

Court File No.: CV-18-00602325-00CL

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

**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**MOTION RECORD  
(Assignment of Certain Claims)  
(returnable October 16, 2018)**

October 12, 2018

**GOLDMAN SLOAN NASH & HABER LLP**  
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# TAB 1

**ONTARIO  
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**NOTICE OF MOTION  
(Assignment of Certain Claims)  
(returnable October 16, 2018)**

Deloitte Restructuring Inc., (“**Deloitte**”) in its capacity as the Court-appointed Receiver (in such capacity, the “**Receiver**”), without security, of all the assets, undertakings and properties (collectively, the “**Property**”) of Safety Seal Plastics Inc., (the “**Debtor**”), acquired for, or used in relation to a business carried on by the Debtor, will make a motion to a Judge of the Commercial List on **Tuesday, October 16, 2018 at 9:30 a.m.** or as soon as after that time as the motion can be heard, at 330 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario.

**THE PROPOSED METHOD OF HEARING:** The motion is to be heard:

- in writing under subrule 37.12.1(1) because it is made without notice;
- in writing as an opposed motion under subrule 37.12.1(4); or
- orally.

**THE MOTION IS FOR ORDERS:**

- (a) abridging the time for service of the Notice of Motion and Motion Record in respect of this motion and dispensing with further service thereof;
- (b) approving the sale of a cause of action on an “as is” basis to Packaging Growth Investors LLC (“PGI”) as contemplated by an assignment agreement between the Receiver and PGI made as of October 3, 2018 (the “**Assignment Agreement**”);
- (c) authorizing the Receiver to execute and deliver the Assignment Agreement;
- (d) vesting the Safety Seal Claims in PGI;
- (e) approving the activities of the Receiver to September 7, 2018 and the Receiver’s R&D (defined below), for the period August 7, 2018 to October 11, 2018;
- (f) approving the professional fees and disbursements of the Receiver and its independent legal counsel;
- (g) authorizing the Receiver to pay such fees and disbursements from available funds; and
- (h) such further and other relief as counsel may request and this Honourable Court deem just;

Unless otherwise defined herein, all defined terms shall have the meaning ascribed to them in the Assignment Agreement.

**THE GROUNDS FOR THE MOTION ARE:****BACKGROUND**

- (i) On August 7, 2018, this Honourable Court made an Order appointing Deloitte Receiver, without security, over the assets, undertakings and properties of the Debtor, acquired for, or used in relation to a business carried on by the Debtor (the “**Appointment Order**”);

- (j) On the same date, this Honourable Court approved the sale transaction for substantially all the all assets of the Debtor (“**Transaction**”) contemplated by an agreement of purchase and sale (the “**Sale Agreement**”) between the Debtor and Labelink Products Inc. (the “**Purchaser**”) dated July 19, 2018 which was completed on or about August 8, 2018;

**ASSIGNMENT AGREEMENT AND CLAIMS**

- (k) As HSBC Bank of Canada (“**HSBC**”) holds first ranking security over the remaining assets of the Debtor, PGI approached the Receiver and HSBC to seek an assignment of any and all claims or causes of action that the Debtor may have against its former president and chief executive officer, Michael Bedrosian and individuals and corporations related to Mr. Bedrosian (collectively, the “**Safety Seal Claims**”), including without limitation the claims set forth in the draft statement of claim, attached as appendix “A” to the Assignment Agreement (the “**Draft Claim**”);
- (l) Such claims do not include any claims which PGI may independently have against Mr. Bedrosian;
- (m) Negotiations among the Receiver, PGI and HSBC have resulted in the Assignment Agreement which, among other things, assigns all of the Debtor’s right, title and interest, if any, in and to the Safety Seal Claims;
- (n) In addition to the assignment of the Safety Seal Claims on an “as is” basis without recourse against the Receiver in any respect, the Assignment Agreement provides for, among other things:
  - (ii) a compensation structure for the Receiver to participate in a percentage recovery (10%) of the Net Proceeds of any amounts received by PGI in connection with any settlement entered into by PGI with respect to the Safety Seal Claims or any of its employees, shareholders, directors, agents or representatives may personally have against Mr. Bedrosian and individuals and corporations related to Mr. Bedrosian, including without

limitation, those claims, choses in action and causes of action described in the Draft Claim (the “**PGI Claims**”), and if no settlement, 20% of the Net Proceeds realized from any amounts recovered by PGI on account of the Safety Seal Claims but not the PGI Claims;

- (iii) an accounting of the Net Proceeds to the Receiver for the purposes of assessing the reasonableness of fees, costs and expenses; and
  - (iv) PGI to pay the reasonable fees and disbursements incurred by the Receiver (and HSBC) relating to the Assignment to a maximum of \$16,000 (inclusive of all fees, disbursements and taxes);
- (o) The Assignment is also conditional on Court approval and in addition to the provisions typically found in approval and vesting orders, the order shall also contain the following provisions:
- (i) the Assignment is on a without recourse basis, and that neither the Receiver or HSBC shall be liable for any costs or otherwise in connection with the pursuit of any claims or causes of action, whether through litigation proceedings or otherwise in any way relating to the Safety Seal Claims; and
  - (ii) that any party to any litigation proceeding, and any Court in any litigation proceeding relating to the Safety Seal Claims shall be made aware of the existence of and the terms on the Court order governing the Assignment;

#### **FEES AND ACTIVITIES**

- (p) The Statement of Receipts and Disbursements (“R&D”) for the period August 7, 2018 to October 11, 2018 includes the receipt of the proceeds from the sale transaction between the Debtor and Labelink Products Inc. received into the property management account and the disbursements made by the Receiver from its trust account;

- (q) The total fees of the Receiver during the period from July 27, 2018 to September 7, 2018 is \$107,648.17;
- (r) The total legal fees incurred by the Receiver during the period from July 9, 2018 to September 27, 2018 for services provided by GSNH is \$25,680.04;

**GENERAL**

- (s) Rules 1.04, 2.01, 3.02 and 37 of the *Rules of Civil Procedure*; and
- (t) Such further and other grounds as counsel may advise and this Honourable Court permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) The Second Report of the Receiver and the appendices attached thereto, to be filed; and
- (b) Such further and other evidence as counsel may advise and this Honourable Court may permit.

October 12, 2018

**GOLDMAN SLOAN NASH & HABER LLP**  
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 Tel: 416.597.6477  
 Email: [forte@gsnh.com](mailto:forte@gsnh.com)

Lawyers for the Receiver, Deloitte Restructuring Inc.

TO: The Service List

**HSBC BANK CANADA**  
Applicant

and

**SAFETY SEAL PLASTICS INC.**  
Respondent

Court File No.: CV-18-00602325-00CL

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

Proceeding commenced at Toronto

**NOTICE OF MOTION**  
**(Assignment of Certain Claims)**  
**(returnable October 16, 2018)**

**GOLDMAN SLOAN NASH & HABER LLP**  
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Lawyers for the Receiver, Deloitte Restructuring Inc.

## **TAB 2**

Court File No.: CV-18-00602325-00CL

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

**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**SECOND REPORT OF DELOITTE RESTRUCTURING INC.,  
RECEIVER OF SAFETY SEAL PLASTICS INC.**

**DATED OCTOBER 12, 2018**

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**APPENDICES**

- A** First Report to Court of the Receiver dated August 10, 2018
- B** Order of Justice Conway of the Ontario Superior Court of Justice dated August 21, 2018
- C** Assignment Agreement made as of October 3, 2018
- D** Receiver's Statement of Receipts and Disbursements for the period August 7 to October 11, 2018
- E** Affidavit of Hartley Bricks sworn October 11, 2018
- F** Affidavit of Mario Forte sworn October 12, 2018

## INTRODUCTION

1. By Order of the Ontario Superior Court of Justice (the “**Court**”) dated August 7, 2018 (the “**Appointment Order**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as the Court-appointed receiver (the “**Receiver**”), without security, of the assets, undertakings and properties of Safety Seal Plastics Inc., (“**Safety Seal**”, the “**Debtor**” or the “**Company**”), acquired for, or used in relation to a business carried on by the Debtor (the “**Property**”).
2. On August 21, 2018, the Receiver made a motion to, among other things, approve distributions to secured creditors, including distributing the balance of the sale proceeds from time to time to the Applicant, HSBC Bank Canada (“**HSBC**”). In support of that motion, the Receiver filed with the Court its First Report to the Court dated August 10, 2018, a copy of which is attached hereto as **Appendix “A”** (without appendices). Based on the First Report and the submissions made to the Court by counsel for the Receiver and HSBC, the Court granted an order (the “**August 10 Order**”) approving the relief sought. A copy of the August 10 Order is attached hereto as **Appendix “B”**.
3. The purpose of this second report of the Receiver (the “**Second Report**”) is to provide the Court with the evidentiary basis to make an Order:
  - (a) approving the receiver to enter into an Assignment Agreement made as of October 3, 2018 (the “**Assignment Agreement**”) with Packaging Growth Investors, LLC (“**PGI**”), the majority shareholder of the Debtor, to assign to PGI any claims or causes of action that Safety Seal may have

against its former president and chief executive officer Michael Bedrosian (“**Bedrosian**”) and individuals and corporations related to Bedrosian (collectively, the “**Safety Seal Claims**”) on an “as is” basis, without recourse against the Receiver (the “**Assignment**”);

- (b) approving the Receiver’s Statement of Receipts and Disbursements for the period to October 11, 2018; and
  - (c) approving the activities, fees and disbursements of the Receiver from July 27 to September 7, 2018 and Goldman Sloan Nash & Haber LLO from July 9 to September 27, 2018.
4. The Appointment Order, together with related Court documents, and other materials relevant to the Receivership are posted on the Receiver’s website at <http://www.insolvencies.deloitte.ca/en-ca/safetyseal>.

#### **TERMS OF REFERENCE**

5. In preparing this Second Report, the Receiver has been provided with, and has relied upon unaudited, draft and/or internal financial information, the Company’s books and records, discussions with former management of the Company, and information from third-party sources (collectively, the “**Information**”). Except as described in this Second Report:
- (a) the Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. 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 Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and

(b) the Receiver has prepared this Second Report in its capacity as a Court-appointed officer to support the Court’s approval of the relief being sought. Parties using the Second Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes.

6. Unless otherwise stated, all dollar amounts contained in the Second Report are expressed in Canadian dollars.

7. Unless otherwise provided, all other capitalized terms not otherwise defined in this Second Report are as defined in the Assignment Agreement.

**BACKGROUND**

8. Safety Seal is a private company which had been engaged in the printing and cutting of plastic sleeves and labels and manufactures packaging products for various industries including craft beer, food and beverage, pharmaceuticals, sports and nutrition, and wine and spirits.

9. On August 7, 2018 the Court approved a transaction (the “**Transaction**”) for the sale of a substantial portion of the assets of the Debtor to Labelink Products Inc. (“**Labelink**”), which sale was completed on August 8, 2018.

**SECURED CLAIMS AND DISTRIBUTIONS**

- 10. The First Report included the Receiver’s review of the validity and enforceability of the security held by each the Royal Bank of Canada (“RBC”), HSBC and Business Development Bank of Canada (“BDC”) and the opinions thereon from the Receiver’s independent legal counsel, Goldman Sloan Nash & Haber LLP (“GSNH”) (the “Security Opinions”).
- 11. Based on the Security Opinions, the Receiver sought and obtained the August 10 Order which approved the distribution of the proceeds of Transaction as follows: \$485,000 of the sale proceeds upon the filing of the Receiver’s Certificate to RBC subject to the security held by RBC; and distributions from time to time of all funds coming into its hands in respect of the realization of the assets of the Debtor, including the balance of the sale proceeds, to HSBC subject to the security held by HSBC, and subject to such reserves as the Receiver may deem prudent, up to a maximum of \$4,700,000 without further order of this Court. [Emphasis added]
- 12. Based on counsel’s advice, there appears to be no creditor having a prior claim to the proceeds generated from the receivership administration other than the proceeds which were distributed to RBC on account of its security with respect to specific assets. In addition, Canada Revenue Agency has completed its audits and has determined there are no deemed trust claims that that would have a prior ranking claim over the proceeds.
- 13. There have been no distributions to HSBC to date, although the Receiver intends to make a distribution shortly.

**THE ASSIGNMENT AGREEMENT AND CLAIM**

14. Based on the fact that HSBC holds first ranking security over the remaining assets of the Debtor, PGI approached the Receiver and HSBC with a view to seeking an assignment of the Safety Seal Claims, including without limitation the claims set forth in the in the draft statement of claim attached as Appendix "A" to the Assignment Agreement (the "**Draft Claim**"). Such claims do not include any claims which PGI may independently have against Bedrosian.
15. The Draft Claim seeks damages (including punitive damages), accountings, disgorgement and interim, interlocutory and permanent injunctive relief concerning the purported activities of Bedrosian in among other things, committing numerous acts of fraud, deceit and misrepresentation for his own benefit and the benefit of his immediate family members, all as more particularly set forth in the Draft Claim.
16. Negotiations among the Receiver, PGI and HSBC have resulted in the Assignment Agreement which, among other things, assigns all of the Debtor's right, title and interest, if any, in and to the Safety Seal Claims. A copy of the Assignment Agreement is attached hereto as **Appendix "C"**.
17. More particularly, and in addition to the assignment of the Safety Seal Claims on an "as is" basis without recourse against the Receiver in any respect, the Assignment Agreement provides:

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- (a) a compensation structure for the Receiver to participate in a percentage recovery (10%) the Net Proceeds of any amounts received by PGI in connection with any settlement entered into by PGI with respect to the Safety Seal Claims or the claims that PGI or any of its employees, shareholders, directors, agents or representatives may personally have against Bedrosian and individuals and corporations related to Bedrosian, including without limitation, those claims, choses in action and causes of action described in the Draft Claim (the “**PGI Claims**”), and if no settlement, 20% of the Net Proceeds realized from any amounts recovered by PGI on account of the Safety Seal Claims but not the PGI Claims. “Net Proceeds” is defined to mean those recoveries less reasonable legal fees, expenses, costs and taxes to produce the recovery and such reasonable legal fees, costs expenses and taxes paid by PGI in connection with the completion of the Assignment whether for its own account or in respect of such fees, costs and expenses of HSBC and the Receiver which PGI has also agreed to pay within certain parameters described below;
- (b) provides for an accounting of the Net Proceeds to the Receiver for the purposes of assessing the reasonableness of fees, costs and expenses;
- (c) requires PGI to provide periodic updates on the status of recovery efforts and the like;

- (d) requires PGI to pursue the Draft Claim solely in the name of Safety Seal or PGI;
  - (e) requires PGI to be solely liable for any costs awards awarded against the plaintiffs in connection with any litigation proceedings relating to the Safety Seal Claims;
  - (f) prohibits further assignment of the Safety Seal Claims without the prior written consent of HSBC; and
  - (g) requires PGI to pay the reasonable fees and disbursements incurred by the Receiver (and HSBC) relating to the Assignment to a maximum of \$16,000 (inclusive of all fees, disbursements and taxes).
18. The Assignment is also conditional on court approval of the assignment and the vesting of the Safety Seal Claims in PGI pursuant to an approval and vesting order.
19. More particularly, the Assignment Agreement contemplates that in addition to the provisions typically found in approval and vesting orders, the order shall contain the following provisions;
- (a) The Assignment is on a basis and without recourse to the Receiver nor HSBC, and that neither the Receiver nor the HSBC shall be liable for any costs or otherwise in connection with the pursuit of any claims or causes of action, whether through litigation proceedings or otherwise in any way relating to the Safety Seal Claims; and

(b) That any party to any litigation proceeding, and any court in any litigation proceeding relating to the Safety Seal Claims shall be made aware of the existence of and the terms on the court order governing the Assignment.

20. In the Receiver’s view, it is neither efficient nor practicable for it to undertake proceedings to recover value for the Safety Seal Claims. Doing so in these circumstances would at a minimum add a layer of professional costs to the recovery process, and moreover, such recovery process may outlast the term of the receivership, which administration is nearly complete.

21. In addition, PGI is very familiar with the Debtor’s business and Mr. Bedrosian’s activities and is highly motivated to pursue Mr. Bedrosian based on the damages they appear to have suffered independently of the Debtor’s damages.

22. Based on the foregoing, the Receiver is of the view that the Assignment is the best means through which to maximize the value of the Safety Seal Claims for the benefit of creditors, which in this case is HSBC as the senior secured creditor entitled to any recoveries realized in accordance with the Assignment Agreement.

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

23. Attached hereto as **Appendix “D”** is the Statement of Receipts and Disbursements for the receivership for the period August 7 to October 11, 2018 (the “**R&D**”). As of October 11, 2018, the Receiver is holding funds totalling \$2,269,627. As mentioned above, the

Receiver will be making a distribution to HSBC shortly that will take into consideration a reasonable holdback for costs to complete the administration.

#### **APPROVAL OF ACTIVITIES, FEES AND COSTS OF RECEIVER**

24. The Receiver and its legal counsel have maintained detailed records of their professional time and costs since the issuance of the Appointment Order. Pursuant to paragraph 17 of the Appointment Order, the Receiver and its legal counsel were directed to pass their accounts from time to time before a judge of the Court.
25. The total fees of the Receiver during the period from July 27, 2018 to September 7, 2018, amount to \$94,127.00 together with disbursements in the sum of \$1,136.86 plus HST of \$12,384.31, totalling \$107,648.17 (the “**Receiver Fees**”). The time spent by the Receiver is more particularly described in the Affidavit of Hartley Bricks, a Senior Vice-President of Deloitte, sworn October 11, 2018 in support hereof and attached hereto as **Appendix “E”** (the “**Bricks Affidavit**”).
26. The Receiver’s invoices attached to the Bricks Affidavit list in detail the activities performed by the Receiver during the period July 27, 2018 to September 7, 2018. The major activities undertaken by the Receiver during this period include:
- review of the asset purchase agreement with Labelink (the “**APA**”) and provide comments on same;
  - preparation of a proposed Receiver’s report;

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- attendance in Court for the appointment of the Receiver and seek approval to complete the APA;
- attendance at Safety Seal premises to close the APA and transition the business to Labelink;
- ensure employee claims were satisfied pursuant to the APA and assist employees with the filing of WEPP claims;
- completion of statutory receivership duties including the preparation and mailing of the Notice and Statement of Receiver pursuant to sections 245 and 246(1) of the *Bankruptcy and Insolvency Act*;
- respond to numerous inquiries from creditors, landlords, lessors, employees and governmental authorities;
- arranged for the return of certain leased assets that were not purchased as part of the APA;
- preparation of the First Report and attendance in Court for the motion related thereto; and
- completion of distribution to RBC pursuant to the August 10 Order.

The Receiver is seeking the Court's approval of its activities as set out in the Receiver Fees.

- 27. The total legal fees and disbursements of GSNH, in its capacity as counsel to Receiver from July 9 to September 27, 2018, are particularized in the Affidavit of Mario Forte, a partner of GSNH, sworn October 12, 2018 in support hereof and attached hereto as **Appendix "F"** (the "**Forte Affidavit**"). The total amount of the invoice for this period is \$25,680.04 inclusive of HST (the "**GSNH Fees**").
- 28. The Receiver has reviewed the GSNH Fees as set out in the Forte Affidavit and finds the work performed and the charges to be appropriate and reasonable in the circumstances.

**RECEIVER'S REQUESTS**

- 29. The Receiver recommends that the Court make an order:
  - (a) approving the Assignment;
  - (b) authorizing the Receiver to execute and deliver the Assignment Agreement;
  - (c) vesting the Safety Seal Claims in PGI pursuant to the terms of such order;
  - (d) approving the R&D;
  - (e) approving the Receivers Fees and the Receiver's activities as set out in the detailed descriptions attached to the invoices; and
  - (f) approving the GSNH Fees.

All of which is respectfully submitted at Toronto, Ontario this 12<sup>th</sup> day of October, 2018.

**Deloitte Restructuring Inc.,**  
in its capacity as Court-appointed Receiver of  
Safety Seal Plastics Inc. and not in its personal  
or corporate capacity

Per:   
Paul Casey, CPA, CA, FCIRP, LIT  
Senior Vice-President

Per:   
Hartley Bricks, MBA, CPA/CA, CIRP, LIT  
Senior Vice-President

# TAB A

Court File No.: CV-18-00602325-00CL

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

**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**FIRST REPORT OF DELOITTE RESTRUCTURING INC.,  
RECEIVER OF SAFETY SEAL PLASTICS INC.  
DATED AUGUST 10, 2018**

1. By Order of the Ontario Superior Court of Justice (the “**Court**”) dated August 7, 2018 (the “**Appointment Order**”), Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as the Court-appointed receiver (the “**Receiver**”), without security, of the assets, undertakings and properties of Safety Seal Plastics Inc., (“**Safety Seal**”, the “**Debtor**” or the “**Company**”), acquired for, or used in relation to a business carried on by the Debtor (the “**Property**”).
  
2. The Appointment Order, together with related Court documents, and other materials relevant to the Receivership are posted on the Receiver’s website at <http://www.insolvencies.deloitte.ca/en-ca/safetyseal> .

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3. The purpose of this first report of the Receiver (the “**First Report**”) is to report on the following issues and support the Receiver’s recommendation that the Court provide the relief sought:
- (a) the Receiver’s review of the validity and enforceability of the security held by each the Royal Bank of Canada (“**RBC**”), the Applicant, HSBC Bank Canada (“**HSBC**”) and Business Development Bank of Canada (“**BDC**”) and the opinions thereon of the Receiver’s independent legal counsel, Goldman Sloan Nash & Haber LLP (“**GSNH**”);
  - (b) the distribution of certain amounts from the sale proceeds of the Transaction (as defined below), to RBC;
  - (c) the distribution of available proceeds in the estate, including the balance of the sale proceeds of the Transaction, from time to time to HSBC; and
  - (d) the Receiver’s recommendations to the Court.

#### **TERMS OF REFERENCE**

4. In preparing this First Report, the Receiver has been provided with, and has relied upon unaudited, draft and/or internal financial information, the Company’s books and records, discussions with former management of the Company, and information from third-party sources (collectively, the “**Information**”). Except as described in this First Report:

- (a) the Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. 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 Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
  - (b) the Receiver has prepared this First Report in its capacity as a Court-appointed officer to support the Court’s approval of the relief being sought. Parties using the First Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes.
5. Unless otherwise stated, all dollar amounts contained in the First Report are expressed in Canadian dollars.
6. Unless otherwise provided, all other capitalized terms not otherwise defined in this First Report are as defined in the Appointment Order.

## **BACKGROUND**

7. Safety Seal is a private company engaged in the printing and cutting of plastic sleeves and labels and manufactures packaging products for various industries including craft beer, food and beverage, pharmaceuticals, sports and nutrition, and wine and spirits.
8. Safety Seal’s head office and operating facility is located at rented premises at 400 Michener Road in Guelph, Ontario. In addition, Safety Seal rents warehouse space at 392 Silvercreek Parkway North in Guelph, Ontario.

**SALE TRANSACTION**

- 9. Prior to the granting of the Appointment Order, Deloitte was previously retained by HSBC to act as its financial consultant to review the current operations and financial position of the Debtor. Deloitte also worked with HSBC and their legal advisors, Thornton Grout Finnigan LLP with regard to the sale transaction (“**Transaction**”) contemplated by an asset purchase agreement (the “**APA**”) between the Debtor and Labelink Products Inc. (the “**Purchaser**”) dated July 19, 2018.
  
- 10. On August 7, 2018 the Court approved the Transaction and subject to the completion of the transaction, vested the assets sold thereunder in the Purchaser, to be effective on the filing a Receiver’s certificate confirming the closing has occurred (the “**Receiver’s Certificate**”).
  
- 11. The parties worked diligently to close the Transaction on an expedited basis. The Transaction closed on August 9, 2018.

**INDEPENDENT LEGAL OPINIONS ON SECURITY INTERESTS**

- 12. The Receiver has obtained independent, written legal opinions from GSNH with respect to the validity and enforceability on the security held by each of RBC, HSBC and BDC (collectively, the “**Security Opinions**”). According to the Security Opinions, it is GSNH’s view that, subject to the customary qualifications and limitations included therein, the security held by each RBC, HSBC and BDC is valid and enforceable against all of the assets, properties and undertakings of the Debtor as more particularly described

in such security. Copies of the Security Opinions are attached hereto as **Appendix "A"**, **"B"** and **"C"**.

### **PROPOSED DISTRIBUTION**

13. At this time, the Receiver is seeking Court approval to distribute \$485,000 of the sale proceeds of the Transaction, upon the filing of the Receiver's Certificate, to RBC subject to the security held by RBC. RBC has agreed to the net amount of \$485,000 as its allocation of the proceeds of the Transaction related to the specific equipment which is the subject of its security interest.
14. The Receiver is also seeking Court approval to distribute from time to time all funds coming into its hands in respect of the realization of the assets of the Debtor, including the balance of the sale proceeds, to HSBC subject to the security held by HSBC, and subject to such reserves as the Receiver may deem prudent, up to a maximum of \$4,700,000 without further order of this Court. Based on counsel's advice, there appears to be no creditor having a prior claim to the proceeds generated from the completion of the Transaction other than the proceeds to be distributed to RBC on account of its security with respect to specific assets.
15. Lastly, with respect to certain equipment lessors and BDC, arrangements will be made for the pick-up of leased assets subject to such leases. These assets formed no part of the Purchased Assets as defined in the APA, and are identifiable by description in the respective lease documentation and the Debtor's records.

16. Accordingly, the Receiver is seeking authorization to arrange for the pick-up any part or parts of the Property, excluding the assets that are subject to the Transaction (the “**Remaining Property**”), out of the ordinary course of business, to persons with a valid claim against such Remaining Property, as determined by the Receiver, in accordance with the rank and apparent priority of such claims and limited to the indebtedness of the Debtor to each such party asserting a claim, without further Order of this Court.

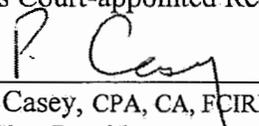
### **RECOMMENDATIONS**

17. The Receiver recommends that the Court make an order:
- (a) Pending the filing of the Receiver’s Certificate, approving the distribution of \$485,000 from the sale proceeds of the Transaction to RBC;
  - (b) Approving the distribution of available proceeds in the estate, including the balance of the sale proceeds of the Transaction, from time to time to HSBC, without further Order of the Court;
  - (c) Approving the Receiver’s course of action with respect to the Remaining Property;

All of which is respectfully submitted at Toronto, Ontario this 10<sup>th</sup> day of August, 2018.

**Deloitte Restructuring Inc.,**  
in its capacity as Court-appointed Receiver of Safety Seal Plastics Inc.

Per:

  
\_\_\_\_\_  
Paul M. Casey, CPA, CA, FCIRP, LIT  
Senior Vice-President

## **TAB B**

Court File No. CV-18-00602325-00CL

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

THE HONOURABLE  
JUSTICE CONWAY

)  
)  
)

TUESDAY, THE 21<sup>ST</sup>  
DAY OF AUGUST, 2018



**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**DISTRIBUTION ORDER**

**THIS MOTION** made by Deloitte Restructuring Inc., in its capacity as the Court-appointed Receiver (in such capacity, the “**Receiver**”), without security, of all the assets, undertakings and properties (collectively, the “**Property**”) of Safety Seal Plastics 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.

**ON READING** the first report of the Receiver dated August 10, 2018 and the Appendices thereto (the “**First Report**”) and on hearing the submissions of counsel for the Receiver, the Debtor, Royal Bank of Canada, and such other counsel listed on the Counsel Slip,

no one appearing for any other person on the service list, although properly served as appears from the affidavit of Katie Parent sworn August 10, 2018, filed,

**SERVICE**

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

**DISTRIBUTION**

2. **THIS COURT ORDERS** that the Receiver is hereby authorized and directed to distribute upon the filing of a Receiver’s certificate with respect to the closing of the sale as contemplated by an agreement of purchase and sale between the Debtor and Labelink Products Inc. dated July 19, 2018 (the “**Transaction**”), \$485,000 to Royal Bank of Canada (“**RBC**”) subject to the security held by RBC, and, without further Order of this Court.

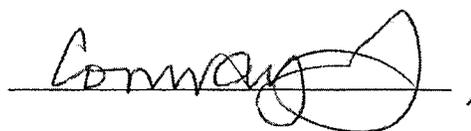
3. **THIS COURT ORDERS** that the Receiver is hereby authorized and empowered to distribute from time to time all funds coming into its hands in respect of the realization of the assets of the Debtor, including the balance of the sale proceeds of the Transaction, to HSBC Bank Canada (“**HSBC**”) subject to the security held by HSBC, and subject to such reserves as the Receiver may deem prudent, up to the amount of \$4,700,000, without further Order of this Court.

4. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized to convey or transfer any part or parts of the Property excluding the assets that are subject to the

Transaction (the “**Remaining Property**”), out of the ordinary course of business, to persons with a valid claim against such Remaining Property, as determined by the Receiver, in accordance with the rank and apparent priority of such claims and limited to the indebtedness of the Debtor to each such party asserting a claim, without further Order of this Court.

**GENERAL**

5. **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.

A handwritten signature in black ink, appearing to read 'Conroy', written over a horizontal line.

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

AUG 2 1 2018

PER / PAR: 

**HSBC BANK CANADA**

and

**SAFETY SEAL PLASTICS INC.**

Court File No.: CV-18-00602325-00CL

Applicant

Respondent

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

Proceeding commenced at Toronto

**DISTRIBUTION ORDER**

**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
Toronto, Ontario M5G 1V2  
Fax: 416-597-6477

**Mario Forte (LSUC#: 27293F)**  
Tel: 416.597.6477  
Email: [forte@gsh.com](mailto:forte@gsh.com)

Lawyers for the Receiver, Deloitte Restructuring Inc.

# TAB C

**ASSIGNMENT AGREEMENT** made as of the 3<sup>rd</sup> day of October, 2018,

**B E T W E E N:**

**DELOITTE RESTRUCTURING INC.**  
solely in its capacity as Court-appointed receiver of the  
assets, undertakings and properties of Safety Seal Plastics Inc.  
and not in its personal capacity  
(the “**Receiver**”)

- and -

**PACKAGING GROWTH INVESTORS, LLC**  
 (“**PGI**”)

- and -

**RECITALS:**

- A. Whereas HSBC Bank Canada (the “**Bank**”) holds a first-ranking security interest over all property, assets and undertaking of Safety Seal Plastics Inc. (“**Safety Seal**”);
- B. Upon application by the Bank and pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated August 7, 2018, Deloitte Restructuring Inc. was appointed as receiver of the assets, undertakings and properties of Safety Seal that were acquired for, or used in relation to a business carried on by Safety Seal, including all proceeds thereof (the “**Property**”);
- C. The Property (subject to the Bank’s security interest) includes choses in action and causes of action that Safety Seal may have, as against any party;
- D. PGI has requested that the Receiver assign any claims or causes of action that Safety Seal may have against its former president and chief executive officer Michael Bedrosian (“**Bedrosian**”) and individuals and corporations related to Bedrosian (collectively, the “**Safety Seal Claims**”), including without limitation the claims, choses in action and causes of action described in the draft statement of claim attached hereto and marked as **Appendix “A”**. The Safety Seal Claims do not include any claims that PGI or any of its employees,

shareholders, directors, agents or representatives may personally have against Bedrosian and individuals and corporations related to Bedrosian, including without limitation those claims, choses in action and causes of action described in the draft statement of claim attached as Appendix "A" (collectively, the "PGI Claims").

E. At the request of PGI, on consent of the Bank and subject to the approval of the Court, the Receiver is prepared to assign to PGI all of Safety Seal's right, title and interest, if any, in and to the Safety Seal Claims free and clear of all encumbrances and claims, subject to the terms and conditions hereof.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that, for good and valuable consideration (the receipt and sufficiency of which is hereby irrevocably acknowledged), the parties hereto agree as follows, all expressly subject to approval of the Court as set out above:

1. The parties agree that the recitals set out above are true and accurate and form part of this Agreement.
2. Subject to the terms and conditions hereof, the Receiver hereby assigns, transfers and sets over to PGI all of the right, title and interest of Safety Seal, if any, in and to the Safety Seal Claims (the "Assignment").
3. In consideration of the Assignment, PGI hereby agrees to pay to the Receiver, or directly to the Bank in the event the Receiver has been discharged:
  - (a) an amount equal to ten per cent (10%) of the "Net Proceeds" of any amount received by PGI in connection with any settlement entered into by PGI with respect to the Safety Seal Claims and the PGI Claims; and
  - (b) in the event that there is no settlement of the Safety Seal Claims and the PGI Claims, the litigation proceeds to trial and judgments are rendered, an amount equal to twenty per cent (20%) of the Net Proceeds received or realized by PGI in connection with any judgment rendered with respect to the Safety Seal Claims. For greater certainty, the Bank and the Receiver shall have no entitlement whatsoever to any amounts recovered by PGI in connection with any judgment rendered with respect to the PGI Claims.

"Net Proceeds" as used herein means monies recovered by PGI from Bedrosian and individuals and corporations related to Bedrosian less all reasonable legal fees, expenses, costs, and taxes that were incurred in order to produce such recovery and all the reasonable legal fees, expenses, costs and taxes paid by PGI in connection with the completion of the Assignment, including without limitation the reasonable fees, expenses and costs of the Bank and the Receiver paid for by PGI pursuant to the terms hereof.

4. PGI agrees to:
  - (a) provide a copy of any judgment, settlement agreement or similar binding document to the Receiver (or the Bank, as the case may be) within ten (10) business days after

such judgment, settlement agreement or similar binding agreement is issued or entered into, as applicable;

- (b) provide an accounting of the Net Proceeds to the Receiver (or the Bank, if the Receiver has been discharged) within ten (10) business days of the date of receipt. The Receiver (and the Bank, in the event that the Receiver is then discharged) specifically reserve the right to, at its or their sole discretion, assess the reasonableness of any fees and disbursements deducted from the amounts received to produce the Net Proceeds;
  - (c) pay to the Receiver (and if the Receiver has been discharged, directly to the Bank) the applicable allocation provided for in section 3 hereof within ten (10) business days of the date of receipt of the recovered amounts; and
  - (d) provide an update to the Receiver (and if the Receiver has been discharged, to the Bank) by way of electronic mail not less than once every six (6) months, as to the status of any recovery efforts, or confirmation that no amounts has been realized to date.
5. This Assignment Agreement is expressly conditional upon the Receiver obtaining an Order of the Court in the Safety Seal receivership proceeding (the “**Approval and Vesting Order**”) approving this Agreement and vesting the right, title and interest of Safety Seal, if any, in and to the Safety Seal Claims free and clear of all claims and encumbrances, and including the provisions set out in subparagraphs (a) and (b) below:
- (a) that the Assignment is on a without recourse basis, and that neither the Receiver nor the Bank shall be liable for any costs or otherwise in connection with the pursuit of any claims or causes of action, whether through litigation proceedings or otherwise in any way relating to the Safety Seal Claims; and
  - (b) that any party to any litigation proceeding, and any court in any litigation proceeding relating to the Safety Seal Claims shall be made aware of the existence of and terms of the Court Order.
6. The Receiver’s execution of this Agreement shall constitute conditional acceptance of the assignment of the Safety Seal Claims (if any) to PGI, subject approval by the Court.
7. PGI agrees that the pursuit and/or enforcement of the Safety Seal Claims shall only be done in the name of Safety Seal or PGI as assignee and not in the name of the Receiver. PGI is pursuing the Safety Seal Claims solely and entirely at its own cost.
8. PGI shall be solely liable for any costs awards that may be awarded against the plaintiff(s) in connection with any litigation proceedings relating to the Safety Seal Claims, entirely without recourse to the Receiver or the Bank.
9. PGI shall not be permitted to further assign the Safety Seal Claims to any other party without the prior written consent of the Bank.

10. Each of the parties hereto shall from time to time hereafter and upon any reasonable request of the other, execute and deliver, make or cause to be made all such further acts, deeds, assurances and things as may be required or necessary to more effectually implement and carry out the true intent and meaning of this Agreement at the sole expense of PGI.
11. PGI agrees to pay the reasonable fees and disbursements incurred by the Receiver (and the Bank, in connection with its consent) relating to the Assignment in the total amount of \$16,000 (which is inclusive of all fees, disbursements and taxes). This amount shall be paid by PGI to its lawyers, Chaitons LLP (“Chaitons”), and held by it in escrow. The funds shall be released from escrow and wire transferred by Chaitons directly to the Receiver within one business day following the hearing of the Receiver’s motion seeking the Approval and Vesting Order.
12. Any notice required or permitted to be given to a party pursuant to this Agreement shall be conclusively deemed to have been received by such party on the date the notice is sent to such party by facsimile transmission or e-mail, or two days following the date if notice is sent by courier, regular mail, or registered mail, as follows:
  - (a) in the case of notice being given to PGI, to its lawyers, Chaitons LLP, 5000 Yonge Street, 10<sup>th</sup> floor, Toronto, Ontario, M2N 7E9, fax no. (416) 218-1849, e-mail: harvey@chaitons.com Attention: Harvey Chaiton; and
  - (b) in the case of notice being given to the Receiver, to its lawyers Goldman, Sloan, Nash and Haber LLP, Suite 1600, 480 University Avenue, Toronto Ontario M5G 1V2, fax no. (416) 597-3370, e-mail: forte@gsh.com, Attention: Mario Forte;
  - (c) upon the Receiver being discharged and notice being given to the Bank instead, to HSBC Bank Canada, Loans Management Unit (LMU), 6<sup>th</sup> Floor, 70 York Street, Toronto Ontario, fax no. (416) 868-8420, e-mail: andrew\_ocoin@hsbc.ca, Attention: Andrew O’Coin.
13. The Assignment herein is made on the basis that there are no representations, warranties or conditions, express or implied, made by the Receiver or by anyone on its behalf or by anyone else with respect to the Safety Seal Claims, if any.
14. PGI agrees that it is accepting the Assignment on an “as is” basis, without recourse against the Receiver in any respect.
15. PGI acknowledges and agrees that it has satisfied itself on all matters with respect to the Safety Seal Claims and the assignment thereof and has not relied on the Receiver or anyone on the Receiver’s behalf with respect to any such matters.
16. This Agreement may be signed in counterparts and each of such counterpart shall constitute an original document and all of which counterparts taken together shall constitute one and the same Agreement.
17. This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable herein.

18. No amendment, supplement, modification or waiver or termination of this Agreement shall be binding unless executed in writing by the parties.
19. This Agreement shall enure to the benefit of and be binding upon the respective successors, assigns, heirs, executors and administrators of each party hereto.
20. This Agreement shall be binding upon the parties hereto and is not permitted to be assigned.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF** the parties have executed this Agreement as of the date first above written.

**DELOITTE RESTRUCTURING INC.**  
solely in its capacity as Court-appointed receiver of the assets, undertakings and properties Safety Seal Products Inc. and not in its personal capacity

**PACKAGING GROWTH INVESTORS, LLC**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

I have authority to bind the corporation

I have authority to bind the corporation

**APPENDIX "A"**  
**[ATTACHED HERETO]**

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**PACKAGING GROWTH INVESTORS, LLC**

Plaintiffs

- and -

**MICHAEL BEDROSIAN, BEDROSIAN HOLDINGS INC.,  
FAST TRACK PACKAGING INC., JOANNE BEDROSIAN,  
and RYAN BEDROSIAN**

Defendants

**STATEMENT OF CLAIM**

TO THE DEFENDANTS

**A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU** by the plaintiff. The claim made against you is set out in the following pages.

**IF YOU WISH TO DEFEND THIS PROCEEDING**, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, **WITHIN TWENTY DAYS** after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

**IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL**

**FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.**

**IF YOU PAY THE PLAINTIFF'S CLAIM**, and \$5,000.00 for costs, within the time for serving and filing your statement of defence, you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiff's claim and \$100.00 for costs and have the costs assessed by the court.

**TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED** if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date: October , 2018

Issued By: \_\_\_\_\_  
Local Registrar

Address of Court Office:  
393 University Avenue  
10<sup>th</sup> Floor  
Toronto, Ontario M5G 1E6

**TO: MICHAEL BEDROSIAN**  
34 Robin Road  
Guelph, Ontario N01 1B4

**AND TO: BEDROSIAN HOLDINGS INC.**  
34 Robin Road  
Guelph, Ontario N1L 1B4

**AND TO: FAST TRACK PACKAGING INC.**  
34 Robin Road  
Guelph, Ontario N1L 1B4

**AND TO: RYAN BEDROSIAN**  
34 Robin Road  
Guelph, Ontario N1L 1B4

**AND TO: JOANNE BEDROSIAN**  
34 Robin Road  
Guelph, Ontario N01 1B4

### CLAIM

1. The Plaintiff, Packaging Growth Investors, LLC (“PGI”), as assignee of Safety Seal Plastics Inc. (the “Company”), claims against Michael Bedrosian and Bedrosian Holdings Inc.:

- (a) damages in the amount of \$3,000,000 for fraud, deceit, misrepresentation and conspiracy;
- (b) An accounting and disgorgement of Michael Bedrosian’s and Bedrosian Holding Inc. payments, commissions, profits, proceeds, earnings and benefits obtained from their misconduct described herein;
- (c) Damages in the amount of \$5,000,000 for diminution in value of the Company’s business as a result of Michael Bedrosian’s wrongful conduct and breaches of the agreements described below and breaches of his statutory and common law duties;
- (d) An interim, interlocutory and permanent injunction prohibiting Michael Bedrosian and Bedrosian Holdings Inc. from violating the applicable covenants set forth in Sections 4.04 of the Share Purchase Agreement (as defined herein), Section 4 of the Employment Agreement (as defined herein), and Article 15 of the Shareholders Agreement (as defined herein), which relate to prohibitions on their ability to engage in businesses that conduct certain activities, engage in businesses that compete with the Company, contact or solicit any customers of the Company with respect to competitive services, or use or disclose confidential information except for the Company’s exclusive benefit, and solicit or otherwise interfere with customers and employees of the Company, as more particularly set out in the

agreements (the “**Restrictive Covenants**”), and from related breaches of their common law and fiduciary duties;

(e) Damages in the amount to be determined by the Court for breach of the Restrictive Covenants and related breaches of their common law and fiduciary duties;

(f) An order:

(i) that PGI is entitled to trace the funds and/or proceeds thereof and the assets upon which the funds of the Company have been expended into the hands of the Defendants or their agents;

(ii) that such funds and/or any of the proceeds thereof and/or assets upon which the Company’s funds have been expended are the Company’s property;

(iii) a declaration that all assets held by these Defendants or their agents representing or derived from funds received from the Company are held on constructive trust for Company and an order that the Defendants or their agents deliver all such assets to the Company or pay damages in lieu thereof;

(iv) punitive, aggravated and exemplary damages in the amount of \$1,000,000.

2. The Plaintiff, PGI, as assignee of the Company, claims against Joanne Bedrosian and Ryan Bedrosian:

- (a) Damages in the amount of \$3,000,000 for fraud, deceit and conspiracy;
- (b) an accounting, and disgorgement of the Defendants' payments, commissions, profits, proceeds, earnings and benefits obtained from their misconduct described herein;

3. The Plaintiff, PGI, as assignee of the Company, claims against Fast Track Packing Inc. and Ryan Bedrosian:

- (a) Damages in the amount of \$1,000,000;

4. The Plaintiff, PGI, as assignee of the Company, claims against all Defendants:

- (a) pre-judgment and post-judgment interest in accordance with the *Courts of Justice Act*, R.S.O. 1990, c. C43 and all amendments thereto;
- (b) costs of this proceeding on a substantial indemnity basis;
- (c) such further and other relief as this Honourable Court may deem just.

5. The Plaintiff, Packaging Growth Investors, LLC claims against Michael Bedrosian and Bedrosian Holdings Inc.:

- (a) damages and indemnity under section 5.01 of the Share Purchase Agreement (as defined herein) in the amount of \$3,000,000;

- (b) damages for fraud, deceit and misrepresentation in the amount of \$5,625,000;
- (c) damages in an amount to be determined by this Court for the lost opportunity of funds invested with the Company for other investments;
- (d) punitive, aggravated and exemplary damages in the amount of \$1,000,000;
- (e) prejudgment and post-judgment interest in accordance with *Courts of Justice Act*, R.S.O. 1990 c. C43 and all amendments thereto;
- (f) costs of the proceeding on a substantial indemnity basis;
- (g) such further and other relief as this Honourable Court may deem just.

**OVERVIEW**

6. Until February 2018, Michael Bedrosian was the President and CEO of the Company. As described herein, he committed numerous acts of fraud, deceit and misrepresentation for his own personal benefit and the benefit of his immediate family members, the co-Defendants herein. He concealed his pattern of fraud and self-dealing causing the Plaintiff additional losses. His conduct has caused the Plaintiff to suffer millions of dollars in damages. Michael Bedrosian has admitted his fraud but has failed to fully account for the substantial damages caused to the Plaintiff by his wrongful conduct.

7. The Defendants' conduct as described herein, caused the Company to fail.

8. On August 7, 2018, the Ontario Superior Court of Justice (Commercial List) (the "Court") appointed Deloitte Restructuring Inc. as receiver (the "Receiver") of the assets, undertakings and

properties of the Company acquired for, or used in relation to the business carried on by the Company, including all proceeds thereof.

9. Pursuant to an Assignment Agreement dated October 3, 2018 (the “**Assignment Agreement**”), the Receiver assigned to PGI all of the Company’s right, title and interest in and to all claims and causes of action of the Company, including those described herein, against Michael Bedrosian and individuals and corporations related to Michael Bedrosian (collectively, the “**Company’s Claims**”).

10. On October ●, 2018, the Court approved the Assignment Agreement and vested all of the Company’s right, title and interest in and to the Company’s Claims to PGI.

**THE PARTIES**

11. The Company was incorporated under the laws of the Province of Ontario and carries on business manufacturing and marketing shrink sleeves and other flexible packaging products.

12. The Plaintiff, Packaging Growth Investors, LLC (“**PGI**”) is an Illinois limited liability company.

13. The Defendant, Michael Bedrosian (“**Michael**”) is an individual residing in Guelph, Ontario.

14. The Defendant, Bedrosian Holdings Inc. (“**Holdings**”) is a corporation incorporated under laws of the Province of Ontario. Holdings is Michael’s personal holding company.

15. The Defendant, Fast Track Packaging Inc. (“**Fast Track**”) is a company owned by Ryan Bedrosian (“**Ryan**”).

16. The Defendant, Ryan is Michael's son.

17. The Defendant, Joanne Bedrosian (“**Joanne**”) is Michael’s wife and was formerly employed by the Company as its human resources manager and accounts payable clerk.

**PGI’S PURCHASE OF 70% OF THE SHARES OF THE COMPANY AND THE RELATED AGREEMENTS**

18. Pursuant to a Share Purchase Agreement (the “**Share Purchase Agreement**”), made and entered into as of June 10, 2015 among the Company, Holdings and Michael, PGI purchased and Holdings sold 105,000 shares of the common stock of the Company, free and clear of any and all liens. PGI paid \$2 million for the purchase which represented 70% of the shares of the Company.

19. In addition to the \$2 million share purchase in June 2015, PGI loaned \$1 million to the Company to provide it with working capital.

20. PGI pleads and relies upon the full provisions of the Share Purchase Agreement, including but not limited to the representations and warranties by the Sellers (as defined in the Share Purchase Agreement) as summarized below.

21. Various references below to defined terms are from the Share Purchase Agreement:

s. 2.04 Capitalization and Ownership.

- (a) The capital stock of the Company consists of 150,000 common shares, all of which are owned of record and beneficially by the Seller, free and clear of all Liens;
- (b) As of the closing, Bedrosian owns of record and beneficially all of the outstanding capital stock of the Seller, free and clear of all Liens;

2.05 Right to Transfer Shares. The Seller has the unqualified right to sell and transfer to the Buyer, good, valid and marketable title to the Subject Shares, free and clean of all Liens. The Seller Parties have taken all necessary or desirable actions, steps, and corporate proceedings to approve and authorize validly and effectively the transfer and sale of the Subject Shares to the Buyer. The Subject Shares are validly issued and outstanding and are fully paid and non-assessable and represent seventy percent (70%) of all issued and outstanding equity and voting shares of the Company.

s. 2.06 No Other Rights of Purchase. No Person has any Contract, or any other right or privilege (whether by law, contract or otherwise), including convertible or exchangeable securities, warrants, convertible obligations of any kind, pre-emptive rights and rights of first refusal with respect to any of the capital stock of any of the Seller Parties.

s. 2.08 Financial Statements. The Seller Parties have delivered to the Buyer true and complete copies of each of the following with respect to the Company: (a) reviewed financial statements as at March 31 in each of the years 2012 through 2013, together with the report thereon of Paul Kwiatkoski Professional Corporation, independent chartered accountant, (b) internally prepared financial statements as of March 31, 2014 (the "*Balance Sheet*"), and (c) internally prepared financial statements of the Company as of February 28, 2015 (the "*Interim Balance Sheet*"). Such financial statements and notes fairly present the financial condition and the results of operations, changes in stockholders' equity, and cash flow of the Company as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP, subject, in the case of the Interim Balance Sheet, to the absence of notes (that, if presented, would not differ materially from those included in the Balance Sheet). The financial statements referred to in this Section 2.08 reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. No financial statements of any Person are required to be included in the consolidated financial statements of the Company. The books of account and other records of the Company, all of which have been made available to the Buyer, are true and complete and have been maintained in accordance with sound business practices.

- s. 2.09 Absence of Certain Changes and Events; No Material Adverse Change. Since the date of the Balance Sheet the Company has conducted its business only in the ordinary course of business. Since the date of the Balance Sheet there has been (a) no sale (other than sales of inventory in the ordinary course of business), lease or other disposition of any assets or property of the Company; (b) no cancellation or waiver of any claims or rights with a value to the Company in excess of CAD5,000, (c) no material change in the accounting methods used by the Company; and (d) no mortgage, pledge or imposition of any Lien on any assets or property of the Company. Attached hereto as Schedule 2.09 is a complete and accurate summary of sales by customer for the fiscal year ended March 31, 2015. None of the Seller Parties have received notice or otherwise have reason to believe that the customers listed on Schedule 2.09 will not continue as customers of the Company having similar or greater volumes of business as set forth on Schedule 2.09. Since the date of the Balance Sheet there has not been any material adverse change in the business, operations, properties, prospects, assets or condition of any of the Seller Parties, and no event has occurred or circumstances exists that may result in such a material adverse change.
- s. 2.10 No Undisclosed Liabilities. The Company does not have any liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise) except for liabilities or obligations reflected or reserved against in the Balance Sheet or in the Interim Balance Sheet, and current liabilities incurred in the ordinary course of the Company's business since the respective dates thereof.
- s. 2.11 Accounts Receivable. All of the accounts receivable reflected on the Balance Sheet or in the Interim Balance Sheet or on the accounting records of the Company as of the date hereof (collectively, the "*Accounts Receivable*") represent or will represent valid obligations arising from sales actually made or services actually performed in the ordinary course of business and are current and collectible net of the respective reserves shown on the Balance Sheet or in the Interim Balance Sheet or on the accounting records of the Company as of the date hereof (which reserves are adequate and calculated consistent with past practice). Subject to such reserves, each of the Accounts Receivable either has been or will be collected in full, without any set-off, within ninety days after the day on which it first becomes due and payable. There is not any contest, claim, or right of set-off, under any Contract with any obligor of an Account Receivable relating to the amount or validity of such Accounts Receivable.
- s. 2.12 Inventory. All of the Company's Inventory, whether or not reflected in the Balance Sheet or the Interim Balance Sheet, consists of a quality and quantity usable and salable in the ordinary course of business, except for obsolete items and items and items of below-standard quality, all of which have been written off or written down to realizable value in the Balance Sheet or the Interim Balance Sheet, as the case may be. All inventories not written off have been priced at the lower of cost or market, first in, first out basis. The quantities of each type of Inventory (whether raw materials,

work-in-process, or finished goods) are not excessive, but are reasonable in the present circumstances of the Company.

- s. 2.13 Books and Records. The books of account, minute books, stock record books, and other records of the Company, all of which have been made available to the Buyer, are true and complete and have been maintained in accordance with sound business practices and Legal Requirements. The minute books of the Company contain accurate and complete records of all meetings held of, and corporate action taken by, the stockholders, the boards of directors and committees of the board of directors of the Company, and no meeting of any such stockholders, board of directors, or committee has been held for which minutes have not been prepared and are not contained in such minute books. All of those books and records are in the possession of the Company.
- s. 2.18 Compliance with Legal Requirements. Each of the Seller and the Company has been and is in full compliance with all Legal Requirements applicable to it. None of the Seller and the Company have received any notice or other communication (whether oral or written) from any Person regarding any actual, alleged, possible or potential violation of or failure to comply with any Legal Requirement.
- s. 2.28 Relationship With Related Persons. Except for the Seller Transaction Documents and the Vendor Agreements, no Seller Party other than the Company, and none of the Vendors or any Related Person of a Vendor, is a party to any Company Contract. Without limiting the foregoing, (a) except as set forth in the Vendor Agreements, no Seller Party has any obligations whatsoever to the Vendors or any Related Person of a Vendor, including any obligations under the Prior Vendor Agreements, and (b) except as set forth in the Seller Transaction Documents, the Company does not have any obligations to Bedrosian and the Seller. Except for the ownership of capital stock as described in Section 2.04, and Bedrosian's actions as an employee of the Company (a) no Seller Party other than the Company has or has had any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to the Business, and (b) no Seller Party is, or has owned (or record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that has (a) had business dealings or a material financial interest in any transaction with the Company, or (b) engaged in competition with the Company (except for less than one percent of the outstanding capital stock of any competing business that is publicly traded on any recognized exchange or in the over-the-counter market). Except as forth in **Schedule 2.28**, since February 28, 2015, the Company has not made any payments to or on behalf of any other Seller Party, any of the Vendors, or any Related Person of any other Seller Party or any of the Vendors.
- s. 2.31 Full Disclosure. No representation or warranty of the Seller Parties in this Agreement and no statement in any schedule or other document being provided in connection herewith omits to state a material fact necessary to

make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

- s. 4.03 Compliance. The Seller Parties shall comply with the terms of the Seller Party Transaction Documents and the Vendor Agreements, and shall cause the Vendors to comply with the terms of the Vendor Agreement. Immediately following the Closing, the parties shall take such action as are necessary to cause the board of directors of the Company to consist of Bedrosian, James G. Reilly and Frank V. Tannura (who shall be chairman of the board of directors).
  
- S. 4.04 Covenant Not to Compete and Non-Solicitation. Without limiting any other provision of this Agreement or the Seller Party Transaction Documents, in furtherance of the sale of the Subject Shares to the Buyer and more effectively to protect the value and goodwill of the Company, the Seller and Bedrosian shall comply with the provisions of Section 4 of the Bedrosian Employment Agreement and Article 15 of the Shareholder Agreement.

22. Article V of the Share Purchase Agreement provides as follows:

- s. 5.01 Survival of Representations and Warranties. All of the representations and warranties of the parties set forth in this Agreement shall survive the Closing and continue in full force and effect until the running of the applicable statute of limitations.
  
- s. 5.02 Right to Indemnification Not Affected by Knowledge. The right to indemnification, payment of Adverse Consequences or other remedy based on the representations, warranties, covenants, and obligations of the parties herein shall not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution, delivery and performance of this Agreement, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of Adverse Consequences, or other remedy based on such representations, warranties, covenants, and obligations. The rights to indemnification of the parties shall not be exclusive of or limit any other remedies available to the parties in the case of breach of this Agreement.
  
- s. 5.03 Indemnification Provisions for Benefit of the Buyer. The Seller Parties, jointly and severally, shall indemnify each of the Buyer Indemnified Parties, and hold each of them harmless from and against the entirety of any Adverse Consequences it shall suffer through and after the date of the claim for indemnification arising from or in connection with (a) the breach by any of the Seller Parties of any representation, warranty, and covenants contained herein or the breach of any representation, warranty, and covenants contained

in any of the other Seller Party Transaction Documents, and (b) any liability or obligation of the Seller Parties.

23. In addition to the representations and information given by Michael and Holdings as set out above, PGI pleads that Michael and Holdings were under a common law duty to disclose any act, matter or information inconsistent in any respect with any of the representations or warranties of the Sellers contained in the Share Purchase Agreement, or any fact, matter or information that, if not revealed would have rendered the representations and information provided misleading. Michael and Holdings failed to do so, as set out herein.

24. In connection with the entering into the Share Purchase Agreement, Holdings, PGI, Michael and the Company entered into a Shareholders Agreement made as of the 10th day of June, 2015 (the "**Shareholders Agreement**").

25. PGI relies upon the full provisions of the Shareholders Agreement including the following Articles:

- Article 2.1 Michael and BHI, jointly and severally, represent and warrant to PGI and the Corporation that as of the date hereof:
- (a) The representations and warranties of the Corporation, BHI and Michael (referred to therein as the "Seller Parties") set forth in that certain Share Purchase Agreement of even date herewith by and among the Corporation, Michael, BHI and PGI are true and correct.
  - (b) BHI is the registered and beneficial owner of 45,000 common shares of the Corporation and such shares are free and clear of all claims, liens, security interests and encumbrances whatsoever and except as provided in this agreement no person has any agreement or option or right capable of becoming an agreement for the purchase of any such shares and/or securities;

- (c) Michael is the registered and beneficial owner of all of the issued and outstanding shares in the capital of BHI and, if applicable, securities convertible into shares in the capital of the Shareholder of which he is the Principal, and such shares and/or securities are free and clear of all claims, liens and encumbrances whatsoever and except as provided herein no person has any agreement or option or any right capable of becoming an agreement for the purchase of any such shares and/or securities and no person has any agreement or option or any right capable of becoming an agreement for the issuance or subscription of any unissued shares and/or securities convertible into shares of such Shareholder.

Article 3.1 The Shareholders shall cause such meetings of the Corporation to be held, votes cast, resolutions passed, by-laws enacted, documents executed and all things and acts done to ensure the following continuing arrangements with respect to the operation and control of the Corporation:

- (i) Without the prior unanimous decision of the Board of Directors (excluding for purposes of determining unanimity any directors that are recused from deciding on a particular matter), none of the following shall be effected:

...

(x) the provision of financial assistance, whether by loan, guarantee or otherwise, to any Shareholder or any person not dealing at arm's length with a Shareholder (other than in connection with transactions provided for this agreement or the Share Purchase Agreement);

(xi) the making of any contract between the Corporation and any person not dealing at arm's length with a Shareholder or the making of any payment to any person not dealing at arm's length with a Shareholder other than in connection with transactions provided for in this agreement or the Share Purchase Agreement);

Article 4.1 Michael shall cause the Corporation to keep proper books of account shall be kept and entries shall be made therein of all matters, terms, transactions and things as are usually written and entered into books of account in accordance with GAAP.

ARTICLE 15 – NON-COMPETITION/NON-SOLICITATION/CONFIDENTIAL

15.1 BHI and Michael covenant and agree with the other parties bound hereby and with the Corporation that BHI and Michael will not, while BHI is a Shareholder and for a period of three (3) years thereafter (without the prior written consent of the Corporation and the other parties bound hereby):

(a) directly or indirectly, in any manner whatsoever, including, without limitation, either individually or in partnership or jointly, or in conjunction with any other person as principal, agent, affiliate, shareholder, employee independent contractor, partner or any other manner whatsoever be engaged in a business that manufactures or markets shrink sleeves and other flexible packaging products or conducts related businesses, or otherwise competes with the business carried on by the Corporation as it exists at such time (during the time that BHI is a Shareholder, or as it exists at the time BHI ceases to be a Shareholder) (a “Competitive Business”), or lend money to, guarantee the debts or obligations of any person engaged or concerned with or interested in a Competitive Business within Canada and the United States; provided that nothing set forth in this Section 15.1(a) shall prohibit Michael from owning not in excess of 5% in the aggregate of any class of capital stock of any corporation if such stock is publicly traded and listed on any national or regional stock exchange or on the NASDAQ national market;

(b) directly or indirectly, contact or solicit any customer of the Corporation for the purposes of providing or causing to be provided to customer services or products offered by or competitive with those offered by the Corporation or its affiliates, unless such customer was not a customer of the Corporation and its affiliates during the twelve months prior to the time at which BHI ceased to be a Shareholder of the Corporation; or

(c) directly or indirectly, (i) employ or retain as an independent contractor any employee of the Corporation or its affiliates, (ii) induce or solicit or attempt to induce any such employee to leave the employ of the Corporation or its affiliates, or (iii) in any way interfere with the relationship between the Corporation or its affiliates and any such employee.

26. At the time of the share purchase by PGI, the Company and Michael entered into an Employment Agreement dated June 10, 2015 (the “**Employment Agreement**”). Under the terms of the Employment Agreement Michael was to hold the position of President and CEO of the Company and agreed to report to the Board of Directors of the Company (the “**Board**”) and carry out such duties as may be assigned to him by the Company.

27. The Company relies upon the terms of the Employment Agreement including the terms set out below:

3 (a) The employment of the Employee may be terminated on the following basis:

(i) By the Employer at any time for just cause without notice or monies in lieu of notice. Without limiting the usual meaning of just cause, which shall include one or more of the following:

a. if there is a repeated and demonstrated failure on the part of the Employee to perform the material duties assigned in a competent manner and if the Employee fails to substantially remedy the failure within a reasonable period of time after receiving written notice of such failure from the Employer;

c. if the Employee, any related party or affiliate of the Employee or any member of the Employee’s family makes any personal profit arising out of or in connection with a transaction to which the Corporation is a party or with which it is associated without making disclosure to and obtaining the prior written consent of the Corporation;

d. if the Employee fails to honour any fiduciary duties to the Employer, including the duty to act in the best interests of the Employer;

e. failing to observe any material term of this Agreement, and fails to substantially remedy the failure within a reasonable period of time after receiving written notice of such failure from the Employer;

4. CONFIDENTIAL INFORMATION and NON-SOLICITATION and NON-COMPETITION

(a) The Employee acknowledges that he has information about certain matters, which are confidential to the Employer including without limitation: pricing information and practices, financial information and records, marketing and business strategies, customer information, supplier information and employee information;

(b) In that this confidential information could be used to the detriment of the Employer, the Employee undertakes to treat all information as confidential and not to disclose it to any third party, either during the term of employment (except as may be necessary to perform their duties) or after termination or resignation of employment for any reason, except with the advance written permission of the Employer or as compelled by law after having given Employer the opportunity to oppose such compulsion.

(c) The Employee shall not, during the term of his employment or for a period of 36 months thereafter, directly or indirectly, contact or solicit any Designated Customer of the Employer for the purpose of providing or causing to be provided to customer services or products offered by or competitive with those offered by the Employer or its affiliates. "Designated Customer" means a business, corporation, organization, association and/or person to whom the Employer or its affiliates provided product or services offered by the Employer during the 12 month period immediately preceding the resignation or termination of the Employee.

(d) The Employee shall not, during the term of his employment or for a period of 36 months thereafter directly or indirectly, (i) employ or retain as an independent contractor any employee of the Employer or its affiliates, (ii) induce or solicit or attempt to induce any such employee to leave the employ of the Employer or its affiliates, or (iii) in any way interfere with the relationship between the Employer or its affiliates and any such employee.

(e) The Employee shall not during the term of his employment or for a period of 36 months thereafter, directly or indirectly, (whether as principal, agent, affiliate, independent contractor, partner or otherwise) own, manage, operate, control, participate in, or otherwise carry on, a business that manufactures or markets shrink sleeves and other flexible packaging products or conducts related businesses, or otherwise competes with the Employer's business as it exists at such time (during the term of the Employee's employment, or as it exists at the time the Employee ceases to be an employee of the Company (for the period following such employment)), anywhere within Canada and the United States. If, in any judicial proceeding, the court shall refuse to enforce any or all of the separate covenants contained in this subsection because the time limit is excessive, it is expressly understood and agreed between the parties hereto that for purposes of such proceeding such time limitation shall be deemed reduced to the maximum term permitted under applicable law. If, in any judicial proceeding, the court shall refuse to enforce any or all of the separate covenants contained this subsection because

it is more extensive (whether as to geographic area, scope of business or otherwise) than necessary to protect the business and goodwill of the Buyer, it is expressly understood and agreed between the parties hereto that for purposes of such proceeding the geographic area, scope of business or other aspect shall be deemed reduced to the maximum area and/or scope permitted under applicable law.

28. As President and CEO of the Company, Michael owed the Company duties, fiduciary and otherwise, including duties of loyalty, confidence, honesty and good faith as an officer of the Company under s. 134 of OBCA, under the Employment Agreement with the Company, and by nature of the discretion he accepted to act on behalf of and to affect the position of the Company. Michael had a duty to act honestly and in good faith with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

29. Throughout his tenure with the Company, the Company trusted and relied on Michael to carry out his role honestly and in the Company's best interests, and in accordance with applicable laws and sound business practices.

#### **MICHAEL'S FRAUDULENT CONDUCT IS DISCOVERED**

30. In or about July 2017, the Company discovered for the first time that Michael had engaged in conduct that constitutes breach of the relevant agreements and breach of his statutory and common law duties owed to the Company and PGI.

31. The extent of Michael's wrongful conduct discovered in July 2017 was limited to Michael charging personal expenses through the Company. These expenses related to certain personal

entertainment expenses, marina charges and personal expenses paid on his Company credit card. The amount of the charges were approximately \$70,000 for the period April 2016 to June 2017.

32. At the time, no other wrongdoing by Michael or the other Defendants was identified by or known to the Company.

33. Michael admitted his misappropriation of Company funds by arranging for payment of his personal expenses. In or about October and November 2017, he repaid the Company the \$70,000. He represented to the Company and PGI that his conduct as described above was isolated to those transactions and that there was no other wrongful conduct. The Company and PGI relied upon Michael's representation and made no further investigation at that time.

34. Michael intentionally misled the Company and PGI by concealing the various acts of misappropriation, fraud and deceit that he had committed. Further, he intentionally omitted and failed to disclose the other wrongful conduct of himself and his family members as described below.

35. In or about November 2017, the Company and PGI discovered for the first time substantial misrepresentations concerning the information reported in the Company's interim, monthly financial statements. The Company and PGI learned that:

- (a) The monthly sales for the Company's fiscal year commencing April 1, 2017 had been intentionally overstated;
- (b) Inventory was overstated;

- (c) Costs of sales was understated;
- (d) Accruals were not properly recorded resulting in overstatement of reported income;
- (e) Accounts receivables and payables were not accurate resulting in overstatement of reported income.

36. The Board confronted Michael with the accounting irregularities pleaded above. Michael denied knowledge of and responsibility for same. Subsequently, the Board learned that Michael was aware of and responsible for the misrepresentations in the interim, monthly financial statements and failed to take any required corrective measures.

37. In January 2018, the Board learned that Michael had caused the Company to pay for his personal expenses incurred on his Royal Bank credit card and his HSBC credit card, including one credit card in Joanne's name. The total credit card charges now known to the Plaintiffs is \$342,733.00. As before, Michael intentionally omitted and failed to disclose his further, additional misappropriations of money from the Company.

38. By January 2018, the Board identified \$410,000 payments made by the Company for personal expenses of Michael and/or members of his family.

39. In recognition and admission of his fraud, in February 2018 Michael reimbursed the Company \$410,000.

40. After January 2018, the Company and PGI continued to discover further breaches by Michael of the terms of the Share Purchase Agreement, the Employment Agreement, the Shareholders Agreement and his statutory and common law duties.

41. On February 12, 2018, the Company dismissed Michael as President and CEO for cause.

42. On February 12, 2018, PGI wrote to Michael and put him on notice of his breaches of the various agreements, duties and responsibilities and the fraudulent conduct carried out by him and members of his family then known to PGI (the "**February 12, 2018 Letter**").

43. On behalf of himself and Holdings, Michael signed the February 12, 2018 Letter. By doing so, Michael acknowledged and agreed to his substantial malfeasance, fraud, misrepresentation and conduct as described in the Letter.

44. On March 9, 2018, the Company identified a further \$392,191 in personal expenses for Michael and for his family paid by the Company. Michael has refused to repay this amount.

45. The Company has since discovered additional misappropriation of funds by Michael. The full particulars of the misappropriation are within Michael's knowledge and will be provided prior to trial.

46. Michael's conduct, as described herein, breached his duties to the Company, including his duty to act honestly and in good faith with a view to the best interests of the Company.

**BREACHES OF THE AGREEMENTS**

47. In the Fall of 2017, because of discovering the misstatement of and errors in the Company's interim statements, PGI reviewed the Company's earlier financial statements, including the 2015 financial statements relied upon by PGI under the Share Purchase Agreement.

48. Among other things, the Company's 2015 financial statements relied upon by PGI contained among the following misrepresentations:

- (a) The amount of the inventory was substantially overstated;
- (b) The collectability of the accounts receivable was inflated and misstated;
- (c) Michael's personal expenses paid for by the Company were not accurately and properly recorded;
- (d) Other persons have claimed ownership of and rights to the capital stock of the Company.

49. These misrepresentations in the 2015 financial statements are also misrepresentations contained in specific representations and warranties in the Share Purchase Agreement made by Michael and Holdings, including without limitation Sections 2.04, 2.05, 2.06, 2.08, 2.09, 2.13, 2.12, 2.13, and 2.31.

50. Michael's conduct as described herein constituted a breach by the Sellers of the representations, warranties and covenants set out in the Share Purchase Agreement. Michael's conduct as described herein constituted material information, material adverse changes or material

facts that were required to be disclosed by him and Holdings in accordance with their obligations under the Share Purchase Agreement. Such information was directly relevant to the representations and covenants in the Share Purchase Agreement.

51. Michael and Holdings dramatically misrepresented the financial condition, value and operations of the Company. These Defendants made the statements knowing that they were false or made recklessly. The statements were made with the intention that they would be acted upon by PGI. PGI reasonably relied upon the representations when closing the purchase. PGI would not have agreed to close the transaction if the fraudulent misrepresentations had not been made or if the information had been disclosed.

52. The misrepresentations made by Michael and Holdings induced PGI to enter into the Share Purchase Agreement. PGI suffered damages as a result.

#### **PARTICULARS OF MICHAEL'S FRAUDULENT CONDUCT**

53. Particulars of Michael's unlawful, fraudulent conduct now known to the Plaintiffs include but are not limited to the following:

- (a) he caused the Company to provide to its investors and Board of Directors financial statements that were deliberately materially misleading and not in conformity with GAAP;
- (b) he caused the Company to provide materially misleading misstatements and other information regarding the Company's business

outlook and failed to provide material information to the investors and the Board of Directors;

- (c) he caused the Company to enter into a business relationship with Fast Track, a company owned by Ryan without the Board's approval and for his personal benefit and for the benefit of Ryan;
- (d) he caused the Company to pay for personal expenses of himself, Joann, Ryan and his other family members;
- (e) he caused the Company to enter into vehicle leases for his own personal benefit including a lease for Jaguar F-type convertible on August 27, 2016 and a Ford F150 truck;
- (f) he caused the Company to provide a \$75,000 advance to him personally;
- (g) he caused the Company to pay Joanne an increased salary without approval or merit;
- (h) he hired his daughter Linsey in December 2015 without disclosure to approval or approval by the Board and for which she provided no services;
- (i) he caused the Company to pay Justin and Linsey without them providing any services or benefits that Company;

- (j) he authorized commission payment through Meniscus Group Limited for his and his family's personal benefit;
- (k) he misappropriated further funds belonging to the Company for his and his family's personal benefit.

54. As stated, the Plaintiff is continuing to investigate Michael's conduct and quantity of damages suffered. Full particulars of the fraudulent conduct and damages suffered will be provided prior to trial.

#### **MICHAEL'S INTENTIONAL CONCEALMENT OF THE COMPANY'S FINANCES**

55. In his role as President and CEO of the Company, Michael was responsible for accurate financial reporting to the Board. To conceal his fraud, Michael intentionally and fraudulently caused the Company to prepare misleading interim, monthly and annual financial statements.

56. The Company's monthly, interim statements did not disclose the true financial condition of the Company. The financial statements failed to accurately report the significant loss of revenue and the substantial increase in spending.

57. Michael represented to the Board that the Company's financial statements were prepared in accordance with GAAP.

58. In reliance on Michael's representations to the Board, the Company made significant capital expenditures and investments. At the time of the PGI acquisition of its shares in the Company, the Company was carrying on business from premises in Hamilton, Ontario. Subsequently, in reliance on the apparent stable financial position and strong growth prospects of the Company as represented by Michael, the Board approved the acquisition of the Jones packaging shrink sleeve business and the relocation of the Company's business to larger premises in Guelph, Ontario. The Company incurred substantial capital, incurred significant relocation costs and increased lease payments. If the true financial results of the Company were accurately reported and not concealed by Michael, the Company would not have relocated its premises and incurred the additional expenses.

59. In the summer of 2017, the Company financed the acquisition of a laminator and pouch making machine at a cost of approximately \$900,000. The Company further financed through a long-term operating lease, the acquisition of an HP Indigo 2000 Digital Press at a cost of approximately \$2 million.

60. The Board would not have made those significant capital expenditures had it known that the Company financial statements were materially incorrect. The Company's expenditures for these capital improvements has led to increased financing costs and related expenses which had negatively impacted cash flow and caused other damages.

61. Michael's concealment of his fraud caused the Company to incur additional operating and production costs. Among other things, the Company was unable to maintain appropriate inventory

levels and respond promptly to customer needs. There was increased inefficiency resulting in less profit and loss of sales. These consequences caused or contributed to the Company's demise.

#### **MICHAEL'S BREACH OF THE NON-COMPETITION COVENANTS**

62. Pursuant to an Asset Purchase Agreement dated July 19, 2018, the Company's business and substantially all of its assets were sold to a purchaser. The business is now carried on through the new purchaser. PGI later became a shareholder in the new company.

63. In the applicable Restrictive Covenants, Michael and Holdings agreed, among other things, to not (a) engage in a business that manufactures or markets shrink sleeves and other flexible packaging products or conducts related businesses, (b) engage in a business that otherwise competes with the Company, (c) contact or solicit any customer of the Company with respect to competitive services, and (d) use or disclose the Company's confidential information except for the Company's exclusive benefit, all as more particularly set therein.

64. Pursuant to the Order of Justice \_\_\_\_\_ dated October \_\_\_\_\_, 2018, PGI obtained assignment of the benefit and interest of the Company in the Restrictive Covenants and the Company's Claims.

65. In breach of the Restrictive Covenants, Michael has engaged in businesses that manufacture or market shrink sleeves and other flexible packaging products, conducts related businesses and otherwise directly competes with the Company. Michael has also contacted and

solicited customers of the Company with respect to competitive services. Michael has also misused the Company's confidential information in furtherance of competitive businesses.

66. Michael has contacted customers of the Company in order to solicit flexible packaging and other competitive business from them, in violation of the Restrictive Covenants.

67. Michael has entered into an agreement with Repacorp Inc. ("**Repacorp**"), a US company carrying on business as a printer of products including but not limited to printing of shrink sleeves and flexible packaging products, in clear violation of the Restrictive Covenants. Repacorp is a direct competitor of the purchaser of the Company.

68. Michael has and is also violating the Restrictive Covenants through his involvement with Fast Track as more particularly pleaded herein.

69. Other examples of Michael's breach of the Restrictive Covenants will be provided prior to trial.

#### **FAST TRACK PACKAGING INC.**

70. In June 2015, Ryan incorporated Fast Track.

71. On a date unknown to the Plaintiff, Michael and Ryan caused the Company to enter into an exclusive customer relationship with Fast Track for the Company's shrink sleeves in the craft brew market. The relationship was not disclosed to the Board.

72. In the Canadian market, Michael and Ryan caused the Company to enter into a supplier arrangement with Fast Track at below market prices.

73. In the American market, Michael and Ryan caused the Company to enter into a supplier arrangement with Fast Track for no commercial purpose. Fast Track had no beneficial role in the supply of shrink sleeves to the American customer. Fast Track earned a margin from the Company that was not necessary to be paid and which substantially reduced the Company's profit.

74. The Company's retaining of Fast Track in both Canada and the United States of America as a supplier at below market rates and for no commercial purpose was not in the Company's best interests. The relationship was entered for the sole purpose of providing revenue to Ryan at the expense of the Company. Michael and Ryan have personally profited from the improper relationship between the Company and Fast Track as described herein.

75. In or about the spring 2016, for the first time the Board learned that the Company had entered into an agreement with Fast Track. The Board expressed its concern over the lack of transparency concerning the relationship and Michael's failure to obtain prior approval before entering the relationship with Fast Track. In response to the Board's concerns, Michael agreed to limit the scope of the Company's business with Fast Track. He further agreed to provide the Company with a thorough financial analysis of the business transacted between the Company and Fast Track.

76. In breach of his representations to the Board, Michael failed to provide the requested financial analysis to the Board.

77. In or about the first half of 2017, the Board learned that contrary to Michael's earlier representations, Michael and Ryan caused the Company to extend the scope of its business relationship with Fast Track to include the U.S. craft beer market. The Board further learned that Michael instructed Company employees to misrepresent financial information for the purpose of making the Fast Track business appear to be profitable to the Company.

78. The relationship between the Company and Fast Track structured, approved and implemented by Michael and Ryan caused the Company substantial damages, the particulars of which shall be provided prior to trial.

79. Since his termination from the Company, Michael has assisted Fast Track in engaging in activities that violate the Restrictive Covenants and compete with the Company and the purchaser of the Company's business. Michael's conduct is in breach of the Restrictive Covenants.

## **THE OTHER DEFENDANTS**

### **Joanne**

80. At all material times, while employed by the Company, Joanne was aware of, agreed to, condoned, acquiesced in and benefited from Michael's fraudulent conduct as described herein. Further, Joanne was aware of all payments made by the Company for Michael's personal expenses. Joanne also had access to and used the Company's credit card to pay personal expenses.

**Ryan**

81. Michael, Joanne and Ryan acted in agreement or with a common design by misappropriating Company's money for their personal benefit. Michael, Joanne and Ryan's conduct was directed to towards the Company and PGI. Michael, Joanne and Ryan knew or ought to have known that injury to the Plaintiffs was likely to occur from their wrongful conduct and that the conduct did cause the Plaintiffs harm.

82. Ryan was also hired by Michael as a Company employee and was paid by the Company. Ryan did not provide services or benefit to the Company commensurate with the wages paid to him.

**DAMAGES**

83. As a result of Michael's fraudulent conduct as pleaded herein, the Company and PGI have suffered substantial damages.

84. The Company paid personal expenses for Michael and his family in the amount of at least \$1.2 million. The investigation of Michael's fraudulent conduct is ongoing and may result in additional damages.

85. The Company incurred increased operating and finance expenses. The Company lost sales. Full particulars of the damages will be provided prior to the trial.

86. Because of the Defendants' fraudulent and wrongful conduct as pleaded herein, the Company was in a precarious financial position. Among other things, its secured creditors issued notices of default. Its cash flow was dramatically impacted. The Company's relationship with its customers and suppliers was compromised. The Company suffered a drastic diminution in value. By August 2018, the Company was no longer financially viable. The Company was placed in receivership.

87. PGI's entire investment of \$3 million made in June 2015 million in the Company has been lost. Its shares in the Company are worthless. In addition, because of Michael's fraudulent conduct as described herein, PGI funded capital contributions or loans to the Company in the amount of \$2,625,000. The funding was only necessitated because of Michael's actions and omissions as described herein. The entire funding is lost. The current total damage suffered by PGI is \$5,625,000 exclusive of interest and costs.

88. PGI relies upon the indemnity in Article V of the Share Purchase Agreement. PGI further claims damages against Michael and Holding for breach of their common law duties.

89. The Plaintiff is entitled to an accounting and disgorgement of all profits, compensation or benefits received by the Defendants as a result of their wrongful conduct as pleaded herein.

90. The Plaintiff has incurred substantial legal and other costs of investigating the wrongful conduct of the Defendants, particulars of which will be provided prior to trial.

91. The Defendants' actions were deliberately self-serving, egregious, high-handed and carried out with a callous disregard for the law. The Defendants' actions justify an award of punitive, exemplary and aggravated damages.

92. The Plaintiff proposes that this action be tried at Toronto, Ontario.

Date of Issue: October , 2018

**CHAITONS LLP**  
5000 Yonge Street, 10th Floor  
Toronto, ON M2N 7E9

**Stephen Schwartz**  
LSUC Registration No. 25980A  
Tel: (416) 218-1132  
Fax: (416) 218-1832

**Lawyers for the Plaintiff**

**SAFETY SEAL PLASTICS INC. ET AL.**

**MICHAEL BEDROSIAN ET AL.**

Plaintiffs

and

Defendants

Court File No.

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**ONTARIO  
SUPERIOR COURT OF JUSTICE**  
Proceedings commenced at TORONTO

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**STATEMENT OF CLAIM**

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**CHAITONS LLP**  
5000 Yonge Street, 10th Floor  
Toronto, ON M2N 7E9

**Stephen Schwartz**  
LSUC Registration No. 25980A  
Tel: (416) 218-1132  
Fax: (416) 218-1832

**Lawyers for the Plaintiffs**

DRAFT

## **TAB D**

## APPENDIX "D"

**In the Matter of the Receivership of Safety Seal Plastics Inc.  
Receiver's Statement of Receipts and Disbursements  
For the period from August 7 to October 11, 2018**

(Amounts include Cdn \$)

	<b>11-Oct-18</b>
<b>Receipts</b>	
Cash on hand	653
Proceeds from Sale of assets enbloc	2,881,121
Bank interest net of bank charges	774
<b>Total receipts</b>	<b>2,882,548</b>
<b>Disbursements</b>	
Distribution to secured creditor	485,000
Receiver's fees	51,988
Legal fees	61,152
GST/HST paid	14,693
Filing fees paid to Official Receiver	70
Bank charges	17
<b>Total Disbursements</b>	<b>612,921</b>
<b>Excess of Receipts and Disbursements</b>	<b>\$ 2,269,627</b>

# TAB E

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

HSBC BANK CANADA

Applicant

- and -

SAFETY SEAL PLASTICS INC.

Respondent

---

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**AFFIDAVIT OF HARTLEY M. BRICKS**  
**(Sworn October 11, 2018)**

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I, **Hartley M. Bricks** of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a Senior Vice-President of Deloitte Restructuring Inc., the court appointed receiver (the “**Receiver**”) of assets, undertakings and properties of Safety Seal Plastics Inc., (“**Safety Seal**”, the “**Debtor**” or the “**Company**”), acquired for, or used in relation to a business carried on by the Debtor (the “**Property**”). As such, I have personal knowledge of the matters to which I hereinafter refer.

2. Attached hereto as **Exhibit “A”** is a summary of the accounts issued by the Receiver for services rendered during the period July 27, 2018 to September 8, 2018 (the “**Period**”).

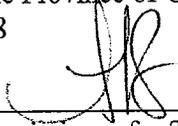
3. Attached hereto as **Exhibit “B”** are true copies of the accounts of the Receiver with respect to the Property for the Period, including a detailed description of the activities, number of hours worked, applicable hourly rates, and totals. The Receiver’s average hourly rate charged

over the Period is approximately \$464. I confirm that these accounts accurately reflect the services provided by the Receiver in this proceeding for the Period.

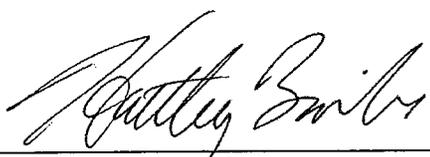
4. Based on my review of the accounts referred to herein and my personal knowledge of this matter, the accounts referred to herein represent a fair and accurate description of the services provided and the amounts charged by the Receiver.

5. I swear this affidavit in support of the Receiver's Motion for, among other things, approval of its fees and disbursements and for no other or improper purpose.

SWORN before me at the City of Toronto,  
in the Province of Ontario, on October 11,  
2018

  
\_\_\_\_\_  
Commissioner for Taking Affidavits

)  
)  
)  
)

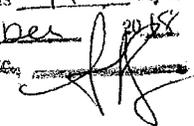
  
\_\_\_\_\_  
**HARTLEY M. BRICKS**

**Anna Koroneos, a Commissioner, etc.**  
Province of Ontario  
for Deloitte Restructuring Inc.  
Licensed Insolvency Trustee  
Expires June 3, 2019

Exhibit "A"

Summary of Invoices Issued by the Receiver of Safety Seal Plastics Inc.

<u>Invoice Date</u>	<u>Invoice Period</u>	<u>Fees</u>	<u>Disbursements</u>	<u>HST</u>	<u>Total</u>
18-Sep-18	27-Jul-18 to 10-Aug-18	\$ 50,851.50	\$ 1,136.86	\$ 6,758.49	\$ 58,746.85
19-Sep-18	11-Aug-18 to 07-Sep-18	43,275.50	-	5,625.82	48,901.32
		<u>\$ 94,127.00</u>	<u>\$ 1,136.86</u>	<u>\$12,384.31</u>	<u>\$107,648.17</u>

This is Exhibit A  
in the Affidavit of Hartley W. Bricks  
Sworn before me this 11<sup>th</sup> day of  
October 2018  
A Commissioner, etc. 

Anna Koroneos, a Commissioner, etc.,  
Province of Ontario  
for Deloitte Restructuring Inc.,  
Licensed Insolvency Trustee,  
Expires June 3, 2019.



This is Exhibit B in the Affidavit of Hartley M. Brich sworn before me this 11<sup>th</sup> day of October 2018  
 A Commissioner, etc. *[Signature]*

*[Signature]*  
 Anna Koroneos, a Commissioner, etc.  
 Province of Ontario  
 for Deloitte Restructuring Inc.  
 Licensed Insolvency Trustee  
 Expires June 8, 2019

**Invoice 8000234491**

Deloitte Restructuring Inc.  
 Bay Adelaide Centre  
 8 Adelaide Street West, Suite 200  
 Toronto ON M5H 0A9

Tel: (416) 601-6150  
 Fax: (416) 601-6151  
 www.deloitte.ca

Date: September 19, 2018  
 Client No.: 1136634  
 WBS#: HON00067  
 Engagement Partner: Paul Casey  
 HST Registration: 12289 3605

ATTN: Paul Casey, Senior Vice-President  
 Deloitte Restructuring Inc.  
 8 Adelaide St. West, Suite 200  
 Toronto ON M5H 0A9  
 Canada

**For professional services rendered**

**Fees**  
 For services rendered by Deloitte Restructuring Inc. as Court appointed receiver of Safety Seal Plastics Inc. (the "Company") for the period August 11, 2018 to September 7, 2018.

Please see the attached appendices for details.

HST applicable 43,275.50

**Sales Tax**

HST at 13.00% 5,625.82

**Total Amount Due (CAD) 48,901.32**

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.



Invoice Number 8000234491  
September 19, 2018

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Deloitte Restructuring Inc.	1136634	8000234491	48,901.32	Payment for invoice 8000234491

**Contact:**

Please send payment confirmation by email to: [receivablesdebiturs@deloitte.ca](mailto:receivablesdebiturs@deloitte.ca), and reference the invoice number(s) paid

**Payment Options**

**1. EFT Payments(remittance email mandatory):**

**Preferred Method**

The Bank of Nova Scotia  
Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

**For CAD Dollar (\$) Payments, pay:**

**For USD Dollar (\$) Payments, pay:**

**ABA/Transit Routing:** 47696002  
**Account Number:** 1590219

**ABA/Transit Routing:** 47696002  
**Account Number:** 1363514

**2. Wire Payment:**

The Bank of Nova Scotia  
Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

**For CAD Dollar (\$) Payments, pay:**

**For USD Dollar (\$) Payments, pay:**

**Account Number:** 476961590219  
**Swift Code:** NOSCCATT

**Account Number:** 476961363514  
**Swift Code:** NOSCUS33

**3. Online Payment:**

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

**Please note we do not accept Interac e-Transfers.**

**4. Cheque payments, please mail to:**

**For CAD Dollar (\$) Payments, pay:**  
DELOITTE MANAGEMENT SERVICES LP  
c/o T04567C  
PO Box 4567, Stn A  
Toronto ON M5W 0J1

**For USD Dollar (\$) Payments, pay:**  
DELOITTE MANAGEMENT SERVICES LP  
c/o T04567U  
PO Box 4567, Stn A  
Toronto ON M5W 0J1

# Deloitte.

## Appendix # 1

Summary of Fees				
Professional	Position	Hours	Rate	
Casey, Paul	Partner	2.2	\$650	\$ 1,430.00
Bricks, Hartley	Director	39.5	\$550	21,725.00
Koroneos, Anna	Senior Manager	0.9	\$470	423.00
Greenbaum, Stacey	Senior	48.0	\$375	18,000.00
Watson, Devin	Analyst	3.6	\$225	810.00
Rose Brown	Trust Administrator	7.1	\$125	887.50
Total hours and professional fees		101.3		43,275.50
				HST@13% 5,625.82
Amount Payable (CAD)				\$ 48,901.32

# Deloitte

## Appendix # 2

Date	Professional	Narrative	Hours
8/13/2018	Bricks, Hartley	Review various correspondence to creditors; prepare correspondence to landlord; respond to various inquiries from purchaser.	4.5
8/13/2018	Greenbaum, Stacey	Onsite at client; draft and send notice to various creditors; discussions with creditors re receivership; discussion with Labelink.	8.0
8/13/2018	Brown, Rose	Trust administration: update website page; update spreadsheet of creditors for importing into Ascend; mailing to creditors, prepare labels, copy notices and label, stuff envelopes and take to mail room.	2.1
8/14/2018	Casey, Paul	Discussion S. Greenbaum regarding residual receivership administration; email H. Bricks regarding payroll and other.	0.5
8/14/2018	Bricks, Hartley	Review and respond to various correspondence regarding creditor claims; discussion with F. Tannura re life insurance policy; correspondence with M. Forte re wire transfer and HP Assets; various discussion with S. Greenbaum re status; correspondence with M. Cote re asset removal.	5.0
8/14/2018	Koroneos, Anna	With S. Greenbaum on WEPP; review of Receiver's Information Form; work through one terminated employee; edit and forward Proof of Claim and schedule A.	0.5
8/14/2018	Greenbaum, Stacey	Draft and send notice to various creditors; discussions with creditors re receivership; WEPPA packages for employees.	6.0
8/14/2018	Brown, Rose	Trust banking administration: complete the set up of the estate on Ascend; import creditor listing in Ascend; set up bank account on Ascend; prepare deposit slip and take to the bank; prepare labels.	1.9
8/14/2018	Watson, Devin	Prepare the Proof of Claim and other documents to send to all terminated employees in line with WEPP.	3.0
8/15/2018	Casey, Paul	Meeting H. Bricks regarding status.	0.2
8/15/2018	Bricks, Hartley	Review and respond to various correspondence from creditors; discussion with S. Bourchard regarding creditor issues; correspondence with M. Forte re Silvercreek Warehouse lease and creditor matters; discussion with P. Casey regarding status of various matters.	4.2
8/15/2018	Greenbaum, Stacey	Discussions with various creditors and Labelink.	3.0
8/15/2018	Watson, Devin	Prepare and mail vendor continuation and Vendor termination letters.	0.6
8/15/2018	Brown, Rose	Trust banking administration: confirm wire received and input in Ascend.	2.0

Date	Professional	Narrative	Hours
8/16/2018	Bricks, Hartley	Various correspondence with creditors; review of correspond concerning warehouse and various emails with M. Forte re same and prepare response to landlord; correspondence with F. Tannura re insurance policy; correspondence with TGF re life insurance.	5.5
8/16/2018	Greenbaum, Stacey	Draft and send notice to various creditors; discussions with creditors re receivership; discussion with Labelink.	5.0
8/17/2018	Bricks, Hartley	Review of correspondence and provide comments to S. Greenbaum; respond to creditor inquiries.	1.5
8/20/2018	Casey, Paul	Teleconference Aird & Berlis regarding Sun claim on pouch machine and Court attendance for distribution; meeting H. Bricks.	0.5
8/20/2018	Bricks, Hartley	Various correspondence with M. Forte re Sun Centre and other creditor matters; review of draft correspondence to creditors and provide comments; prepare for distribution motion.	2.5
8/20/2018	Greenbaum, Stacey	Draft and send notice to various creditors; discussions with creditors re receivership; discussion with Labelink.	3.0
8/21/2018	Bricks, Hartley	Prepare for and attend court for distribution motion; review of various correspondence to creditors; correspondence with M. Cote of Labelink re his call with Sun Centre re ownership of assets.	3.8
8/21/2018	Greenbaum, Stacey	Draft and send notice to various creditors; discussions with creditors re receivership; discussion with Labelink.	2.0
8/22/2018	Brown, Rose	Trust banking administration: prepare of disbursement cheque and print back up; update website page.	0.8
8/22/2018	Greenbaum, Stacey	Discussions with creditors re receivership; discussion with Labelink.	3.0
8/23/2018	Casey, Paul	Meeting S. Greenbaum; RBC distribution.	0.1
8/24/2018	Greenbaum, Stacey	Proof of claims for WEPP.	1.0
8/27/2018	Bricks, Hartley	Review of correspond from landlord and discuss same with P. Casey and M. Forte; correspondence regarding charges to account and review documents re same and discussion with A. O'Coin; review and respond to various correspondence with purchaser.	3.0
8/27/2018	Casey, Paul	Meeting H. Bricks re landlord claim and teleconference HSBC.	0.5
8/27/2018	Greenbaum, Stacey	Discussions with creditors; discussions with Labelink; discussions with HSBC re account balances.	3.0
8/28/2018	Bricks, Hartley	Telephone message to D. Perrott re Silvercreek Warehouse and prepare correspond regarding same; various correspondence with creditors.	2.4
8/28/2018	Greenbaum, Stacey	Discussions with creditors; discussions with terminated employees.	2.0
8/28/2018	Koroneos, Anna	Request audit from CRA; follow up call to Insolvency unit.	0.1
8/29/2018	Casey, Paul	Review emails from Landlord and discuss response with H. Bricks.	0.4

Date	Professional	Narrative	Hours
8/29/2018	Bricks, Hartley	Review and respond to correspondence with Silvercreek Warehouse landlord including discussion with P. Casey re same; discussion with Peter of BDO re priority claims and other matters.	2.0
8/29/2018	Greenbaum, Stacey	Discussions with creditors; discussions with Labelink.	2.0
8/30/2018	Bricks, Hartley	Various correspondence regarding payroll audit; correspondence with HSBC re USD cheque charge backs.	1.5
8/30/2018	Greenbaum, Stacey	CRA audit coordination; discussions with creditors.	1.5
8/30/2018	Koroneos, Anna	Discussion on audits and required trust information with S. Greenbaum.	0.2
8/31/2018	Bricks, Hartley	Correspondence with HSBC re charge backs and review of same; correspondence with Purchaser re payroll audit and requirement for same.	2.7
8/31/2018	Greenbaum, Stacey	POC for terminated employees.	0.5
9/4/2018	Bricks, Hartley	Various correspondence concerning landlord claims.	0.5
9/4/2018	Brown, Rose	Complete Affidavit of mailing and scan save on Q Drive.	0.3
9/4/2018	Greenbaum, Stacey	POC received and filed; coordination for CRA audit.	2.0
9/5/2018	Bricks, Hartley	Discussion with S. Greenbaum re prepaid hydro deposit; correspondence with M. Forte re removal of HP equipment.	0.4
9/5/2018	Koroneos, Anna	With S. Greenbaum on CRA audit and requirements for document retrieval.	0.1
9/5/2018	Greenbaum, Stacey	Discussions with creditors and Labelink.	1.0
9/7/2018	Greenbaum, Stacey	Onsite at premises for CRA audit.	5.0
Total			101.3

83



**Invoice 8000233826**

**Deloitte Restructuring Inc.**  
Bay Adelaide Centre  
8 Adelaide Street West, Suite 200  
Toronto ON M5H 0A9

ATTN: Paul Casey, Senior Vice-President  
Deloitte Restructuring Inc.  
8 Adelaide St. West, Suite 200  
Toronto ON M5H 0A9  
Canada

Tel: (416) 601-6150  
Fax: (416) 601-6151  
www.deloitte.ca

Date: September 18, 2018  
Client No.: 1136634  
WBS#: HON00067  
Engagement Partner: Paul Casey  
HST Registration: 12289 3605

**For professional services rendered**

**Fees**

For services rendered by Deloitte Restructuring Inc. as Court appointed receiver of Safety Seal Plastics Inc. (the "Company") for the period July 27, 2018 to August 10, 2018.

Please see the attached appendices for details.

HST applicable 50,851.50

**Expense**

HST applicable 1,136.86

**Sales Tax**

HST at 13.00% 6,758.49

**Total Amount Due (CAD) 58,746.85**

Accounts shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty(30) days after the invoice date to the date on which the entire account is paid.

84

Use the following payment methods and ensure your payment contains the details provided in the example.

Client Name	Client#	Invoice#	Amount (CAD)	Comments
Deloitte Restructuring Inc.	1136634	8000233826	58,746.85	Payment for invoice 8000233826

**Contact:**

Please send payment confirmation by email to: [receivablesdebiturs@deloitte.ca](mailto:receivablesdebiturs@deloitte.ca), and reference the invoice number(s) paid

## Payment Options

**1. EFT Payments (remittance email mandatory):****Preferred Method**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

**For CAD Dollar (\$) Payments, pay:****ABA/Transit Routing:** 47696002**Account Number:** 1590219**For USD Dollar (\$) Payments, pay:****ABA/Transit Routing:** 47696002**Account Number:** 1363514**2. Wire Payment:**

The Bank of Nova Scotia

Business Service Centre, 20 Queen Street West, 4th Floor, Toronto, Ontario M5H 3R3

**For CAD Dollar (\$) Payments, pay:****Account Number:** 476961590219**Swift Code:** NOSCCATT**For USD Dollar (\$) Payments, pay:****Account Number:** 476961363514**Swift Code:** NOSCUS33**3. Online Payment:**

Select either Deloitte LLP or Deloitte S.E.N.C.R.L./s.r.l. through your financial institution and quote the seven digits of the Client No. shown above.

**Please note we do not accept Interac e-Transfers.**

**4. Cheque payments, please mail to:**

**For CAD Dollar (\$) Payments, pay:**  
DELOITTE MANAGEMENT SERVICES LP  
c/o T04567C  
PO Box 4567, Stn A  
Toronto ON M5W 0J1

**For USD Dollar (\$) Payments, pay:**  
DELOITTE MANAGEMENT SERVICES LP  
c/o T04567U  
PO Box 4567, Stn A  
Toronto ON M5W 0J1



85

## Appendix # 1

Summary of Fees				
Professional	Position	Hours	Rate	
Casey, Paul	Partner	19.3	\$650	\$ 12,545.00
Sleeth, Jordan	Partner	3.5	\$650	2,275.00
Bricks, Hartley	Director	48.7	\$550	26,785.00
Koroneos, Anna	Senior Manager	1.2	\$470	564.00
Damiani, Stefano	Senior Manager	2.0	\$470	940.00
Greenbaum, Stacey	Senior	39.0	\$375	14,625.00
Watson, Devin	Analyst	1.3	\$225	292.50
Rose Brown	Trust Administrator	2.6	\$125	325.00
Total hours and professional fees		117.6		58,351.50
Less: Accrual on previous invoice for estimated fees to August 6, 2018				(7,500.00)
				50,851.50
			<u>Out of Pocket Expenses</u>	
			Travel	692.81
			Postage	329.47
			Meals	114.58
			Subtotal	51,988.36
			HST@13%	6,758.49
			<b>Amount Payable (CAD)</b>	<b>\$ 58,746.85</b>

# Deloitte.

## Appendix # 2

Date	Professional	Narrative	Hours
7/27/2018	Sleeth, Jordan	QA Review of draft IBR report, meet with A. Koroneos to provide comments.	3.5
7/28/2018	Casey, Paul	Review of various emails; TC with counsel; receivership operations and planning.	7.0
7/30/2018	Casey, Paul	Emails from counsel re closing and transitional matters; emails to H. Bricks; voicemail from BDC.	0.2
7/30/2018	Bricks, Hartley	Review of application materials; review of various correspondence from P. Casey, DJ Miller and M. Forte; discussion with F. Tannura re status and meeting with purchaser; discussion with P. Naumis of BDO re private receivership for BDC; conference call to discuss closing matters.	5.5
8/1/2018	Bricks, Hartley	Review and revise correspondence for receivership; review Labelink correspondence and respond to same; review and provide comments on draft security opinions.	4.0
8/2/2018	Casey, Paul	Emails regarding various Labelink transition and closing matters; prepare for Court.	1.0
8/2/2018	Bricks, Hartley	Receivership preparation; correspondence with counsel concerning closing documents; review of draft correspondence; discussion with A. O'Coin re frozen account and correspondence with S. Bouchard re same.	5.0
8/2/2018	Greenbaum, Stacey	Prepare letters for receivership.	1.0
8/3/2018	Bricks, Hartley	Various correspondence with counsel re pre-receivership matters.	2.2
8/3/2018	Greenbaum, Stacey	Prepare letters (bank, insurance, lease, utilities) for receivership.	1.0
8/6/2018	Casey, Paul	Review emails regarding closing; cash adjustment; email H. Bricks.	0.1
8/7/2018	Casey, Paul	Review amended order; prepare for meeting with H. Bricks; attend Superior Court of Justice; receivership planning; teleconference H. Bricks regarding first day activities; email to HSBC.	3.5
8/7/2018	Bricks, Hartley	Prepare for and attend court for receivership application; attend premises meet with F. Tannura; meet with employees; meet with representatives of Labelink; various correspondences re closing matters.	11.0
8/7/2018	Damiani, Stefano	Instructions to S. Greenbaum on immediate receivership matters, emails on same.	0.5
8/7/2018	Greenbaum, Stacey	In court re receivership application; onsite at client re meetings with employees and purchaser.	11.0

Date	Professional	Narrative	Hours
8/7/2018	Brown, Rose	Trust / estate administration: send email to open RBC Trust Bank Account; set up website page; revise as requested, upload document and check page into upload to live website page.	1.3
8/7/2018	Watson, Devin	Fill out letters of termination with employee name and signature.	1.0
8/8/2018	Casey, Paul	Review closing documents and execute as appropriate; emails re Lift Truck lease; conference call with GSNH; review and comment on Operating Line statement.	1.0
8/8/2018	Bricks, Hartley	Various correspondences re closing matters; various discussions with HSBC re adjustment amount; various discussions with purchaser re priority payables and transition matters; discussion with supplier re 30-day goods claim and correspondence with M. forte re same.	10.0
8/8/2018	Koroneos, Anna	Emails with S. Greenbaum and call to discuss WEPP; forward property claim and 30 day goods claim to H. Bricks; discussion with Stacey of Trustee information form.	0.8
8/8/2018	Greenbaum, Stacey	Onsite at client; draft and send notice to various creditors; discussions with creditors re receivership; WEPPA calculation; discussion with Labelink.	10.0
8/8/2018	Brown, Rose	Estate administration: review and clean-up creditor list spreadsheet for importing into Ascend and for the preparation of labels for mailing.	1.0
8/9/2018	Casey, Paul	Emails and teleconference H. Bricks regarding status; email from Labelink counsel regarding Chargebacks; discussion with A. O'Coin and draft response and Undertaking; various emails regarding negotiation and execution of closing documents.	5.5
8/9/2018	Bricks, Hartley	Conference call with P. Casey and A. O'Coin re closing adjustments; various correspondence and discussion re closing matters; prepare correspond to various claims re stay of proceedings; meeting with representativeness of purchaser to review contracts.	8.5
8/9/2018	Koroneos, Anna	Telephone discussion with S. Greenbaum regarding Notice and Statement of Receiver and WEPP Information Form.	0.4
8/9/2018	Greenbaum, Stacey	Onsite at client; draft and send notice to various creditors; discussions with creditors re receivership; discussion with Labelink.	8.0
8/9/2018	Brown, Rose	Update website page.	0.3
8/9/2018	Watson, Devin	Print and mail vehicle release letters.	0.3
8/10/2018	Casey, Paul	Emails and follow up regarding closing of sale to Labelink; arrange for filing of certificate.	1.0
8/10/2018	Bricks, Hartley	Various correspondence and discussion with counsel and the purchaser re closing; review of correspondence to creditors.	2.5
8/10/2018	Damiani, Stefano	Review Receiver's Certificate and correspondence with M. Forte and K. Parent of GSNH on same; attend at the Offices of GSNH re closing of sale transaction; respond to queries on Notice and Statement of the Receiver.	1.5

Date	Professional	Narrative	Hours
8/10/2018	Greenbaum, Stacey	Onsite at client: draft and send notice to various creditors; discussions with creditors re receivership; discussion with Labelink.	8.0
Total			117.6

# TAB F

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

**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**AFFIDAVIT OF MARIO FORTE  
(sworn October 12, 2018)**

I, Mario Forte, of the City of Toronto, hereby MAKE OATH AND SAY:

1. I am a barrister and solicitor qualified to practice in the Province of Ontario and am counsel to the law firm of Goldman Sloan Nash & Haber LLP (“GNSH”) and therefore have knowledge of the matters in this affidavit. Where this affidavit is based on information and belief, I have stated the source of that information and believe it to be true.
2. GNSH are lawyers of record for Deloitte Restructuring Inc., in its capacity as Court-appointed receiver (the “Receiver”), without security, of all the assets, undertakings and properties used in connection (collectively, the “Property”) of Safety Seal Plastics Inc. (the “Debtor”).
3. Attached as **Exhibit “A”** to this affidavit are copies of the invoices rendered by GNSH to the Receiver for fees and disbursements incurred by GNSH in this proceeding for the period from July 9, 2018 to September 27, 2018.
4. Attached as **Exhibit “B”** to this Affidavit is a schedule summarizing each entry in Exhibit “A”, the total billable hours charged and the total fees charged.



**Exhibit "A"**



This is Exhibit "A" referred to in the affidavit of Mario Forte sworn before me at Toronto this 12 day of October, 2018.  
*[Signature]*  
A Commissioner for taking Affidavits for Ontario

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Suite 1600  
480 University Avenue  
Toronto, Ontario  
M5G1V2

**Katie Marie Parent,**  
a Commissioner, etc., Province of Ontario,  
for Goldman Sloan Nash & Haber LLP,  
Barristers and Solicitors.  
Expires June 6, 2021.

Telephone: (416) 597-9922  
Facsimile: (416) 597-3370

Deloitte Restructuring Inc.  
Bay Adelaide Centre  
22 Adelaide St. West, Suite 200  
Toronto, ON M5H 0A9  
Canada

Billing Lawyer Mario Forte  
Invoice No. 170316  
HST # 12233 6290 RT0001  
Invoice Date October 3, 2018

Attention: Paul Casey

Client ID: 010004 Matter ID: 0007

RE: Receivership of Safety Seal Plastics Inc.

**FOR PROFESSIONAL SERVICES RENDERED for the period July 9, 2018 to September 27, 2018**

Date	Professional	Narrative	Hours	Rate	Amount
07/09/18	MJF	Discussions concerning logistics of transaction and LOI;	0.20	585.00	117.00
07/25/18	MJF	Engaged in review of receivership materials and related discussions and advice on process among counsel; commencing review of various background documents with a view to preparation of opinions and issues related to sale process;	0.20	585.00	117.00
07/26/18	MJF	Discussions among counsel to establish applicants and various procedural matters related to sale etc.; discussions among lenders counsel to address security review and process matters; commence review of pre-receivership report; reviewing draft application etc.;	3.40	585.00	1,989.00
07/27/18	MMC	Conduct Corporate Profile and Certified PPSA search against Safety Seal Plastics Inc.;		Fixed Fee	60.00
07/27/18	MJF	Discussions among counsel to address logistics of filing and funding the receivership and distribution; revising the pre-receivership report; continuing with security review and preparation of security opinions; discussions among counsel to address various	4.40	585.00	2,574.00



**ACCOUNTS ARE DUE WHEN RENDERED**

Pursuant to the Solicitor's Act interest at a rate of 3.00% per annum will be charged on amounts due, calculated commencing one month after the date of delivery of this account. Any disbursements recorded after preparation of this account will be billed at a later date.

Date	Professional	Narrative	Hours	Rate	Amount
		conditions to APS and various outstanding issues; review of amended pre-receivership report; reviewing various court materials etc.;			
07/28/18	MJF	Discussions and advice concerning bridge to closing following receivership order and the like;	0.40	585.00	234.00
07/30/18	MJF	Discussions with BDC counsel concerning order carve-out and related matters; discussions among counsel concerning logistical matters;	0.90	585.00	526.50
07/31/18	MJF	Advice and discussions concerning treatment of BDC collateral in the receivership order; advising on various issues affecting distribution and receivership matters; continuing additional PPSA registrations etc.;	1.40	585.00	819.00
08/01/18	MJF	Addressing various legal issues among stakeholders and advice concerning treatment of stakeholders claims etc.;	1.10	585.00	643.50
08/02/18	MJF	Advice and guidance on operational issues arising from receivership and transaction timing;	0.70	585.00	409.50
08/03/18	MJF	Addressing BDC issues and various other matters affecting receivership process;	1.10	585.00	643.50
08/04/18	MJF	Review closing agenda and discussions and advice concerning logistics of closing and related advice;	0.40	585.00	234.00
08/06/18	MJF	Engaged in discussions with purchaser's counsel re: closing issues; addressing employment offers and logistics thereto; addressing issues of expunging security interests in AVO and the like;	3.20	585.00	1,872.00
08/07/18	KP	Receiving instructions from M. Forte; reviewing application record and pre-filing report; reviewing Appointment Order and Approval and Vesting Order granted today by the Court; drafting Distribution Order;	2.00	250.00	500.00
08/07/18	MJF	Discussions concerning APS adjustments; preparing for court-submissions; engaged in discussions among counsel to address closing matters; attend court;	2.40	585.00	1,404.00
08/08/18	KP	Revising draft Distribution order; drafting First Report of the Receiver; correspondence with M. Forte regarding same; preparing Notice of Motion;	4.60	250.00	1,150.00
08/08/18	MJF	Review of draft of distribution materials; engaged with counsel re closing matters: addressing numerous issues re: closing logistics and operations from purchaser's counsel re: closing process;	1.60	585.00	936.00
08/09/18	MJF	Reviewing distribution materials; engaged in numerous closing issues discussions among the participants;	2.10	585.00	1,228.50

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Date	Professional	Narrative	Hours	Rate	Amount
08/09/18	KP	Drafting and revising Notice of Motion; email to client enclosing draft report and order for review and comment; revising same; correspondence to and from with respect to closing matters; further revisions to draft report;	5.50	250.00	1,375.00
08/10/18	MJF	Engaged in finalizing distribution materials; engaged in numerous discussions and advice re: closing details and advising on stakeholders claims etc.;	2.20	585.00	1,287.00
08/10/18	KP	Revising service list; correspondence with P. Fesharaki regarding same; preparing motion record; finalizing report and notice of motion; preparing copies of record for service via courier; serving motion record on service list; attendance at court to file motion record and monitor's certificate; various correspondence regarding report and closing matters;	5.20	250.00	1,300.00
08/17/18	KP	Preparing materials for M. Forte for August 21, 2018 hearing date;	0.20	250.00	50.00
08/20/18	KP	Finalizing order for Tuesday hearing; correspondence with Court regarding same; reporting to M. Forte;	0.50	250.00	125.00
08/21/18	KP	Attendance at Commercial List to have order issued; circulating same to service list and J. Nemers; reporting to M. Forte;	1.50	250.00	375.00
08/22/18	MJF	Dealing with issues named by purchaser on vesting issues;	0.40	585.00	234.00
08/27/18	MJF	Dealing with inquiries from VW credit and discussions with counsel thereon;	0.30	585.00	175.50
08/29/18	MJF	Dealing with counsel on assignment of claim against former officer;	0.10	585.00	58.50
09/03/18	MJF	Review of LL issues regarding clean-up of vacated premises and providing advice thereon;	0.50	585.00	292.50
09/04/18	MJF	Dealing with claims assignment and review of Bank items; review of LL clean-up issues;	0.30	585.00	175.50
09/05/18	MJF	Advising on and dealing with HP recovery of assets;	0.50	585.00	292.50
09/06/18	MJF	Discussions re: claims assignment;	0.10	585.00	58.50
09/07/18	MJF	Discussions re: claims assignment;	0.10	585.00	58.50
09/11/18	MJF	Discussions re: claims assignment;	0.10	585.00	58.50
09/12/18	MJF	Discuss format agreement re: claims assignment to Bank counsel;	0.10	585.00	58.50
09/14/18	MJF	Discuss format agreement re: claims assignment to	0.10	585.00	58.50

Date	Professional	Narrative	Hours	Rate	Amount
		Bank counsel;			
09/17/18	MJF	Dealing with and review of claim assignment;	0.10	585.00	58.50
09/19/18	MJF	Dealing with claims assignment;	0.20	585.00	117.00
09/20/18	MJF	Dealing with claims assignment;	0.20	585.00	117.00
09/21/18	MJF	Dealing with claims assignment;	0.10	585.00	58.50
09/23/18	MJF	Dealing with claims assignment;	0.10	585.00	58.50
09/24/18	MJF	Dealing with claims assignment;	0.20	585.00	117.00
09/25/18	MJF	Dealing with claims assignment;	0.10	585.00	58.50
09/26/18	MJF	Dealing with claims assignment;	0.10	585.00	58.50
09/27/18	MJF	Dealing with claims assignment	0.10	585.00	58.50
<b>Sub-Total Fees:</b>					22,192.50
<b>HST on Fees:</b>					2,885.03

**SUMMARY OF PROFESSIONAL SERVICES**

PROFESSIONAL	HOURS	HOURLY RATE	AMOUNT
May May Co		Fixed Fee	60.00
Katie Parent	19.50	250.00	4,875.00
Mario Forte	29.50	585.00	17,257.50
	49.00		22,192.50

**DISBURSEMENTS**

	Photocopies	13.50
	Laser Copies	164.25
	Courier	115.76
	Telephone Charges	55.53
	On Corp. Fee	28.40
	OnCorp. Gov't Fee *	16.00
08/09/2018	Minister of Finance; Filing a Motion record *	160.00

**Sub-Total Disbursements:** 553.44  
 Disbursements marked with \* indicate exempt  
**HST on Disbursements:** 49.07

**TOTAL LEGAL FEES AND DISBURSEMENTS (includes \$2,934.10 HST):** \$ 25,680.04

**THIS IS OUR ACCOUNT HEREIN**

**GOLDMAN SLOAN NASH & HABER LLP**



Per: Mario Forte

E. & O. E.

**Exhibit "B"**

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Court File No. CV-18-00602325-00CL

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

**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**Billing Summary of Goldman Sloan Nash & Haber LLP  
(From July 9, 2018 to September 27, 2018)**

Invoice No.	Date	Period Ending	Hours	Fees	Disbursements	HST	Total
170316	October 3, 2018	September 27, 2018	49.0	\$22,192.50	\$553.44	\$2,934.10	\$25,680.04
<b>TOTAL</b>			<b>49.0</b>	<b>\$22,192.50</b>	<b>\$553.44</b>	<b>\$2,934.10</b>	<b>\$25,680.04</b>

Timekeeper	Title	Hours	Amount
Mario Forte	Counsel	29.50	\$17,257.50
Katie Parent	Law Clerk	19.50	\$4,875.00
May May Co	Law Clerk	n/a (fixed fee)	\$60.00
<b>TOTAL</b>		<b>49.00</b>	<b>\$22,192.50</b>

This is Exhibit "B" referred to in the affidavit of Mario Forte sworn before me at Toronto this 12 day of October, 2018.

  
A Commissioner for taking Affidavits for Ontario  
**Katie Marie Parent,**  
a Commissioner, etc., Province of Ontario,  
for Goldman Sloan Nash & Haber LLP,  
Barristers and Solicitors.  
Expires June 6, 2021.

**Blended Hourly Rate (\$/hour)      \$452.91**

**HSBC BANK CANADA**  
Applicant

and

**SAFETY SEAL PLASTICS INC.**  
Respondent

Court File No.: CV-18-00602325-00CL

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

Proceeding commenced at Toronto

**AFFIDAVIT OF MARIO FORTE**  
sworn October 12, 2018

**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
Toronto, Ontario M5G 1V2  
Fax: 416-597-6477

**Mario Forte (LSUC#: 27293F)**  
Tel: 416.597.6477  
Email: [forte@gsnh.com](mailto:forte@gsnh.com)

Lawyers for the Receiver, Deloitte Restructuring Inc.

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**HSBC BANK CANADA**

and

**SAFETY SEAL PLASTICS INC.**

Court File No.: CV-18-00602325-00CL

Applicant

Respondent

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

Proceeding commenced at Toronto

**SECOND REPORT OF THE RECEIVER,  
DELOITTE RESTRUCTURING INC.**

**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
Toronto, Ontario M5G 1V2  
Fax: 416-597-6477

**Mario Forte (LSUC#: 27293F)**  
Tel: 416.597.6477  
Email: [forte@gsnh.com](mailto:forte@gsnh.com)

Lawyers for the Receiver, Deloitte Restructuring Inc.

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## **TAB 3**

Court File No. CV-18-00602325-00CL

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

THE HONOURABLE \_\_\_\_\_ ) TUESDAY, THE 16<sup>th</sup>  
JUSTICE \_\_\_\_\_ ) DAY OF OCTOBER, 2018

**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**APPROVAL AND VESTING ORDER  
(Assignment of Certain Claims)**

**THIS MOTION** made by Deloitte Restructuring Inc., in its capacity as the Court-appointed Receiver (in such capacity, the “**Receiver**”), without security, of all the assets, undertakings and properties used in connection (collectively, the “**Property**”) of Safety Seal Plastics 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.

**ON READING** the second report of the Receiver dated October •, 2018 and the Appendices thereto (the “**Second Report**”) and on hearing the submissions of counsel for the Receiver, Packaging Growth Investors, LLC (“**PGI**”), HSBC Bank Canada, and such other

counsel listed on the Counsel Slip, no one appearing for any other person on the service list, although properly served as appears from the affidavit of Katie Parent sworn October 3, 2018, filed.

All capitalized terms herein shall unless otherwise indicated have the meanings ascribed to them in the Assignment Agreement (as defined below).

**SERVICE**

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

2. **THIS COURT ORDERS** that the assignment agreement made as of October 3, 2018 between the Receiver and PGI (the “**Assignment Agreement**”) is hereby approved, and the execution of the Assignment Agreement by the Receiver is hereby authorized and approved, and that the Receiver be and is hereby authorized to do all things necessary to carry out the terms of the Assignment Agreement.

3. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver’s certificate to the Assignee substantially in the form attached as Schedule “A” hereto (the “**Receiver’s Certificate**”), all of the Applicant’s right, title and interest in and to the Safety Seal Claims shall vest absolutely in the Assignee, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or

filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Dunphy dated August 7, 2018; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal or movable property registry system in any provinces or territories in Canada, including, without limitation, under the Civil Code of Quebec (all of which are collectively referred to as the “**Encumbrances**”), which term shall not include the obligations of the parties under the Assignment Agreement. This Court orders that all of the Encumbrances affecting or relating to the Safety Seal Claims are hereby expunged and discharged as against the Safety Seal Claims.

4. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Safety Seal Claims in the Assignee pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or

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provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

5. **THIS COURT ORDERS** that the Assignment is on a without recourse basis, and that neither the Receiver nor HSBC shall be liable for any costs or otherwise in connection with the pursuit of any claims or causes of action, whether through litigation proceedings or otherwise in any way relating to the Safety Seal Claims.

6. **THIS COURT FURTHER ORDERS** that the Assignee is required to advise any party to any litigation proceeding, and any Court in any litigation proceeding relating to the Safety Seal Claims of the existence of and terms of this Order.

7. **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 Debtor and the Receiver and their respective 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 Debtor and the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Debtor and the Receiver and their respective agents in carrying out the terms of this Order.

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**Schedule "A" - Form of Receiver's Certificate**

Court File No. CV-18-00602325-00CL

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

THE HONOURABLE \_\_\_\_\_ ) TUESDAY, THE 16<sup>th</sup>  
 )  
JUSTICE \_\_\_\_\_ ) DAY OF OCTOBER, 2018

**HSBC BANK CANADA**

Applicant

- and -

**SAFETY SEAL PLASTICS INC.**

Respondent

APPLICATION UNDER SUBSECTION 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

**RECEIVER'S CERTIFICATE  
(Safety Seal Claims)**

**RECITALS**

A. Pursuant to an Order of the Honourable Justice Dunphy of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated August 7, 2018, Deloitte Restructuring Inc. was appointed as the receiver of property of Safety Seal Plastics Inc (the "Debtor") as more particularly set out in such Order (the "Receiver").

B. Pursuant to an Order of the Court made as of October ■, 2018, the Court approved the Assignment Agreement made as of October 3, 2018 (the "Assignment Agreement") assigning the Debtor's right, title and interest, if any in and to the Safety Seal Claims as defined in the

Assignment Agreement between the Receiver and Packaging Growth Investors, LLC. (the "Assignee") and provided for the vesting in the Assignee of the Debtor's right, title and interest in and to the Safety Seal Claims, which vesting is to be effective with respect to such claims upon the delivery by the Receiver to the Assignee of a certificate confirming that the condition set out in paragraph 5 of the Assignment Agreement have been satisfied.

Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Assignment Agreement.

THE RECEIVER CERTIFIES the following:

1. The condition to completion of the Assignment as set out in paragraph 5 of the Assignment Agreement has been satisfied; and
2. The Assignment has been completed to the satisfaction of the Receiver.

This Certificate was delivered by the Receiver at \_\_\_\_\_ [TIME] on \_\_\_\_\_ [DATE].

---

**HSBC BANK CANADA**

and

**SAFETY SEAL PLASTICS INC.**

Court File No.: CV-18-00602325-00CL

Applicant

Respondent

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

Proceeding commenced at Toronto

**APPROVAL AND VESTING ORDER**  
(Assignment of Certain Claims)

**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
Toronto, Ontario M5G 1V2  
Fax: 416-597-6477

**Mario Forte (LSUC#: 27293F)**  
Tel: 416.597.6477  
Email: [forte@gsnh.com](mailto:forte@gsnh.com)

Lawyers for the Receiver, Deloitte Restructuring Inc.

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## **TAB 4**



AND UPON hearing the submissions of counsel for the Receiver, Packaging Growth Investors, LLC (“PGI”), HSBC Bank Canada, and such other counsel listed on the Counsel Slip, no one else appearing for any other person on the service list, although duly served as appears from the affidavit of service of Katie Parent sworn October • , 2018; filed;

**NOTICE AND SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the Second Report is hereby abridged and validated so that the motion is properly returnable today, and that further service thereof is hereby dispensed with.

**RECEIVER’S ACTIVITES AND PROFESSIONAL FEES**

2. **THIS COURT ORDERS** that the activities of the Receiver to September 7, 2018 as outlined in the Second Report and the Receiver’s Statement of Receipts and Disbursements for the period August 7, 2018 to October 11, 2018 are hereby approved.

3. **THIS COURT ORDERS** that the professional fees and disbursements of the Receiver in the amount of \$107,648.17 are hereby approved.

4. **THIS COURT ORDERS** that the professional fees and disbursements of the Goldman Sloan Nash & Haber LLP, as independent counsel of the Receiver, in the amount of \$25,680.04 are hereby approved.

5. **THIS COURT ORDERS** that the Receiver is authorized to pay all such fees and disbursements from the available funds.

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**HSBC BANK CANADA**  
Applicant

and

**SAFETY SEAL PLASTICS INC.**  
Respondent

Court File No.: CV-18-00602325-00CL

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

Proceeding commenced at Toronto

**ORDER**  
**(Approval of Receiver Fees and Other Relief)**

**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
Toronto, Ontario M5G 1V2  
Fax: 416-597-6477  
**Mario Forte (LSUC#: 27293F)**  
Tel: 416.597.6477  
Email: [forte@gsnh.com](mailto:forte@gsnh.com)

Lawyers for the Receiver, Deloitte Restructuring Inc.

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**HSBC BANK CANADA**  
Applicant

and

**SAFETY SEAL PLASTICS INC.**  
Respondent

Court File No.: CV-18-00602325-00CL

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

Proceeding commenced at Toronto

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**MOTION RECORD**  
**(Assignment of Claims)**  
**(returnable October 16, 2018)**

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**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
Toronto, Ontario M5G 1V2  
Fax: 416-597-6477

**Mario Forte (LSUC#: 27293F)**  
Tel: 416.597.6477  
Email: [forte@gsnh.com](mailto:forte@gsnh.com)

Lawyers for the Receiver, Deloitte Restructuring Inc.