

**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

**SIXTH 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.**

March 18, 2011

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- EXHIBIT A** Receivership Order dated January 8, 2009
- EXHIBIT B** United States Bankruptcy Court Recognition and Discharge Order dated June 11, 2009
- EXHIBIT C** Motion Record – Economy Premier Assurance Company
- EXHIBIT D** Consent Order – Economy Premier Assurance Company
- EXHIBIT E** Consent Order – The Home Depot
- EXHIBIT F** Letter from Cross, Gunter, Witherspoon & Galchus, P.C. to Deloitte & Touche Inc. dated October 12, 2010
- EXHIBIT G** Letter from Deloitte & Touche Inc. to Cross, Gunter, Witherspoon & Galchus, P.C. dated October 21, 2010
- EXHIBIT H** Letter #1 from Liblong Digambar to Ogilvy Renault LLP, dated November 9, 2010
- EXHIBIT I** Letter #2 from Liblong Digambar to Ogilvy Renault LLP dated November 18, 2010
- EXHIBIT J** Letter from Ogilvy Renault LLP to Liblong Digambar P.C. dated November 12, 2010
- EXHIBIT K** Statement of Receipts and Disbursements dated March 1, 2011
- EXHIBIT L** Affidavit of Paul M. Casey sworn March 18, 2011 concerning Receiver’s fees and disbursements
- EXHIBIT M** Affidavit of Emmanuelle Virginie Gauthier sworn March 11, 2011 concerning Legal fees and disbursements of Ogilvy Renault LLP
- EXHIBIT N** Affidavit of Aaron L. Hammer sworn November 10, 2010 concerning Legal fees and disbursements of Freeborn Peters LLP
- EXHIBIT O** Affidavit of Timothy F. Nixon sworn November 2, 2010 concerning Legal fees and disbursements of Godfrey & Kahn LLP

Introduction

1. This report is the Receiver's sixth report (the "Sixth 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 U.S."), Crila Investments Inc. ("Crila Canada"), Crila Plastics Industries, Inc. ("Crila U.S."), (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. A copy of this order, other relevant Canadian and U.S orders, and reports can be found on the Receiver's website: <http://www.deloitte.com/ca/cpi>.
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.
4. On February 10, 2009, the Receiver sought and obtained an Order Granting Recognition as a Foreign Main Proceeding and Related Relief under Chapter 15 of the United States ("U.S.") Bankruptcy Code from the U.S. Bankruptcy Court, Eastern District of Wisconsin (the "U.S. Recognition Order"), recognizing the Canadian receivership proceedings.
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 (U.S. 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 U.S. Assets. Concurrently, on March 26, 2009, the Receiver sought and obtained an Order recognizing the Approval and Vesting Order (Canadian Assets) dated March 20, 2009, and the Approval and Vesting Order (U.S. Assets) dated March 26, 2009 from the U.S. Bankruptcy Court, Eastern District of Wisconsin. The JM2 transaction closed on March 27, 2009.
7. On May 27, 2009, the Receiver sought and obtained an interim distribution order ("Canadian Distribution Order") authorizing and directing the Receiver to make a distribution of CAD \$10 million to BMO and authorizing and directing the Receiver to make further distributions to BMO as funds become available provided that the funds to be distributed did not exceed the CPI Group's

indebtedness to BMO.

8. On June 11, 2009, the Receiver sought and obtained an order from the U.S. Bankruptcy Court recognizing the Canadian Distribution Order and discharging the Receiver, as Foreign Representative, from claims and actions with respect to the Chapter 15 Proceeding (“U.S. Discharge Order”). A copy of the U.S. Discharge Order is included as Exhibit B.
9. All amounts are Canadian dollars (“CAD”) unless otherwise noted.

Purpose of Report

10. The purpose of this Sixth Report is to:

- a) Provide this Honourable Court with a report on the activities of the Receiver since the date of the Receiver’s Fifth Report to Court dated April 30, 2009 (the “Fifth Report”);
- b) Provide this Honourable Court with additional information concerning the GCAN Insurance Company (“GCAN”) application resulting in the delay of the Receiver’s application for discharge to this Honourable Court;
- c) Request that the Court approve the activities to date of the Receiver, as described in this Report; and,
- d) Request that this Honourable Court approve the Receiver’s fees and costs, including those of Deloitte & Touche (Canada) LLP, Deloitte Financial Advisory Services LLP (U.S.), its Canadian legal counsel, Ogilvy Renault LLP, and its U.S. legal counsels Freeborn & Peters LLP and Godfrey & Kahn LLP.

Background

11. The CPI Group was a publicly listed Canadian-based plastics processor headquartered in Mississauga, Ontario.
12. The CPI Group had four manufacturing facilities, three in Mississauga, Ontario and one in Pleasant Prairie, Wisconsin. The CPI Group also had a sales and distribution office in Elkhart, Indiana.
13. A detailed discussion of the history of the Company, the primary factors contributing to the CPI Group’s financial difficulties, the details on the two sales transactions and the Receiver’s activities up to April 30, 2009 were provided in previous reports which have been filed with this Honourable Court.
14. At this time, all of the assets and undertakings of the CPI Group have been sold by the Receiver and net proceeds of approximately \$13.9 million have been distributed to BMO pursuant to the above Court Orders. After these distributions, there remains a shortfall on the secured indebtedness owed to BMO in excess of approximately \$24.2 million.

15. Except for the GCAN Application discussed below, the Receiver would otherwise be distributing the remaining funds in the estate to BMO and seeking its discharge.

Receiver's Activities to Date

16. Since April 30, 2009, the date of the Fifth Report, the Receiver has focussed its efforts on the following:

Tax Filings

17. The Receiver obtained tax refunds from income losses, input tax credits from the Scientific Research & Experimental Development program, and arranged for the completion of the GST audit. Federal and Provincial tax refunds of \$0.4 million and \$1.0 million were received in May 2010. Significant negotiations with the Canada Revenue Agency ("CRA") were required in order to resolve these claims.

18. As part of the above negotiation with CRA, the Receiver finalized the pre-receivership Federal and Provincial tax returns for the CPI Group's business in Canada. The Receiver has also filed various U.S. State and Federal returns related to CPI Group's business in the U.S. up to the date of receivership.

19. The Federal and Provincial tax returns for the years ending December 31, 2009 and December 31, 2010 have been filed with CRA. There are no additional taxes owing.

20. The Receiver is in the process of obtaining clearance certificates from CRA.

Premises

21. All premises have been vacated by the Receiver. Pursuant to the various asset purchase agreements, the Receiver occupied select CPI Group's premises until June 30, 2009. The appropriate occupancy costs including utilities and insurance have been recovered from the Purchasers as agreed upon and all amounts owing to respective landlords and utility companies have been paid.

Collection of Accounts Receivable

22. All collectible pre- and post-receivership accounts receivable have been collected by the Receiver. The total accounts receivable collected by the Receiver including both pre-receivership accounts receivable and post-receivership sales made by the Receiver totalled CAD \$6.0 million and USD \$7.6 million for a total of approximately CAD \$13.4 million.

Books and Records

23. The Company's books and records comprise approximately 110 boxes stored at an off-site third party warehouse and electronic files stored on a back-up hard-drive which is in the possession of the Receiver (the "Books and Records"). The Receiver does not anticipate that it will require the information contained in the Books and Records once it has been discharged as Receiver. The Receiver maintains its own records relating to its administration of the receivership proceedings and

will retain such records in accordance with statutory requirements.

Other Activities

24. Other activities of the Receiver since the date of the Fifth Report were:

- Reporting to BMO as to the status of the receivership proceedings;
- Communicating with creditors, in both Canada and the U.S., regarding the receivership and U.S. Bankruptcy Court Chapter 15 proceedings;
- Corresponding with the Ontario Ministry of Labour regarding information requested by the Ministry with respect to certain Employment Insurance claims made by former employees of the CPI Group; and,
- Responding to various legal requests relating to the Arkansas Action as described below.

The GCAN Insurance Company Application

25. GCAN issued a Combined Business insurance policy (the “Policy”) that included business property, combined direct damage and business interruption, commercial general liability, and comprehensive crime insurance to the CPI Group that was in force for the period February 1, 2006 to February 1, 2007.

26. In April 2006, the CPI Group provided notice to GCAN of a loss and potential claim involving a fire which occurred on or about February 17, 2006 at the residence of Donna Sue Sexton (“Ms. Sexton”) in Fort Smith, Arkansas.

27. On February 13, 2009 subsequent to the CPI Group’s date of receivership of January 8, 2009, Economy Premier Assurance Co. (“Economy”), as subrogee to Ms Sexton, commenced legal proceedings in Arkansas against the CPI Group and The Home Depot seeking to recover in excess of \$3,000,000 in relation to insurance proceeds paid as a consequence of the fire (the “Arkansas Action”).

28. On November 6, 2009, Economy moved for and obtained a Consent Order (the “Economy Consent Order”) lifting the stay of proceedings against the CPI Group to permit the Arkansas Action to proceed against the CPI Group *“for the sole purpose of allowing Economy to establish liability, so that it may pursue its claim against CPI’s insurer(s) and for no other purpose.”* Attached hereto as Exhibit C is a copy of the Economy Motion Record, dated November 6, 2009. Attached as Exhibit D is a copy of the Economy Consent Order.

29. As indicated in the Economy Motion Record, Economy had advised the Receiver that there was some urgency to its motion. Economy advised that that it was compelled to establish service upon the CPI Group by November 9, 2009 to the Arkansas Court.

30. The Receiver gave due consideration to:

- the potential prejudice faced by Economy;

- its duties as a court officer; and
- the practice of the commercial court and bar in consenting to the lifting of stays, where prejudice would not accrue to the debtor, or its creditors.

31. The Receiver therefore consented to a “lift stay” order, in a form it understood to be consistent with the practice, and permitted Economy to avoid the claimed prejudice, while avoiding any adverse financial consequences to the creditors of the CPI Group.
32. On September 13, 2010, The Home Depot also moved for and obtained a Consent Order (the “Home Depot Consent Order”) (collectively, with the Economy Consent Order, the “Consent Orders”) lifting the stay of proceedings against the CPI Group to permit Home Depot to proceed against the CPI Group “*for the sole purpose of allowing Home Depot to establish liability, so that it may pursue the Cross-Claim against CPI’s insurer(s) and for no other purpose.*” Attached hereto as Exhibit E is a copy of the Home Depot Consent Order.
33. The Receiver consented to the Home Depot Consent Order on the same basis and considerations that it consented to the Economy Consent Order.
34. GCAN has retained Mr. M. Stephen Bingham of the Arkansas law firm Cross, Gunter, Witherspoon & Galchus, P.C. to defend the Arkansas Action. On October 12, 2010, Mr Bingham wrote to the Receiver advising that he needed to identify the Receiver as the CPI Group’s representative and would need to obtain a list of the materials in the possession/control of the Receiver which would be relevant and necessary to defend the Arkansas Action. A copy of Mr. Bingham’s letter is attached as Exhibit F.
35. The Economy Consent Order specifically provides that, if the Receiver chooses not to defend the Economy Claim on behalf of the CPI Group which is the case here, the Receiver shall not be subject to discovery or production of documents, shall not have any costs awarded against it nor have any liability in respect of, or in relation to, the Economy Claim. By letter dated October 21, 2010, the Receiver’s counsel wrote to Mr. Bingham and advised that any attempt to create such an obligation by Mr. Bingham would be contrary to the Economy Consent Order. A copy of the letter to Mr. Bingham is attached as Exhibit G.
36. The Receiver has no personal knowledge of the facts relating to either proceeding – the initial incident occurred in 2006 – a date many years before the Receivership of the CPI Group. The CPI Group was liquidated in early 2009. At the time of the requests for the Consent Orders, and now, there were no employees currently in the CPI Group’s employ, or that of the Receiver, with knowledge of the facts in issue.
37. The Receiver does not know whether there is any documentation within the CPI Group’s Books and Records which would assist GCAN in responding to the Arkansas Action. Further, the Receiver does not believe that it is appropriate to incur additional fees and costs for this purpose at the expense of the estate unless GCAN were to make arrangements satisfactory to the Receiver with respect to fees and costs that would be incurred by the Receiver.
38. As a result of the foregoing, GCAN has taken the position that the Receiver has acted in “bad faith” or otherwise improperly, in agreeing to the Consent Orders. Copies of letters addressed to the

Receiver in this regard from GCAN's counsel, Liblong Digambar P.C., dated November 9, 2010 and November 18, 2010 are attached as Exhibit H and Exhibit I.

39. The Receiver has responded through counsel, denying the allegations made against it. A copy of the Receiver's letter is attached as Exhibit J.
40. The Receiver has cooperated, through counsel, in the scheduling and bringing of GCAN's current application.

Statement of Receipts and Disbursements of the Estate

41. Attached to this Sixth Report as Exhibit K is a Statement of Receipts and Disbursements for the period from January 8, 2009 to March 1, 2011 (the "R&D Statement"). The R&D Statement separates the Receivership results between Canadian and U.S. currencies.
42. The R&D Statement reflects all of the activities of the Receiver, including, but not limited to the following;
 - the Receiver's manufacturing of inventory for resale from both the Canadian and U.S. plants;
 - the Receiver's efforts in collecting pre-receivership accounts receivable;
 - the marketing and sales process of CPI Group in both Canada and the U.S.;
 - the negotiation of separate purchase and sale agreements for each of the Canadian and U.S. operations; and
 - final negotiation and discussions with CRA resulting in the receipt of tax refunds.
43. The R&D Statement indicates a cumulative surplus of receipts over disbursements of approximately \$240,000 as at March 1, 2011, which is after interim distributions to BMO of \$13.9 million.

Fees and Disbursements of the Receiver

44. The fees and disbursements of the Receiver for the two-year period from January 8, 2009 to March 1, 2011 total \$1,184,389, exclusive of GST and HST.
45. The Receiver also engaged the services of Deloitte & Touche (Canada) LLP and Deloitte Financial Advisory Services LLP (U.S.). Deloitte & Touche (Canada) LLP was engaged to assist the Receiver in securing and preserving the electronic records of the CPI Group. Deloitte Financial Advisory Services LLP (U.S.) was primarily engaged by the Receiver to assist in the sale of U.S. Assets. The fees paid by the Receiver to Deloitte & Touche (Canada) LLP were \$19,964 excluding taxes. The fees paid by the Receiver to Deloitte Financial Advisory Services LLP (U.S.) were CAD \$242,193, exclusive of respective taxes.

46. The fees and disbursements for the Receiver's Canadian counsel, Ogilvy Renault LLP, for the two-year period from January 9, 2009 to March 1, 2011 were \$250,507.66, exclusive of GST and HST.
47. The fees and disbursement for the Receiver's U.S. counsel, Freeborn & Peters LLP and Godfrey & Kahn LLP, for the receivership period from January 9, 2009 to March 1, 2011 were USD \$296,962 and USD \$108,738 respectively, exclusive of respective sales taxes.
48. Affidavits containing the detailed invoices in respect of the fees and disbursements of the above professionals are attached as Exhibits L to O. The Receiver has reviewed the accounts of the respective financial and legal professionals and believes them to be reasonable. The Receiver seeks this Court's approval of the fees and disbursements of the Receiver, Deloitte & Touche (Canada) LLP, Deloitte Financial Advisory (U.S.) and the Receiver's Canadian and U.S. legal counsel.
49. BMO has advised the Receiver that it does not oppose the approval and payment of the professional fees and costs incurred by the Receiver during the period from January 8, 2009 to March 1, 2011.

Conclusion and Recommendations

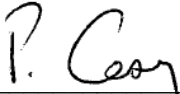
50. The Receiver respectfully requests that this Honourable Court grant an Order:
 - a) approving the Receiver's conduct and activities from April 30, 2009 to date; and,
 - b) approving the Receiver's fees and disbursements and those of Deloitte & Touche (Canada) LLP, Deloitte Financial Advisory Services (U.S.), and its Canadian and U.S. legal counsel.

Dated the 18th day of March, 2011.

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.

Per: _____


Paul M. Casey, CA•CIRP
Senior Vice President