

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

THE TORONTO-DOMINION BANK

Applicant

- and -

**INJECTION TECHNOLOGIES INC., MOLDCO PLASTICS INC.,
AND MOLDCO HOLDINGS INC.**

Respondents

**FIRST REPORT OF DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS THE RECEIVER AND MANAGER
DATED AUGUST 15, 2023**

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| CONFIDENTIAL APPENDIX | DESCRIPTION |
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INTRODUCTION

1. The Toronto-Dominion Bank (“**TD**” or the “**Bank**”) brought an application returnable May 26, 2023 before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order appointing Deloitte Restructuring Inc. (“**Deloitte**”) as receiver and manager (the “**Receiver**”), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and section 101 of the *Courts of Justice Act* R.S.O. 1990 c. C.43, as amended, of the assets, undertakings and properties (collectively, the “**Property**”) of Injection Technologies Inc. (“**ITI**”), Moldco Plastics Inc. (“**MPI**”), and Moldco Holdings Inc. (“**Moldco Holdings**”, and together with ITI and MPI, the “**Debtors**”) acquired for, or used in relation to a business carried on by the Debtors.
2. ITI and MPI operated as injection molded plastic parts manufacturers from two facilities located in Windsor and Kitchener. Moldco Holdings is the owner of certain equipment used in the operations in Kitchener. Historically, production focused on automotive customers and later expanded into consumer and medical instrument products made in the Kitchener location.
3. The Windsor operations also include a longstanding tryouts/trials (“**Tryouts**”) business from which customers use equipment and personnel at the Windsor Facility (defined below) to test molds prior to the completion of molds and release for mass production of parts.
4. TD is the senior secured lender to the Debtors pursuant to credit, loan, and equipment lease agreements (the “**TD Loan Agreements**”) granted by TD (the “**TD Indebtedness**”) and was owed in excess of Cdn \$13.0 million and US \$1.9 million as at May 1, 2023. This amount excludes all legal costs, disbursements, and accrued interest.
5. In February 2023, Deloitte was retained as financial advisor to TD to, among other things, review the Debtors’ current operations, financial position, and business viability.
6. On May 19, 2023, Deloitte issued its pre-filing report (the “**Pre-Filing Report**”) in its capacity as the proposed receiver (the “**Proposed Receiver**”) for the purpose of, among other things, (i) providing information in respect of the Debtors’ financial affairs, creditors and Property, and (ii) summarizing the Proposed Receiver’s suggested marketing process for the sale of the Debtors’ assets and operations (the “**Sale Process**”). A copy of the Pre-Filing Report is attached hereto as **Appendix “A”**.
7. On May 26, 2023, the Court issued an order (the “**Receivership Order**”) appointing Deloitte as the Receiver of the Property. Copies of the Receivership Order and the Endorsement of Justice Steele are attached hereto as **Appendix “B”** and **Appendix “C”**, respectively.

8. Copies of the Receivership Order, together with other Court documents, Receiver's reports and stakeholder notices with respect to this matter are available on the Receiver's website at www.insolvencies.deloitte.ca/en-ca/InjectionTechnologies.
9. Section 3(j) of the Receivership Order authorized the Receiver to market by way of the Sale Process any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate, including in accordance with the processes of disposition as described and proposed in the Pre-Filing Report.
10. Further, section 3(k)(i) of the Receivership Order authorized the Receiver to sell, convey, transfer, lease or assign the Property or parts of the Property out of the ordinary course of business, without the approval of this Court in respect of any transaction not exceeding \$1,000,000, provided that the aggregate consideration for all such transactions does not exceed \$5,000,000, all before applicable taxes.
11. This first report of the Receiver (the "**First Report**") is filed in connection with the Receiver's motion to, among other things:
 - (a) provide the Court with additional information in respect of the Debtors and the Property;
 - (b) provide the Court with an evidentiary basis to make Orders:
 - (i) approving this First Report¹ and the activities of the Receiver, including steps taken in dealing with the Property, as described in this First Report, including, without limitation, the steps taken by the Receiver relating to the Sale Process (as defined below), collection of accounts receivable, realizations derived from continued production and Tryouts revenue, employee matters, and communications with equipment lessors and landlords;
 - (ii) approving the sale transaction (the "**AarKel Transaction**") to be effected through an asset purchase agreement dated and executed on July 28, 2023 (the "**AarKel APA**") between the Receiver and AarKel Testing Technologies Inc. ("**AarKel**"), a newly incorporated subsidiary of Zynik Manufacturing Group, together with any further amendments thereto deemed necessary by the Receiver in its sole opinion, for the sale of certain of the Property located at the Debtors' premises in Windsor, Ontario (the "**Windsor Property**") as described in the AarKel APA and the

¹ Noting that only the Receiver, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way any approval of the First Report, if granted by the Court

schedules thereto, and vesting the Debtors' right, title and interest in the Windsor Property, and authorizing and directing the Receiver to carry out the terms of the AarKel APA;

- (iii) authorizing and directing the Receiver to enter into and carry out the terms of the Auction Services Agreement between the Receiver and Corporate Assets Inc. (the "**Auctioneer**") dated August 4, 2023 (the "**Auction Agreement**"), together with any further amendments thereto deemed necessary by the Receiver in its sole discretion, and vesting the right, title and interest of the Receiver and the Debtors in and to certain of the Property listed in Schedule A to the Auction Agreement comprising substantially all of the machinery and equipment located at the Debtors' premises at the Kitchener Plant (defined below) and certain residual assets located at the Windsor Plant (defined below) (the "**Auctioneer Purchased Assets**"), in and to the Auctioneer upon closing of the sale transaction under the Auction Agreement (the "**Auction Transaction**");
- (iv) authorizing and directing the Receiver to enter into negotiations to sell the Property to any other party identified through the Sale Process or otherwise if the AarKel APA and/or the Auction Agreement are terminated;
- (v) temporarily sealing from the public record, pending further order of the Court, (i) the Summary of Offers (as defined herein), attached as **Confidential Appendix "1"**; (ii) the Summary of Auction Proposals (as defined herein), attached as **Confidential Appendix "2"**, (iii) the unredacted version of the AarKel APA as **Confidential Appendix "3"**, and (iv) the unredacted version of the Auction Agreement, attached as **Confidential Appendix "4"**; and
- (vi) approving the Receiver's Statement of Receipts and Disbursements for the period May 26, 2023 to July 31, 2023.

TERMS OF REFERENCE

12. In preparing this First Report, the Receiver has been provided with, and has relied upon, unaudited, draft and/or internal financial information, the Debtors' books and records, and discussions with management of the Debtors ("**Management**") (collectively, the "**Information**"). Except as described in this First Report:

- (a) Deloitte has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, Deloitte 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, Deloitte expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
 - (b) Deloitte has prepared this First Report in its capacity as the Receiver in connection with the relief sought by the Receiver described herein. Parties using this First Report other than for the purposes outlined herein are cautioned that it may not be appropriate for their purposes.
13. Unless otherwise stated, all dollar amounts contained in the Report are expressed in Canadian dollars.

BACKGROUND

14. ITI is a Windsor-based injection molded plastic parts manufacturer and customer tryouts/trials facility that has been in operation since 1990. Historically, ITI specialized in mold try-outs and service business, and later expanded its short batch and extended run production following the acquisition of MPI in March 2020.
15. Historically, ITI operated solely from premises located at 4350 Industrial Drive, Windsor, Ontario (the “**Windsor Facility**”) which it owned until completing a sale-leaseback transaction in March 2022. The Windsor Facility is now subject to a long-term lease with 2856808 Ontario Inc., and MPI is a guarantor under that lease.
16. More recently, ITI also operated from the Kitchener Facility (defined below).
17. ITI maintains a warehouse at 2051 Ambassador Drive, Windsor, Ontario (the “**Windsor Warehouse**”) pursuant to a lease with 1088168 Ontario Ltd. The Windsor Warehouse is primarily used for storing raw materials and finished goods inventory, and has two presses for limited production, as necessary.
18. Pursuant to a share purchase agreement dated February 29, 2020 (the “**MPI Purchase Agreement**”), 1241704 BC Ltd. (“**124 BC**”) purchased the shares of Molco Inc. and 2426496 Ontario Inc. (“**242 Ontario**”) from the 2013 Gary Paul Cluthe Family Trust (the “**Cluthe Family Trust**”) for cash consideration plus a vendor take-back promissory note (the “**Cluthe VTB**”). The

Receiver's counsel is in correspondence with counsel to the Cluthe Family Trust and is reviewing the Cluthe Family Trusts claim.

19. Subsequently, Moldco Inc. changed its name to "Moldco Plastics Inc." and 242 Ontario changed its name to "Moldco Holdings Inc.". In addition to ITI and MPI, the Debtors also operate under the trade name banners of Inject Tech Plastics, MoldCo Inc., and IT Group.
20. Prior to this receivership proceeding, MPI was a Kitchener-based injection molded plastic parts manufacturer specializing in small batch and extended run production along with sub-assembly of molded components. Historically, MPI operated from leased premises located at 965 Wilson Ave., Kitchener, Ontario (the "**Old Kitchener Premises**") pursuant to a lease with Taylor Made Holdings Limited.
21. In October 2020, ITI entered into a lease agreement in respect of a large facility located at 41 Ardel Place, Kitchener, Ontario (the "**Kitchener Facility**"). 41 Ardel Management Group Limited is the current landlord in respect of the Kitchener Facility. MPI moved into the Kitchener Facility and subleased the Old Kitchener Premises to a major customer which remains active.
22. Both Tryouts and parts production operations at the Windsor Facility continued without any significant interruption since the date of the Receivership Order. There are approximately 67 employees based in Windsor at this time.
23. As detailed later in this First Report, operations at the Kitchener Facility were temporarily suspended until the Receiver developed a commercially reasonable and limited parts production schedule. There are approximately 38 employees currently working at the Kitchener Facility until the Receiver completes the wind-down of production and final shipments as described in more detail later in this First Report.
24. None of the employees are represented by a union and the Debtors do not sponsor a pension plan.
25. Management advised that Moldco Holdings owns certain fixed assets located in Kitchener, but had no operations, employees, or other assets except the shares of the operating companies.
26. Paragraphs 24 to 32 of the Pre-Filing Report set out additional details in respect of the Debtors' corporate structure and their principals.

RECEIVER'S ACTIVITIES

27. The Receiver has undertaken the following activities in accordance with the terms of the Receivership Order:

- (a) attended at the Windsor Facility, Windsor Warehouse, and the Kitchener Facility and took possession of the Property located at those locations;
- (b) arranged for a change of locks, engaged third-party security services, and made arrangements for the continuation of utilities at the Windsor Facility, Windsor Warehouse, and Kitchener Facility;
- (c) met with members of Management and all employees at each facility to advise them of the Receivership Order and the Receiver's mandate;
- (d) issued receivership notification letters to each of the four landlords;
- (e) corresponded with the landlords of the four leased premises regarding, among other things, occupation rent and the required occupancy period pursuant to the AarKel APA and the Auction Agreement;
- (f) determined that the temporary continuation of operations by the Receiver in (i) Windsor was an economically viable option, and (ii) in Kitchener was only economically viable on a reduced and customer-targeted basis to maximize any potential going concern value and to assist with other customer order realizations;
- (g) on behalf of the Debtors, terminated the employment of all employees of the Debtors effective as of the date of the Receivership Order, and made arrangements to deliver termination letters to other employees who were not onsite;
- (h) temporarily retained all of the active employees of the Debtors located at the Windsor Facility, the Windsor Warehouse, and certain employees at the Kitchener Facility to, among other things, continue operations to preserve going concern value as the Receiver conducted the Sale Process and to maximize realizations of accounts receivable and inventory, updating the books of the Debtors where possible, and administering amounts due to employees under the *Wage Earner Protection Program Act* (“WEPPA”);
- (i) coordinated the delivery of Records of Employment, expedited the issuance of WEPPA letter packages to the employees, and conducting on-site staff meetings led by the Receiver and human resources personnel to assist employees with filing their applications;
- (j) provided access to employees who were not retained by the Receiver to retrieve their personal belongings;

- (k) provided notice of the Receiver's appointment to the existing insurance broker, NFP Canada ("**NFP**"), to confirm ongoing coverage until those policies expired on June 8, 2023 (the "**June 8th Policy**") in respect of a portion of assets and operations in Kitchener and June 30, 2023 (the "**June 30th Policy**") in respect of the assets and operations in Windsor and most of the Kitchener Facility. NFP arranged for (i) a renewal of the June 8th Policy and (ii) a temporary extension of the June 30th Policy to September 5, 2023 and is actively seeking a further extension and alternate options to facilitate continued operations at the Windsor Facility and Windsor Warehouse until closing of the AarKel Transaction, and continued coverage during the auction at the Kitchener Facility;
- (l) implemented the Sale Process in substantially the manner described in the Pre-Filing Report, including correspondence and meetings with interested parties, reviewing bids, and negotiating the terms of an asset purchase agreement and an auction services agreement for the balance of the assets;
- (m) ensured that the Debtors' bank accounts were frozen and that only deposits were accepted, except as otherwise directed by the Receiver;
- (n) restricted access from non-authorized external users to computer systems and servers;
- (o) arranged for back-up of the Debtors' servers, which contain financial and other information;
- (p) notified Canada Revenue Agency ("**CRA**") of the appointment of the Receiver, establishing new payroll and harmonized sales tax ("**HST**") accounts for the post-receivership period, and making requests for audits of the pre-receivership accounts of the Debtors;
- (q) undertook efforts to collect and settle the Debtors' outstanding accounts receivable and other receivables, including comprehensive settlements which resulted in the coordinated release of finished goods and raw materials inventory, tools and molds ("**Tools**"), and Tools design data to customers;
- (r) compiled financial and operational information and equipment listings to facilitate the Sale Process;
- (s) established the Receiver's website and issuing the Notice and Statement of Receiver pursuant to subsections 245(1) and 246(1) of the BIA;
- (t) reviewed and responded to inquiries from creditors;

- (u) retained Aird & Berlis LLP as the Receiver's primary legal counsel and Harrison Pensa LLP as its independent legal counsel;
- (v) provided status updates on the progress of the receivership to TD; and
- (w) addressed additional matters as they arose from time to time.

CONTINUED OPERATIONS AND PRODUCTION

Overview

28. Paragraphs 23 and 51 of the Pre-Filing Report set out certain of the difficulties the Debtors' business encountered leading to the Receivership Order.
29. Paragraph 50 of the Pre-Filing Report set out the Receiver's plan to temporarily continue the Tryouts business in the Windsor Facility subject to negotiating payment terms with customers.
30. Paragraph 51 of the Pre-Filing Report set out challenges in respect of the operations at the Kitchener Facility and the Receiver's plan to evaluate the commercial reasonableness of continuing production.
31. Prior to these receivership proceedings, plastic-molded parts for the Debtors' largest customer were produced at both the Windsor Facility and the Kitchener Facility. There were several customers with large accounts receivable balances and inventory on-hand which were at risk of disputes for potential material set-off. The Receiver analyzed the estimated contribution margins of active purchase orders, held meetings with local Management and key operations personnel, and contacted resin suppliers who initially refused to continue supply due to arrears.
32. The Receiver determined that continued Tryouts and limited production during the Sale Process would be beneficial for accounts receivable and inventory realizations, and for expanding the potential buyer universe to parties interested in a going concern transaction. Moreover, several customers agreed to shortened payment terms and to settle outstanding accounts receivable balances and purchase inventory at full value provided that, among other things, the Receiver was able to facilitate the completion of short-run production orders to mitigate immediate disruptions and/or build an inventory bank until such customers could establish alternate supplier arrangements. Accordingly, the Receiver was able to continue operations while funding ongoing payroll and other obligations without requiring borrowings as authorized by the Receivership Order.

Windsor Tryouts and Parts Production

33. The Receiver negotiated continued Tryouts services with existing customers subject to continued payment of pre-receivership amounts owing to the Debtors.
34. Payroll for skilled and technical employees is the primary cost input for the Tryouts business.
35. Resin used in Tryouts is supplied by the tooling customer and/or end customer, such that the Receiver did not purchase resin for Tryouts.
36. Windsor parts production is primarily conducted at the Windsor Facility and is supplemented by two presses at the Windsor Warehouse. The Receiver continued parts production for customers with active purchase orders and who agreed to the Receiver's terms. The most significant production input costs consist of (i) payroll (paid on a weekly basis), and (ii) raw materials, which were primarily on cash on order payment terms.
37. At the Windsor Facility, the Receiver maintained the Debtors' prior schedule consisting of two daily shifts (16-hour coverage) from Monday to Friday. Tryouts are typically conducted during the first daily shift, and production is maintained during both daily shifts.
38. The Receiver intends to continue Tryouts until closing of the AarKel Transaction.
39. The Receiver has provided notice to Windsor production customers that the Receiver intends to suspend production on or before September 1, 2023. The Receiver is working with AarKel to confirm its intentions and plans in respect of production customers.

Kitchener Parts Production

40. Management informed the Receiver that there were hundreds of customer Tools located at the Kitchener Facility.
41. Immediately upon its appointment, the Receiver initially suspended all production at the Kitchener Facility for a few days and gradually increased production into mid-June until a production plan was formalized and arrangements were made with employees, customers, and suppliers. The Receiver has prioritized production for economically viable purchase orders and select parts only, including for certain large customers with significant accounts receivable and inventory balances.
42. Prior to the date of the Receivership Order, the Debtors operated three shifts with 24-hour coverage from Monday to Friday. The Receiver reduced the production schedule to two (2) daily shifts (16-hour coverage) from Monday to Friday.

43. As described later in this First Report, the assets at the Kitchener Facility will be auctioned. The Receiver has notified active customers and employees that production at the Kitchener Facility will be suspended on or before August 18, 2023. The Receiver has established a wind-down program and will be steadily reducing employee headcount by the end of September 2023.
44. Due to the voluminous number of Tools, including obsolete tools not used by customers or the Debtors for many years, the Receiver instructed the limited tooling personnel to undertake a program to tag and prepare Tools for future release. The Receiver has also deployed certain Windsor employees with tooling experience to assist at the Kitchener Facility.
45. The Receiver will continue to coordinate the release of Tools on a scheduled basis, and subject to staff availability and physical access limitations at the Kitchener Facility. The Receiver anticipates that all releases will be completed in the month of September 2023.

CREDITORS

Secured Creditors

46. Paragraph 41 of the Pre-Filing Report set out certain secured creditors based on the Receiver's preliminary review of *Personal Property Security Act* (Ontario) (the "PPSA") registrations and the Debtors' books and records:
 - (a) TD is the senior secured lender and is owed in excess of \$13.0 million and US \$1.9 million as at May 1, 2023, all before legal costs, applicable disbursements, and accrued interest. This consists of a line of credit, term loans, and equipment leases;
 - (b) Bank of Montreal ("**BMO**") is a secured creditor pursuant to a lease for a large Krauss Maffei injection molding machine (the "**BMO Unit**") at the Windsor Facility, and is owed approximately \$1.1 million plus interest and costs as at the date of this First Report;
 - (c) De Lage Landen is a secured creditor pursuant to operating leases for forklifts located in Windsor and Kitchener;
 - (d) BMW Group Financial Services Canada is a secured creditor pursuant to a vehicle lease;
 - (e) Meridian OneCap Credit Corp. is a secured creditor with respect to certain equipment; and

- (f) The Receiver's counsel is reviewing the claim made by The Cluthe Family Trust in connection with the Cluthe VTB, to determine if this claim is valid.

Independent Legal Opinion on Security Interests

- 47. Harrison Pensa, in its capacity as independent legal counsel to the Receiver, conducted a review of the security pledged by the Debtors in favour of TD (the "**TD Security**") and in favour of BMO in the BMO Unit.
- 48. Harrison Pensa has confirmed, subject to normal assumptions and qualifications that:
 - (a) the TD Security creates, under Ontario Law, a valid security interest in favour of TD in the property described in the TD Security (which includes certain leased assets and all of the property, assets and undertakings, and interest in the property of the Debtors) and the security interests created by the TD Security in the personal property described in the TD Security to which the Personal Property Security Act (Ontario) ("**PPSA**") applies have been perfected by registration under the provisions of the PPSA;
 - (b) BMO's security interest in the BMO Unit creates, under Ontario Law, a valid security interest in favour of BMO in the BMO unit and BMO's security interest in the BMO Unit is a valid and senior claim in the BMO Unit that has been perfected by registration under the provisions of the PPSA; and,
 - (c) the only other registrations under the PPSA are registrations relating to specific assets by:
 - (i) De Lage Landen Financial Services Canada Inc.;
 - (ii) Meridian Onecap Credit Corp;
 - (iii) CWB National Leasing Inc.;
 - (iv) BMW Canada Inc.; and
 - (v) Chillers Inc.
- 49. Wells Fargo Equipment Finance Company does hold a PPSA registration against ITI, and the Receiver has confirmed that ITI is no longer indebted to Wells Fargo.

50. The Receiver continues to review the claim of the Cluthe Family Trust, noting that at the date of this first Report, the Cluthe Family Trust does not hold a PPSA registration against ITI, MPI nor Moldco Holdings.
51. TD Bank is the sole secured creditor of MPI and Moldco Holdings under the PPSA.

HST

52. Paragraph 44 of the Pre-Filing Report disclosed an unremitted HST liability of ITI in the amount of approximately \$695,000 as at January 31, 2023.
53. The Receiver requested post-receivership HST accounts to be opened and will be filing corresponding returns in due course.

Employee Source Deductions

54. Paragraph 45 of the Pre-Filing Report set out \$1.3 million of unremitted payroll source deductions according to CRA. ITI accumulated a large balance of unremitted payroll source deductions when ITI manually processed payroll internally before transitioning to an external payroll services provider in October 2021 for ongoing remittances. Management advises that the actual obligation is approximately \$488,000 as Management remitted and provided evidence to the Receiver that \$859,000 of ITI payments on account of payroll tax arrears were inadvertently applied by CRA to MPI's payroll tax number. Management and its external accountant were unsuccessful in completely addressing this matter with CRA prior to the date of the Receivership Order.
55. The Receiver has delivered information to CRA in connection with this matter and made repeated requests in this regard. The Receiver will follow up with CRA in respect of the status of its examination of the payroll accounts.
56. The Receiver has made repeated requests to CRA to establish a separate ITI branch payroll account in respect of employees temporarily retained for the receivership. The Receiver has been remitting post-receivership payroll source deductions directly to CRA and will arrange a final payroll trust examination in due course.

WEPPA and BIA Section 81.4 Priority Claims

57. The Receiver arranged for the funding of the Debtors' final normal course payroll due in early June 2023 which included accrued wages, salary, and payroll taxes for the immediate period prior to the

date of the Receivership Order in the total amounts of \$77,635 for Windsor and \$62,934 for Kitchener.

58. As set out earlier in this First Report, the Receiver expedited the performance of WEPPA obligations and mailing of WEPPA packages to eligible employees. The Receiver has since communicated with Service Canada and responded to employee inquiries in respect of same.
59. The Receiver’s submission to Service Canada set out a total amount of approximately \$376,000 in respect of calculated termination pay, severance pay, and vacation pay due to the former employees of the Debtors under WEPPA, of which approximately \$72,000 may be subject to a limited super priority pursuant to Section 81.4 of the BIA.

THE SALE PROCESS

Overview

60. The Receiver administered the Sale Process in a manner and timing substantially consistent with Appendix “A” to the Pre-Filing Report. Reference is made to paragraphs 55 to 59 of the Pre-Filing Report which summarized the proposed Sale Process, timeline, general lot structure, and additional terms and conditions.
61. The Sale Process was a robust process which broadly marketed the assets and business of the Debtors in a reasonable condensed timeframe which reflected (i) the immediate need for any going concern purchaser to urgently retain the employees and engage with customers and key suppliers, and (ii) the lack of liquidity to fund ongoing protective disbursements, including ongoing payroll and interim occupancy costs with multiple leased locations.
62. A chronology of the key activities undertaken by the Receiver in respect of the Sale Process is as follows:

| Timing | Activity |
|------------------------------|--|
| May 26, 2023 to June 1, 2023 | <ul style="list-style-type: none">Identified and prepared of a list of potential purchasers (each, a “Potential Purchaser”).Prepared a marketing document (the “Teaser”) describing the opportunity and form of non-disclosure agreement (“NDA”) for circulation to Potential Purchasers.Compiled and reviewed information that would likely be required by Potential Purchasers to assess their offer(s) for the assets. |

| Timing | Activity |
|--------------------------------|--|
| | <ul style="list-style-type: none"> • Responded to in-bound calls and inquiries. • Established and commenced populating the secure electronic data room (the “Data Room”) with financial and operational information. |
| June 2, 2023 | <ul style="list-style-type: none"> • Launched the market outreach campaign with an initial email distribution of the Teaser and NDA to Potential Purchasers. |
| June 7, 2023 | <ul style="list-style-type: none"> • The Data Room was made available for access by Potential Purchasers that had signed an NDA. |
| June 8, 2023 to July 11, 2023 | <ul style="list-style-type: none"> • Arranged third-party inspection of assets and preparation of equipment listings for use by Potential Purchasers. Coordinated site visits at the Windsor Facility, Kitchener Facility, and the Windsor Warehouse, including meetings with the Receiver and local management. • Advertised in industry publications such as Manufacturing Automation (https://www.automationmag.com/) and Canadian Metalworking (https://www.canadianmetalworking.com/). • The Receiver made available a Sale Process timeline in the Data Room and provided bid instructions to Potential Purchasers for both going concern purchasers / operators and auctioneer bids. • Posted the following bid documentation in the Data Room: <ul style="list-style-type: none"> ○ Detailed lot listings and descriptions (each, a “Lot Listing”) for assets located at the Windsor Facility (including a standalone subplot for the BMO Unit and auxiliary equipment), the Windsor Warehouse, the Kitchener Facility. ○ Template bid forms (“Bid Form”) for (i) operators and going concern purchasers, setting out, among other things, the purchase price and deposit amounts, and (ii) auctioneers setting out cash purchase price, net minimum guarantee (“NMG”) price and proposed sharing structure, estimated value range, and deposit amount. ○ Template form of asset purchase agreement for going concern operators. • Responded to inquiries and made additional information available in the Data Room. |
| July 11, 2023 | <ul style="list-style-type: none"> • Bid deadline for submission of bids, including conditions, supplemental bidder information about its operational background, experience, corporate disclosures, and financial capability (the “Bid Deadline”). |
| July 11, 2023 to July 17, 2023 | <ul style="list-style-type: none"> • Review of bids (each, a “Bid”), selection of shortlisted Bids (each, a “Shortlisted Bid”), correspondence and clarifying questions with parties who submitted Shortlisted Bids (each, a “Shortlisted Bidder”), and consultations with stakeholders. • Rejection of certain offers and return of deposits related thereto. • Rejection of offers from the Shortlisted Bidders and request for resubmitted offers using the Receiver’s forms of bid documentation. |

| Timing | Activity |
|---|---|
| July 18, 2023 | <ul style="list-style-type: none"> • Deadline for resubmission of offers by the Shortlisted Bidders (the “Amended Bid Deadline”) |
| July 18, 2023 to July 27, 2023 | <ul style="list-style-type: none"> • Review and selection of the most advantageous amended bids (the “Amended Bids”) and negotiations with the two respective successful Purchasers (i.e., AarKel and Corporate Assets), conditional on Court approval. |
| July 28, 2023 | <ul style="list-style-type: none"> • Execution of the AarKel APA and commenced transition planning activities with respect to the Windsor Property, including seeking consents from BMO and the landlords of the Windsor Facility and Windsor Warehouse. |
| August 4, 2023 | <ul style="list-style-type: none"> • Execution of the Auction Agreement and commenced pre-marketing activities by the Auctioneer. |
| August 25, 2023 (future date) | <ul style="list-style-type: none"> • Scheduled Court hearing (the “Sale Approval Hearing”) seeking, among other things, approval of the AarKel APA and the Auction Agreement. |
| September 5, 2023 (future date) | <ul style="list-style-type: none"> • Target closing date for the AarKel APA with respect to the Windsor Property, subject to satisfaction of conditions including Court Approval |
| Late September 2023 (future date) | <ul style="list-style-type: none"> • Estimated date for the auction to be conducted pursuant to the Auction Agreement. |
| Early October 2023 to mid-December 2023 (future period) | <ul style="list-style-type: none"> • Rigging and removal of equipment from the Kitchener Facility and Windsor Facility. • Vacating and concluding the Receiver’s occupancy at the Kitchener Facility. |

63. In total, 97 parties were provided with the Teaser, including strategic industry participants, private equity firms, and auctioneers. Of those 97 parties, 38 executed an NDA and were granted access to the Data Room. Of those 38 parties, 15 conducted site visits and tours of the Debtors premises in Windsor and Kitchener. Of those 15 parties, 15 parties (7 going concern purchasers and 8 auctioneers) submitted offers by the Bid Deadline (the “**Bidders**”).

64. A summary of the 7 Bids received from going concern purchasers (the “**Summary of Offers**”) is attached hereto as **Confidential Appendix “1”**.

65. A summary of the 8 Bids received from auctioneers (the “**Summary of Auction Proposals**”) is attached hereto as **Confidential Appendix “2”**.

66. The Receiver reviewed the financial and qualitative aspects of the 15 Bids, including supplemental information thereto, held consultations with stakeholders, and segregated the Bids as follows:

- (a) Six Shortlisted Bids from four going concern purchasers and two auctioneers were identified as the most advantageous offers;
 - (b) The remaining nine offers which were determined to be less advantageous were rejected and deposits were returned to these offerors;
 - (c) The Receiver deemed it appropriate to seek additional clarifying information from the Shortlisted Bidders which ultimately did not resolve all of the Receiver's questions;
 - (d) The Receiver informed the Shortlisted Bidders that their offers could not be accepted in their current form, and requested the resubmission of offers using the Receiver's template documentation due by the Amended Bid Deadline of July 18, 2023; and
 - (e) All six Shortlisted Bidders submitted Amended Bids which are also summarized in the Summary of Offers and Summary of Auction Proposals described above.
67. There was significant interest in the Windsor Property from both operators and auctioneers. In the Receiver's view, no commercially reasonable offers were received from going concern operators for the business and operations conducted at the Kitchener Facility. Auctioneers submitted offers for the standalone and *en bloc* auctions for the assets located in both Windsor and Kitchener.
68. The Receiver conducted a detailed review of the offers and further consulted with TD, and ultimately selected (i) AarKel as the successful Purchaser for the going concern sale of the Windsor business and assets, and (ii) Corporate Assets as the successful purchaser for the auction of the Kitchener assets and certain residual assets in Windsor.
69. The AarKel APA is conditional on Court approval, the consent of BMO in respect of the sale of the BMO Unit, and consents to lease assignments from the landlords of the Windsor Facility and Windsor Warehouse.
70. The Auction Agreement is conditional on Court approval.
71. The Receiver rejected the remaining Amended Bids and returned deposits to the respective Bidders.

ANALYSIS OF THE AARKEL APA

Terms of Successful Bid re Windsor

72. A redacted copy the AarKel APA is attached hereto as **Appendix “D”**, and the unredacted copy is attached as **Confidential Appendix “3”**.

73. A summary of the non-commercially sensitive key terms of the AarKel APA is provided below.

| Summary of the Asset Purchase Agreement | |
|--|---|
| Purchaser | <ul style="list-style-type: none"> • AarKel Testing Technologies Inc. |
| Transaction Type | <ul style="list-style-type: none"> • Sale of assets • Form of Approval and Vesting Order appended to the AarKel APA |
| APA Date | <ul style="list-style-type: none"> • July 28, 2023 |
| Purchase Price | <ul style="list-style-type: none"> • Confidential |
| Deposit Received | <ul style="list-style-type: none"> • Confidential |
| Outside Closing Date | <ul style="list-style-type: none"> • August 31, 2023 in order to satisfy the conditions to closing in favour of the Purchaser, or up to an additional 30 days if extended by the Receiver |
| Purchased Assets | <ul style="list-style-type: none"> • Machinery and equipment and other assets located at the Windsor Facility as particularized in Exhibits G and H to the AarKel APA: (i) Lot 1(a), excluding certain residual assets to be sold under the Auction Agreement, and (ii) Lot 1(b) re the BMO Unit • Machinery and equipment and other assets located at the Windsor Warehouse particularized Lot 3 in Exhibit J to the AarKel APA • Intellectual property used exclusively for the Windsor business |
| Employees | <ul style="list-style-type: none"> • Purchaser intends to continue Tryouts operations and certain parts production after the closing date. The AarKel APA contemplates AarKel making an offer of employment to employees it elects to hire on terms substantially similar to those existing as of the closing date. |
| Landlords | <ul style="list-style-type: none"> • The assignment of each of the real property leases for the Windsor Facility and Windsor Warehouse are a condition to closing in favour of the Purchaser |

| | |
|------------------------------|--|
| Excluded Assets | <ul style="list-style-type: none">• Any lots other than the Windsor Property, including certain residual equipment located at the Windsor Facility which will form part of the purchased assets pursuant to the Auction Agreement• Cash and cash equivalents• Accounts receivables• Inventory• Tax rebates, grants, refunds, or other amounts recoverable• Amounts due from related parties and shareholders• Amounts recoverable from potential transactions at undervalue, preferences, or other settlements• Corporate records, minute books, tax records and returns, and records having to do with the corporate organization of the Debtors• Information not specifically related to or used in connection with the business |
| Conditions to Closing | <ul style="list-style-type: none">• Approval and Vesting Order issued by the Court• Purchaser's payment of the balance of the Purchase Price to the Receiver• Consents to the assignment of real property leases from the landlords of the Windsor Facility and Windsor Warehouse• Delivery of title to the BMO Unit to the Purchaser, free and clear of any encumbrances, and BMO's consent to the price allocated to the BMO Unit pursuant to the AarKel APA• Filing of the Receiver's Certificate in the form substantially similar to the Approval and Vesting Order |

The Receiver's Observations

74. The Receiver makes the following observations with respect to the AarKel Transaction for consideration by the Court:
- (a) the Sale Process was authorized by the Court pursuant to section 3(j) of the Receivership Order;
 - (b) the Receiver has conducted a fair, transparent, and commercially reasonable sale process which effectively canvassed the market, generated significant interest and exposure with the Potential Purchasers, and resulted in the receipt of multiple bids supported by deposits;
 - (c) no party is objecting to the conclusion of the AarKel Transaction;

- (d) the Purchaser and its private equity sponsor have satisfied the Receiver of their ability to close the AarKel Transaction, and have also disclosed operational qualifications;
- (e) the Purchaser's senior management are active industry participants and are familiar with the Windsor Property and business as a long-standing Tryouts customer of ITI;
- (f) the Receiver believes the AarKel Transaction represents commercially reasonable value;
- (g) the AarKel APA represents the most advantageous offer for the Windsor Property and maximizes recoveries;
- (h) among other things, the consummation of the AarKel Transaction contemplates:
 - (i) continued Tryouts services to customers based in Windsor and Southwestern Ontario;
 - (ii) potential continuation of parts production which is currently being evaluated by AarKel; and
 - (iii) the preservation of employment of Tryouts staff and potentially parts production staff and Management personnel;
- (i) BMO has consented to the price allocated by AarKel in respect of the BMO Unit; and
- (j) TD, which will suffer a significant loss on its secured loans to the Debtors, has advised the Receiver that it supports the AarKel Transaction.

75. Accordingly, the Receiver recommends that the Court approve the AarKel Transaction, noting that the Receiver continues to work with the landlords of the Windsor Facility and Windsor Warehouse to meet the condition relating to same under the AarKel Transaction.

ANALYSIS OF THE AUCTION AGREEMENT

Terms of Successful Bid re Kitchener

76. A redacted copy the Auction Agreement is attached hereto as **Appendix "E"**, and the unredacted copy is attached as **Confidential Appendix "4"**.

77. A summary of the non-commercially sensitive key terms of the Auction Agreement is provided below.

| Summary of the Auction Agreement | |
|--|--|
| Purchaser | <ul style="list-style-type: none"> • Corporate Assets Inc. |
| Transaction Type | <ul style="list-style-type: none"> • Sale of assets and auction with NMG • Form of Approval and Vesting Order |
| APA Date | <ul style="list-style-type: none"> • August 4, 2023 |
| Net Minimum Guarantee Amount | <ul style="list-style-type: none"> • Confidential |
| Net Minimum Guarantee Sharing Formula | <ul style="list-style-type: none"> • The Receiver is entitled to an agreed share of any proceeds of sale of the Auctioneer Purchased Assets realized by the Auctioneer in excess of the NMG plus an expense reimbursement amount in favour of the Auctioneer • The Auctioneer may solicit offers to purchase the Auctioneer Purchased Assets prior to closing. The proceeds of any of the Auctioneer Purchased Assets sold to a party other than the Auctioneer pursuant to a private sale shall be paid to the Receiver and credited against the amount of the NMG payable on closing |
| Deposit Received | <ul style="list-style-type: none"> • Confidential |
| Purchased Assets | <ul style="list-style-type: none"> • The tangible assets of the Debtors listed in Schedule A of the Auction Agreement, consisting primarily of machinery and equipment located at the Kitchener Facility and certain residual equipment at the Windsor Facility |
| Landlords | <ul style="list-style-type: none"> • Following closing of the Auction Transaction, the Auctioneer will conduct the Auction and shall have access to the Kitchener Facility and Windsor Facility up to and including December 15, 2023 to allow for the sale and removal of the Auctioneer Purchased Assets • The costs of occupation in respect of the Kitchener Facility are to be borne by the Receiver • The Receiver has communicated with the landlords of these premises and advised them of the occupation period contemplated in the Auction Agreement, and AarKel has agreed to provide reasonable access to the Windsor Facility in respect of the residual Windsor assets which form part of the Auction Agreement |
| Conditions to Closing | <ul style="list-style-type: none"> • The Auction Transaction is subject to certain conditions, including within 30 days of the date of the Auction Agreement obtaining an order of the Court: |

| | |
|--|---|
| | <ul style="list-style-type: none">○ authorizing the Receiver to enter into the Auction Agreement○ permitting the Receiver to provide access to the Auctioneer for the purpose of the sale to December 15, 2023○ following closing of the Auction Transaction, permitting the Auctioneer to conduct the sale or re-sale of the Auctioneer Purchased Assets to one or more purchasers by way of public or private sale in accordance with the Auction Agreement○ conveying to the Auctioneer on closing the right, title and interest of the Receiver, if any, in the Auctioneer Purchased Assets free and clear of all liens and encumbrances● The Auction Transaction contemplates the delivery by the Receiver to the Auctioneer on the closing date of a bill of sale conveying to the Auctioneer the right, title, and interest of the Debtors and the Receiver in and to the Auctioneer Purchased Assets free from all liens and encumbrances on an “as is, where is” basis without representation or warranty. |
|--|---|

The Receiver’s Observations

78. The Receiver makes the following observations with respect to the Auctioneer Transaction for consideration by the Court: The Receiver recommends that the Court approve the Auctioneer Transaction, authorize and approve the execution of the Auction Agreement by the Receiver, direct the Receiver to take such steps necessary to complete the Auctioneer Transaction, and vest in the Auctioneer the right, title and interest of the Receiver and the Debtors in and to the Auctioneer Purchased Assets on closing of the Auctioneer Transaction, free and clear of all liens and encumbrances, for the following reasons:

- (a) the Sale Process was authorized by the Court pursuant to section 3(j) of the Receivership Order;
- (b) as set out above, the Receiver has conducted a fair, transparent, and commercially reasonable sale process which effectively canvassed the market, generated significant interest and exposure with the Potential Purchasers, and resulted in the receipt of multiple bids supported by deposits;
- (c) the cost of removing the Auctioneer Purchased Assets from the respective premises would be prohibitive relative to their value, with the result that any sale of such assets must be conducted from the premises. Given the ongoing costs of occupation of the premises, the limited time available to the Receiver to occupy the premises and the responses received from interested parties pursuant to the Sale Process, the Receiver has determined that continued marketing of the Auctioneer Purchased Assets and business

conducted at the Kitchener Facility is unlikely to produce a superior net realization as compared to the Auctioneer Transaction;

- (d) the Sale Process was robust in the circumstances and sufficiently exposed the Property to prospective purchasers and produced significant participation from prospective purchasers, resulting in the best transaction in the circumstances;
- (e) in the Receiver's view, no commercially reasonable offers were submitted from going concern purchasers for the business conducted at the Kitchener Facility;
- (f) the Auctioneer specializes in the industrial marketplace and conducts numerous industrial sales and liquidations per year;
- (g) the Auctioneer provided the highest NMG offer among the Shortlisted Bidders and the proposed terms and conditions generally complied with those requested by the Receiver. The period of occupancy at the Premises requested was similar to that of other auctioneers who participated in the Sale Process;
- (h) the Auctioneer has attended at the Kitchener Facility and Windsor Facility, and has commenced pre-marketing activities to take steps necessary to prepare for the Auction subject to Court approval; and
- (i) TD, which will suffer a significant loss on its secured loans to the Debtors, has advised the Receiver that it supports the Auctioneer Transaction.

SEALING ORDER

- 79. If the Court does not approve the AarKel APA and the Auction Agreement, or if the AarKel APA and Auction Agreement are approved by the Court but are not completed for other reasons, public disclosure of the Summary of Offers, the Summary of Auction Proposals, and the unredacted versions of the AarKel APA and Auction Agreement could materially prejudice the Receiver's ability to re-market the Property and maximize the proceeds of sale of the Property.
- 80. The Receiver is therefore seeking an order of this Court sealing (i) the Summary of Offers; (ii) the Summary of Auction Proposals, and (iv) the unredacted versions of the AarKel APA and Auction Agreement pending further order of the Court or the completion of the transactions and auction under both of the AarKel APA and Auction Agreement.

COLLECTION EFFORTS TO DATE

81. The Receiver utilized the Debtors' books and records and held discussions with the remaining financial management of the Debtors to determine the respective amounts owed from each customer, and to determine accurate levels of finished goods, raw materials, and components inventory on hand applicable to such customers. The Receiver provided customers with supporting documentation and negotiated payment terms as agreed to by certain customers.
82. As at July, 31, 2023, the Receiver had entered into 21 interim and final settlement and release agreements with certain customers of the Debtors which provide for, among other things, payment to the Receiver of an agreed amount with respect to outstanding accounts receivable, the sale of inventory on hand and/or additional parts to be produced by the Receiver to mitigate disruptions, and the coordinated removal of customer Tools and, in certain cases, assisting with compilation of CAD and other design data.
83. The table below sets out total cash recoveries of pre-receivership A/R and post-receivership operations to July 31, 2023 in the approximate amounts of \$4.1 million plus US \$864,000:

| Description | CAD (in 000's) | USD (in 000's) |
|--|----------------|----------------|
| Collection of outstanding accounts receivable as at May 25, 2023 | 2,374 | 634 |
| Collections from post-receivership sales (net of HST) | 1,727 | 230 |
| Total cash receipts from A/R and post-receivership sales to July 31, 2023 | 4,101 | 864 |

STATEMENT OF RECEIPTS AND DISBURSEMENTS

84. Attached as **Appendix "F"** is a cumulative Statement of Receipts and Disbursements for the period May 26, 2023 to July 31, 2023. As at July 31, 2023, the closing cash balance was approximately (i) Cdn \$2.588 million plus (ii) approximately US\$135,000.

RECEIVER'S RECOMMENDATIONS

85. For the reasons set out above, the Receiver recommends that the Court make Orders:
- (a) approving this First Report and the activities of the Receiver, including steps taken in dealing with the Property, as described in this First Report;
 - (b) approving the AarKel Transaction and authorizing and directing the Receiver to enter into and carry out the terms of the AarKel APA, together with any further amendments thereto deemed necessary by the Receiver in its sole discretion, and vesting the right,

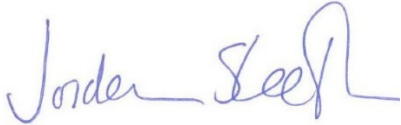
title, and interest of the Receiver and the Debtors in and to AarKel in respect of the Windsor Property upon closing of the AarKel Transaction;

- (c) approving the Auction Transaction and authorizing and directing the Receiver to enter into and carry out the terms of the Auction Agreement, together with any further amendments thereto deemed necessary by the Receiver in its sole discretion, and vesting the right, title, and interest of the Receiver and the Debtors in and to Corporate Assets in respect of the Auctioneer Purchased Assets upon closing of the Auction Transaction;
- (d) authorizing and directing the Receiver to enter into negotiations to sell the Property to any other party identified through the Sale Process or otherwise if the AarKel APA and/or Auction Agreement are terminated in accordance with their terms;
- (e) temporarily sealing from the public record pending further order of the Court (i) the Summary of Offers attached as **Confidential Appendix “1”**; (ii) the Summary of Auction Proposals, attached as **Confidential Appendix “2”**, (iii) the unredacted version of the AarKel APA as **Confidential Appendix “3”**, and (iv) the unredacted version of the Auction Agreement, attached as **Confidential Appendix “4”**;
- (f) approving the Receiver’s Statement of Receipts and Disbursements for the period May 26, 2023 to July 31, 2023.

All of which is respectfully submitted at Kitchener, Ontario this 15th day of August, 2023.

DELOITTE RESTRUCTURING INC.,
solely in its capacity as the Court-appointed
Receiver of Injection Technologies Inc., Moldco
Plastics Inc., and Moldco Holdings Inc., and
without personal or corporate liability

Per:



Jorden Sleeth, CPA, CA, CIRP, LIT
Senior Vice-President



Stefano Damiani, CPA, CA, CIRP, LIT
Senior Vice-President

THE TORONTO-DOMINION BANK

-and- INJECTION TECHNOLOGIES INC., MOLDCO PLASTICS INC.,
AND MOLDCO HOLDINGS INC.

Applicant

Respondents

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

PROCEEDING COMMENCED AT
TORONTO

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

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Court-appointed Receiver