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Fourth Report of  
Duff & Phelps Canada  
Restructuring Inc.  
as Receiver of  
Precision-Tech Limited

January 7, 2013

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Court File No.: 12978300-CL

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

**COMERICA BANK**

**Applicant**

**-and-**

**PRECISION-TECH LIMITED**

**Respondent**

**FOURTH REPORT OF DUFF & PHELPS CANADA RESTRUCTURING INC.  
AS RECEIVER OF  
PRECISION-TECH LIMITED**

**January 7, 2013**

## **1.0 Introduction**

1. This report is filed by Duff & Phelps Canada Restructuring Inc. ("D&P") in its capacity as receiver ("Receiver") of the property, assets and undertaking of Precision-Tech Limited (the "Company"). Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) ("Court") dated July 10, 2012 (the "Receivership Order"), D&P was appointed Receiver of the Company. A copy of the Receivership Order is attached as Appendix "A".
2. The primary purpose of these receivership proceedings has been to provide a stabilized environment in which the Company's business and assets could be marketed for sale pursuant to a Court approved sale process and to allow the Company's customers to resource, pursuant to accommodation agreements, the parts supplied to them by the Company.

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## 1.1 Purposes of this Report

1. The purposes of this report ("Report") are to:
  - a) Provide background information about the Company and these receivership proceedings;
  - b) Summarize the Receiver's sale process ("Sale Process") for the Company's real property located at 305 Industrial Road, Cambridge, Ontario (the "Property");
  - c) Summarize a transaction for the Property between the Receiver and 2067322 Ontario Inc. (the "Purchaser") pursuant to an Agreement of Purchase and Sale dated November 8, 2012 (the "APS") (the "Transaction");
  - d) Provide an overview of the Receiver's activities since October 5, 2012, the date on which its activities were previously approved; and
  - e) Recommend that this Honourable Court issue an order:
    - i. Approving the APS and all other ancillary documents and agreements required to complete the Transaction;
    - ii. Vesting the Company's right, title and interest in and to the Property in the Purchaser upon the filing of a Receiver's certificate;
    - iii. Sealing the Confidential Appendices to this Report until the closing of the Transaction; and
    - iv. Approving the Receiver's activities, as described in this Report.

## 1.2 Currency

1. All references to dollar amounts are to Canadian dollars unless otherwise specified.

## 2.0 Background

1. The Company was a CNC machined component manufacturer supplying parts to original equipment manufacturers and Tier 1 and Tier 2 suppliers to the automotive and industrial sectors. The Company operated from two facilities in Cambridge, Ontario. The Company owns the Property, which was its main production facility and head office, and leased a smaller production facility.

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2. At the commencement of these proceedings, the Company employed approximately 80 individuals. The workforce was non-unionized and the Company did not maintain any pension plans.
  3. Until October 5, 2012, the Company continued to produce component parts for each of its three major customers, being Meritor Vehicle Systems, LLC, Allison Transmission, Inc. and Hoerbiger Fine Stamping Inc., pursuant to each of their respective accommodation agreements (collectively, the "Accommodation Agreements").
  4. Effective October 5, 2012, the Company's operations were discontinued. There are no longer any individuals employed by the Company.

## **2.1 CAI Transaction**

1. Pursuant to a Liquidation Services Agreement dated September 21, 2012 between the Receiver and Corporate Assets Inc. ("CAI"), CAI was retained to sell the Company's machinery and equipment and sundry inventory. The LSA was approved by the Court on October 5, 2012.
2. CAI conducted an auction at the Company's premises on December 5, 2012 and has paid to the Receiver the "net minimum guarantee". There may be additional amounts payable by CAI to the Receiver under the LSA. The Receiver is presently dealing with CAI regarding a reconciliation of the auction statement and other residual issues in connection with the LSA.
3. Pursuant to the LSA, the occupancy period expires on January 20, 2013. CAI expects all of the machinery and equipment to be removed from the Company's premises prior to that date.

## **2.2 Comerica Bank**

1. The Company's principal secured creditor is Comerica Bank ("Comerica"). According to Comerica's application materials, Comerica was owed approximately \$10.5 million under its various credit facilities with the Company and/or its related entities.
2. As at the date of this Report, the Receiver has distributed approximately \$5.9 million to Comerica in accordance with a Court order made on August 1, 2012 (the "Distribution Order"). The distributions were funded principally from proceeds generated from the Accommodation Agreements and the CAI Transaction.
3. Comerica is projected to incur a shortfall on its advances to the Company and has consented to the relief sought in this motion.

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### 3.0 Assets under Administration

1. As at the date of this Report, the only known assets of the Company are: (i) cash on deposit in the receivership account (approximately \$125,000); (ii) accounts receivable and inventory with a book value of approximately \$50,000 and \$450,000, respectively. The Receiver is in the process of realizing upon these assets<sup>1</sup>; (iii) amounts owing by CAI under the LSA, which are not expected to be material; and (iii) the Property, as detailed herein.

#### 3.1 The Property

1. The Property is approximately 4.04 acres, on which the Company's production facility and head office (comprising approximately 27,500 square feet) was situated.
2. In July, 2012, Jacob Ellens & Associates ("Jacob") appraised the Property. A copy of Jacob's appraisal is attached as Confidential Appendix "1".

### 4.0 Sale Process

#### 4.1 Overview

1. Paragraph 3(k) of the Receivership Order authorizes the Receiver to market the Property for sale. Shortly following the issuance of the Receivership Order on July 10, 2012, the Receiver commenced the following Sale Process:
  - The Receiver sought listing proposals from two commercial real estate brokerage firms, being Colliers International ("Colliers") and Avison Young Commercial Real Estate (Ontario) Inc.
  - Based on the terms of the listing proposals, including the marketing program, experience in the Cambridge marketplace and commission structure, the Receiver determined that Colliers should be retained to list the Property. The Receiver consulted with Comerica at that time – Comerica consented to Colliers' retention.
  - Colliers' marketing of the Property commenced immediately upon execution of a listing agreement dated August 17, 2012, which included:
    - Listing the property for sale at \$1.995 million;

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<sup>1</sup> The realizable value of these assets, particularly the remaining inventory, is likely to be materially less than the book value.

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- Circulating a brochure and a detailed information package to prospective purchasers, including targets in the Cambridge and surrounding areas and to the industrial brokerage community in Colliers' network;
  - Listing the Property for sale on the MLS network; and
  - Placing a "for sale" sign on the Property.
- In accordance with the Receivership Order, the Receiver instructed Colliers to advise prospective purchasers that a transaction for the Property would be subject to Court approval.

## **4.2 Results**

1. The results of the Sale Process are provided in Confidential Appendix "2". The Receiver is of the view that the appraisal and the results of the Sale Process, including the number and value of the offers received for the Property, should be filed with the Court on a confidential basis until the Transaction closes. The confidential appendices contain commercially sensitive information, the release of which prior to the closing of the Transaction would be detrimental to the stakeholders of the Company.

## **5.0 Transaction**

1. A summary of the Transaction is as follows:
  - The Purchaser has paid a deposit representing 10% of the purchase price. The deposit is only refundable if the Court decides not to approve the Transaction;
  - The APS contemplates a completion date on or prior to February 8, 2013, should the Court grant the proposed Vesting Order;
  - The terms of the Transaction are consistent with standard insolvency transactions, i.e., to be completed on an "as is, where is" basis without material representations and warranties; and
  - The Transaction is subject only to the approval of this Honourable Court.
2. A copy of the APS is filed as Confidential Appendix "3". The Receiver is proposing to file the APS on a confidential basis in order to prevent the purchase price acceptable to the Receiver from being made public.

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## **5.1 Colliers' Recommendation**

1. The Receiver consulted with Colliers prior to accepting the Purchaser's offer. Colliers recommended the Transaction for the following reasons:
  - The selling price is consistent with recent sales for comparable properties in the Cambridge area; and
  - Should the Transaction not be accepted, there is a risk of a protracted marketing period, causing the funds in the estate to be depleted due to ongoing occupancy costs (approximately \$30,000 per month).

## **5.2 Receiver's Recommendation**

1. The Receiver recommends that the Court approve the Transaction and vest clean title to the Property in the Purchaser for the following reasons:
  - In the Receiver's view, the Sale Process was commercially reasonable. The Property was marketed with the assistance of a professional real estate firm with experience in the market using traditional methods for selling real estate;
  - Colliers is familiar with the local real estate market and recommends that the Transaction be accepted because it believes the selling price is reasonable;
  - Estimated monthly occupancy costs for the Property total approximately \$30,000, including insurance, utilities and property taxes. These costs increase during the winter months. Entering into the Transaction will eliminate ongoing occupancy costs;
  - Comerica, the only stakeholder with an economic interest in the Transaction, has consented to the Transaction. Comerica will incur a shortfall on its advances to the Company;
  - Absent the Transaction, it will be necessary to continue to market the Property for an uncertain period. Accordingly, the monthly occupancy costs could materially erode recoveries to Comerica; and
  - The value of the Transaction represents the highest and best offer received and, other than the need for Court approval, the offer is unconditional.
2. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court issue an order authorizing and directing the Receiver to complete the Transaction as set out in the APS, as well as executing any other documents or agreements necessary to give effect to the Transaction.

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## 6.0 Overview of the Receiver's Activities

1. The Receiver's activities since October 5, 2012, the date on which its activities were previously approved, have included the following:
  - Carrying out the Receiver's duties and responsibilities in accordance with the Receivership Order and the Accommodation Agreements;
  - Dealing with sundry issues in accordance with the Accommodation Agreements, including reconciling final payments owing to the Company and dealing with tooling issues;
  - Dealing extensively with CAI in connection with the LSA in advance of, and following, the December 5<sup>th</sup> auction;
  - Attending at the auction on December 5, 2012;
  - Carrying out the Sale Process on the basis detailed herein;
  - Negotiating the APS with the Purchaser;
  - Corresponding regularly with Colliers regarding the Property and the Sale Process;
  - Corresponding with legal counsel concerning receivership matters;
  - Reconciling accounts receivable collections;
  - Dealing with sundry inventory realizations;
  - Negotiating and completing a transaction with a former customer for certain of the Company's intellectual property;
  - Filing the Company's monthly HST returns;
  - Making distributions to Comerica in accordance with the Distribution Order;
  - Dealing with the return of certain leased equipment;
  - Paying post-filing expenses from the receivership accounts;
  - Corresponding with the Company's stakeholders, including Comerica, former employees, trade creditors, customers, and the Company's landlord;

- 
- Drafting this Report; and
  - Other matters pertaining to the administration of this mandate.

## 7.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 of this Report.

\* \* \*

All of which is respectfully submitted,

*Duff & Phelps Canada Restructuring Inc.*

**DUFF & PHELPS CANADA RESTRUCTURING INC.  
IN ITS CAPACITY AS RECEIVER OF  
PRECISION-TECH LIMITED  
AND NOT IN ITS PERSONAL CAPACITY**

## **Appendix “A”**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE  
JUSTICE *Pattillo*

) TUESDAY, THE 10<sup>TH</sup> DAY  
)  
) OF JULY, 2012



COMERICA BANK

Applicant

- and -

PRECISION-TECH LIMITED

Respondent

**ORDER**

**THIS APPLICATION** made by the Applicant for an Order 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 (the "**CJA**") appointing Duff & Phelps Canada Restructuring Inc. as receiver (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of Precision-Tech Limited (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Cynthia B. Jones sworn July 5, 2012 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, the Debtor, Meritor Heavy Vehicle Systems, LLC and the Receiver, no one appearing although duly served as appears from the affidavit of service of Christine Doyle sworn July 6, 2012 and on reading the consent of the Debtor and the consent of Duff & Phelps Canada Restructuring Inc. to act as the Receiver,

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

## **APPOINTMENT**

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Duff & Phelps Canada Restructuring Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the “**Property**”).

## **RECEIVER’S POWERS**

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver’s powers and duties, including without limitation those conferred by this Order;

- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (k) to market 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;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case

may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being “Persons” and each being a “Person”) shall forthwith advise the Receiver of the existence of any Property in such Person’s possession or control, shall grant

immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

### **NO PROCEEDINGS AGAINST THE RECEIVER**

7. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

8. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

### **NO EXERCISE OF RIGHTS OR REMEDIES**

9. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any “eligible financial contract” as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

### **NO INTERFERENCE WITH THE RECEIVER**

10. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

## **CONTINUATION OF SERVICES**

11. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

## **RECEIVER TO HOLD FUNDS**

12. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

## **EMPLOYEES**

13. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of

the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

#### **PIPEDA**

14. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “**Sale**”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

#### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

15. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall

exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

16. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

#### **RECEIVER'S ACCOUNTS**

17. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person except National Leasing Group Inc., De Lage Landen Financial Services Canada Inc., Ally Credit Canada Limited, GE Canada Equipment Financing G.P. and Xerox Canada Ltd., but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

#### **FUNDING OF THE RECEIVERSHIP**

20. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the “**Receiver’s Borrowings Charge**”) as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver’s Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. **THIS COURT ORDERS** that neither the Receiver’s Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule “A” hereto (the “**Receiver’s Certificates**”) for any amount borrowed by it pursuant to this Order.

23. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver’s Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver’s Certificates.

**GENERAL**

24. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

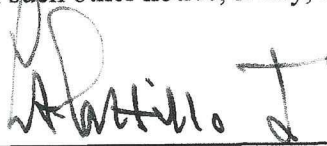
25. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

27. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. **THIS COURT ORDERS** that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

29. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

  
\_\_\_\_\_

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:



JUL 10 2012

**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. <\*>

AMOUNT \$ <\*>

1. THIS IS TO CERTIFY that Duff & Phelps Canada Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Precision-Tech Limited acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 10<sup>th</sup> day of July, 2012 (the "**Order**") made in an action having Court file number 12978300-CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$<\*>, being part of the total principal sum of \$<\*> which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the <\*> day of each month] after the date hereof at a notional rate per annum equal to the rate of <\*> per cent above the prime commercial lending rate of Bank of <\*> from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the <\*> day of <\*>, 2012.

Duff & Phelps Canada Restructuring Inc., solely in  
its capacity as Receiver of the Property, and not in  
its personal capacity

Per: \_\_\_\_\_

Name:

Title:

12747920.3

**COMERICA BANK**

**and**  
Applicant

**PRECISION-TECH LIMITED**

Respondent

(Short title of proceeding)

Court File No.: CV12978300-CL

**ONTARIO**

**SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
PROCEEDING COMMENCED AT  
TORONTO**

**RECEIVERSHIP  
ORDER**

**AIRD & BERLIS LLP  
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**Solicitors for Duff & Phelps Canada  
Restructuring Inc.**