



**First Report to Court of
KSV Restructuring Inc. as Licensed
Insolvency Trustee in the Bankruptcy of
Util Canada Limited**

August 7, 2023

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COURT FILE NO.: CV-23-00703958-00CL

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

BETWEEN:

**DEA CAPITAL ALTERNATIVE FUNDS SGR S.P.A.,
as managing company of Italian closed-end investment
FUND IDEA CCR (CORPORATE CREDIT RECOVERY) I**

Applicant

- and -

UTIL CANADA LIMITED

Respondent

**IN THE MATTER OF SECTION 243 OF THE BANKRUPTCY AND INSOLVENCY ACT
(CANADA) R.S.C. 1985 CB.3 AS AMENDED, AND SECTION 101 OF THE COURTS OF
JUSTICE ACT (ONTARIO) R.S.O. 1990 C. C.43, AS AMENDED**

AND

COURT FILE NO.: 31-2972635

**IN THE MATTER OF THE BANKRUPTCY OF
UTIL CANADA LIMITED, OF THE CITY OF VAUGHAN, IN THE PROVINCE OF ONTARIO**

**FIRST REPORT OF KSV RESTRUCTURING INC.
AS LICENSED INSOLVENCY TRUSTEE**

AUGUST 7, 2023

1.0 Introduction

1. This report (the "Report") is filed by KSV Restructuring Inc. ("KSV") in its capacity as licensed insolvency trustee (the "Trustee") of the bankruptcy estate of Util Canada Limited (the "Company") pursuant to an assignment in bankruptcy filed on August 4, 2023 by the Company pursuant to section 49 of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended (the "BIA"). A copy of the certificate of appointment issued by the Office of the Superintendent of Bankruptcy is attached as Appendix "A".

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;
 - b) discuss the rationale for the appointment of a receiver pursuant an application being made by DeA Capital Alternative Funds SGR S.p.A. ("DEA"); and
 - c) recommend that the Ontario Superior Court of Justice (Commercial List) issue the Receivership Order included in DEA's materials.

1.2 Restrictions

1. In preparing this Report, the Trustee has relied upon information provided by the Company's representatives. The Trustee has not performed an audit or other verification of such information. The financial information discussed herein is preliminary and remains subject to further review by the Trustee.

1.3 Currency

1. All references in this Report to currency are to Canadian dollars, unless otherwise noted.

2.0 Background

1. The Company is owned by Util Industries S.p.A. ("Util Italy"), based in Italy. The Company is a guarantor of the indebtedness owing by Util Italy to illimity Bank S.p.A. and DEA totalling approximately \$54 million.
2. The Company, together with Util Italy and another affiliate operating in China, manufactures "fine blanking" parts for automotive braking system back plate components, and is a global provider of braking systems and other solutions for the automotive and other industrial segments, including plates for combustion engines in the agricultural sector and scaffolding disks for the construction industry. Fine blanking technology is principally demanded by high-end original equipment vehicle manufacturers. The Company also uses conventional blanking technology, particularly in its aftermarket division, where the quality/price ratio is of primary importance to the customer, and manufacturing tolerances are less stringent.
3. Several of the Company's customers are reliant on the Company for the uninterrupted supply of braking system components which they then supply on a just-in-time basis to several North American automotive original equipment manufacturers (collectively the "OEMS" and individually, an "OEM"), failing which the OEMs may suffer millions of dollars of losses per hour. In the day prior to its appointment and since that time, the Trustee has been contacted by substantially all of the Company's customers to express the urgency of the situation and the need for the Company to continue to operate for a period of time to ensure the continuous supply of products.

4. As of the Filing Date, the Company employed approximately 180 individuals, including 140 members of Unifor local 112. The Company operated around the clock 5-6 days per week. Upon the Company's bankruptcy, all of the employees were terminated. Until a solution can be put in place for the operation of the Company, the Trustee has retained seven individuals on a term-and-task basis to assist with the administration of the bankruptcy. The Company presently has a nominal cash balance and no other immediate source of liquidity.
5. The Affidavits of Gianandrea Perco, Chief Executive Officer of DEA, and Roberto Baccani, Senior Vice President of Util Italy, both sworn on August 4, 2023 (the "Affidavits") filed in support of a receivership application provide, among other things, the Company's background and the events that led to the commencement of the Company's bankruptcy proceeding.
6. Additional information about the Company and its background is available in the materials filed in these proceedings, including the Affidavits, which can be found on the Trustee's website at: <https://www.ksvadvisory.com/experience/case/utilcanada>.

3.0 Receivership

1. On or around August 3, 2023, representatives of Util Italy advised certain of the Company's customers of the intended bankruptcy and provided KSV's contact information to them. Certain of the Company's customers immediately contacted KSV and advised of the severe consequences to North American automotive manufacturing if the Company immediately discontinues production. The parts manufactured by the Company are used in several automotive platforms, including the Ford F250-450.
2. Discussions between the Trustee and the customers have continued since the Trustee's appointment. The customers, including the Company's two largest customers, have expressed an interest in funding the Company's operations so that the Company could continue to produce parts, potentially for several months. Funding discussions are in their preliminary stages; however, given the situation the parties intend to work diligently to attempt to finalize an arrangement.
3. The Trustee has advised the customers that it is prepared to facilitate parts production, on the basis that funding is in place and other key operating issues are addressed. The Trustee has advised that pre-funding by the customers will be required.
4. Based on KSV's experience, the terms of a receivership order better facilitate the ongoing operations of a business versus attempting to operate the business in a bankruptcy. In this regard:
 - a) the Receivership Order requires vendors to continue to provide goods and/or services, provided such parties are not required to extend additional credit;

- b) in a bankruptcy, the trustee's powers are derived from the inspectors appointed in the proceeding. Inspectors have not yet been appointed, and will not be until the first meeting of creditors, which is to be held on August 25, 2023. A trustee may seek Court approval of various actions prior to the first meeting of creditors, but in this situation, there is insufficient time to negotiate operating arrangements with the customers and then have it approved by the Court. The appointment of a receiver will allow these arrangements to be negotiated and should facilitate the immediate recommencement of operations, subject to alignment from all parties;
 - c) the Company has a nominal cash balance. The Receivership Order provides that advances can be made to the Receiver under Receiver's Certificates; and
 - d) the appointment of the Receiver will facilitate an orderly process to market the Company's business and assets for sale, which will assist to maximize recoveries and reduce costs. It will also provide the opportunity for future employment if a transaction can be completed. In this regard, several parties have contacted the Trustee to discuss transaction opportunities for portions of the business.
- 5. In the Trustee's view, the appointment of the Receiver should assist with the recommencement of operations so that the consequences of the Company's shutdown can be mitigated..
 - 6. KSV has consented to act as the Receiver. A copy of the consent and the draft Receivership Order is provided in DEA's application materials.
 - 7. Based on the foregoing, the Trustee recommends that the Court issue the Receivership Order.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE
IN THE BANKRUPTCY OF
UTIL CANADA LIMITED
AND NOT IN ITS PERSONAL
OR IN ANY OTHER CAPACITY**

Appendix “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of: Ontario
Division No.: 09 - Toronto
Court No.: 31-2972635
Estate No.: 31-2972635

In the Matter of the Bankruptcy of:

Util Canada Limited

Debtor

KSV RESTRUCTURING INC.

Licensed Insolvency Trustee

Ordinary Administration

Date and time of bankruptcy:	August 04, 2023, 09:13	Security:	\$0.00
Date of trustee appointment:	August 04, 2023		
Meeting of creditors:	August 25, 2023, 10:00 Meeting ID:84218884773 PasscodeP:422542 220 Bay Street, Suite 1300 Toronto, Ontario Canada,		
Chair:	Trustee		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: August 04, 2023, 09:16

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

DEA CAPITAL ALTERNATIVE FUNDS SGR S.P.A.

- and -

UTIL CANADA LIMITED

Applicant

Respondent

Court File No. CV-23-00703958-00CL

IN THE MATTER OF THE BANKRUPTCY OF UTIL CANADA LIMITED, OF THE CITY OF VAUGHAN, IN THE PROVINCE OF ONTARIO

Court File No. 31-2972635

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

Proceedings commenced at Toronto

**First Report to Court of KSV Restructuring Inc. as
Licensed Insolvency Trustee**

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