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C A N A D A
DISTRICT OF ONTARIO
DIVISION No.: 08 – Waterloo
COURT No.: CV-23-00699663-00CL
ESTATE No.: 35-2996284

**IN THE MATTER OF THE BANKRUPTCY OF
MOLDCO PLASTICS INC.
OF THE CITY OF WATERLOO
IN THE PROVINCE OF ONTARIO**

TRUSTEE’S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

The *Bankruptcy and Insolvency Act* provides for a first meeting of creditors. The purpose of this Report is to provide information to the creditors of the Bankrupt for consideration in advance of and/or at the first meetings of creditors.

SECTION A – BACKGROUND

On October 11, 2023 (the “**Date of Bankruptcy**”), the Receiver (as defined below) filed an assignment in bankruptcy on behalf of Moldco Plastics Inc. (the “**Bankrupt**”). Deloitte Restructuring Inc. (“**Deloitte**” or in such capacity, the “**Trustee**”) was named as trustee of the bankrupt estate pending affirmation at the first meetings of creditors.

On May 26, 2023 (the “**Date of Receivership**”), Deloitte was appointed Receiver and Manager (in such capacity, the “**Receiver**”) of Moldco Plastics Inc. and Injection Technologies Inc. (“**Inject**” and, together with the Bankrupt, the “**Debtors**”), by Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). Creditors can access a copy of the appointment order (the “**Receivership Order**”), subsequent Court orders, reports of the Receiver filed to date and other information on the activities of the Receiver, from the Receiver’s case website (the “**Website**”) at:

www.insolvencies.deloitte.ca/en-ca/InjectionTechnologies

The Toronto-Dominion Bank (“**TD**”) is the senior secured lender to the Debtors pursuant to credit, loan and equipment lease agreements granted by TD. As security for the Debtors’ obligations to TD, the Debtors each had entered into a general security agreement granting a security interest in any and all of the property, assets and undertakings of the Debtors, registrations in respect of which were duly made pursuant to the Personal Property Security Act in both Ontario and British Columbia (collectively the foregoing are referred to as “**TD Security**”).

The Debtors failed to comply with margin requirements, ratio and reporting covenants and succumbed to a material adverse change in connection with a \$6.2M inventory write-down which was reported to

TD around January of 2022. A total of approximately \$13.0 million plus USD \$1.9 million was owing by the Debtors to TD Bank pursuant to the credit, loan and equipment lease agreements as of the Date of Receivership.

The accounting book value of the Debtors' assets at the date of bankruptcy totaled approximately \$11.9 million, \$3.6 million pertaining to the Bankrupt. All owned assets are subject to TD's security with the exception of one press, located in Windsor, that is subject to a security registration in favour of Bank of Montreal ("**BMO**").

Immediately following the issuance of the Receivership Order, the Receiver resumed operations previously carried on by the Debtors with the goal of selling the Debtors as a going concern. The Receiver was able to carry on the operations of the Debtors for the duration of the Receivership until the conclusion of the SISP (as defined below).

For additional information in respect of factors leading to the receivership proceeding, please see the Report of the Proposed Receiver, dated May 19, 2023, posted on the Website.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND DETAILS OF SECURITY INTERESTS

A preliminary evaluation of the assets and liabilities of the Debtors, in possession of by the Receiver, as at the Date of Bankruptcy is summarized in the table below.

Moldco Plastics Inc.	
Preliminary assessment of assets	
As at the date of bankruptcy (\$ 000's)	
Assets	
Cash	3,530
Accounts Receivable	114
Total Assets	3,644

As set out above, the primary assets of the Debtors are cash and the remaining accounts receivable balances. The cash on hand represents net cash balances resulting from the SISP (as defined below), collection of old accounts receivables (amounts owing prior to May 26, 2023) and collection from new sales net of payroll, cost of goods sold, manufacturing overheads and professional fees. The remaining accounts receivable balances to be collected relate to several key customers that the Receiver continued production for and expects to collect in the near term.

All realizations are subject to TD Security and are not expected to satisfy amounts due to TD. Accordingly, it is not expected that there will be any funds in the bankruptcy estate other than third party advances from the Receiver to fund the administration of the estate, as discussed in Section G below.

As noted in the above table, even if the Receiver realizes all assets in full, there will remain a significant shortfall on the secured indebtedness due to TD with the result that there will be no funds available for distribution to the unsecured creditors of the estates.

The main creditors of the Debtors are TD, BMO (security on a piece of equipment) and trade creditors. Other creditors include the Debtors' former employees (who all had their employment terminated on May 26, 2023 by the Receiver) and Canada Revenue Agency ("**CRA**") for unremitted payroll source deductions prior to October 2021.

Counsel to the Trustee has confirmed the validity of the security held by TD and BMO.

The Receiver administered the employees' Wage Earner Protection Program ("**WEPP**") applications and responded to employee inquiries as received. The bulk of the WEPP packages were completed in person from June 5 to 16, 2023 at both the Kitchener and Windsor facilities. A total of 173 packages, 85 from Inject and 88 from the Bankrupt, were completed.

The Receiver conducted a Sale and Investment Solicitation Process ("**SISP**") whereby the assets of the Debtors were marketed for sale. Further information about this process and its results have been provided on the Website.

The Receiver will be seeking an Order from the Court to approve a distribution to TD and BMO form proceeds on hand in the receivership.

SECTION C – BOOKS AND RECORDS

The Trustee, via the Receiver, has access to the Debtors' available books and records. The Receiver has taken an electronic back up of Debtor's file and email servers. The Receiver is storing all physical records at a third-party storage facility.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

Upon appointment, the Receiver took possession of all the assets and undertaking of the Debtors and remains in possession of the residual owned assets of the Debtors. Accordingly, there are no assets in the possession and control of the Trustee.

SECTION E – PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS

Based on a review the Debtor's books and records, Inject has 294 unsecured creditors owed approximately \$4.7 million and the Bankrupt has 156 unsecured creditors owed approximately \$1.4 million.

In addition to the Security granted by the Bankrupt in favour of TD, and BMO's secured equipment, select other parties have registered security interests against the Debtors as evidenced by the Personal Property Security Act search result provided by the Receiver's independent legal counsel in Ontario and British Columbia. Leased assets have been, or will be, returned to lessors once the Receiver no longer requires the use of certain assets to complete the on-site auction of assets.

In the case of Inject, Wells Fargo Equipment Finance Company, De Lage Landen Financial Services Canada Inc., Meridian Onecap Credit Corp., BMW Canada Inc., and CWB National Leasing Inc. have made one or more registrations in connection with leased assets.

These claims are summarized in the table below. The Trustee will update the creditors on proofs of claim received at the first meeting.

Moldco Plastics Inc.		
As at the date of bankruptcy (\$ 000's)		
	<u>Statement of Affairs</u>	<u>Claims Filed</u>
Secured	3,644	-
Unsecured	13,597	-
Preferred	-	-
Contingent	-	-
Total	17,241	-

SECTION F – LEGAL PROCEEDINGS, REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee is aware of a claim asserted by the Ministry of Labour in connection with charges under the Occupational Health and Safety act. The Receiver is attending to this claim.

The Trustee intends to perform an assessment of preferences and transactions at undervalue and will provide an update on the status of this assessment at the first meeting of creditors.

SECTION G – DETAILS OF THIRD PARTY DEPOSITS OR GUARANTEES

The Trustee obtained a deposit from the Receiver in the amount of \$50,000. The deposit will only be drawn upon in the event there are no available funds in the estate. The deposit is available to the estate of the Bankrupt.

SECTION H – PROJECTED DISTRIBUTION AND TRUSTEE COMMENTS ON ANTICIPATED ASSET REALIZATIONS

As noted above, the Trustee advises that **there will be no assets available over and above the claims of the secured creditors.**

Dated at Toronto, Ontario this 13th day of October, 2023.

DELOITTE RESTRUCTURING INC.

In its capacity as
Licensed Insolvency Trustee of
Injection Technologies Inc. and Moldco Plastics Inc.

Per:



Richard Williams, CPA, CIRP, LIT
Senior Vice-President