

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

BETWEEN:

BANK OF MONTREAL  
Applicant

- AND -

CPI PLASTICS GROUP LIMITED, CPI PLASTICS GROUP (CANADA) LTD.,  
CPI PLASTICS GROUP, INC., CRILA INVESTMENTS INC.  
and CRILA PLASTICS INDUSTRIES, INC.

Respondents

**FIFTH REPORT OF DELOITTE & TOUCHE INC.  
IN ITS CAPACITY AS INTERIM RECEIVER AND RECEIVER AND MANAGER OF  
CPI PLASTICS GROUP LIMITED, CPI PLASTICS GROUP (CANADA) LTD.,  
CPI PLASTICS GROUP, INC., CRILA INVESTMENTS INC.  
and CRILA PLASTICS INDUSTRIES, INC.**

**April 30, 2009**

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# Introduction

1. This report is the Receiver's fifth report (the "Fifth Report") to the Ontario Superior Court of Justice (Commercial List) (the "Court").
2. On January 8, 2009, Bank of Montreal ("BMO" or the "Bank") made a motion for an Order pursuant to section 47(1) of the *Bankruptcy and Insolvency Act* (the "BIA") and section 101 of the *Courts of Justice Act* appointing an interim receiver and receiver and manager of all the assets, undertakings and properties of CPI Plastics Group Limited ("CPI"), CPI Plastics Group (Canada) Ltd. ("CPI Canada"), CPI Plastics Group, Inc. ("CPI US"), Crila Investments Inc. ("Crila Canada"), Crila Plastics Industries, Inc. ("Crila US"), (each a "Company" and collectively, the "CPI Group"). By Order of the Honourable Mr. Justice Campbell (the "Receivership Order"), Deloitte & Touche Inc. was appointed as interim receiver and receiver and manager (jointly, the "Receiver") without security, of all of the assets, undertakings and properties of the CPI Group. Attached hereto as Exhibit A is a copy of the Receivership Order.
3. On January 27, 2009, the Receiver sought and obtained an Order (the "Sales Process Order") authorizing the Receiver, among other things, to conduct a sales process in respect of the CPI Group's business or any material portions thereof, substantially in accordance with the sales process as set out in the Receiver's First Report dated January 21, 2009. A copy of the Sales Process Order is attached as Exhibit B.
4. On February 10, 2009, the Receiver sought and obtained an Order Granting Recognition as a Foreign Main Proceeding and Related Relief from the US Bankruptcy Court, Eastern District of Wisconsin (the "US Recognition Order"), recognizing the Canadian receivership proceedings. A copy of the US Recognition Order is attached as Exhibit C.
5. On March 20, 2009, the Receiver sought and obtained an Approval and Vesting Order (Canadian Assets) approving the sale transaction to Gracious Living Innovations Inc. ("Gracious Living") vesting in Gracious Living the Receiver's right, title and interest in substantially all of the CPI Group's Canadian Assets. The Gracious Living transaction closed on March 23, 2009.
6. On March 26, 2009, the Receiver sought and obtained an Approval and Vesting Order (US Assets) approving the sale transaction to JM2 Film LLC ("JM2") vesting in JM2 the Receiver's right, title and interest in substantially all of the CPI Group's US Assets. Concurrently, on March 26, 2009, the Receiver sought and obtained an Order Recognizing Canadian Vesting Order from the US Bankruptcy Court, Eastern District of Wisconsin, recognizing the Approval and Vesting Order (US Assets). The JM2 transaction closed on March 27, 2009.

## Purpose of Report

7. The purpose of this Fifth Report is to seek an Order of the Court approving an interim distribution to the Bank, the senior secured creditor of the CPI Group estate.

## Proposed Interim Distribution

8. At this time, the Receiver is proposing an interim distribution to BMO, the senior secured creditor of the CPI Group estate. There remains an ongoing administration of the estate including the Receiver's occupation to June 30, 2009 at selected CPI Group's premises under the various Asset Purchase Agreements. There also remain outstanding Canada Revenue Agency tax issues as well as other Canadian statutory duties to be completed by the Receiver. The Receiver has otherwise paid all known employee wages and remitted all statutory tax deductions accruing after the commencement of the CPI Group receivership proceedings through the date of this Fifth Report.
9. The Receiver received an independent legal opinion on the Bank's security prepared by the Receiver's Canadian legal counsel, Ogilvy Renault LLP ("Ogilvy") and dated April 6, 2009, a copy of which is attached as Appendix 1 (the "Canadian Opinion"). The Canadian Opinion confirms that the Bank holds valid security interests against the assets of the CPI Group in the Province of Ontario, that such security interests are enforceable against a trustee in bankruptcy, and that they were properly perfected by registration.
10. The Receiver also received an independent legal opinion on the Bank's security prepared by the Receiver's US legal counsel, Godfrey & Kahn, S.C. ("Godfrey") and dated March 11, 2009, a copy of which is attached as Appendix 2 (the "US Opinion"). The US Opinion confirms that the Bank holds valid security interests against the United States assets of the CPI Group (the "US Assets"), and that such security interests are enforceable against the CPI Group and all other persons, and that they were properly perfected by filing.
11. The Receiver is advised by Ogilvy that The Manufacturers Life Insurance Company ("Manulife") registered a security interest against CPI in "Accounts" and "Other" (the "Manulife Registration"). The Manulife Registration pre-dates the registration made by BMO against CPI. The Receiver is advised by Ogilvy that several attempts were made by Ogilvy to determine whether CPI granted a security interest in any of its assets to Manulife, and if so, to what extent. The Receiver is advised by Ogilvy that while Manulife demonstrated that CPI had provided Manulife with an unsecured environmental indemnity in connection with a mortgage by CPI's then landlord to Manulife, Manulife did not provide any document or other evidence that demonstrates that CPI has granted any security in favour of Manulife. As such, it would appear that despite the existence of the Manulife Registration, CPI's obligations to Manulife are of an unsecured nature. Please refer to the "The Credit Agreement"

section of the Canadian Opinion for further details.

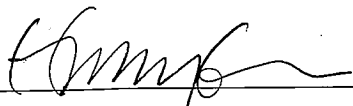
12. The sale of the CPI Group assets to Gracious Living and JM2 provided gross proceeds of CAD \$9.8 million and USD \$1.8 million, respectively. At this time, the Receiver proposes to distribute CAD \$10 million to BMO in the form of an interim distribution. According to a payout statement received from BMO, the CPI Group's indebtedness to the Bank approximates CAD \$35 million. The balance of estate funds and the ongoing collection of pre-filing and all post-filing accounts receivable will continue to be held by the Receiver to fund the ongoing administration of the estate and for further distributions to BMO. The Receiver estimates an additional CAD \$4.4 - \$5.2 million in net realizations to the estate in completing the balance of its administration. A copy of the Receiver's estimated statement of realization is attached is Appendix 3.
13. The Receiver has agreed to a "claw back" provision with BMO as it relates to this interim distribution in that if there is insufficient funds available to meet the reasonable fees and expenses of the Receiver, or should it be determined by order of the Court that BMO is not entitled to all or any part of the amount for any reason, BMO will remit the required amount to enable the Receiver to discharge all claims and expenses or comply with any Court order up the maximum amount so paid to BMO on this distribution.
14. As there is a significant shortfall to BMO from the realization of assets, the Receiver does not anticipate any distribution to the CPI Group's other secured creditors or unsecured creditors. Accordingly, the Receiver is requesting that the U.S. Bankruptcy Court for the Eastern District of Wisconsin discharge the Receiver and close the GPI Group's chapter 15 proceedings, without prejudice to the Receiver's right to subsequently reopen such proceedings if dictated by the facts or circumstances. Moreover, the Receiver proposes to effect a final distribution to BMO when the estate administration is substantially completed without seeking further approval from this Honourable Court given the significant shortfall in recoveries to the Bank and no anticipated distributions available to the unsecured creditors of the estate.

## Conclusion

15. The Receiver respectfully requests that this Honourable Court grant the relief requested in paragraph 7 above.
16. The Receiver is not aware of any opposition to the distribution of the sale proceeds to BMO. The Receiver is aware of a claim of approximately US\$23,000 that may be asserted by a former customer of the CPI Group, Goldec Distributors. Based on the information received thus far, the Receiver is of the view that Goldec's claim is an unsecured pre-receivership claim for goods and in light of the substantial shortfall to BMO, no funds will be available for the payment of such claim. As per the endorsement of Justice Campbell of March 20, 2009, the Receiver intends to provide notice to Goldec of this distribution motion.

Dated the 30<sup>th</sup> day of April, 2009.

RESPECTFULLY SUBMITTED,

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

Huey Lee, MBA, CMA, CIRP  
Vice President

Deloitte & Touche Inc.

In its capacity as Interim Receiver and Receiver and Manager of

CPI Plastics Group Limited, CPI Plastics Group (Canada) Ltd.

CPI Plastics Group, Inc., Crila Investments Inc. and Crila Plastics Industries, Inc.

and not in its personal capacity.