Court File No. 09-CL-7934

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

FOURTH 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 20, 2009

Table of Contents

Introduction

1. This report is the Receiver's fourth report (the "Fourth Report") to the Ontario Superior Court of Justice (Commercial List) (the "Court").
2. On January 8, 2009, Bank of Montreal ("BMO") 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. 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.

Purpose of Report

5. The purpose of this Fourth Report is to:
   a. report on the results of the sales process conducted by the Receiver with respect to the US property of the CPI Group; and
   b. seek an Order of the Court:
      i. approving a transaction for the sale of substantially all of the US assets (the "US Assets"), on a going concern basis, pursuant to an agreement of purchase and sale dated as of March 16, 2009 (the "US Agreement") among the Receiver and JM2 Film LLC ("JM2") for Parcel D, Lots 2A, 2B, 3, 4, 5; any and all assets within Parcel E; and Lots 4, 7A, 7B, 7C, 9, 10, 13 and 15 included within Parcel G of the Information Package;

ii. finding that the such sale is fair, equitable, made in good faith and in the best interests of the CPI Group and their estates;

iii. vesting the right, title and interest of the CPI Group in the US Assets; and

iv. sealing the unredacted copy of the US Agreement until further order of this Court.

Receiver's Sale Process

6. In accordance with the Receivership Order and the Sales Process Order, the Receiver conducted a sales process as follows:

   i. Preparation and concurrent circulation of information memoranda for the Canadian and US assets;

   ii. Solicitation of potential purchasers including identification of strategic and financial parties through the Receiver's professional network and additional solicitation through announcement of sale in the Globe & Mail, Wall Street Journal and Plastics Magazine. Copies of the newspaper and industry magazine advertisements are attached hereto as Exhibit G;

   iii. Preparation of confidentiality agreements to be executed by potential purchasers prior to obtaining access to an electronic data room;

   iv. Establishment and maintenance of an electronic data room in order for potential purchasers to conduct due diligence;

   v. Preparation of an information package (the "Information Package") included in the electronic data room outlining the sales process and description of all the CPI Group's assets for sale on an "as is, where is" basis;

   vi. The assets included in the Information Package consisted of equipment, inventory, accounts receivable, intangibles, office furniture and computer equipment for both of the CPI Group's Canadian and US operations. These assets were allocated to seven (7) lots with over forty (40) parcels to maximize the realizable value of the tendered assets in the event an acceptable *en bloc* offer was not received. Prospective purchasers were given the option of making offers on one or more lots of assets or assets within a lot;

   vii. The deadline for submission of offers was 5:00pm Eastern Standard Time (Toronto time), Tuesday, February 24, 2009 (the "Offer Date");

   viii. The Receiver reserved the right to negotiate with any prospective purchaser at any time and to sell any or all assets at any time prior to the Offer Date;

   ix. The acceptance of any offer was subject to Court approval; and

   x. Each offer was to be accompanied by a deposit in the form of a bank draft or certified cheque payable to the Receiver in the amount of 10% of the gross purchase price offered.

7. The information memorandum was sent to one hundred and forty-four (144) prospective purchasers who were identified through the Receiver's professional network and based on responses to the Receiver's sale announcement in the Globe & Mail, Wall Street Journal and Plastics Magazine;

8. Confidentiality agreements were sent to eighty-nine (89) prospective purchasers, forty-eight (48) of whom signed back and were provided immediate access to the electronic data room for due diligence purposes;

9. Site visits and management meetings were arranged for fifteen (15) prospective purchasers to view the Canadian assets being offered for sale;

10. Site visits and management meetings were arranged for thirteen (13) prospective purchasers to view the US assets being offered for sale;

11. By the Offer Date, offers were received from thirteen (13) bidders. There were three (3) offers for substantially most of the Canadian assets to affect a going-concern sale of the Canadian operations, including an offer from Gracious Living (the "Gracious Living Offer"). These three (3) offers are collectively referred to as the "going-concern" offers for the Canadian assets. The balance of the remaining offers were on selected parcels and/or selected assets for Canadian and US assets. Upon receipt of the offers on the Offer Date, the Receiver corresponded with various of the prospective purchasers to clarify certain aspects of their offers.

12. The following is a breakdown of offers received by the following categories: Canadian operations, US operations, Liquidators and Other (companies interested in specific lots or parcels).

Breakdown of offers received	
Offers for Canadian operations	3
Offers for Film operations	4
Liquidation offers	4
Other offers	2
Total offers received	13

13. The three (3) going concern offers on the Canadian operations, as described above, were received from three (3) strategic parties. The four (4) offers for the US Assets, comprised substantially of the Film Division operations as described in the table above, were received from four (4) strategic parties with interests in various substantial parcels of the US assets. The four (4) Liquidators required the use of the Canadian and US premises for an extended period of time to conduct an onsite auction. As well, the wording of each of the going concern offers required further negotiation by the Receiver to determine the ultimate recovery.

14. The offer from JM2 (the "JM2 Offer") was received on March 16, 2009, after the Offer Date. Based upon the offers that were received by the Receiver on the Offer Date, the best combination of offers were from two separate parties for selected US parcels, neither of which contemplated continued operations of the US business. The first party's interest was for the US customer list, intellectual

property and inventory. The second interested party submitted an offer on the basis of liquidating the fixed assets located in the US for the benefit of the Receiver on a net minimum guarantee basis. Based on the going concern nature, higher offer price and generally superior attributes of the JM2 Offer, the Receiver negotiated and accepted the JM2 Offer, subject to Court approval.

15. To the best of the Receiver's knowledge, JM2 is not an insider of any Debtor, nor do JM2 and the Debtors share any common incorporators, officers, directors or material shareholders. To the best of the Receiver's knowledge, the proposed sale to JM2 constitutes an "arms-length transaction", and the JM2 offer is fair and reasonable.

Approval of the Sale Transaction

US Assets

16. Upon acceptance of the JM2 Offer, the Receiver entered into negotiations with JM2 to complete a definitive agreement. As a result, the parties entered into the US Agreement which provides for the purchase and sale of substantially all the US Assets (the "Recommended US Transaction"). A redacted copy of the US Agreement is attached hereto as Appendix 1. Certain key elements of the Agreement include:

(a) the payment of a cash purchase price on closing;

(b) accommodation for continued occupation at 711 Gana Court for a period of sixty (60) days following closing; and

(c) JM2 to negotiate in good faith with the Receiver for the purchase of approximately twelve (12) containers of finished goods inventory purchased overseas and for the benefit of existing customers.

17. The Receiver recommends that this Honourable Court approve the Recommended US Transaction for the following reasons:

i. The Recommended US Transaction provides for a greater recovery on the US Assets than the other offers and all possible combinations of offers on individual parcels;

ii. The Recommended US Transaction eliminates the Receiver's need to incur costs associated with a protracted onsite liquidation, and potential significant costs that could arise from the dismantling and removal of assets sold to bidders;

iii. The Recommended US Transaction provides for continued employment of the majority of the CPI Group's former employees involved with its US operations;

iv. The Recommended US Transaction provides for a closing which is anticipated to take place immediately after the granting of the Approval and Vesting Order, if so granted by this Honourable Court, which will in turn reduce the Receiver's costs associated with securing and monitoring the assets of the CPI Group;

v. The Recommended US Transaction will result in reduced professional fees relating to the closing of the sale of assets as there is only one and not multiple purchasers with whom the Receiver is required to complete a sale; and

vi. Bank of Montreal, the largest secured creditor of the CPI Group, is supportive of the Receiver's recommendation.

18. The Receiver in its sound business judgment believes that the transaction is fair, equitable, made in good faith and in the best interests of the CPI Group and their estates.

19. The Receiver believes that the financial terms and conditions of the US Agreement constitute sensitive information which should be kept confidential until further Order of this Honourable Court. The Receiver respectfully requests that the unredacted copy of the US Agreement be sealed from the general public by this Honourable Court and remain sealed until further Order this Court. The Receiver makes this request in order to avoid any prejudice that may be caused by publicly disclosing this information prior to the completion of the transaction.

20. The Receiver has no reason to believe that JM2 was not acting in good faith in its negotiations with the Receiver.

21. While the Receiver realizes that the time for service of the present motion is not in strict accordance with the rules, the Receiver believes that adequate notice has been provided to the creditors of the CPI Group given that all creditors of records of the CPI Group have received, in accordance with the U.S. Bankruptcy Code, "Notices of Intent to Dispose of Debtors' Assets". Those notices were sent in early February 2009. Furthermore, parties on the service list were advised by way of the Third Report that a sale of the US assets was forthcoming.

Conclusion

22. The Receiver respectfully requests that this Honourable Court grant the relief requested in paragraph 5 above.

Dated the 20th day of March, 2009.

RESPECTFULLY SUBMITTED,

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.