debtor Affiliates or the Affiliate Representatives;
- (b) transfer or change any of the Debtor's accounts (or former accounts) or related access rights (or former access rights) with third party service providers or contact any Person for such purpose; or
- (c) contact or communicate with any Customer that is party to a Lease Contract that constitutes a Purchased Asset pursuant to the Program Agreement. If the Debtor Affiliates or the Affiliate Representatives receive an unsolicited communication (including any email or telephone communication) from any Customer or any other Person in respect of a Lease Contract, the Person receiving such unsolicited communication shall immediately inform the Receiver of such communication and the content thereof and the Receiver (or any Person designated by the Receiver) shall be solely permitted to contact or communicate with such Customer or other Person.

13. **THIS COURT ORDERS** that, until and including April 15, 2019 (as such date may be extended by the Court, the "**Restricted Period**"), no Debtor Affiliate or Affiliate Representative shall request that a notice of security interest under the *Personal Property Security Act* (Ontario) or any other personal property registry system (a "**NOSI**") be registered, altered or transferred, and no Person shall permit, effect, register or recognize the alternation or transfer of a NOSI in the name of the Debtor or a Debtor Affiliate, without the consent of the Receiver.

14. **THIS COURT ORDERS** that, during the Restricted Period, the Debtor Affiliates, and anyone else acting on their behalf or in conjunction with any of them, and any and all Persons

with notice of this injunction, are restrained from directly or indirectly, by any means whatsoever:

- (a) selling, removing, dissipating, alienating, transferring, assigning, encumbering or similarly dealing with any assets of the Debtor Affiliates, wherever situate;
- (b) instructing, requesting, counselling, demanding or encouraging any other Person to do so; or
- (c) facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

15. **THIS COURT ORDERS** any bank, credit union or other financial institution having notice of this Order (collectively, the “**Banks**”) to forthwith freeze and prevent any removal or transfer of monies or assets of (i) the Debtor Affiliates held in any account or on credit on behalf of the Debtor Affiliates with the Banks or (ii) any proceeds held by any Person from the sale of the Debtor’s lease agreements to Simply Green or an affiliate thereof, until the expiry of the Restricted Period.

16. **THIS COURT ORDERS** that the Banks shall forthwith disclose and deliver to the Receiver any and all records held by the Banks concerning the Debtor Affiliates’ assets and accounts, including the existence, nature, value and location of any monies or assets or credit, whether situate, held by on behalf of the Debtor Affiliates with the Banks.

17. **THIS COURT ORDERS** that, notwithstanding paragraphs 15 or 16 or anything else to the contrary in this Order, the Debtor Affiliates shall be permitted to make (i) regularly scheduled payroll payments to employees of the Debtor Affiliates pursuant to *bona fide* employment arrangements in existence as of April 5, 2019 (which, for greater certainty, shall not include the payment of any bonuses or similar non-ordinary course payments), and (ii) such other payments as the Receiver may permit or may be ordered by this Court.

## COMEBACK AND OTHER PROVISIONS

18. **THIS COURT ORDERS** that the Debtor Affiliates may apply to this Court to vary or amend this Order on (i) April 15, 2019; (ii) on not less than 24 hours' notice to the Receiver and its counsel prior to April 15, 2019 with respect to paragraph 17 of this Order; or (iii) upon such other notice or at a 9:30 appointment on such date as may be specified by this Court.

19. **THIS COURT ORDERS** that the Receiver may apply to this Court at any time, with or without notice to the Debtor or any other party likely to be affected, to seek the addition of any Person as a Debtor Affiliate or Affiliate Representative, or any offices or premises as Affiliate Premises, for purposes of this Order.

20. **THIS COURT ORDERS** that the granting of this Order is without prejudice to the rights of the Receiver and EcoHome Financial Inc. arising out of the refusal or failure of any Person to comply with the Receivership Order or the Access Order.



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

APR 08 2019

PER / PAR: 

ECOHOME FINANCIAL INC.

Applicant

and

ECO ENERGY HOME SERVICES INC.

Respondent

Court File No. CV-19-614122-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST  
PROCEEDING COMMENCED AT TORONTO**

**ACCESS AND PRESERVATION ORDER**

**GOODMANS LLP**

Barristers & Solicitors  
333 Bay Street, Suite 3400  
Toronto, Canada M5H 2S7

Jason Wadden LSO# 46757M  
jwadden@goodmans.ca

Bradley Wiffen LSO# 64279L  
bwiffen@goodmans.ca

Tel: (416) 979-2211  
Fax: (416) 979-1234

Lawyers for the Receiver



**Н**

9130

COUNSEL SLIPCOURT FILE NO CV-19-00614122-00CL

DATE

APR 10 2019NO ON LIST 2TITLE OF  
PROCEEDINGECONOME FINANCIAL  
INC.

V.

ECO ENERGY HOME SERVICES  
INC.

COUNSEL FOR:

PLAINTIFF(S)

APPLICANT(S)

PETITIONER(S)

Bradley Wiffen  
Goodmans LLP  
for the Receiver

PHONE &amp; FAX NOS.

T: 416-979-2211

F: 416-979-1234

COUNSEL FOR:

DEFENDANT(S)

RESPONDENT(S)

R D Howell  
for respondent

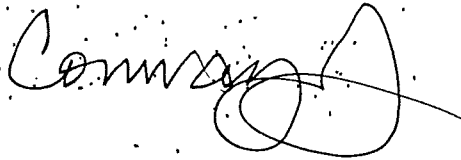
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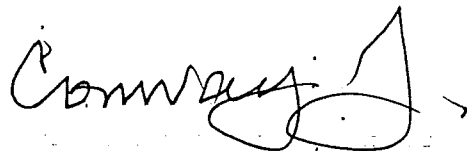
416 324 4286

April 10/19.

Endorsement to go on consent as per Sch A attached, establishing a process to <sup>Receivable approval of</sup> repayments by a Debtor's affiliate & other matters as set out therein. I have signed the Order extending the Restricted Period to April 30/19, also on consent.



April 15/19 <sup>930</sup> comeback date is no longer necessary in light of the above & is now vacated.



Schedule A

Court File No. CV-19-614122-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

ECOHOME FINANCIAL INC.

Applicant

- and -

ECO ENERGY HOME SERVICES INC.

Respondent

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION  
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.  
B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE*  
*ACT*, R.S.O. 1990, c. C-43, AS AMENDED

ENDORSEMENT

April 10, 2019

This is a comeback appearance in respect of the Access and Preservation Order dated April 8, 2019 (the “**Preservation Order**”) that I granted on an *ex parte* motion brought by RSM Canada Limited in its capacity as receiver (the “**Receiver**”) of Eco Energy Home Services Inc. (the “**Debtor**”).

Counsel to the Debtor and the Debtor Affiliates raised certain concerns regarding the Preservation Order. After discussions between the parties, I understand that the Receiver and the Debtor and Debtor Affiliates have agreed as follows:

1. The Debtor and Debtor Affiliates will provide the Receiver with the information requested by the Receiver in the Receiver’s Priority Request List dated April 9, 2019. The information will be provided on a rolling basis as soon as it is available and by no later than April 11, 2019.
2. Paragraph 17 of the Preservation Order permits a Debtor Affiliate to make such payments as the Receiver may permit or as may be ordered by the Court. Each of Greensaving Group Inc., Can-Service Inc., and 2586322 Ontario Inc. o/a Air Quality Dunrite (each a “**Specified Affiliate**”) intend to request, on an ongoing basis, the Receiver’s approval to make certain ordinary course payments necessary in the operation of its business. Each payment request

will be accompanied by information required by the Receiver to consider the request, including any supporting documentation. The Receiver will review each request and make a determination within 24 hours of receiving such request whether to consent to such payment pursuant to paragraph 17 of the Preservation Order.

3. If the Receiver does not consent to a particular payment requested by a Specified Affiliate, the applicable Specified Affiliate can bring a motion before this Court, on not less than three business days' notice, seeking the Court's authorization to make such payment.
  4. The Receiver shall have no obligation to consider or approve a payment authorization request until it receives the information requested in its Priority Request List.
  5. Any motion by the Debtor or a Debtor Affiliate to amend or modify the Preservation Order will be brought with not less than 7 days' notice to the Receiver.
  6. The "Restricted Period" as defined in the Preservation Order shall be extended to April 30, 2019.
-



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

**BETWEEN:**

**ECOHOME FINANCIAL INC.**

Applicant

- and –

**ECO ENERGY HOME SERVICES INC.**

Respondent

**THIRD REPORT OF THE RECEIVER**

**April 25, 2019**

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## I. INTRODUCTION

1. Pursuant to an application (the “**Application**”) made by EcoHome Financial Inc. (“**EcoHome**”), by Order of the Ontario Superior Court of Justice (the “**Court**”) dated April 3, 2019 (the “**Appointment Order**”), RSM Canada Limited (“**RSM**”) was appointed as receiver and manager (the “**Receiver**”), without security, of all assets, undertakings and properties of Eco Energy Home Services Inc. (“**Eco Energy**” or the “**Debtor**”) acquired for, or used in relation to a business carried on by Eco Energy, including all proceeds thereof (the “**Property**”). A copy of the Appointment Order is attached hereto as Appendix “**A**”.
2. As detailed below, and in the reports filed to date by the Receiver in these proceedings, the Receiver has experienced significant difficulty obtaining the information and cooperation from the Debtor that is necessary to enable the Receiver to carry out its duties pursuant to the Appointment Order.
3. On April 4, 2018 (i.e. the day following the appointment of the Receiver), the Receiver filed its first report dated April 3, 2019 with the Court (the “**First Report**”). The First Report sets out a number of issues experienced by the Receiver upon taking possession of the Debtor’s head office, located at 3761 Victoria Park Avenue in Toronto, Ontario (the “**Head Office**”), including:
  - (i) in or about February 2019, the Debtor assigned its interest in its Head Office tenancy to D&G Enterprise Inc. (“**D&G**”), a related party. D&G subsequently sub-leased the Head Office to several related parties. Upon the Receiver’s attendance at the Head



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Office, the Receiver was advised by management (“**Management**”) that it could not change the locks and alarm codes as there were several businesses working from the Head Office; and

- (ii) the Receiver was denied access by Management to the Debtor’s books and records as Management advised that the books and records of the related parties were co-mingled with those of the Debtor and the Receiver had no right to the related parties’ books and records.

A copy of the Receiver’s First Report, without appendices, is attached hereto as Appendix “**B**”.

- 4. At the Court hearing held on April 4, 2019, the Court issued an order (the “**Access Order**”) providing the Receiver with the authority to, among other things:

- (i) have full and unfettered access to and take possession and control of the Head Office;
- (ii) change the locks and security and alarm codes at the Head Office;
- (iii) restrict access to the Head Office by any person and permit access to the Head Offices premises at such times and for such purposes as the Receiver permitted or the Court ordered; and
- (iv) have full and unfettered access to the operating, accounting and other systems of the Debtor and its affiliates.

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A copy of the Access Order is attached hereto as Appendix “C”.

5. On April 8, 2019 (i.e. five days following the appointment of the Receiver), the Receiver filed its second report with the Court (the “**Second Report**”). The Second Report set out the Receiver’s activities since the issuance of the Access Order, and outlined a number of actions taken by the Debtor and its principals, employees and agents that limited the Receiver’s ability to obtain information and records in respect of the Debtor, realize on the assets of the Debtor, and administer the receivership. The issues identified by the Receiver in the Second Report included the following:
- (i) information provided to the Receiver was either limited in scope, outdated or intentionally misleading;
  - (ii) the password provided to the Receiver to provide the Receiver with access to the Global Eco CRM on April 4, 2019 no longer worked and had been changed;
  - (iii) personal computers were not at the workstations of key employees;
  - (iv) almost all of the data on computers which remained on site at the Head Office after the Receiver’s appointment had been erased, either partially or completely, prior to the Receiver’s attendance at the Head Office. E-mail profiles and web histories had been erased from personal computers and in some cases, there was no evidence that the computers had been used prior to February 5, 2019;

- 
- (v) the Debtor effected the transfer of data from the Eco Energy CRM system to the CRM system of 2360777 Ontario Inc., operating as Global Eco Energy Group (“**Global Eco**”), and employees of the Debtor had been instructed to use the Global Eco CRM system to record all ‘deals’ going forward;
  - (vi) the Debtor had submitted a request to Equifax on March 27, 2019, to have the authorization on the Debtor’s accounts changed to Greensaving Group Inc. (“**Greensaving**”);
  - (vii) certain transactions, payments and other steps taken by the Debtor in advance of the receivership to transfer value from the Debtor’s estate; and
  - (viii) evidence of a potential transaction undertaken in advance of the receivership with Crown Crest Capital Trust (“**Crown Crest**”), an affiliate of Simply Group, involving certain assets of the Debtor.

A copy of the Receiver’s Second Report, without appendices, is attached hereto as Appendix “**D**”.

6. On April 9, 2019, the Court issued the Access and Preservation Order on an *ex parte* motion brought by the Receiver. The Access and Preservation Order provides, *inter alia*, that:

- (i) the Receiver shall have access to the premises of Global Eco, Greensaving, D&G Enterprises Inc. (“**D&G**”), Can-Service Inc. (“**Can-Service**”) and 2586322 Ontario Inc. o/a Air Quality Dunrite

- 
- (“**AQD**”) (collectively, the “**Debtor Affiliates**”) to permit the Receiver to obtain records pursuant to paragraphs 5 and 6 of the Appointment Order;
- (ii) no person shall alter, erase, transfer, interfere with or remove any data, information or digital or electronic records from the Computer Systems or the Affiliated Premises (both terms as defined in the Access and Preservation Order);
- (iii) the Debtor Affiliates shall not transfer or convey any property of the Debtor;
- (iv) pursuant to paragraph 14 and 15 of the Access and Preservation Order (the “**Freezing Provisions**”), during a “Restricted Period” that has been extended to April 30, 2019: (A) the Debtor Affiliates are restrained from dissipating, transferring, encumbering or similarly dealing with any of their assets, and (B) any bank or financial institution having notice of the Order is required to freeze the bank accounts of the Debtor Affiliates; and
- (v) notwithstanding the Freezing Provisions, the Debtor Affiliates shall be permitted to make regularly scheduled payroll payments and such other payments as the Receiver may permit or may be ordered by the Court.

A copy of the Access and Preservation Order is attached hereto as Appendix “**E**”.

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7. At a comeback hearing in respect of the Access and Preservation Order held on April 10, 2019, the Court issued an endorsement on consent of the Receiver, the Debtor and the Debtor Affiliates (the “**April 10 Endorsement**”) pursuant to which, *inter alia*:
- (i) the Restricted Period was extended to April 30, 2019;
  - (ii) the Debtor and Debtor Affiliates agreed to provide the information requested by the Receiver in the Priority Request List dated April 9, 2019 (the “**Priority Request List**”) by no later than April 11, 2019; and
  - (iii) the Debtor Affiliates were authorized to request that the Receiver authorize payments from their accounts as contemplated pursuant to paragraph 17 of the Access and Preservation Order, provided that the Receiver shall have no obligation to consider or approve a payment request until it receives the information requested in the Priority Request List.
8. A copy of the April 10 Endorsement is attached hereto as Appendix “**F**”.

## **II. PURPOSE OF THE THIRD REPORT**

9. The purpose of this Report (the “**Third Report**”) is to
- a) report to the Court on:
    - (i) the activities of the Receiver since the issuance of the Second Report;
    - (ii) the Receiver’s review of the Debtor Affiliates’ accounts;

- 
- (iii) the continuing failure of the Debtor and the Debtor Affiliates to provide information to the Receiver as required pursuant to the Appointment Order and the April 10 Endorsement;
  - (iv) payments, transactions and other actions made or taken by the Debtor prior to the issuance of the Appointment Order that have resulted in a significant diminution of the value of the Debtor's estate to the prejudice of the Debtor's creditors, including EcoHome;
  - (v) the bankruptcy of Eco Energy; and
  - (vi) the findings of the Receiver as they relate to the conduct of the Debtor's directors, officers and employees;
- b) request that the Court grant an Order (the "**Extension Order No. 2**"):
- (i) extending the Restricted Period (as defined in and used throughout the Access and Preservation Order) to June 15, 2019; and
  - (ii) releasing Can-Service Inc. and AQD from the Freezing Provisions in the Access and Preservation Order; and
- c) request that the Court grant an Order (the "**Standstill Approval Order**") approving an agreement between the Receiver, Global Eco and Crown Crest (the "**Extension and Standstill Agreement**") that provides for a standstill period in respect of a transaction entered into between Crown Crest and Global Eco pursuant to a master assignment and purchase agreement dated March 11, 2019 (the

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**“Crown Crest Transaction”**) and a reservation of all parties’ rights with respect to the Crown Crest Transaction pending the ongoing review and discussions of the parties with respect to the transaction.

### **Terms of Reference**

10. In preparing this report and making the comments herein, the Receiver has relied upon certain unaudited financial information and documentation obtained at the Debtor’s Head Office, and information and documentation received from third-party sources including the principal and other employees of the Debtor and Debtor Affiliates (collectively, the **“Information”**). The Receiver has, to the extent possible, reviewed the Information for reasonableness. However, the Receiver has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.
11. Unless otherwise stated, all dollar amounts contained in this report are expressed in Canadian dollars.
12. Unless otherwise defined in this Third Report, defined terms have the meanings ascribed to them in the First Report and the Second Report.

### **III. ACTIVITIES OF THE RECEIVER**

13. The Receiver’s activities since the Second Report include the following:

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- i) providing notice of the receivership to known creditors and other stakeholders of the Debtor in accordance with the *Bankruptcy and Insolvency Act* (the “**BIA**”);
  - ii) responding to inquiries and communicating with stakeholders of the Debtor regarding the receivership and related matters;
  - iii) pursuant to the Appointment Order, consenting, on behalf of the Debtor, to the bankruptcy application in respect of the Debtor brought by EcoHome. A Bankruptcy Order was issued in respect of the Debtor on April 16, 2019, which appointed RSM as bankruptcy trustee of the Debtor (in such capacity, the “**Trustee**”). A copy of the Bankruptcy Order is attached hereto as Appendix “**G**”;
  - iv) reviewing employee claims and administering the WEPPA submission process;
  - v) overseeing a request for proposals with respect to the liquidation of the Debtor’s physical assets;
  - vi) working with banks in an attempt to facilitate payment requests from the Debtor Affiliates pursuant to the Access and Preservation Order;
  - vii) reviewing bank statements and other pertinent records of the Debtor and the Debtor Affiliates; and
  - viii) undertaking the investigation and review of the other matters set forth in this Third Report.



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#### **IV. RECEIVER'S INFORMATION REQUESTS**

14. As previously reported to this Honourable Court, since the date of the Appointment Order, the Receiver has issued a number of requests for specific information to the Debtor, the Debtor Affiliates, and employees, agents and third party contractors of the Debtor and the Debtor Affiliates. As of the date of this Third Report, the Receiver has still not been provided with the majority of information requested.

##### **Priority Request List**

15. On April 9, 2019, the Receiver provided the Debtor with the Priority Request List. The Receiver considers the information requested on the Priority Request List to be essential to enable the Receiver to gain insight into the Debtor's operations, service the Debtor's existing portfolio of contracts, review transactions undertaken by the Debtor on the eve of the receivership, and preserve and protect the value of the Debtor's estate for the benefit of its creditors. A copy of the Priority Request List is attached hereto as Appendix "H".

16. Pursuant to the April 10 Endorsement – which was issued on consent – the Debtor and the Debtor Affiliates agreed to provide the Receiver with the information requested on the Priority Request List by no later than April 11, 2019.

17. As of the date of this Third Report, critical information required by the Receiver pursuant to the Priority Request List has either not been provided

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or has not been addressed in a manner that is reasonably acceptable to the Receiver. The deficiencies include the following (items below are listed in the order set out on the Priority Request List):

- i) Proceeds from the Crown Crest Transaction – The Debtor has provided the Receiver with a summary of the disbursements made with the proceeds of the Crown Crest Transaction, a copy of which is attached hereto as Appendix “I”. The Debtor has been unable, as a result of the Freezing Provisions, to obtain access to the bank statements required by the Receiver to confirm and verify the transactions set out in the summary. The Receiver is currently working directly with the relevant banks to obtain the account statements.
- ii) Third-party verification (“TPV”) calls – TPV files are required by the Receiver in order to service and maintain the Debtor’s portfolio. Digital copies of certain TPV calls were provided by the Debtor. However, the Receiver has reviewed the TPV files provided and determined that a significant portion of the TPV files pertaining to Eco Energy’s portfolio are still outstanding. The Receiver has repeatedly advised the Debtor of this deficiency, and the Debtor has, to date, not provided this information to the Receiver.
- iii) Notices of Security Interest (“NOSI”) – NOSIs are required by the Receiver in order to verify the ownership of the equipment under contract from Eco Energy, and to enforce the Debtor’s security over this equipment. The

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Receiver met with the Debtor's NOSI administrator, Mr. Sandeep Singh, to review the Debtor's books and records relating to the NOSIs under the Debtor's administration. Upon his arrival at the Head Office, Mr. Singh advised the Receiver that all NOSI records for the Debtor and the Debtor Affiliates were housed on the local hard drive of his PC. The Receiver asked Mr. Singh to log in to his PC and access the NOSI documents. Mr. Singh informed the Receiver that his credentials had been changed and he would not be able to access the PC and provide the information to the Receiver as requested.

- iv) Warranties – The Receiver understands that equipment leased by Eco Energy is registered for third-party warranties once installed at the customer's property. In order to service the Debtor's portfolio, the Receiver requires a full listing of all Eco Energy equipment with an active warranty. To date, the Debtor has provided a document with minimal information on the contracts in the Debtor's portfolio. The Receiver notes that this document is missing certain critical information, including, for the majority of items listed, customer IDs, serial numbers, proof of active registration, name of warranty provider, registration number from warranty provider, and asset types.
- v) Access to servers – As set out in the Receiver's Second Report, the Receiver is aware of certain servers or drives that were used by the Debtor to store the documents used to operate the Eco Energy business. Despite repeated requests to the Debtor, employees of the Debtor and IT

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administrators contracted by the Debtor, the Receiver has not been provided with access to any of the servers or drives used by the Debtor.

vi) Access to data and back-ups – Aside from being provided with access to the Debtor Affiliates' online accounting records ("**Quickbooks**") on April 17, 2019 (i.e. a full two weeks following the Appointment Order), the Receiver has still not been provided with any information pertaining to the location, content, or other pertinent information pertaining to the Debtor's business. The Receiver notes that it took the Debtor approximately two weeks to provide the Receiver with access to any accounting records.

vii) Access to CRM systems – The CRM systems used by Eco Energy, Global Eco, and Greensaving contain detailed service history and other information relating to customers of these entities. The Receiver was provided with access to the three CRM systems, however, the underlying data that feeds into these CRM portals is required, in its raw form, by the Receiver in order to ensure that the data is secure, and that the Receiver has all of the information required to administer the portfolio, review potential transactions involving the Debtor's assets, and preserve the value of the Debtor's estate. The Debtor has provided the Receiver with a very limited extract of the requested data and has advised that the remainder of the data was not initially provided as it relates to entities other than Eco Energy.

viii) Bank statements – The Debtor has provided the Receiver with copies of bank statements for the Debtor and the Debtor Affiliates for the period of

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January, 2018 through February, 2019. The March, 2019 statements have not been provided by the Debtor, as the statements had not been issued prior to the Receiver freezing the respective bank accounts. The Receiver is working directly with the banking institutions used by the Debtor and the Debtor Affiliates to obtain access to the March 2019 bank statements.

18. The Receiver has also requested that the Debtor provide information with respect to the Debtor's remaining portfolio of self-billing contracts, including the number of such contracts and all supporting documentation. To date, the Debtor has failed to provide the Receiver with sufficient information to enable the Receiver to assess the extent of the Debtor's remaining self-billing portfolio and the potential value thereof.

19. In summary, the Receiver has been unable to obtain significant elements of the information requested on the Priority Request List and the Receiver is of the view that the Debtor and the Debtor Affiliates have not been sufficiently proactive and forthcoming in providing the information notwithstanding their agreement to do so in accordance with the April 10 Endorsement.

20. In contrast, the Receiver understands that the Debtor provided Crown Crest with information similar to that requested on the Priority Request List (i.e. NOSI reconciliations, warranty information, TPVs, etc.) for all 326 contracts that were the subject of the Crown Crest Transaction. Since the information requested by Crown Crest was provided by the Debtor and the Debtor Affiliates to Crown Crest on an expedited basis in advance of the receivership, the Receiver questions why the Debtor has to date failed to

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provide the Receiver with the same type of information as it pertains to the Debtor's portfolio of accounts.

21. The Receiver has also requested that the Debtor provide to the Receiver copies of all due diligence materials that were provided to Crown Crest approximately one month prior to the Receiver's appointment. As of the date of this Third Report, the Debtor has not provided the requested information.

## **V. DISSIPATION OF ASSETS AND EROSION OF VALUE**

22. As set out in the Receiver's Second Report, the Receiver had identified a number of transactions undertaken by the Debtor between January 22, 2019 (the date that EcoHome issued its Notice of Intention to Enforce its Security pursuant to the provisions of the BIA) and April 3, 2019 (the date of the Appointment Order) (the "**Review Period**") that appear to have been made to transfer value from the Debtor's estate to the Debtor Affiliates and third parties in advance of the Receiver's appointment.

### **Crown Crest Transaction**

23. As outlined in the Receiver's Second Report, the Receiver became aware, through email correspondence reviewed by the Receiver, that in February 2019 representatives of the Debtor and the Debtor Affiliates engaged in discussions with Simply Group, of which Crown Crest is an affiliate, regarding the potential purchase by Crown Crest of certain "self-billing" portfolio assets of Eco Energy and Global Eco.

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24. In response to inquiries by the Receiver, counsel to Crown Crest advised the Receiver on April 9, 2019 that Crown Crest had entered into a master assignment and program agreement with Global Eco dated March 11, 2019 (the “**Program Agreement**”) providing for the acquisition by Crown Crest of 326 lease contracts purportedly owned by Global Eco. Crown Crest and Global Eco executed certain ancillary agreements and documentation in connection with the Crown Crest Transaction, including a Transition Services Agreement that provides that Global Eco will continue to service the purchased contracts until such responsibilities are transitioned to Crown Crest on May 1, 2019.

25. The Receiver understands that the net purchase price under the Crown Crest Transaction was paid by Crown Crest to Global Eco on March 22, 2019. Once the proceeds were received by Global Eco, Global Eco transferred approximately \$936,000 to the Debtor, which the Debtor indicates was intended to reimburse the Debtor for the share of the proceeds allocable to the Debtor’s contracts included in the Crown Crest Transaction. The subsequent distribution of the \$936,000 by the Debtor is described later in this report.

26. Based on its review of information with respect to the Crown Crest Transaction, including supporting documentation in respect of the purchased contracts, the Receiver believes that the Crown Crest Transaction is a reviewable transaction that may have been undertaken in contravention of applicable law and in a manner that improperly removed value from the

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Debtor's estate on the eve of the receivership. In particular, the Receiver believes that the Debtor and other persons are the owners of, or have rights and interests in, certain of the purchased contracts purportedly sold by Global Eco to Crown Crest, and that the Crown Crest Transaction may have been completed at undervalue to the detriment of the value of the Debtor's estate.

27. The Receiver has been informed by Mr. David Ouyang that, on or about February 1, 2019, the Debtor began billing its customers through Global Eco. The Receiver has been advised by the Debtor that no formal assignment of the underlying contracts was made by the Debtor to Global Eco – Global Eco simply began dealing with the contracts as if they were the property of Global Eco and collecting payments from customers as if Global Eco was entitled to such payments. The Receiver has not been able to verify this assertion or determine whether billings were continued by the Debtor, Global Eco or another Debtor Affiliate. An initial review of the supporting documentation in respect of the contracts purchased by Crown Crest indicates that at least 249 (and potentially more) of the 326 contracts were owned by Eco Energy.

28. The Receiver engaged a third party with valuation experience relevant to the Debtor's industry to review and verify a valuation of the 326 contracts purportedly sold to Crown Crest to assess the adequacy of the consideration under the Crown Crest Transaction. Based on a preliminary valuation, which utilized third-party industry standard discount rates and other assumptions, it appears that the fair market value of the purchased contracts may be



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significantly greater than the consideration received by Global Eco under the transaction.

29. The Receiver has indicated its concerns with respect to the Crown Crest Transaction to counsel to Crown Crest and the parties have engaged in discussions. Crown Crest is also reviewing the transaction and has indicated that it is not in agreement with the positions asserted by the Receiver with respect to the transaction.

30. The Receiver is informed by EcoHome that 14 of the contracts that were purportedly sold to Crown Crest by Global Eco are, in fact, contracts that are owned by EcoHome or other entities to whom EcoHome has sold those contracts on a fully serviced basis. EcoHome is concerned that such contracts not be impaired or affected as a result of the Extension and Standstill Agreement. EcoHome has been in contact with counsel to the Receiver and Crown Crest to discuss the matter and to seek the urgent return of these contracts.

31. Under the Transition Services Agreement, Crown Crest was to take over all aspects of the servicing of the purchased contracts on May 1, 2019, including billing and receiving customer payments. In order to complete the transition, Crown Crest would need to contact the customers under the purchased contracts and establish revised billing and serving arrangements.

32. Given the uncertainty with respect to the Crown Crest Transaction and the Receiver's stated concerns with respect to the transaction, Crown Crest,

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Global Eco and the Receiver have negotiated a form of Extension and Standstill Agreement that will, among other things:

- i) extend the term of the Transition Services Agreement to June 28, 2019 or such other date as may be agreed to by Crown Crest, Global Eco and the Receiver or ordered by the Court;
- ii) provide that, during the extended transition period, Global Eco will continue to perform servicing, billing and other services in respect of the purchased contracts, but all requirements to transfer data, information or other materials relating to the purchased contracts or to take any actions to transfer or migrate the assigned contracts to Crown Crest will be suspended;
- iii) any and all proceeds received in connection with the purchased contracts during the extended transition period will be held in blocked accounts, and no funds shall be disbursed from the blocked accounts except pursuant to agreement between Crown Crest and the Receiver or order of the Court;
- iv) Crown Crest will continue to hold and will not disburse the holdback under the Transaction; and
- v) notwithstanding anything to the contrary in the transaction documents, any termination of the Transition Services Agreement, or any actions taken by the parties prior to the date of or pursuant to the Extension and Standstill Agreement, Crown Trust, Global Eco, the Receiver, the Trustee, Eco Energy and EcoHome reserve all of their rights, remedies and causes of

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action with respect to the Crown Crest Transaction, and all such rights, remedies and causes of action are expressly preserved.

33. A copy of the Extension and Standstill Agreement, in substantially final form, is attached hereto as Appendix “J”. The Receiver expects that the agreement will be finalized and executed prior to the return of the Receiver’s motion on April 29, 2019.

34. The Receiver believes that Court approval of the Extension and Standstill Agreement is appropriate in the circumstances as it will place the Crown Crest Transaction on hold pending the further review and discussion of the transaction by all parties and preserve the ability of the Receiver and Trustee to seek relief in respect of the Crown Crest Transaction as appropriate to protect the interests of the Debtor and the value of its estate.

### **Intercompany Accounts and Transactions**

#### Global Eco

35. The Receiver has identified a number of concerns with respect to the transfer of assets from the Debtor to Global Eco. These concerns are as follows:

- i) Mr. Ouyang has indicated to the Receiver that the entirety of the Debtor’s self-billing portfolio was ‘transferred’ to Global Eco on or about February 1, 2019. The Receiver notes that no formal assignment of these assets from Eco Energy to Global Eco was completed and the Receiver has not seen evidence of Global Eco making any payment to the Debtor at the time of

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the transfer in consideration for the transfer. Since the time of transfer, certain customer payments toward the contracts in the self-billing portfolio have been received in Global Eco bank accounts, though the Receiver has been unable to determine the extent of those payments. The Receiver is in the process of quantifying the amounts collected by Global Eco from February 1, 2019 through April 3, 2019 that relate to contracts owned by the Debtor;

- ii) As set out above, the Receiver believes that at least 249, and possibly more, Eco Energy contracts were purportedly sold by Global Eco to Crown Crest as part of the Crown Crest Transaction. The Receiver has requested copies of the underlying security registration documents as well as the contracts that were purportedly sold to Crown Crest in order to review these documents and confirm the extent of the Debtor's property involved in the Crown Crest Transaction. As of the date of this Third Report, the Debtor and Crown Crest have not provided this information to the Receiver; and
- iii) The Receiver understands that the Debtor owns at least 100 contracts in its self-billing portfolio that were not sold as part of the Crown Crest Transaction. The Receiver further understands that these contracts are currently being billed and collected by Global Eco and/or Greensaving. Once again, the Receiver has not been provided with sufficient information to determine the amounts collected by Global Eco and/or Greensaving on behalf of the Debtor.

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### Greensaving

36. Similarly, the Receiver understands that certain Eco Energy contracts are being billed and collected by Greensaving despite the lack of any formal documentation provided to the Receiver regarding the basis on which such contracts were transferred to Greensaving or why Greensaving is entitled to collect and retain the billed amounts.
37. Crown Crest has provided the Receiver with a list of bank accounts provided to Crown Crest by Global Eco as part of the due diligence materials for the Crown Crest Transaction. The Receiver understands that the bank account information was provided to enable Crown Crest to reconcile and confirm collections in respect of the purchased contracts. The Receiver notes that one of the accounts provided to Crown Crest, a TD Bank account, is registered in the name of “Greensaving Home Services Inc. c/o Greensaving Roofing Solution”. It is not clear to the Receiver why payments in respect of the purchased contracts under the Crown Crest Transaction – which Global Eco represented as being contracts of Global Eco but which the Receiver believes includes a significant number of contracts owned by the Debtor – would be deposited into an account in the name of Greensaving.
38. The Receiver continues to review documentation in respect of Greensaving to determine whether Greensaving is in possession of assets or property of the Debtor. To date, the Receiver has reviewed certain email correspondence and other documentation among principals of Greensaving and the Debtor that is suggestive of potential improper transactions or other

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actions undertaken to conceal matters with respect to the Debtor and/or Greensaving, including:

- i) an email from Tony Tam, the controller of the Debtor and certain Debtor Affiliates, to David Ouyang and others, with the subject line “Greensaving 2018 FS”, suggesting that “EcoHome may go after David [Ouyang] personal because of inappropriate handling of fund (switching EcoHome customers cash receipt) and moving inventory (took out equipment from company with no record) when receiver comes in.” A copy of the email correspondence is attached hereto as Appendix “K”; and
- ii) email correspondence from Bianca Myles-Jansen, the executive assistant to David Ouyang, containing what appears to be an automated message indicating that requests in respect of contract buyouts, assumptions or postponements relating to contracts owned by the Debtor or Global Eco should be redirected to a Greensaving “due to continued restructuring”. A copy of the email correspondence is attached hereto as Appendix “L”.

39. In light of the email correspondence and documentation reviewed to date, the Receiver is concerned that Greensaving and its principals and employees have taken actions to conceal the true state of affairs in respect of Greensaving and its dealings with the Debtor and to frustrate the Receiver’s ability to determine the extent to which value has been transferred from the Debtor to Greensaving.

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## D&G

40. The Receiver has reviewed the Quickbooks records for D&G as they relate to the Debtor, and certain transactions have been identified that appear to be accounting entries recorded in an effort to write-off amounts owing from D&G to the Debtor in the period leading up to the receivership and thereby depriving the Debtor of an ability to collect on the intercompany account receivable.
41. As per Eco Energy's November, 2018 financial statements, D&G owed the Debtor approximately \$233,000, which was recorded as an intercompany receivable.
42. Between November, 2018 and March, 2019, D&G's obligation to the Debtor increased by approximately \$36,000 to a total balance of approximately \$269,000.
43. At some time during the Review Period, D&G paid Eco Energy \$176,000, thereby reducing the amount payable by D&G to the Debtor to approximately \$92,468.08. The \$92,468.08 was subsequently written off by the Debtor in a retroactive adjustment made on March 22, 2019, and the Receiver has been unable to obtain an explanation of this write off from the Debtor. An email from the Debtor's accountant setting forth the adjustment is attached hereto as Appendix "**M**".
44. The Receiver believes that D&G owes the Debtor \$92,468.08, and it appears to the Receiver that the Debtor intended to remove value from the Debtor's

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estate and impede the Debtor's ability to collect amounts owing to it by D&G by adjusting the accounting records prior to the Receiver's appointment.

45. In addition to the transaction set out above, the Receiver has identified a number of suspicious transactions involving D&G, Eco Energy, and AQD that occurred during the Review Period. Attached hereto as Appendix "N" is an email from Tony Tam, the controller of the Debtor, with respect to a series of transactions that would, "if legal", transform amounts owing to Eco Energy by Greensaving and Global Eco to instead be amounts owing to D&G. The Receiver is investigating whether this series of transactions occurred and its impact on Eco Energy and the value of its estate.

46. Given the issues indicated above and in the Second Report, including the undocumented transfer of the Debtor's assets and collection rights to Global Eco and Greensaving, the unsubstantiated write-off of amounts owing by D&G to the Debtor, and the Debtor's and Debtor Affiliates' continuing failure to provide information required pursuant to the Priority Request List as such information may relate to these entities, the Receiver believes that the continued application of the Freezing Provisions to the accounts of Global Eco, Greensaving and D&G during the Restricted Period should be extended to June 15, 2019, as it is necessary and appropriate to provide the Receiver with additional time to investigate significant issues with respect to the comingling of accounts and assets within the corporate group, to preserve the value of the Debtor's estate, and to prevent a further dissipation of the assets and property of the Debtor through these affiliates.



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## Can-Service

47. Notwithstanding the repeated written requests to the Debtor to provide the Receiver with access to Can-Service's accounting records pursuant to the Access and Preservation Order, as of the date of this Third Report, this information has not been provided to the Receiver.
48. Based on the Receiver's review of the limited books and records that have been provided by the Debtor and the Debtor Affiliates, the Receiver has not, to date, identified any significant transactions that resulted in Can-Service receiving an improper transfer of assets or property of the Debtor during the Review Period. While the Receiver continues to review transactions in respect of Can-Service and will take further action in the event that any improper transactions are identified, the Receiver is prepared to consent to the release of Can-Service from the Freezing Provisions at this time.
49. As set out below, the Receiver understands, based on representations made by Mr. Ouyang (the principal of the Debtor and the owner of 50% of the shares of Can-Service) that Mr. Michael Sifontes, (who the Receiver understands owns the other 50% of the shares of Can-Service), received a payment of \$100,000 from the proceeds of the Crown Crest Transaction. The Receiver understands that this payment was issued to Mr. Sifontes directly, and that the funds were not, to the Receiver's knowledge, deposited into any Can-Service account.

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AQD

50. Similar to Can-Service, the Receiver has not been provided with access to AQD's accounting records despite repeated requests to the Debtor to provide same.

51. Based on the Receiver's review of the limited books and records that have been provided by the Debtor and the Debtor Affiliates, the Receiver has certain concerns with respect to transactions between the Debtor and AQD. While the Receiver continues to review transactions in respect of AQD and will take further action in the event that any improper transactions are identified, the Receiver is nevertheless prepared to consent to the release of AQD from the Freezing Provisions at this time.

**VI. DISTRIBUTIONS OF ASSETS/PAYMENTS BY THE DEBTOR**

52. As required pursuant to the Priority Request List, the Debtor provided the Receiver with a summary of all payments made by the Debtor with the proceeds of the Crown Crest Transaction. These payments appear to have been made following receipt of the proceeds of the Crown Crest Transaction on or after March 22, 2019, meaning that they were made within the two week period prior to the appointment of the Receiver and at a time when the Debtor knew that the receivership motion was pending.

53. The Receiver also notes that these payments and other transactions referenced in this report were made following an email from EcoHome's counsel to counsel to the Debtor on March 19, 2019 indicating that the

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Debtor should not take any steps outside of the ordinary course of business in advance of the April 3, 2019 hearing for the appointment of the receiver and that any such steps would be subject to the scrutiny of the Court.

54. As noted above, the Receiver is working with the Debtor's banks to obtain the account statements for March and April 2019 necessary to reconcile and confirm the payments reported by the Debtor.

55. The payments within two weeks of the appointment of the Receiver, including from the proceeds of the Crown Crest Transaction, as reported by David Ouyang to the Receiver, include the following:

<b>Payee</b>	<b>Amount (\$)</b>
RBC Line of Credit	514,250.00
CRA	150,935.87
Debtor Affiliates	116,841.28
Contractors	110,814.29
M. Sifontes	100,000.00
Trade A/P	69,005.97
Unsecured Creditors	62,617.40
B. Leung, CPA, CA	31,640.00
Payroll	24,150.45
Miscellaneous	12,095.19
<b>Total</b>	<b>1,192,350.45</b>

56. Based on its preliminary review of this information, the Receiver believes that certain of these payments have depleted the Debtor's estate, to the detriment of certain of the Debtor's creditors including its senior secured creditor, with a view to preferring certain creditors, transferring funds to non-arm's length parties, and minimizing or eliminating personal liabilities of the Debtor's principal. The Receiver and the Trustee are reviewing their

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respective options to recover these and other payments, including pursuant to the preference provisions in section 95 of the BIA.

57. The Receiver's comments on certain of these payments are set out below:

**RBC Line of Credit**

58. As set out in the Receiver's Second Report, the Debtor maintained a line of credit with RBC (the "**LOC**"). The Receiver understands that the Debtor's obligations under the LOC were personally guaranteed by Mr. Ouyang.

59. Subsequent to the date of the Receiver's Second Report, the Receiver obtained information from RBC and other sources in regard to the LOC, and determined that the Debtor repaid principal obligations of \$684,250 under the LOC during the Review Period, resulting in the complete repayment of the LOC.

60. RBC registered security interests in respect of the Debtor under the *Personal Property Security Act* (Ontario) (the "**PPSA**") pursuant to registrations effected April 23, 2015 and October 22, 2015 (collectively, the "**RBC Registrations**"). The RBC Registrations were registered after a registration in favour of Enbridge Gas Distribution Inc. dated September 14, 2014 and a registration in favour of EcoHome dated November 7, 2014.

61. On January 25, 2019, Ms. Jane Woo, a Licensed Insolvency Trustee who was retained by the Debtor as a consultant, advised the Debtor that EcoHome's security interest was registered prior to the RBC Registrations and that EcoHome had priority over RBC. The Debtor was therefore aware when repaying the LOC that the Debtor was repaying RBC at the expense of

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a prior ranking creditor. A copy of the correspondence between the Debtor and Ms. Woo is attached hereto as Appendix “O”.

62. On March 28, 2019, shortly after a payment of \$514,250 was applied against the LOC, Mr. Ouyang of the Debtor contacted the commercial account manager from RBC who handled the account, Ms. Shan Tang, to advise Ms. Tang that EcoHome’s security over Eco Energy was in priority to the RBC Registrations, and to inquire whether the amounts could be “clawed back”. A copy of the correspondence between the Debtor and RBC is attached hereto as Appendix “P”.

63. In light of the foregoing, the Trustee believes that the Debtor contravened section 95 of the BIA by repaying the LOC during the Review Period to the detriment of EcoHome, as the senior secured creditor of the Debtor. The Trustee intends to request that RBC pay over to the Trustee the amounts paid by the Debtor on the LOC during the Review Period and to take such other actions as may be necessary to recover the amounts for the benefit of the Debtor’s estate.

#### **Loan repayment to M. Sifontes**

64. The summary indicates that a payment of \$100,000 was made to Mr. Sifontes from the proceeds of the Crown Crest Transaction. The description noted on the list of disbursements with respect to this payment was ‘return loan’. The Receiver notes that PPSA searches in respect of the Debtor do not indicate Mr. Sifontes having registered a security interest in respect of the Debtor.

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65. On or about April 18, 2019, Mr. Ouyang, the principal of the Debtor, confirmed to the Receiver that the payment of \$100,000 was issued to Mr. Sifontes to repay an unsecured loan in full.

66. Based on the foregoing representations, the Trustee believes that the Debtor contravened section 95 of the BIA by repaying \$100,000 to Mr. Sifontes in satisfaction of an unsecured loan. Goodmans LLP, counsel to the Receiver and the Trustee, has written to Mr. Sifontes' counsel to demand that Mr. Sifontes repay the \$100,000 payment to the Debtor's estate.

### **Payment of HST**

67. The Debtor advised the Receiver that payments totaling \$150,935.87 were issued to the Canada Revenue Agency in respect of HST from the proceeds of the Crown Crest Transaction. The \$150,935.87 represents HST owed for the month of February, 2019.

### **Unsecured Creditors and Others**

68. Mr. Ouyang has informed the Receiver that the other parties to whom payments were made represent unsecured creditors, related parties, and employees.

69. The Receiver also understands that certain parties who received payments from the proceeds of the Crown Crest Transaction also conduct business with the Debtor Affiliates.

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70. The Receiver and Trustee continue to review these payments and potential avenues to recover the payments pursuant to the BIA preference provisions or otherwise with a view to maximizing the value of the Debtor's estate.

## **VII. REQUEST OF THE COURT**

For the reasons set forth in this Report, the Receiver respectfully requests that the Court grant the Extension Order No. 2 and the Standstill Approval Order.

All of which is respectfully submitted to this Court as of this 25<sup>th</sup> day of April, 2019.

### **RSM CANADA LIMITED**

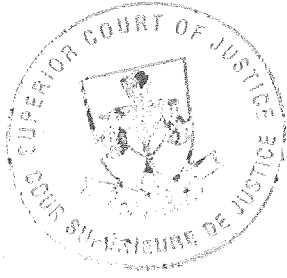
In its capacity as Court Appointed Receiver  
of Eco Energy Home Services Inc. and  
not in its personal capacity



Per: Daniel Weisz, CPA, CA, CFF, CIRP, LIT  
Senior Vice-President

**J**





Court File No. CV-19-614122-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MADAM

)

FRIDAY, THE 3<sup>RD</sup>

JUSTICE CONWAY

)

DAY OF MAY, 2019

)

**ECOHOME FINANCIAL INC.**

Applicant

- and -

**ECO ENERGY HOME SERVICES INC.**

Respondent

**IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION  
243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.  
B-3, AS AMENDED; AND SECTION 101 OF THE *COURTS OF JUSTICE  
ACT*, R.S.O. 1990, c. C-43, AS AMENDED**

**AMENDMENT ORDER**

**THIS ORDER** is made further to the Access and Preservation Order of this Court dated April 8, 2019 (the “**Access and Preservation Order**”).

**ON READING** the Second Report of RSM Canada Limited, in its capacity as receiver and manager (the “**Receiver**”) of Eco Energy Home Services Inc. (the “**Debtor**”) dated April 8, 2019 and the Third Report of the Receiver dated April 25, 2019, and on hearing the submissions of counsel to the Receiver and counsel to the Debtor and the Debtor Affiliates:

1. **THIS COURT ORDERS** that capitalized terms used and not otherwise defined herein have the meanings given to them in the Access and Preservation Order.

2. **THIS COURT ORDERS** that, effective as of the date of this Order, (i) each of Greensaving Group Inc. ("**Greensaving**"), 2360777 Ontario Inc. o/a Global Eco Energy Group ("**Global Eco**"), and D&G Enterprise Inc. ("**D&G**" and, together with Greensaving and Global Eco, the "**Specified Affiliates**" and each a "**Specified Affiliate**") shall be deemed not to constitute a "Debtor Affiliate" for purposes of paragraphs 14 and 15 of the Access and Preservation Order, (ii) paragraphs 14 and 15 of the Access and Preservation Order shall cease to apply to the Specified Affiliates, and (iii) any bank, credit union or other financial institution (a "**Bank**") having notice of this Order is authorized and directed to forthwith unfreeze and permit the removal and transfer of monies or assets in accounts registered in the name of a Specified Affiliate. For greater certainty, all provisions of the Access and Preservation Order other than paragraphs 14 and 15 that pertain to the Debtor Affiliates shall continue to apply to the Specified Affiliates in their capacities as Debtor Affiliates.

3. **THIS COURT ORDERS** that the Specified Affiliates shall not, without the prior written approval of the Receiver:

- (a) disburse, pay or transfer any funds from an account in the name of the Specified Affiliate at any Bank (a "**Specified Affiliate Account**"), other than payments in respect of regularly scheduled payroll payments to employees of the applicable Specified Affiliate pursuant to *bona fide* employment arrangements ("**Payroll Payments**") (which, for greater certainty, shall not include the payment of any bonuses or similar non-ordinary course payments);
- (b) incur any indebtedness for borrowed money, including pursuant to any new or existing line of credit or credit facility; or
- (c) direct or instruct any Person (including any Bank or employee, agent or representative thereof) to undertake, or assist or facilitate the Specified Affiliates in undertaking, any of the foregoing.

4. **THIS COURT ORDERS** that no director, officer, employee, agent or representative of a Specified Affiliate (an "**Affiliate Representative**"), including without limitation Bianca Myles-Jansen, Siu Cheung (Tony) Tam, Benedict Leung, Yuzhuo (Grace) Liu, Xiaochun (Jacky) Jiang,

and Jenny Liu, shall cause or permit a Specified Affiliate to take any action in contravention of paragraph 3 of this Order and that Wei (David) Ouyang shall be responsible for informing each Affiliate Representative of the obligations and restrictions on the Specified Affiliates and the Affiliate Representatives pursuant to this Order.

5. **THIS COURT ORDERS** that if the Receiver does not consent in writing to the making of a particular payment by a Specified Affiliate, the Specified Affiliate can bring a motion before this Court, on not less than four (4) business days' notice, seeking the Court's authorization to make such payment.

6. **THIS COURT ORDERS** that each Specified Affiliate shall provide the Receiver, on a weekly basis and at any other time as the Receiver may demand, an account statement in respect of each Specified Affiliate Account showing the balance of such account and all debits and credits to such Specified Affiliate Account since the date of the previous account statement provided to the Receiver.

7. **THIS COURT ORDERS** that the Specified Affiliates shall, on the date of this Order, provide the Receiver with all credentials, login information and passwords necessary to enable the Receiver to obtain online access to the Specified Affiliate Accounts for the purpose of enabling the Receiver to monitor compliance with the terms of this Order by the Specified Affiliates and the Affiliate Representatives.

8. **THIS COURT ORDERS** that Wei (David) Ouyang, in his capacity as a director and officer of the Specified Affiliates, shall be responsible for ensuring compliance with this Order by the Specified Affiliates and each Affiliate Representative.

9. **THIS COURT ORDERS** that (a) nothing in this Order shall limit section 4.1 of the Extension and Standstill Agreement dated as of April 25, 2019 (the "**Standstill Agreement**") between the Receiver, Global Eco, and Crown Crest Funding Corp., in its capacity as trustee of Crown Crest Capital Trust ("**Crown Crest**"), as approved by this Court pursuant to the Standstill Approval Order dated April 29, 2019, and (b) no funds shall be disbursed from the Blocked Accounts (as defined in the Standstill Agreement) except (i) in respect of Payroll Payments, or

(ii) pursuant to written agreement between Crown Crest and the Receiver or order of this Court.

Conway J.

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

MAY 02 2019

PER / PAR: AR.

ECOHOME FINANCIAL INC.

Applicant

And

ECO ENERGY HOME SERVICES INC.

Respondent

Court File No. CV-19-614122-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST  
PROCEEDING COMMENCED AT TORONTO**

**AMENDMENT ORDER**

**GOODMANS LLP**

Barristers & Solicitors

333 Bay Street, Suite 3400

Toronto, Canada M5H 2S7

Jason Wadden LSO# 46757M

jwadden@goodmans.ca

Bradley Wiffen LSO# 64279L

bwiffen@goodmans.ca

Tel: (416) 979-2211

Fax: (416) 979-1234

Lawyers for the Receiver

**K**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**BETWEEN:**

**ECOHOME FINANCIAL INC.**

Applicant

- and -

**ECO ENERGY HOME SERVICES INC.**

Respondent

**FOURTH REPORT OF THE RECEIVER**

**June 24, 2019**

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## I. INTRODUCTION AND PURPOSE OF THE FOURTH REPORT

1. RSM Canada Limited was appointed as receiver and manager (the “**Receiver**”) of all assets, undertakings and properties of Eco Energy Home Services Inc. (the “**Debtor**”) pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated April 3, 2019 (the “**Appointment Order**”) on application made by Ecohome Financial Inc. (“**Ecohome**”). A copy of the Appointment Order is attached hereto as Appendix “A”.
2. Since its appointment, the Receiver has worked to take control of the property and assets of the Debtor, obtain access to the information and records needed to administer the Debtor’s estate, and review actions taken by the Debtor and its affiliates and representatives to remove value and assets from the Debtor’s estate in advance of the Receiver’s appointment, to the prejudice of the Debtor and its stakeholders.
3. Among the transactions reviewed by the Receiver was a transaction undertaken in late March 2019 by 236077 Ontario Inc. o/a Global Eco Energy Group (“**Global Eco**”), an affiliate of the Debtor, and Crown Crest Capital Trust (“**Crown Crest**”) for the sale by Global Eco to Crown Crest of 326 lease contracts (the “**Transaction**”). As set out in the Receiver’s Second Report dated April 8, 2019 and its Third Report dated April 25, 2019 (the “**Third Report**”), the Receiver was of the view that the Debtor, Ecohome and other third party purchasers had ownership interests in the contracts purportedly sold by Global Eco to Crown Crest and that the Transaction may have been completed at undervalue to the detriment of the Debtor’s estate.

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4. In light of the Receiver's concerns, Crown Crest, Global Eco and the Receiver entered into an Extension and Standstill Agreement dated April 25, 2019 (the "**Standstill Agreement**") to provide for a standstill period in respect of the Transaction pending the ongoing review and discussion of the parties with respect to the Transaction. The Standstill Agreement was approved by the Court pursuant to a Standstill Approval Order dated April 29, 2019.
  5. Following discussions and negotiations, Crown Crest and the Receiver have reached agreement on a comprehensive settlement (the "**Settlement**") that facilitates the completion of the Transaction and provides incremental value for the benefit of the Debtor's estate. The terms of the Settlement are set forth in a Settlement Agreement dated June 21, 2019 (the "**Settlement Agreement**"), a copy of which is included in the Confidential Supplement to the Receiver's Fourth Report (the "**Confidential Supplement**").
  6. This Fourth Report is filed by the Receiver in support of its motion for an order (the "**Settlement Approval Order**"):
    - a. approving the Settlement Agreement and the Settlement contemplated thereby and approving and ratifying the execution and performance of the Settlement Agreement by the Receiver; and
    - b. sealing the Confidential Supplement containing the Settlement Agreement.
  7. The Receiver believes that approval of the Settlement is in the best interests of the Debtor and its stakeholders as it provides incremental value to the Debtor's estate, resolves a complex dispute that would otherwise be subject to costly and time-

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consuming litigation, and preserves value for all parties by facilitating the expeditious completion of the Transaction.

8. Given the need to obtain approval of the Settlement Agreement on an expeditious basis, this Fourth Report only addresses matters with respect to the Transaction and the Settlement. The Receiver continues to have significant concerns with respect to the conduct of the Debtor, the Debtor Affiliates and their representatives both before and during the receivership proceedings and the Receiver intends to file a report with the Court in the near term to provide a further update on such matters.

### **Terms of Reference**

9. In preparing this Fourth Report and making the comments herein, the Receiver has relied upon certain unaudited financial information and documentation obtained from the Debtor's records and information and documentation received from third-party sources, including the principal and other employees of the Debtor and Debtor Affiliates (collectively, the "**Information**"). The Receiver has, to the extent possible, reviewed the Information for reasonableness. However, the Receiver has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.
10. Unless otherwise stated, all dollar amounts contained in this report are expressed in Canadian dollars.

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## **II. THE TRANSACTION**

11. The key terms of the Transaction between Crown Crest and Global Eco are summarized in the Third Report. In brief:
- a. Global Eco and Crown Crest entered into a Program Agreement dated March 11, 2019 providing for the acquisition by Crown Crest of 326 lease contracts purportedly owned by Global Eco. Under a Transition Services Agreement between the parties, Global Eco was to service the purchased contracts until such responsibilities were transitioned to Crown Crest on May 1, 2019. At the time of the Transaction, the receivership application in respect of the Debtor was pending before the Court.
  - b. The net purchase price under the Transaction was paid by Crown Crest to Global Eco on March 22, 2019. Once the proceeds were received by Global Eco, Global Eco transferred approximately \$936,000 to the Debtor, which the Debtor indicates was intended to reimburse the Debtor for the share of the proceeds allocable to the Debtor's contracts included in the Transaction. The Debtor subsequently disbursed substantially all of these funds to junior or unsecured creditors or other persons in the next 11 days prior to the appointment of the Receiver on April 3, 2019.
  - c. Based on the Receiver's review of the Transaction, more than 75% of the contracts that Global Eco purported to sell under the Transaction were owned by the Debtor. Certain other contracts were also owned by Ecohome or parties that had acquired such contracts from Ecohome. The Receiver also had

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concerns that the Transaction was undertaken at a discount to fair market value to the detriment of the Debtor and its estate.

- d. In light of the Receiver's concerns, Crown Crest, Global Eco and the Receiver entered into the Standstill Agreement to place a hold on the completion of the Transaction pending further review. Under the Standstill Agreement, the end date under the Transition Services Agreement was extended to June 28, 2019 and Global Eco agreed, among other things, to continue to service the purchased contracts until the revised end date and to hold all interim proceeds in blocked accounts and to not disburse funds from the Blocked Accounts except pursuant to a written agreement between Crown Crest and the Receiver or order of the Court.

### **III. THE SETTLEMENT**

12. The Receiver continued its review of the Transaction following execution of the Standstill Agreement and exchanged valuation and other information relating to the Transaction with Crown Crest. Ecohome also reviewed and provided certain information given its interest in certain of the purchased contracts and its economic interest in any settlement as the Debtor's senior secured creditor.
13. Following this exchange and review of information, the Receiver held without prejudice settlement meetings with representatives of Crown Crest and Ecohome. As a result of these discussions, Crown Crest and the Receiver reached agreement on the Settlement and have executed the Settlement Agreement.
14. The key terms of the Settlement include the following:

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- a. Crown Crest will make a settlement payment to the Receiver for the benefit of the Debtor's estate. Counsel to the Receiver is holding the settlement payment in trust and it will be released to the Receiver on the date on which the Court grants the Settlement Approval Order (the "**Effective Date**").
  - b. Eight (8) of the 326 contracts that are owned by third parties will be excluded from the Transaction. The remaining 318 contracts, including those in which the Debtor or Ecohome has an interest, will be purchased contracts under the Transaction.
  - c. The end date under the Transition Services Agreement will be June 28, 2019. On that date, the 318 purchased contracts will be fully transitioned to Crown Crest pursuant to its agreement with Global Eco. During the interim period prior to the Effective Date, Crown Crest and Global Eco are permitted to take such preparatory and transition activities as are reasonably necessary to enable Crown Crest to administer the purchased contracts commencing from and after June 28, 2019.
  - d. On the Effective Date, Crown Crest will become entitled to any proceeds in respect of the purchased contracts collected by Crown Crest prior to the Effective Date and all proceeds received or obtained by Global Eco in respect of the purchased contracts during the standstill period.
  - e. On the Effective Date, Crown Crest and its affiliates, the Debtor and RSM Canada Limited, in its capacities as Receiver and bankruptcy trustee, and each of their respective directors, officers, employees, agents and advisors provide a

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full and comprehensive mutual release of all claims, actions or obligations relating to the Transaction.

- f. The Settlement is conditional on approval by the Court.

#### **IV. REQUEST FOR APPROVAL AND SEALING**

- 15. The Receiver believes that the Settlement is fair and reasonable and in the best interests of the Debtor and its estate, and seeks Court approval of the Settlement for the following reasons:

- a. the Settlement will result in the estate receiving a settlement payment as compensation for the sale of certain of its assets in the Transaction;
- b. the Settlement resolves a complex dispute that would otherwise be subject to costly and time-consuming litigation that would further deplete the limited resources of the Debtor's estate;
- c. the Settlement preserves value for all parties by facilitating the expeditious completion of the Transaction. Further delay in transitioning the purchased contracts could lead to further servicing and support issues and reduce the value of the portfolio;
- d. Global Eco has indicated that it is not prepared to service the contracts after June 28, 2019. The Settlement facilitates the transition of the purchased contracts to Crown Crest by this date; and
- e. Ecohome, as the Debtor's senior secured creditor with the remaining economic interest in its estate, supports the Settlement.

- 
16. The Receiver is also requesting that the Court seal the Confidential Supplement, which contains the Settlement Agreement. The Receiver believes that the sealing of the Confidential Supplement is appropriate in the circumstances given that:
- a. the Settlement Agreement contains sensitive commercial information, including the amount of the settlement payment and lists of the purchased and excluded contracts;
  - b. the commercial terms of the Transaction are not publicly-available. The Transaction was undertaken between two private companies – Crown Crest and Global Eco – and in the ordinary course outside of the receivership context the financial terms of the Transaction would be not publicly-available;
  - c. disclosure of the purchased contracts and the settlement payment could provide strategic advantage to competitors of Crown Crest, including the ability to piece together certain previously-disclosed information to estimate the purchase price and expected return under the Transaction;
  - d. the Receiver may market certain remaining contracts in the Debtor’s “self-billing portfolio” and the indirect disclosure of the purchase price under the Transaction could impede the Receiver’s ability to maximize the value of the self-billing portfolio;
  - e. other than the amount of the settlement payment, the key terms of the Settlement are disclosed in this Fourth Report; and
  - f. the sealing of the Settlement Agreement is an important aspect of the settlement for Crown Crest and the Settlement Agreement contemplates that the Receiver will seek a sealing order in respect of it.



---

**V. CONCLUSION**

17. The Settlement will achieve a consensual and comprehensive resolution of matters with respect to the Transaction, provide significant value to the Debtor's estate, and preserve the value of the purchased contracts for the benefit of all parties. The Receiver believes that the Settlement is in the best interests of the Debtor and respectfully requests that this Court grant the Settlement Approval Order.

All of which is respectfully submitted to this Court as of this 24<sup>th</sup> day of June, 2019.

**RSM CANADA LIMITED**

In its capacity as Court Appointed Receiver  
of Eco Energy Home Services Inc. and  
not in its personal capacity

A handwritten signature in black ink, appearing to read 'Bryan A. Tannenbaum', is written over the text of the signature block.

Per: Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT  
President



## Wiffen, Bradley

---

**From:** Berger, Jeff <jeff.berger@rsmcanada.com>  
**Sent:** Friday, July 5, 2019 2:29 PM  
**To:** Bianca Myles-Jansen  
**Cc:** c.zhao@greensaving.ca; 'David Ouyang'  
**Subject:** RE: Self-Billing Eco Energy Home Services (PAP & EGD)  
**Attachments:** Eco Energy Self Billing.xlsx; FW Amount Owed to Receiver

Bianca,

With respect to your email below, the self-billing file that you attached (also attached hereto) appears to contain information relating to 180 contracts for 158 unique customers. Since the outset of the Receivership, the Receiver has been led to believe that the self-billing portfolio for Eco Energy Home Services Inc. contained exactly 106 contracts (for approximately 90 unique customers).

For your reference, I have attached a copy of an email from David dated June 13, 2019 in which he provided a schedule of collections for the self-billing portfolio of 106 contracts.

Can you please explain why there are at least 74 additional contracts on the list you provided on June 21<sup>st</sup>, when compared to the list provided by David on June 13<sup>th</sup>? Assuming that the list of 180 contracts is the correct and complete list for the self-billing portfolio, can you please revise the schedule provided by David on June 13<sup>th</sup> to include all amounts collected on behalf of the 180 contracts?

Please call me if you would like to discuss.

Thank you,

**Jeffrey Berger, CPA, CA**  
Manager

**RSM Canada Limited**

11 King St. W., Suite 700, Box 27, Toronto, Ontario, Canada, M5H 4C7

**D:** 647.726.0496 **F:** 416.480.2646 | **E:** [jeff.berger@rsmcanada.com](mailto:jeff.berger@rsmcanada.com) | **W:** [www.rsmcanada.com](http://www.rsmcanada.com)



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AUDIT | TAX | CONSULTING



---

**From:** Bianca Myles-Jansen <b.myles-jansen@greensaving.ca>  
**Sent:** Friday, June 21, 2019 11:36 AM  
**To:** Berger, Jeff <jeff.berger@rsmcanada.com>  
**Cc:** c.zhao@greensaving.ca; 'David Ouyang' <douyang@greensaving.ca>  
**Subject:** Self-Billing Eco Energy Home Services (PAP & EGD)

Hi Jeff,

Please find attached the self-billing list for PAP & EGD for Eco Energy Home Services customers.

Note that some of these customers have no viable billing method and therefore were never successfully setup for billing.

All the void cheques, Enbridge Account numbers and OBA's are retrievable on the CRM.

With best regards,

Bianca Myles-Jansen



Virus-free. [www.avast.com](http://www.avast.com)

**M**

POST ACQUISITION PROJECT PLAN		
Task	Status	Due Date
<b>Legal Closing</b>		
Execute all legal agreements and complete all tasks on closing agenda	Completed	
Confirm final portfolio listing	Completed	
Execute legal agreements related to transfer of Enbridge OBA account (If applicable)	N/A	
Finalize and execute bank blocked account agreements	N/A	
Confirm Transfer NOSI's (If needed)	Global Eco will register new NOSI's and transfer existing ones to SG	12-Apr-19
<b>Final Documents Transfer</b>		
Acquire Digital copies of all TPVs (if applicable)	Completed	
Obtain digital copies of all Sales Agreements	Completed	
Obtain physical copies of all Sales Agreements	To be transferred to SG	29-Mar-19
Obtain digital copies of all Certificate of Completion	Completed	
Obtain digital copies of all GEO's (If applicable)	SG to provide listing of all GEO that are outstanding	
Obtain equipment service history data/notes	To be provided in Excel	29-Mar-19
Complete verification of all files (physical/digital) against final account listing	To be completed after transfer of all NOSI and GEO files	TBD
<b>Billing/Collection</b>		
Set up credit card processing a/c (if needed)	N/A	
Inform Enbridge about OBA changes	N/A	
Inform Bank about acquisition and start blocked account process	N/A	
If 'New' Blocked account do test run to ensure PAP payment files are being accepted and returned	N/A	
Finalize plan on interim billing of accounts during transition period	Global Eco to collect bills and BOs for Mar & Apr on SG's behalf	Ongoing
Start billing/collection from SG platform	SG will start billing from 1st May 2019	1-May-19
<b>Accounting</b>		
Prepare cash reconciliation report	Global Eco to provide reconciliation for Mar & Apr including buyouts	10-Apr-19
Reconcile buyout accounts (if applicable)		10-May-19
Monitor accounts likely to become ineligible	SG will prepare ineligible accounts list	10-Jun-19
Confirm ineligible accounts and adjust price based on timelines in Legal agreements (If applicable)	SG will email ineligible accounts and adjustments to Global Eco	13-Jun-19
Process holdback payments to 'Seller' as per schedule	Transfer holdback payment of \$138,289 net of ineligible accounts	20-Jun-19
<b>Data Integration</b>		
Discuss and finalize data transfer plan with 'Seller'	SG to provide template for data transfer	29-Mar-19
Acquire customer related data from 'Seller'	Global ECO to provide data requested by SG	5-Apr-19
Transfer customer related data into SG CRM	N/A	
Acquire customer billing related data from 'Seller'	Start PAP and ENB data upload after 15th billing	15-Apr-19
Transfer customer billing related data to SG eLease	PAP and ENB data to be uploaded on eLease	21-Apr-19
Test eLease / CRM for data integrity	Global Eco to provide access to portal	TBD
<b>Customer Relationship</b>		
Confirm billing and servicing brand names	SG to confirm if we can send stickers to customers for equipment	1-Apr-19
Draft brand appropriate client welcome letters	SG to provide technical and billing line numbers to Global Eco	1-Apr-19
Send welcome letters	Dispatch customer letters	15-Apr-19
Hire additional customer service/dispatch/billing agents (If applicable)	N/A	
Develop and conduct training for all existing/new agents	N/A	
<b>Reporting</b>		
Add acquired portfolio to all monthly reports	N/A	
Update management monthly report	N/A	
<b>Collections</b>		
Evaluate delinquent & disputed accounts	Global Eco to continue collections till 1 May; after 1 May forward calls to SG	1-May-19
Hire additional collection agents (If applicable)	N/A	
Develop and conduct training for all existing/new agents	N/A	
Add potential delinquent accounts to appropriate workqueues	N/A	
Prepare list of accounts to be charged back (if applicable)	N/A	
Transfer charged back accounts (if applicable)	N/A	

**N**

## Wiffen, Bradley

---

**From:** Jeremy Nemers <jnemers@airdberlis.com>  
**Sent:** Tuesday, March 19, 2019 9:12 PM  
**To:** Burden Nixon, Leila  
**Cc:** Mak, Alan T; Stanek, Chris; Kathryn Houlden; Steve Graff; Shakaira John  
**Subject:** Re: EE/EH

Thank you for the confirmation Leila. In view of the impending Receivership Order, please advise your client that no steps should be taken out of the ordinary course of business and that any such steps will be subject to the scrutiny of the Court.

Thanks,

Jeremy

Sent from my iPhone

On Mar 19, 2019, at 8:56 PM, Burden Nixon, Leila  
<leila.burden@gowlingwlg.com<mailto:leila.burden@gowlingwlg.com>> wrote:

Good evening,

I confirm that we have not received the deposit.

Best regards,

Leila

Leila Burden Nixon  
Gowling WLG (Canada) LLP  
416-862-4402

---

From: Jeremy Nemers <jnemers@airdberlis.com<mailto:jnemers@airdberlis.com>>  
Sent: Tuesday, March 19, 2019 8:54 PM  
To: Mak, Alan T  
Cc: Burden Nixon, Leila; Stanek, Chris; Kathryn Houlden; Steve Graff; Shakaira John  
Subject: Re: EE/EH

Hi Alan,

Per my email to Eco Energy's counsel of yesterday, EcoHome deposited \$500,000 with our firm yesterday in accordance with point #2 of Her Honour's endorsement.

I asked Eco Energy's counsel yesterday to confirm in writing by no later than 5 p.m. today that Eco Energy has deposited \$909,775 with its counsel in accordance with points #1 and #2 of Her Honour's endorsement, but have not received a response.



Based on the foregoing, we can only assume that Eco Energy has not deposited the requisite funds, and we will therefore be taking steps tomorrow to return our client's \$500,000, to prepare for the April 3 hearing before Her Honour and to take any other steps that we deem appropriate under the circumstances in the interim.

Thanks,

Jeremy

Sent from my iPhone

On Mar 19, 2019, at 8:46 PM, Mak, Alan T <AMak@bdo.ca<mailto:AMak@bdo.ca><mailto:AMak@bdo.ca>> wrote:

Counsel,

May I have an update on the status of this matter? Have the requisite funds been deposited in accordance with Justice Conway's endorsement?

Alan T. Mak, FCPA, FCA, CBV, CPA/CFF (Illinois), FCPA (Hong Kong), CFE, ICD.D National Practice Leader, Forensic Accounting BDO Canada LLP  
500-20 Wellington St East  
Toronto, ON M5E 1C5

Direct: 416-941-6387  
Mobile: 416-889-2892  
amak@bdo.ca<mailto:amak@bdo.ca><mailto:amak@bdo.ca>

<image001.jpg>

BDO is a proud sponsor of Hockey Canada  
BDO est fier de commanditer Hockey Canada <image84e151.PNG>

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O

May 1, 2019

**VIA EMAIL AND COURIER**

Royal Bank of Canada  
383 Richmond Street, Suite 804  
London, Ontario  
N6A 3C4

**Attention: Krishnan Sankar (krishnan.sankar@rbc.com)**

Dear Sir:

**Re: Eco Energy Home Services Inc. (the “Debtor”)**

We are counsel to RSM Canada Limited in its capacity as the trustee of the Debtor’s bankruptcy estate (the “**Trustee**”). The Trustee was appointed pursuant to a Bankruptcy Order of the Ontario Superior Court of Justice dated April 16, 2019, a copy of which is enclosed with this letter.

The Trustee understands that Royal Bank of Canada (“**RBC**”) loaned certain funds to the Debtor under a revolving demand facility (the “**Credit Facility**”) pursuant to a loan agreement dated October 22, 2015, as amended November 8, 2017 (the “**Loan Agreement**”).

The Trustee further understands that during the period from January 22, 2019 to April 3, 2019, the Debtor repaid principal obligations to RBC under the Credit Facility totalling \$684,250.00 (the “**Principal Repayments**”).

The Principal Repayments were made by the Debtor following the issuance of a Notice of Intention to Enforce Security by the Debtor’s senior secured creditor, EcoHome Financial Inc. (“**Eco Home**”). Eco Home filed an application for the appointment of the Receiver on March 21, 2019 and the Receiver was appointed on April 3, 2019. The Trustee believes that the Debtor was motivated to make the Principal Repayments to RBC in priority to Eco Home because the director and officer of the Debtor, Wei (David) Ouyang, had personally guaranteed the obligations under the Credit Facility.

Based on its review of the Loan Agreement, the Principal Repayments and other relevant documentation and filings, the Trustee believes that the Debtor improperly paid the Principal Repayments to RBC and that the Debtor has contravened the preference provisions in section 95 of the *Bankruptcy and Insolvency Act* (the “**BIA**”). In particular, the Trustee notes that:

- (a) the Principal Repayments were made within the “lookback” period prescribed in section 95(1)(a) of the BIA, which begins on the date that is three months before the day of the initial bankruptcy event in respect of the Debtor and ends on the date of bankruptcy of the Debtor. An application for a bankruptcy order in respect of the Debtor was made on March 20, 2019;
- (b) RBC registered security interests in respect of the Debtor under the *Personal Property Security Act* (Ontario) (the “PPSA”) pursuant to registrations effected April 23, 2015 and October 22, 2015 (collectively, the “RBC Registrations”). The RBC Registrations were registered after a PPSA registration in favour of Enbridge Gas Distribution Inc. dated September 17, 2014 and a PPSA registration in favour of Eco Home dated November 7, 2014;
- (c) at this time, the assets in the Debtor’s estate are not sufficient to satisfy the obligations owing to Eco Home, the Debtor’s senior secured creditor; and
- (d) the Trustee is aware of correspondence between Mr. Ouyang and RBC in which Mr. Ouyang indicated that Eco Home’s security interest was registered prior to RBC’s security interest but that Mr. Ouyang had chosen to repay RBC and not Eco Home.

Accordingly, the Trustee believes that the Debtor contravened section 95 of the BIA by making the Principal Repayments and that the repayments are void as against the Trustee. The Trustee wishes to resolve the matter on a consensual basis and requests that RBC make arrangements to repay the Principal Repayments to the Trustee on or prior to May 8, 2019. Following repayment of the Principal Repayments to the Trustee, we expect that RBC would assert a claim against the Debtor in respect of the repaid amounts.

Please contact me if you have any questions and to make arrangements for the repayment of the Principal Repayments to the Trustee.

Yours truly,

Goodmans LLP



Bradley Wiffen  
Encl.

cc: Bryan Tannenbaum and Jeffrey Berger (RSM Canada Limited)  
Jason Wadden (Goodmans LLP)

District of Ontario  
Division No. 09 - Toronto  
Court No. 31-OR-208359-T

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

IN BANKRUPTCY AND INSOLVENCY

MASTER *MILLS*

)  
)  
)

TUESDAY, THE 16<sup>TH</sup> DAY  
OF APRIL, 2019

IN THE MATTER OF THE BANKRUPTCY OF  
**ECO ENERGY HOME SERVICES INC.**,  
of the City of Toronto, in the Province of Ontario

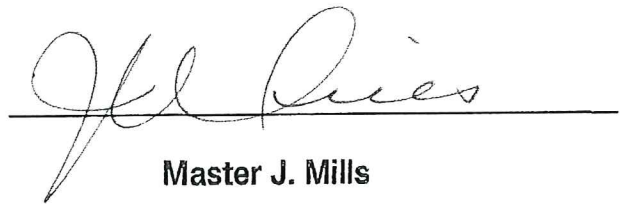
**BANKRUPTCY ORDER**

Upon the application of EcoHome Financial Inc. ("**EcoHome**"), a creditor, having an office in the City of Toronto, in the Province of Ontario, issued on the 21<sup>st</sup> day of March, 2019, and upon reading the Application for Bankruptcy Order, the Affidavit of Verification of Brent Houlden sworn the 20<sup>th</sup> day of March, 2019, the Affidavit of Service of Eunice Baltkois sworn the 22<sup>nd</sup> day of March, 2019, the Consent of RSM Canada Limited ("**RSM**") to act as trustee of the property of Eco Energy Home Services Inc. (the "**Debtor**"), and upon hearing submissions of counsel for EcoHome and such other parties as were present, and it appearing to the Court that the following act of bankruptcy has been committed:

- (a) that the Debtor ceased to meet its liabilities generally as they became due, in that it has failed to pay its obligations to the applicant creditor EcoHome;

1. **THIS COURT ORDERS** that the Debtor be adjudged bankrupt, and a bankruptcy order is hereby made against the Debtor on this date.

2. **THIS COURT ORDERS** that RSM, of the City of Toronto in the Province of Ontario, be appointed as trustee of the estate of the bankrupt Debtor.
3. **THIS COURT ORDERS** that the trustee give security in an amount to be fixed by the Official Receiver pursuant to subsection 16(1) of the *Bankruptcy and Insolvency Act* (Canada).
4. **THIS COURT ORDERS** that the costs of the applicant EcoHome be paid out of the assets of the estate of the bankrupt Debtor on taxation thereof.



Master J. Mills



District of Ontario  
Division No. 09 - Toronto  
Court No. 31-OR-208359-T

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE  
BANKRUPTCY OF **ECO ENERGY**  
**HOME SERVICES INC.**, of the City  
of Toronto, in the Province of Ontario

---

**BANKRUPTCY ORDER**

---

**AIRD & BERLIS LLP**  
Barristers and Solicitors  
Suite 1800, Box 754  
181 Bay Street  
Toronto, ON M5J 2T9

Steven L. Graff (LSO # 31871V)  
Jeremy Nemers (LSO # 66410Q)  
Shakaira John (LSUC #72263D)

Tel: 416.863.1500  
Fax: 416.863.1515  
Lawyers for Royal Bank of Canada



**P**

✉ Reply all | ▾ 🗑 Delete Junk | ▾ ...

✕

## Re: Eco Energy - 2018 FS

JZ

Jenny Zhong &lt;jenny@leungandcompany.ca&gt;

Sat 3/23, 9:48 AM

Jacky Jiang; ben@leungandcompany.ca; David Ouyang; Tony Tam ✉

✉ Reply all | ▾

David Email

Eco Energy - FS 2018.pdf ▾

232 KB

✉ Show all 1 attachments (232 KB) Download Save to OneDrive - Eco Energy Home Services

Hi Jacky,

Please see revised Eco Energy 2018 FS.

Regards,

Jenny

Tel: 416-438-9933 Ext. 107

On Fri, 22 Mar 2019 15:07:14 -0400, Jacky Jiang wrote:

Hi Jenny,

Attached please find the adjustment entries below:

Description	Account	Debit	Credit
Reclassification adjustment	Due to shareholder	92,468.08	
Reclassification adjustment	Due from D&G Enterprise		92,468.08

8

Thanks,  
Jacky



**LEUNG & COMPANY**  
CHARTERED PROFESSIONAL ACCOUNTANTS

**ECO ENERGY HOME SERVICES INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

885 PROGRESS AVENUE, SUITE LPH-12, TORONTO, ONTARIO M1H 3G8 CANADA  
7130 WARDEN AVENUE, SUITE 305, MARKHAM, ONTARIO L3R 1S2 CANADA  
Tel: (416) 438-9933 • Fax: (416) 438-9736 • Email: [ca@leungandcompany.ca](mailto:ca@leungandcompany.ca)

**ECO ENERGY HOME SERVICES INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Page</b>	<b>I N D E X</b>
<b>1</b>	<b>Notice to Reader</b>
<b>2</b>	<b>Statement of Income</b>
<b>3</b>	<b>Statement of Retained Earnings</b>
<b>4</b>	<b>Balance Sheet</b>
<b>5-7</b>	<b>Notes to Financial Statements</b>



**LEUNG & COMPANY**  
CHARTERED PROFESSIONAL ACCOUNTANTS

**Notice To Reader**

**March 13, 2019**

**To the Shareholder of  
Eco Energy Home Services Inc.**

We have compiled the balance sheet of Eco Energy Home Services Inc. as at December 31, 2018 and the statement of income and deficit for the year then ended from information provided by management. We have not audited, reviewed these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these statements may not be appropriate for their purpose.

**Toronto, Ontario**

**Chartered Professional Accountants  
Licensed Public Accountant**

**ECO ENERGY HOME SERVICES INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018
<b>REVENUE</b>	
Sales	\$ 6,685,074
<b>Cost of good sold</b>	
Inventory, beginning of the year	402,104
Purchase	1,907,915
Direct cost	1,418,114
	<u>3,728,133</u>
Inventory, end of the year	216,131
	<u>3,512,002</u>
<b>Gross profit</b>	<u>3,173,072</u>
<b>OTHER INCOME</b>	
Equipment leasing income (note 7)	3,343,219
Other income	642,984
	<u>7,159,275</u>
<b>OPERATING EXPENSES</b>	
Advertising and promotion	105,269
Bank and financing charges	42,092
Commission expense	2,012,407
Consulting	45,191
Insurance and licence	23,284
Local transportation and delivery	48,585
Meal and entertainment	13,923
Professional fees	180,508
Occupancy cost	161,996
Office and general	86,391
Repairs and maintenance	4,425
Salaries and wages	542,311
Telecommunications	78,271
Travel	11,606
	<u>3,356,259</u>
<b>Income before followings:</b>	3,803,016
Amortization	844,848
	<u>844,848</u>
<b>NET INCOME</b>	<u>\$ 2,958,168</u>

UNAUDITED - SEE NOTICE TO READER

- 2 -

**ECO ENERGY HOME SERVICES INC.  
STATEMENT OF DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018
Balance, beginning of year	\$ 19,857,438
Less income for the year	(2,958,168)
Balance, end of year	<u>\$ 16,899,270</u>

UNAUDITED - SEE NOTICE TO READER  
- 3 -

**ECO ENERGY HOME SERVICES INC.  
BALANCE SHEET  
AS AT DECEMBER 31, 2018**

2018

**ASSETS**

**CURRENT-**

Account receivables	\$ 294,208
Inventory	216,131
Prepaid and deposits	68,642
	<u>578,981</u>
DUE FROM AFFILIATED COMPANIES (note 2)	641,470
LOAN RECEIVABLE (note 3)	67,310
CAPITAL ASSETS (note 4)	7,070,875
	<u>\$ 8,358,636</u>

**LIABILITIES**

**CURRENT**

Bank Indebtedness (note 5)	\$ 294,922
Accounts payable and accrued liabilities	578,855
HST payable	12,890
	<u>886,667</u>
LOAN PAYABLE (note 6)	100,000
DÉFERRED REVENUE (note 7)	24,184,779
SHAREHOLDER'S LOAN (note 8)	86,360
	<u>25,257,806</u>

**SHAREHOLDER'S EQUITY**

CAPITAL STOCK (note 9)	100
DEFICIT	(16,899,270)
	<u>(16,899,170)</u>
	<u>\$ 8,358,636</u>

Approved on behalf of the Board by: \_\_\_\_\_

**UNAUDITED - SEE NOTICE TO READER**

- 4 -



**ECO ENERGY HOME SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

2018

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue recognition**

Revenue is recognized when goods are delivered and sold.

**Capital assets**

Capital assets are recorded at cost less accumulated and amortization.

Amortization is provided at rates intended to write off the assets over the estimated economic as follows:

Equipment for leasing	- 10% straight-Line
Furniture and fixture	- 20% declining balance
Office equipment	- 30% declining balance
Leasehold improvements	- 20% declining balance
Software	- 50% declining balance
Vehicle	- 30% declining balance

**Note 2 DUE TO AFFILIATED COMPANIES**

This amount is interest free with no specific repayment terms.

**Note 3 LOAN RECEIVABLE**

This amount is interest free, and due on demand. There is no intend to call the loan within the coming fiscal year.

**Note 4 CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Book Value
Equipment for leasing	\$ 8,915,115	1,890,549	7,024,566
Furniture and fixture	8,225	8,225	0
Office equipment	2,715	2,715	0
Leasehold improvements	48,374	48,374	0
Software	75,572	56,148	19,424
Vehicle	31,629	4,744	26,885
	<b>\$ 9,081,630</b>	<b>2,010,755</b>	<b>7,070,875</b>

**UNAUDITED - SEE NOTICE TO READER**

- 5 -

**ECO ENERGY HOME SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

2018

**Note 5      BANK INDEBTEDNESS**

The company has an authorized operating loan, which is due on demand, bear interest at Royal Bank of Canada prime rate plus 1.71% per annum. This operating loan is secured by pledging the company assets, and personal guaranteed from director.

Bank indebtedness is recorded at bank balance less operating loan.  
The bank indebtedness amount consist of the following:

Bank balance	\$      13,328
Operating loan	308,250
	\$      294,922
	=====

**Note 6      LOAN PAYABLE**

This amount is interest free with no specific repayment terms.

**Note 7      DEFERRED REVENUE**

The company receives discounted leasing payments of the leasing term of equipment from financing companies net of any required reserve fund. They will be amortized over the term of various leases.

Deferred revenue, beginning of year	\$    28,031,921
Less: Leasing contracts cancelled	(503,923)
	27,527,998
Less: Deferred revenue earned in the year	(3,343,219)
	\$    24,184,779
	=====

**UNAUDITED - SEE NOTICE TO READER**

- 6 -

ECO ENERGY HOME SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

2018

---

**Note 8      SHAREHOLDER'S LOAN**

This amount is interest free with no specific repayment terms.

**Note 9      CAPITAL STOCK**

Authorized  
Issued - common

Unlimited  
\$      100  
=====

UNAUDITED - SEE NOTICE TO READER

- 7 -

FW: scan

Jenny Liu

Tue 2019-03-26 2:54 PM

To: Jacky Jiang <j.jiang@ecoenergyhs.ca>; Tony Tam <tony.tam@ecoenergyhs.ca>;

📎 1 attachments (445 KB)

truck.PDF;

Hey, attached is AQD charge Eco truck fee, I record to be "Fixed Assets" in 2018 Eco, Grace say she want it to be auto rent fee. Please advise how to deal it with?

**From:** Grace Liu [mailto:gliu@greensaving.ca]

**Sent:** Tuesday, March 26, 2019 2:48 PM

**To:** Jenny Liu <Jenny.liu@ecoenergyhs.ca>

**Subject:** scan

# Invoice

Air Quality Dunrite  
160 Applewood Crescent  
Unit 14  
Concord ON L4K4H2  
416-674-8184 FAX: 905-760-1191  
HST# 892060526

Account # 126925

Invoice # 267687  
Date: 11/20/18  
Page # 1 of 1

Eco Energy Home Services Inc.  
3761 Victoria Park Avenue  
Unit 10-11  
Scarborough ON M1W 3S3

Service At:  
Eco Energy Home Services Inc.  
3761 Victoria Park Avenue  
Unit 10-11  
Scarborough ON M1W 3S3

Service Date 10/26/18 PO #	Job # 210245	Contract #	Claim #	
Description Of Service	Quantity	Unit Price	Extended Price	Tax
VAN 2012	1	\$15,000.00	\$15,000.00	<input checked="" type="checkbox"/>
VIN # 1GCWGFBA0C1113119	1	\$0.00	\$0.00	
PLATE NUMBER AV25593	1	\$0.00	\$0.00	

Sub Total \$15,000.00  
HST Tax 1,950.00  
Balance Due \$16,950.00

Breathe Easy

Terms: Due Upon Receipt

Join the Air Quality Indoor Club!

Please pay from this Invoice. Thank You

Please Detach and Return with Remittance

Check Enclosed [ ]	Method of Payment
Master Card [ ] Visa [ ] AmExp [ ]	
Acct # _____	Exp Date _____
Name on Card _____	
Signature _____	

Invoice # 267687  
Date : 11/20/18  
Account # 126925

Eco Energy Home Services Inc.

Remit To:

Air Quality Dunrite  
160 Applewood Crescent  
Unit 14  
Concord ON L4K4H2

Amount Due \$16,950.00

Amount Paid



**Subject** Adjust entries  
**From** Jacky Jiang <j.jiang@greensaving.ca>  
**To** 'Jenny Zhong' <jenny@leungandcompany.ca>  
**Cc** <tony@myaqd.ca>, <ben@leungandcompany.ca>, 'David Ouyang'  
 <douyang@globalecoenergygroup.com>, 'Jenny Liu' <j.liu@greensaving.ca>  
**Date** 2019-03-29 16:07

Hi Jenny Z,

As discuss, please see below Adjustment entries for 2018 Eco Energy.

No.	Description	Account	Debit	Credit
1	Adjust as rental fee	Capital assets-Auto		15,000.00
	Adjust as rental fee	COGS-other direct cost	15,000.00	
			<hr/>	
			15,000.00	15,000.00
2	Reclassified for payment without Invoice	Prepaid expenses		68,641.74
	Reverse the year end adj entries	Accrue expenses	7,720.00	
	Reverse the year end adj entries	Office expenses		3,642.00
	Reverse the year end adj entries	Other liability	64,563.74	
			<hr/>	
			72,283.74	72,283.74

Thanks,  
 Jacky

## RE: Loan

Tony Tam

Mon 2019-01-28 3:16 PM

To: David Ouyang &lt;douyang@ecoenergyhs.ca&gt;;

Cc: ben@leungandcompany.ca &lt;ben@leungandcompany.ca&gt;;

David

Per our conversation, I am putting below in writing and Ben please see if below is legal

1. David obtains a personal loan (e.g. 460,000)
2. Give \$460,000 to Greensaving, Global etc. as a shareholder loan owes to David
3. Greensaving, Global etc. will use the fund to pay Eco Energy
4. The \$460,000 Cash payment goes directly to the Eco Energy Line of credit (not checking account)
5. The line of credit will become zero
6. Intercompany AR will reduce by \$460,000
7. Switch the line of credit from Eco Energy to D&G (see below email)
8. D&G obtains \$460,000 cash from the Line of credit
9. D&G lends \$460,000 cash, to Greensaving, Global etc.
10. Greensaving, Global etc. payback the shareholder loan to David

Instead of Greensaving & Global owes Eco Energy money, Greensaving & Global are now owing D&G money

Tony

---

From: Tang, Shan <shan.tang@rbc.com>  
Sent: January-28-19 10:11 AM  
To: Tony Tam <tony.tam@ecoenergyhs.ca>  
Cc: David Ouyang <douyang@ecoenergyhs.ca>; ben@leungandcompany.ca  
Subject: RE: Loan

Hi Tony,

Thanks for the question.

Usually the operating line of the credit is for supporting company's operating cash flow gap and would need to be associated with the operating company profile where the operating bank accounts (eg. Account to receive AR deposits, payment account to pay suppliers) belong to.

For confirmation, I will review your question with our credit approval department. This will mostly likely require their acknowledgement should we be able to make the exception.

I will get back to you soon.

Thanks,

Q



# RE: Payment from AQD to ECO

Tony Tam

Wed 2019-01-30 8:12 PM

To: Jenny Liu <Jenny.liu@ecoenergyhs.ca>;

Cc: David Ouyang <douyang@ecoenergyhs.ca>; Jacky Jiang <j.jiang@ecoenergyhs.ca>; Grace Liu <gliu@ecoenergyhs.ca>;

Hi Jenny, Jacky

Same as below – if we have intercompany payable (e.g. Global, Greensaving CanService etc.), please net them out to intercompany receivable. The Objective is to keep intercompany receivable as low as possible and keep intercompany payable to ZERO

All our sister companies (e.g. Global, Greensaving, CanService etc.) should use their own money to pay for their expenses from now on, they should be able to pay from their bank accounts since they are making gross profit AND Eco is paying payroll for them

e.g. Is Mike's commission paid from Eco bank or Global bank? Eco should not pay on behalf of sister companies except equipment purchases because intercompany pricing is lower than market price even with 10% markup

Thanks

From: Tony Tam

Sent: January-30-19 7:19 PM

To: Jenny Liu <Jenny.liu@ecoenergyhs.ca>

Cc: David Ouyang <douyang@ecoenergyhs.ca>; Jacky Jiang <j.jiang@ecoenergyhs.ca>; Grace Liu <gliu@ecoenergyhs.ca>

Subject: Payment from AQD to ECO

Hi Jenny

I will pay around \$20,000 from AQD to Eco after netting out all AQD payable, After the payment, Eco will still have AR from AQD but should have ZERO payable to AQD, please include all AQD invoices that Jacky brings to you yesterday

Please apply Jacky's monthly invoices & cornerstone invoices first before applying intercompany inventory purchase, the \$275,000 loan is non-operational and will remain on book as Loan to D&G

I will be in office tomorrow morning if you need me .

Thanks

🔄 Reply all | ▼ 🗑 Delete Junk | ▼ ...

## Can-service employees' payroll

AR

Ashish Roy <a.roy@can-service.ca>

Thu 3/28, 2:11 PM

Grace Liu; David Ouyang; M.sifontes@can-service.ca ▼

🔄 Reply all | ▼

Inbox

PR - Mar 22, 2019.xlsx ▼

11 KB

✓ Show all 1 attachments (11 KB) Download Save to OneDrive - Eco Energy Home Services

Good afternoon Grace,

Attached please find details of Can-service employees' bi-weekly payroll for the pay period ended on 22 Mar, 2019 to be remitted on or before 29 Mar, 2019.

Best Regards,



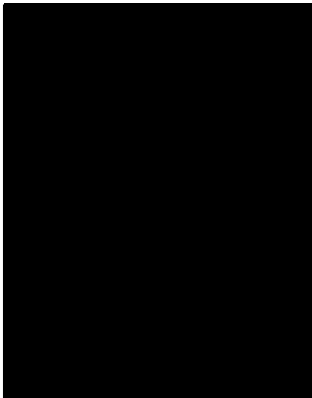
**ASHISH ROY | SENIOR ACCOUNTING MANAGER**  
**12 BRADWICK DRIVE, UNIT 5, CONCORD, ON, L4K 3P6**  
**TEL: 289-583-9960 Ext 5554 | DIRECT: (416) 707-5066**  
**[www.can-service.ca](http://www.can-service.ca) | [a.roy@can-service.ca](mailto:a.roy@can-service.ca)**

*This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager at [support@can-service.ca](mailto:support@can-service.ca). This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. Please notify the sender immediately by e-mail if you have received this e-mail by mistake and delete this e-mail from your system. If you are not the intended recipient you are notified that disclosing, copying, distributing or taking any action in reliance on the contents of this information is strictly prohibited.*

Can-service Inc.

Net Payroll for the period from 09 March to 22 March, 2019

To be remitted on or before 29 March, 2019

SL. NO.	PAYEE	NET PAYROLL CAD	EXPENSE REIMBURSEMENT	REMARKS
1		1,776.18		
2		1,710.53	239.80	
3		484.46		
4		543.00		
5		1,097.98	84.75	
		<u>5,612.15</u>	<u>324.55</u>	

**R**

 Reply all |  Delete Junk | 

## Re: Greensaving 2018 FS

TT Tony Tam  
Fri 2/1, 12:15 PM  
ben@leungandcompany.ca; David Ouyang 

 Reply all | 

David Email

Sorry please delete this email

Get [Outlook for iOS](#)

---

**From:** ben@leungandcompany.ca  
**Sent:** Friday, February 1, 2019 10:36 AM  
**To:** Tony Tam; David Ouyang  
**Subject:** Re: Greensaving 2018 FS

In Canada

A company is bankrupted, which does not imply the director Bankrupt as well. For certain trust worth business, such as accountant, etc, cannot operate any business after bankrupt.

Regards

Ben

On Fri, 1 Feb 2019 15:31:32 +0000, Tony Tam wrote:

Hi Ben

Is the name of director of an bankrupted company searchable in company registry (公司)册 BMO may not grant their line of credit or will call back their loan based on that

In Hong Kong 破b人 cannot be a Company Director , not sure about 破a公司的董事。 We may need to think of switching director (who?) of affiliated companies. AQD should add my name as Director and David resigns as Director to lower the risk

EcoHome may go after David personal because of inappropriate handling of fund (switching EcoHome customers cash receipt) and moving inventory (took out equipment from company with no record) when receiver comes in

Thanks

Get [Outlook for iOS](#)

📧 Reply all | ▼ 🗑 Delete Junk | ▼ ...

## Assets to Cash

TT

Tony Tam

Fri 1/25, 9:20 AM

David Ouyang; Bianca Myles-Jansen; Trent Knackstedt; Jacky Jiang ✉

📧 Reply all | ▼

David Email

Hi All

Per our meeting on Wednesday, we need to turn our Assets (mainly inventory & receivable) to cash, then pay down the RBC loan:

1. Collect from AR (net of AP) as much as possible:
  - a. Trade AR – rental receipts
  - b. Intercompany receivable – D&G owes Eco \$225k
  - c. Intercompany receivable – Global probably owes Eco inventory purchase
  - d. Intercompany receivable – Greensaving owes Eco inventory purchase
  - e. Intercompany receivable – AQD owes Eco inventory purchase
  - f. Intercompany receivable – Can Service
2. Sell inventory to Global, Greensaving & AQD for cash sales
3. Sell inventory to Subcontractors for cash sales

Jacky

Please provide an intercompany balance between Eco & various subsidiaries

Thanks

S

4/16/2019

Mail - tony.tam@ecoenergyhs.ca

## FW: Greensaving 2018 FS

Jacky Jiang

Wed 2019-01-30 3:17 PM

To: Tony Tam <tony.tam@ecoenergyhs.ca>;

1 attachments (21 KB)

FS Jan to Dec 2018.xlsx

Tony,

BMO require at lease 1.5M Sales for bank loan.

That's why I put 200K adjustment.

Thanks,  
Jacky

---

**From:** Jacky Jiang  
**Sent:** Wednesday, January 30, 2019 3:12 PM  
**To:** Tony Tam  
**Cc:** David Ouyang  
**Subject:** Greensaving 2018 FS

Hi Tony,

As per David's request, I prepare GS Group FS for the bank loan purpose.

Column B was the actual performance in 2018, which includes \$112K sales that didn't receive payment.

Column C is the adjustment column.

Please review.

Thanks,  
Jacky



**The remainder of this Appendix “S” is subject to  
a sealing request by the Receiver.**

**T**

**POSTPONEMENT** Form 8.1

**1. REGISTERED INTEREST HOLDER(S)**

ECO ENERGY HOME SERVICES INC.

☐

**2. INSTRUMENT AFFECTED**

see schedule

☐ Mortgage

☐ Caveat

☒ Other (specify): Personal Property Security Notice

Instrument No. 4954811/1 (one instrument per postponement)

**3. SPECIFIED LANDS**

LOT 39 BLOCK 5 PLAN 865 WLTO IN RL 22 AND 23 PARISH OF ST BONIFACE.

TITLE NO.(S) 1843416/1

see schedule

☐

**4. POSTPONEMENT**

The registered interest holder postpones its rights under the instrument affected in the specified lands to the rights of the holders of the following instrument(s):

☒ Mortgage

☐ Caveat

☐ Other (specify): \_\_\_\_\_

Registered as Instrument No. 5050154/1

☐ Mortgage

☐ Caveat

☐ Other (specify): \_\_\_\_\_

Registered as Instrument No. \_\_\_\_\_

☐ Mortgage

☐ Caveat

☐ Other (specify): \_\_\_\_\_

Registered as Instrument No. \_\_\_\_\_

see schedule

☐

**5. SIGNATURE OF REGISTERED INTEREST HOLDER(S)**

see schedule

☐

1. I hereby postpone my rights in the instrument affected in the manner as set out above.
2. I acknowledge that the effect of this postponement will be to change my rights in the specified lands in the same manner and to the same extent as if the instrument affected had been registered or filed immediately after the registration or filing of the instrument(s) to which it hereby postponed.

[Signature]  
witness signature

Brian M. [Signature]  
name

[Signature]  
signature

11/20/19/09/17  
date (YYYY/MM/DD)

\_\_\_\_\_  
witness signature

\_\_\_\_\_  
name

\_\_\_\_\_  
signature

11  
date (YYYY/MM/DD)

Prior to signing and witnessing this document, please carefully review the notices in Box 6.

If the witness is not a lawyer practicing in the province/territory where this document is signed (or either a notary public or a practicing lawyer if signed in B.C. or Quebec), an Affidavit of Witness will be required. If this document is signed outside of Canada, please review section 72.9 of *The Real Property Act*.

Form 18

AFFIDAVIT OF WITNESS

I, Marco Polsinelli, of the Town (city/town, etc.) of Markham  
in the province (province/state, etc.) of Ontario make oath and  
say/herby affirm that:

1. I was personally present and did see Bianca Myles-Jones the person named in the  
attached \_\_\_\_\_ (insert instrument type) sign that instrument at  
the \_\_\_\_\_ (city/town, etc.) of \_\_\_\_\_ in the \_\_\_\_\_  
(province/state, etc.) of \_\_\_\_\_.

2. I personally know the person whose signature I witnessed.

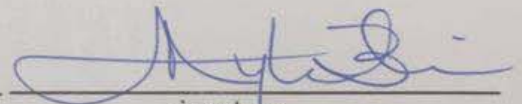
OR

The identity of the person whose signature I witnessed has been proven to me to my satisfaction.

3. The person whose signature I witnessed acknowledged to me that they
- (a) are the person named in the attached instrument;
  - (b) have attained the age of majority; and
  - (c) were authorized to execute the instrument.

SWORN/AFFIRMED before me at the Town of  
of Whitby, in the province of Ontario  
this 17<sup>th</sup> day of April, 2019.

  
**Marco Polsinelli**  
**Barrister, Solicitor, Notary**  
signature

  
signature

Name, address and telephone number (required):

**MP LAW PROFESSIONAL CORPORATION**  
**BARRISTERS & SOLICITORS**  
619 BROCK STREET SOUTH  
WHITBY, ON L1N 4L1  
PHONE: 905-668-4486

A Notary Public in and for the Province of Manitoba

or

A Commissioner for Oaths in and for the Province of Manitoba

My commission expires: N/A

or

Other person authorized to take affidavits under *The Manitoba Evidence Act* (specify): \_\_\_\_\_

U



June 7, 2019

**VIA EMAIL**

Fred Tayar  
Fred Tayar & Associates  
65 Queen Street West, Suite 1200  
Toronto, Ontario  
M5H 2M5

Dear Mr. Tayar:

**Re: Receivership of Eco Energy Home Services Inc. (the “Debtor”)**

We are writing in response to your letter dated May 24, 2019 regarding the action commenced by Ecohome Financial Inc. (“**Ecohome**”) against the Debtor and certain individuals (the “**Ecohome Action**”).

RSM Canada Limited (“**RSM**”), in its capacities as receiver (the “**Receiver**”) and bankruptcy trustee of the Debtor, consented to the lifting of the stay of proceedings in respect of the Debtor solely for the purpose of enabling Ecohome to issue its statement of claim.

The Ecohome Action is stayed against the Debtor for all other purposes pursuant to the Receivership Order dated April 3, 2019 and section 69.3 of the *Bankruptcy and Insolvency Act*. RSM understands that Ecohome does not intend at this time to move for an order to lift the stay of proceedings to enable Ecohome to advance the Ecohome Action against the Debtor. In the event that Ecohome moves for such an order at a later date, RSM will make a determination at that time regarding the matters raised in your letter.

In light of the foregoing, RSM does not intend to defend the Debtor in the Ecohome Action and will not be asserting a counterclaim against Ecohome. RSM does not consent to Mr. Ouyang or the Debtor taking on the defence of the Debtor in the Ecohome Action or asserting a counterclaim against Eco Energy on behalf of the Debtor.

Pursuant to paragraph 3(i) of the Receivership Order, the Receiver is empowered and authorized, but not obligated, to defend all proceedings instituted with respect to the Debtor and its property and to settle or compromise any such proceedings. The Receiver therefore has the authority to settle the Ecohome Action against the Debtor, subject to any valid counterclaims or rights of set-off that the Debtor may have.

We acknowledge the assertion in your letter that both Mr. Ouyang and the Debtor firmly believe that there is a positive balance in favour of the Debtor for which Ecohome is liable. Based on its



review to date, RSM does not believe that to be the case. We note that the Debtor is subject to receivership and bankruptcy proceedings initiated on the basis that the Debtor is indebted to Ecohome and that the receivership and bankruptcy orders were not opposed by the Debtor. In any event, RSM will address any and all claims between the Debtor and Ecohome at the appropriate time to determine the final amount owing between the parties.

We trust that the foregoing addresses the issues raised in your letter.

Yours truly,

**Goodmans LLP**

A handwritten signature in blue ink, appearing to read "Brad Wiffen".

Bradley Wiffen

cc: Bryan Tannenbaum and Jeffrey Berger (RSM Canada Limited)  
Jason Wadden (Goodmans LLP)  
Mark van Zandvoort and Brian Chung (Aird & Berlis LLP)