

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

B E T W E E N

2624492 ONTARIO INC.

Applicant

- and -

**VERTEX PRECISION MANUFACTURING INC., DELLCOM AEROSPACE INC.,
MERCAP HOLDINGS INC., 1527039 ONTARIO INC., 867822 ONTARIO INC., AERO-
SAFE PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.**

Respondents

**MOTION RECORD
(Motion Returnable March 23, 2018)**

CHAITONS LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 1M9

George Benchetrit (LSUC #34163H)
Tel: (416) 218-1141
Fax: (416) 218-1841
E-mail: george@chaitons.com

**Lawyers for Alvarez & Marsal Canada
Inc., Court-Appointed Receiver and
Manager of Vertex Precision
Manufacturing Inc., Dellcom Aerospace
Inc., Aero-Safe Technologies Inc., Aero-
Safe Processing Inc., Mercap Holdings
Inc., 1527039 Ontario Inc. and 867822
Ontario Inc.**

To: Service List

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

B E T W E E N

2624492 ONTARIO INC.

Applicant

- and -

**VERTEX PRECISION MANUFACTURING INC., DELLCOM AEROSPACE
INC., MERCAP HOLDINGS INC., 1527039 ONTARIO INC., 867822 ONTARIO
INC., AERO-SAFE PROCESSING INC. and AERO-SAFE TECHNOLOGIES
INC.**

Respondents

SERVICE LIST

TO: ALVAREZ & MARSAL CANADA INC.
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
Toronto, ON M5J 2J1

Michael G. Stewart
Tel: 416-847-5179
Fax: 416-847-5201
Email: michael.stewart@alvarezandmarsal.com

Melanie MacKenzie
Tel: 416 847 5158
Fax: 416-847-5201
Email: mmackenzie@alvarezandmarsal.com

Court-appointed receiver and receiver and manager of the assets,
properties and undertakings of the Respondents

AND TO: CHAITONS LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

George Benchetrit
Tel: 416-218-1141
Fax: 416-218-1841
Email: george@chaitons.com

Lawyers for Alvarez & Marsal Canada Inc. in its capacity as Court-appointed receiver and receiver and manager of the assets, properties and undertakings of the Respondents

AND TO: DENTONS CANADA LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

John Salmas
Tel: 416-863-4737
Fax: 416-863-4737
Email: john.salmas@dentons.com

Kenneth Kraft
Tel: 416-863-4374
Fax: 416-863-4592
Email: Kenneth.kraft@dentons.com

Sara-Ann Van Allen
Tel: 416-863-4402
Email: sara.vanallen@dentons.com

Lawyers for the Applicant

AND TO: BLANEY McMURTRY LLP
2 Queen Street East, Suite 1500
Toronto, ON M5C 3G5

David Ullmann
Tel: (416) 596-4289
Fax: (416) 594-2437
Email: dullmann@blaney.com

Lawyers for the Respondents

AND TO: MAGGISANO, JOSEPH P., BARRISTER
201 Lonsmount Drive, Suite 100
Toronto, ON M5P 2Y6

Joseph Maggisano
Tel: 416-653-5353
Fax: 416-653-2610
Email: jmaggisano@jplaw.ca

THORNTON GROUT FINNIGAN LLP
100 Wellington Street West, Suite 3200
Toronto-Dominion Centre

Asim Iqbal
Tel: 416-304-0595
Fax: 416-304-1313
Email: aiqbal@tgf.ca

Lawyers for Siriot Holdings Inc., Faviz Holdings Ltd., and Comparin Holdings Inc.

AND TO: BOMBARDIER INC.
400 boulevard Cote-Vertu Ouest
Dorval, QC H4S 1Y9

Judith Plourde
Tel: 514-420-4120
Email: Judith.plourde@aero.bombardier.com

AND TO: DEPARTMENT OF JUSTICE
Ontario Regional Office
The Exchange Tower, Box 36
130 King Street West, Suite 3400
Toronto, ON M5X 1K6

Diane Winters
Tel: 416-973-3172
Email: diane.winters@justice.gc.ca

AND TO: MINISTER OF FINANCE
Legal Services Branch
33 King Street West, 6th Floor
P.O. Box 327, Stn. A
Oshawa, ON L1H 8H5

Kevin O'Hara

Tel: 905-433-6934
Email: kevin.ohara@ontario.ca

AND TO: MARGARET RODWAY
660 Albert Street, Unit 20
Fort Erie, ON L2A 0A1

With copy to:

RICHARD HALINDA LAW PROFESSIONAL CORPORATION
1222 Garrison Road
Fort Erie, ON L2A 1P1

AND TO: ELLIOT-MATSUURA CANADA INC.
2120 Buckingham Road
Oakville, ON L6H 5X2

AND TO: ELEMENT FINANCIAL CORPORATION
161 Bay Street, Suite 4600
PO Box 621
Toronto, ON M5J 2S1

AND TO: STONEBRIDGE LEASE FINANCING CORPORATION
1400 Cornwall Road, Suite 9
Oakville, ON L6J 7W5

AND TO: GE CANADA LEASING SERVICES COMPANY
2300 Meadowvale Blvd., Suite 200
Mississauga, ON L5N 5P9

AND TO: GENERAL ELECTRIC CANADA EQUIPMENT FINANCE G.P.
2300 Meadowvale Blvd. Suite 200
Mississauga, ON L5N 5P9

AND TO: CIT FINANCIAL LTD.
5035 South Service Road
Burlington, ON L7R 4C8

AND TO: RCAP LEASING INC.
5575 North Service Rd., Ste 300
Burlington, ON L7L 6M1

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

B E T W E E N

2624492 ONTARIO INC.

Applicant

- and -

**VERTEX PRECISION MANUFACTURING INC., DELLCOM AEROSPACE INC.,
MERCAP HOLDINGS INC., 1527039 ONTARIO INC., 867822 ONTARIO INC., AERO-
SAFE PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.**

Respondents

INDEX

Tab	Document
1	Notice of Motion
A	Draft Order
2	Report of the Receiver dated March 20, 2018
A	Receivership Order dated March 12, 2018
B	Corporate Organization Chart

Tab 1

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

BETWEEN:

2624492 ONTARIO INC.

Applicant

- and -

**VERTEX PRECISION MANUFACTURING INC., DELLCOM AEROSPACE INC.,
MERCAP HOLDINGS INC., 1527039 ONTARIO LTD., 867822 ONTARIO INC., AERO-
SAFE PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.**

Respondents

NOTICE OF MOTION
(returnable March 23, 2018)

Alvarez & Marsal Canada Inc. (“**A&M**”), in its capacity as the court-appointed receiver and manager (the “**Receiver**”) of the assets, undertakings and properties (the “**Property**”) of Vertex Precision Manufacturing Inc. (“**Vertex**”), Dellcom Aerospace Inc. (“**Dellcom**”), Mercap Holdings Inc., 1527039 Ontario Ltd., 867822 Ontario Inc., Aero-Safe Processing Inc., and Aero-Safe Technologies Inc. (collectively, the “**Debtors**”), appointed pursuant to the Order of the Honourable Justice Hailey dated March 12, 2017 (the “**Receivership Order**”), will make a motion to a judge presiding over the Commercial List on Friday, March 23, 2018, at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

THE PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An order substantially in the form attached hereto as **Schedule “A”**, inter alia:
 - (a) abridging the time for service of this Notice of Motion and Motion Record and validating service thereof;

- (b) approving the Receiver's First Report to the Court dated March 20, 2018 ("**First Report**"), and the activities of the Receiver described therein;
 - (c) approving the sale process described in the schedule to the draft order (the "**Sale Process**");
 - (d) authorizing and directing the Receiver to implement the Sale Process and do all such things as are necessary and desirable to conduct and give effect to the Sale Process, and to carry out its obligations therein;
 - (e) approving the Accommodation Agreement (the "**Accommodation Agreement**") between the Receiver and Bombardier Inc. ("**Bombardier**"), and ratifying the Receiver's execution thereof;
 - (f) authorizing the Receiver, *nunc pro tunc*, to include only a redacted version of the Accommodation Agreement in the public version of the Receiver's reports, and temporarily sealing it from the public record until further order of the Court;
 - (g) amending the Receivership Order and the style of cause in this proceeding, *nunc pro tunc*, such that all references to "1527039 Ontario Inc." are replaced with "1527039 Ontario Ltd."; and
2. Such further and other relief that the Receiver may request and this Honourable Court may consider just.

THE GROUNDS FOR THE MOTION ARE:

Background

- 1. The Debtors are preferred Tier 1 suppliers to leading aerospace original equipment manufacturers, including Bombardier;
- 2. The Debtors' head office is located at 60 Marycroft Avenue, Vaughan, Ontario, and their manufacturing facilities are located in Concord, Ontario and Fort Erie Ontario;

3. As of February 28, 2018, the Debtors were indebted to Bank of Montreal and Bank of Montreal d.b.a BMO Capital Partners (together, the “**Bank**”) in the total amount of \$13,664,394.70 (the “**Loans**”);
4. Pursuant to the Assignment of Loan and Related Documents and Rights dated March 1, 2018, Core Industrial Finance & Capital, LLC (“**Core**”) purchased from the Bank and the Bank assigned to Core, all of the Bank’s right, title and interest in and to the Loans along with the loan documents, guarantees, security, mortgages and other documents executed and delivered to the Bank in respect thereof;
5. On Application of 2624492 Ontario Inc., as agent and nominee for Core, this Court granted the Receivership Order appointing A&M as Receiver of the Property;

Sale Process

6. Pursuant to the Receivership Order, the Receiver is authorized 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;
7. The Sale Process proposed by the Receiver will invite prospective purchasers to submit bids for all, substantially all or portions of the Property by 5:00 pm (E.D.T.) on the thirtieth day after the order approving the Sale Process is granted;
8. The Receiver will make a motion to the Court to obtain approval of the successful bid(s) and one or more vesting orders with respect to the asset purchase agreement(s) entered into with the ultimate successful bidder(s);
9. The Receiver is of the view that the Sale Process is reasonable and appropriate under the circumstances for the reasons detailed in the First Report;

Accommodation Agreement

10. Bombardier Inc. is the largest customer of Dellcom;
11. The Receiver and Bombardier have entered into the Accommodation Agreement, subject to Court approval, which provides for certain financial and other accommodations to Dellcom and the Receiver;
12. These accommodations include a price increase for all parts manufactured for Bombardier, substantially shortened payment terms and the payment of all pre-receivership accounts receivable without setoff or reduction (subject to certain permissible setoffs);
13. The Receiver recommends approval of the Accommodation Agreement by this Court for the reasons detailed in the First Report;
14. The Accommodation Agreement contains commercially sensitive terms, and it is a term of the Accommodation Agreement that the Receiver will seek an order from the Court redacting such terms if the document is to be filed with the Court;
15. Section 243 of the *Bankruptcy and Insolvency Act* (Canada);
16. Rules 2.03, 3.02, 16.01 and 37 of the *Rules of Civil Procedure* (Ontario); and
17. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:

1. The First Report; and
2. Such further and other material as counsel may advise and this Honourable Court may permit.

March 20, 2018

CHAITONS LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

George Benchetrit
Tel: (416) 218-1141
Fax: (416) 218-1841
Email: george@chaitons.com

Lawyers for Alvarez & Marsal Canada Inc.

TO: SERVICE LIST

Tab A

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

THE HONOURABLE)
JUSTICE)
)
)
FRDIAY, THE 23RD
DAY OF MARCH, 2018

B E T W E E N

2624492 ONTARIO INC.

Applicant

- and -

**VERTEX PRECISION MANUFACTURING INC., DELLCOM AEROSPACE INC.,
MERCAP HOLDINGS INC., 1527039 ONTARIO LTD., 867822 ONTARIO INC., AERO-
SAFE PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.**

Respondents

**ORDER
(Approval of Sale Process and Accommodation Agreement)**

THIS MOTION, made by Alvarez & Marsal Canada Inc., in its capacity as the court appointed receiver (the “**Receiver**”) of the assets, undertakings and properties of Vertex Precision Manufacturing Inc., Dellcom Aerospace Inc., Mercap Holdings Inc., 1527039 Ontario Ltd., 867822 Ontario Inc., Aero-Safe Processing Inc., and Aero-Safe Technologies Inc., for an Order, (a) approving the Sale Process (defined below), (b) approving the Accommodation Agreement between the Receiver and Bombardier Inc. (the “**Accommodation Agreement**”), (c) amending the Order of the Honourable Justice Hainey, dated March 12, 2018 (the “**Receivership Order**”) and (d) granting related relief, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the First Report of the Receiver dated March 20, 2018 (the “**First Report**”) and the Supplement to the First Report dated March •, 2018 (the “**Supplement**”), and on hearing the submissions of counsel for the Receiver, the Applicant, and any other party appearing:

SERVICE

1. **THIS COURT ORDERS** that the timing and method of service of the Notice of Motion and Motion Record be and are hereby abridged and validated and this motion is properly returnable today.

RECEIVER’S ACTIVITIES AND REPORT

2. **THIS COURT ORDERS** that the First Report and the Supplement, and the activities and conduct of the Receiver described therein, be and are hereby approved.

SALE PROCESS

3. **THIS COURT ORDERS** that the sale process described in **Schedule “A”** (the “**Sale Process**”) be and is hereby approved.

4. **THIS COURT ORDERS** that the Receiver be and is hereby authorized and directed to implement the Sale Process and do all such things as are necessary and desirable to conduct and give effect to the Sale Process, and to carry out its obligations therein.

ACCOMMODATION AGREEMENT

5. **THIS COURT ORDERS** that the Accommodation Agreement attached as Appendix 1 to the Supplement be and is hereby approved, and the Receiver’s execution of the Accommodation Agreement be and is hereby ratified.

SEALING

6. **THIS COURT ORDERS** that the Receiver be and is hereby authorized, *nunc pro tunc*, to redact the version of the Accommodation Agreement attached to the public version of the Supplement.

7. **THIS COURT ORDERS** that the unredacted Accommodation Agreement be sealed from the public record pending further Order of this Honourable Court.

RECEIVERSHIP ORDER

8. **THIS COURT ORDERS** that the Order of the Honourable Justice Hainey, dated March 12, 2018, and the style of cause in this proceeding be and are hereby amended, *nunc pro tunc*, such that all references to “1527039 Ontario Inc.” are replaced with “1527039 Ontario Ltd”.

Schedule "A" - Sale Process

1. **Definitions.** All capitalized terms used but not defined herein shall have the meaning ascribed to them in the First Report of the Receiver dated March ●, 2018 (the "**First Report**").
2. **Advertisement.** Not later than five (5) Business Days after the Sale Process Order is granted, the Receiver shall advertise for sale the assets, properties and undertakings of the Respondents (the "**Assets**") in The Globe and Mail (National Edition), the National Post, and such other newspapers and industry publications as may be determined by the Receiver.
3. **Due Diligence.** Not later than five (5) Business Days after the Sale Process Order is granted, the Receiver shall: (a) identify potential strategic buyers and any other prospective purchasers (collectively, the "**Prospective Purchasers**"); (b) distribute a teaser document to all Prospective Purchasers; and (c) set up a data room to facilitate Prospective Purchasers' due diligence that contains available documentation in respect of the Assets. Upon receipt of an executed confidentiality agreement from each Prospective Purchaser, the Receiver shall grant such parties access to the data room.
4. **Bid Deadline.** Any offers to purchase any or all of the Assets must be submitted in writing to and received by the Receiver at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2900, Toronto ON M5J 2J1, Attention: Michael Stewart, by 5:00pm (E.D.T.) on the thirtieth day after the Sale Process Order is granted (the "**Bid Deadline**") (provided that if such day is not a Business Day, the Bid Deadline shall be the immediately following Business Day). The Receiver shall have the authority to extend the Bid Deadline, with the consent of Core.
5. **Bids.** Prospective Purchaser will be asked to submit bids that meet the following criteria:
 - (a) it must be received by the Receiver on or before the Bid Deadline;
 - (b) the Prospective Purchaser and the representatives thereof who are authorized to act on its behalf must be sufficiently identified;
 - (c) the offer must be submitted in writing and include a blackline of the offer to the form of template made available by the Receiver in the data room, reflecting the Prospective Purchaser's proposed changes;
 - (d) the offer must be accompanied by a deposit by way of certified cheque or wire transfer, in an amount equal to at least 10% of the aggregate purchase price payable under the offer;
 - (e) the offer must be open for acceptance by the Receiver until approval by the Court of an agreement of purchase and sale in respect of the Assets subject to the offer;

- (f) the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction; and
- (g) the offer must be accompanied by written evidence of a commitment for financing or other evidence of the Prospective Purchaser's ability to consummate the transaction contemplated by the offer.

Despite the foregoing, the Receiver (subject to Court approval) may accept any bid that doesn't meet all of these criteria, may accept any bid prior to the Bid Deadline (with the consent of Core), and may accept a bid from Core submitted after the Bid Deadline.

6. Court Approval of the successful bid(s). The Receiver shall make a motion to the Court to obtain approval of the successful bid(s) and one or more approval and vesting orders as expeditiously as possible after the Bid Deadline.
7. Modifications. Subject to the Sale Process Order, the Receiver shall have the right to adopt such other rules for the Sale Process, which, in its sole discretion, will better promote the goals of the Sale Process.

2624492 ONTARIO INC.

- and -

VERTEX PRECISION MANUFACTURING INC., DELLCOM
AEROSPACE INC., MERCAP HOLDINGS INC., 1527039
ONTARIO LTD., 867822 ONTARIO INC., AERO-SAFE
PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.

Applicants

Respondents

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

PROCEEDING COMMENCED AT TORONTO

**ORDER
(Sale Process and Accommodation Agreement)**

CHAITONS LLP

5000 Yonge Street, 10th Floor
North York, ON M2N 7E9

George Benchetrit

Tel: (416) 218-1141

Fax: (416) 218-1841

Email: george@chaitons.com

Lawyers for Alvarez & Marsal Canada Inc.

Tab 2

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

BETWEEN:

2624492 ONTARIO INC.

APPLICANT

- and -

**VERTEX PRECISION MANUFACTURING INC., DELLCOM AEROSPACE INC.,
MERCAP HOLDINGS INC., 1527039 ONTARIO LTD., 867822 ONTARIO INC., AERO-
SAFE PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.**

RESPONDENTS

**FIRST REPORT OF THE RECEIVER
MARCH 20, 2018**

TABLE OF CONTENTS

1.0	INTRODUCTION	2
2.0	TERMS OF REFERENCE AND DISCLAIMER	4
3.0	BACKGROUND.....	5
4.0	FUNDING OF THIS PROCEEDING	9
5.0	ACCOMMODATION AGREEMENT.....	9
6.0	PRE-FILING MARKETING PROCESS	10
7.0	SALE PROCESS	11
8.0	THE RECEIVER’S ACTIVITIES.....	15
9.0	CONCLUSIONS AND RECOMMENDATIONS	17

INDEX TO APPENDICES

Appendix A – Appointment Order, dated March 12, 2018

Appendix B – Corporate Organization Chart

1.0 INTRODUCTION

- 1.1 This report (“**First Report**”) is filed by Alvarez & Marsal Canada Inc. (“**A&M**”) in its capacity as Court-appointed receiver and receiver and manager (the “**Receiver**”) of the assets, properties and undertakings of Vertex Precision Manufacturing Inc. (“**Vertex**”), Dellcom Aerospace Inc. (“**Dellcom**”), Mercap Holdings Inc. (“**Mercap**”), 1527039 Ontario Ltd. (“**152**”, incorrectly named in the Appointment Order as 1527039 Ontario Inc.), 867822 Ontario Inc. (“**867**”), Aero-Safe Processing Inc. (“**ASP**”) and Aero-Safe Technologies Inc. (“**AST**”) (collectively, the “**Companies**”).
- 1.2 Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made on March 12, 2018 (the “**Appointment Order**”), A&M was appointed Receiver. A copy of the Appointment Order is attached as **Appendix “A”**.
- 1.3 The primary purpose of this receivership proceeding is to allow the Companies’ businesses to continue to operate on a going-concern basis while a Court-supervised sale process for the Companies’ businesses and assets (“**Sale Process**”) is carried out by the Receiver in a stabilized environment.
- 1.4 The purpose of this First Report is to:
- a) provide background information in respect of the Companies and this receivership proceeding (“**Proceeding**”);
 - b) describe the terms of an accommodation agreement agreed upon in principle between the Receiver and Bombardier Inc. (“**Bombardier**”) for, among other

things, the supply of goods and payment terms during this Proceeding (the “**Accommodation Agreement**”);

- c) summarize the pre-filing sale and investor solicitation efforts undertaken by the Companies and their advisors from September, 2017 to February, 2018;
- d) summarize the proposed Sale Process (defined below) to market the Companies’ businesses and assets for sale;
- e) describe the Receiver’s activities since the date of the Appointment Order, being March 12, 2018; and
- f) support the Receiver’s motion for an order (the “**Proposed Order**”), among other things:
 - i. approving this First Report and the activities of the Receiver described herein;
 - ii. approving the Sale Process and authorizing and directing the Receiver to implement the Sale Process on the basis detailed in Schedule “A” to the Proposed Order; and
 - iii. approving the Accommodation Agreement, ratifying the Receiver’s execution of same, authorizing the Receiver to include only a redacted version thereof in the public version of the Receiver’s reports, and temporarily sealing it from the public record until further order of the Court.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this First Report, the Receiver has relied upon unaudited financial information, books and records and other documents provided by the Companies, and discussion with management (collectively, the “**Information**”).
- 2.2 The Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Receiver has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly, the Information Officer expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.
- 2.3 Future oriented financial information referred to in this First Report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections. Even if the assumptions materialize, the variations could be significant.
- 2.4 The information contained in this First Report is not intended to be relied upon by any investor in any transaction with the Companies.
- 2.5 Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.

3.0 BACKGROUND

General Background

- 3.1 Dellcom, AST and ASP (collectively, the “**OpCos**”) are preferred Tier 1 suppliers to leading aerospace original equipment manufacturers, including Bombardier. The OpCos consist of two precision machine shops and a finishing shop which manufacture complex small and medium-sized custom-made parts and sub-assemblies using various materials including titanium, aluminum, Inconel and stainless steel.
- 3.2 Dellcom, one of the two machine shops, operates out of leased manufacturing facilities located at 301 Millway Avenue, Concord, Ontario. As at the date of the Appointment Order, Dellcom had approximately 70 employees.
- 3.3 AST, the second of the two machine shops, operates out of owned manufacturing facilities located at 1767 Petit Road, Fort Erie, Ontario (the “**Petit Road Property**”) and had approximately 40 employees as at the date of the Appointment Order.
- 3.4 ASP, the finishing shop which specializes in protective chemical finishing and plating for the parts manufactured by Dellcom, AST and various unrelated parties, operates out of owned facilities located at 1360 Commerce Parkway, Fort Erie, Ontario (the “**Commerce Parkway Property**”). As at the date of the Appointment Order, ASP had approximately 25 employees.
- 3.5 867 is the registered owner of the Petit Road Property and 152 is the registered owner of the Commerce Parkway Property. Neither 867 nor 152 carries on any other business or has any employees.

- 3.6 Vertex holds 100% of the shares of AST, ASP, Dellcom, 152 and 867 and operates out of a leased office located at 60 Marycroft Avenue, Unit 2, Vaughan, Ontario (the “**Head Office**”). As at the date of the Appointment Order, Vertex had approximately 12 employees.
- 3.7 Mercap is the parent company of the group and holds 100% of the shares of Vertex.
- 3.8 A copy of the Companies’ corporate organization chart is attached as **Appendix “B”**.
- 3.9 All of the Companies are incorporated under the laws of the Province of Ontario.

The Senior Lender

- 3.10 Core Industrial Finance & Capital, LLC (“**Core Industrial**”) is the senior secured lender of the Companies pursuant to an assignment of all debt and security previously held by Bank of Montreal (“**BMO**”) and BMO Capital Partners (“**BMO Capital**”, and together with BMO, the “**Bank**”).
- 3.11 Each of BMO and BMO Capital extended separate credit facilities (the “**Loans**”) to Dellcom and Vertex (together, the “**Borrowers**”).
- 3.12 The indebtedness of each of the Borrowers to the Bank was guaranteed by the other Borrower and each of Mercap, AST, ASP, 152 and 867 (collectively, the “**Guarantors**”).
- 3.13 As security for their obligations to the Bank, each of the Borrowers and the Guarantors executed and delivered security agreements to the Bank pursuant to which they granted a security interest over all of their property.

- 3.14 As at close of business on February 28, 2018, the total indebtedness of the Borrowers to the Bank amounted to approximately \$13,664,394.70.
- 3.15 Pursuant to an Assignment of Loan and Related Documents and Rights dated March 1, 2018 (the “**Assignment**”), Core Industrial purchased from the Bank and the Bank assigned to Core Industrial, all of the Bank’s right, title and interest in and to the Loans along with the loan, guarantee, security and mortgage documents executed and delivered to the Bank in respect thereof.
- 3.16 The Receiver has obtained an opinion from its legal counsel that the security interests held by Core Industrial are valid and enforceable, subject to customary assumptions and qualifications.

Other Secured Creditors

- 3.17 Siriot Holdings Inc., Faviz Holdings Ltd. and Comparin Holdings Inc. (together, the “**Dellcom Vendors**”) have registered PPSA financing statements against Dellcom. The Bank and the Dellcom Vendors entered into a Subordination Agreement dated December 24, 2012 (the “**Dellcom Subordination**”), pursuant to which all indebtedness of Dellcom to the Dellcom Vendors and all security held by the Dellcom Vendors in respect of such indebtedness was subordinated to the indebtedness of Dellcom to the Bank and the security held by the Bank in respect of such indebtedness. Pursuant to the Assignment, all right, title and interest of the Bank in and to the Dellcom Subordination was assigned to Core Industrial.

- 3.18 Margaret Rodway (“**Rodway**”) has registered a PPSA financing statement against each of ASP and AST and has a registered mortgage/charge against each of the Commerce Parkway Property and the Petit Road Property.
- 3.19 Rodway and the Bank entered into a Subordination Agreement, dated May 21, 2015 (the “**Vertex Subordination**”) pursuant to which all indebtedness of Vertex, ASP, AST, 152 and 867 (the “Rodway Obligors”) to Rodway and all security held by Rodway in respect of such indebtedness was subordinated to the indebtedness of the Rodway Obligors to the Bank and the security held by the Bank in respect of such indebtedness. Pursuant to the Assignment, all right, title and interest of the Bank in and to the Vertex Subordination was assigned to Core Industrial.
- 3.20 The Companies lease equipment from the following parties, each of which has registered financing statements against one or more of the Companies: Elliott-Matsura Canada Inc., Element Financial Corporation, Stonebridge Lease Financing Corporation, GE Canada Leasing Services Company, General Electric Canada Equipment Finance GP, CIT Financial Ltd., and RCAP Leasing Inc. The application materials in this Proceeding and a copy of the Receivership Order were mailed to each of these parties on March 13, 2018.

Unsecured Creditors and Other Information

- 3.21 According to the Companies’ books and records, as at March 10, 2018, the Company’s unsecured obligations totaled approximately \$7 million, collectively.
- 3.22 Additional background information concerning the Companies, their indebtedness and the security for same is provided in the affidavit of Mark Heisler sworn March 9, 2018

filed in connection with the application in respect of this Proceeding (the “**Heisler Affidavit**”).

- 3.23 The Heisler Affidavit and other information regarding this Proceeding can be found on the Monitor’s website at <http://www.alvarezandmarsal.com/vertexpm> (the “**Website**”).

4.0 FUNDING OF THIS PROCEEDING

- 4.1 To the extent required, the Appointment Order authorizes the Receiver to borrow up to \$1 million pursuant to Receiver’s Certificates. These advances, if any, would be granted a charge on the assets of the Companies subject only to the Receiver’s Charge (as defined in the Appointment Order). As at the date of this First Report, the Receiver has not required any borrowings as the cash on deposit in the Companies’ bank accounts as at the date of the Appointment Order (approximately \$648,000 and US\$198,000) has been and, together with anticipated collections from operations, including collections resulting from the provisions of the Accommodation Agreement should this Court approve it, is anticipated to continue to be sufficient to fund the Companies’ normal course operations until the completion of the Sale Process. The Receiver is currently in the process of developing a 13-week cash flow projection which is expected to be discussed in the Receiver’s next report.

5.0 ACCOMMODATION AGREEMENT

- 5.1 The largest customer of Dellcom is Bombardier. The Receiver understands that historically, Bombardier has accounted for approximately 65% to 70% of Dellcom’s

revenue. The supply of goods by Dellcom to Bombardier is governed by the “Contract for the Procurement of Fabricated Metal Parts” dated November 1, 2016 between the two parties (the “**Supply Contract**”).

- 5.2 After extensive negotiations between Bombardier and the Receiver following the date of the Appointment Order, during which input was obtained from Core Industrial and from Dellcom management, Bombardier and the Receiver have agreed in principle to the terms of the Accommodation Agreement which amends the current supply and payment terms and which will supersede those of the Supply Contract during this Proceeding. As at the date of issuance of this Report, the Accommodation Agreement has not been signed. The Receiver intends to serve and file a supplement to this Report when the Accommodation Agreement has been signed which will include a summary of the agreement and the reasons for the Receiver’s recommendation that it be approved by the Court.

6.0 PRE-FILING MARKETING PROCESS

- 6.1 The Receiver understands based on its discussions with the Companies’ management and discussions with FTI Capital Advisors – Canada ULC (“**FTI**”) that in September 2017, the Companies engaged FTI to review their strategic and financial alternatives, including a potential sale of the businesses, or debt or equity financing.
- 6.2 In respect of the Companies’ and FTI’s efforts prior to the date of the Receiver’s appointment to canvass the market (the “**Pre-Filing Marketing Process**”), the Receiver understands that over 300 potentially interested parties identified by FTI were contacted

in respect of the opportunity to purchase or finance the Companies' businesses. Those parties contacted by FTI did not include potential strategic buyers.

6.3 The Receiver understands that during the Pre-Filing Marketing Process, at least five parties contacted the Companies or FTI either as a result of FTI's efforts or on an unsolicited basis to express an interest in the opportunity and to do some degree of diligence in respect of the Companies, including attending meetings with management.

6.4 Notwithstanding the extensive canvassing by FTI of going concern sale or financing opportunities, no viable transaction acceptable to the senior lenders to refinance, restructure or sell the Companies' business or assets resulted from those efforts.

7.0 SALE PROCESS

7.1 A copy of the proposed Sale Process is attached as Schedule "A" to the Proposed Order. Capitalized terms not otherwise defined in this section are used as defined in the Sale Process.

7.2 A summary of the Sale Process is as follows:

- Not later than five (5) business days after the making of the Proposed Order, the Receiver would distribute an interest solicitation letter detailing this opportunity to Prospective Purchasers, including certain potential strategic buyers that were not contacted by FTI in the pre-filing sale efforts due to the competitive nature of their relationship with the Companies. The Receiver's Prospective Purchaser listing also includes a number of parties who have contacted the Receiver on an

unsolicited basis since its appointment. Given the broad canvassing of the potential private equity investors undertaken by FTI, the Receiver intends to focus its efforts on strategic buyers and liquidators, with a limited number of private equity parties being contacted;

- A form of confidentiality agreement (“CA”) will be included with the interest solicitation letter. Upon execution of the CA, Prospective Purchasers will be provided with the opportunity to commence diligence, including reviewing information in an online data room (the “**Data Room**”) established and maintained by the Receiver;
- The Receiver will facilitate diligence efforts by, among other things, arranging site visits, plant tours and meetings between key employees and/or key customers and interested parties, provided that such meetings are supervised by the Receiver and the Receiver is of the view that such prospective purchasers are *bona fide*, in the Receiver’s discretion;
- Prospective Purchasers will have access to a form of offer that will be made available in the Data Room and will be requested to submit offers together with a blackline version reflecting the Prospective Purchaser’s proposed changes in comparison to the Receiver’s form of offer;
- Offers will be required to be submitted to the Receiver by 5:00 pm (E.D.T.) on April 23, 2018, being the thirtieth day after the Proposed Order is granted (the “**Bid Deadline**”);

- Bids will be required to, among other things: (i) be accompanied by a cash (certified cheque or wire transfer) deposit in an amount equal to 10% of the aggregate purchase price payable under the offer, and (ii) be accompanied by written evidence of a commitment for financing or other evidence of the Prospective Purchaser's ability to consummate the transaction contemplated by the offer;
- Offers must not contain any conditions relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction;
- The Receiver would have the authority to accept any bid (subject to Court approval) (i) that does not meet the criteria set out in the Sale Process, (ii) prior to the Bid Deadline, or (iii) submitted by Core Industrial after the Bid Deadline;
- The Receiver will have the right to adopt such other rules for the Sale Process as it considers appropriate.
- The Receiver will make a motion to the Court to obtain approval of the successful bid(s) and one or more vesting orders with respect to the asset purchase agreement(s) entered into with the ultimate successful bidder(s).

7.3 Core Industrial has indicated to the Receiver that it may submit a credit bid for some or all of its debt in respect of some or all of the Companies' assets.

7.4 The Receiver recommends that the Court issue the Proposed Order approving the Sale Process for the following reasons:

- a) It is the Receiver's view that the Sale Process is commercially reasonable;
- b) The Receiver is of the view that the information expected to be made available in the Data Room, together with information that is available in the public domain, will be sufficient for an interested party to make an informed decision and to prepare a bid in respect of this opportunity. In addition, the Companies' senior management will be available to meet with interested parties throughout the Sale Process, as required;
- c) It is the Receiver's view that the Sale Process, while expedited, is sufficient to allow interested parties to perform diligence and submit offers. Many of the parties that will be contacted by the Receiver during the Sale Process are familiar with this opportunity given their operational history or history as a competitor of the Companies and should not require a prolonged diligence period to determine whether they would like to submit an offer;
- d) An expedited process is required for the following reasons:
 - i. The company will likely generate operating losses during this Proceeding;
 - ii. The goods that the Companies produce are highly customized and have a lengthy production lead time. Accordingly, customers require certainty of the Companies' continued ability to meet their orders. There is urgency to complete a transaction in order to preserve the Companies' customer base and skilled machinists, both of which are key assets of the Companies;

- e) The Receiver does not have access to sufficient funding to support a prolonged Sale Process and absent additional funding, the Companies would cease operating; and
- f) Core Industrial, as the Companies' senior secured lender and possibly the only stakeholder with an economic interest in the Sale Process, has consented to the Sale Process, including the timeline.

8.0 THE RECEIVER'S ACTIVITIES

8.1 As discussed above, prior to the Assignment, and prior to this Proceeding, the Bank was the Companies' senior secured lender. Pursuant to an engagement letter dated June 20, 2017, A&M was engaged by the Bank as a consultant to review, report and make recommendations to the Bank in respect of the Companies' financial reporting, forecasting and financing needs and, where necessary, in respect of the businesses, assets, affairs and operations of the Companies.

8.2 In addition to the activities of the Receiver described above, the Receiver's activities have included the following:

- reviewing and commenting on Court materials filed in the context of the motion to appoint the Receiver;
- carrying out the Receiver's duties and responsibilities in accordance with the Appointment Order, including securing the real property and overseeing the

Companies' operations during the period since the date of the Appointment Order;

- opening receivership bank accounts, transferring funds from the Companies' bank accounts and controlling receipts and disbursements;
- dealing with employee related issues, including convening employee meetings at the Companies' premises immediately following its appointment, discussing with the employees the terms of their ongoing employment with the Companies, and terminating eight employees in positions that are no longer required by the Companies;
- communicating with the Companies' third-party payroll service provider to ensure the continued payment and reporting of the Companies' weekly payroll;
- attending at the Companies' premises on a daily basis;
- preparing a plan to assist in communications with key stakeholders in this Proceeding including the Companies' employees, customers and suppliers;
- liaising and consulting with Core Industrial in respect of the operations of the Companies since the date of the Appointment Order;
- participating in extensive negotiations in respect of the Accommodation Agreement;
- communicating with legal counsel to the Receiver on matters related to this Proceeding generally;

- establishing a website for this Proceeding and posting copies of materials filed in this Proceeding on that website in accordance with the “E-Service Protocol”;
- liaising with the Companies’ and the Receiver’s insurance broker to arrange for continued coverage for the Property and for the Receiver;
- arranging for the Companies’ accounting records to be updated through the date of the Receiver’s appointment;
- drafting this report and reviewing and commenting on motion materials in respect of this motion; and
- addressing all other matters pertaining to the administration of this Proceeding.

9.0 CONCLUSIONS AND RECOMMENDATIONS

9.1 Based on the foregoing, the Receiver respectfully recommends that the Court make an order granting the relief sought in the Receiver’s Notice of Motion and detailed in Section 1.4 of this First Report.

All of which is respectfully submitted,

**Alvarez & Marsal Canada Inc., in its capacity
as Receiver of Vertex Precision Manufacturing Inc., Dellcom Aerospace Inc.,
Mercap Holdings Inc., 1527039 Ontario Ltd., 867822 Ontario Inc.,
Aero-Safe Processing Inc., and Aero-Safe Technologies Inc.**



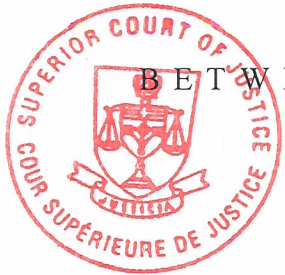
Per: Michael G. Stewart, Senior Vice-President

Appendix “A”

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

THE HONOURABLE)
JUSTICE *HAINES*)

MONDAY, THE 12th
DAY OF MARCH, 2018



B E T W E E N

2624492 ONTARIO INC.

Applicant

- and -

**VERTEX PRECISION MANUFACTURING INC., DELLCOM AEROSPACE INC.,
MERCAP HOLDINGS INC., 1527039 ONTARIO INC., 867822 ONTARIO INC., AERO-
SAFE PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.**

Respondents

**ORDER
(appointing Receiver)**

THIS APPLICATION made by the Applicant, as agent and nominee for Core Industrial Finance & Capital, LLC 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 Alvarez & Marsal Canada Inc. (“**A&M**”) as receiver and manager (in such capacities, the “**Receiver**”) without security, of all of the assets, undertakings and properties of Vertex Precision Manufacturing Inc., Dellcom Aerospace Inc., Mercap Holdings Inc., 1527039 Ontario Inc., 867822 Ontario Inc., Aero-Safe Processing Inc., and Aero-Safe Technologies Inc. (collectively, the “**Debtors**”) acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Mark Heisler, sworn March 9, 2018 and the Exhibits thereto, the Affidavit of Sara-Ann Van Allen, sworn March 9, 2018, and the Notice of Application, issued March 9, 2018, and on hearing the submissions of counsel for the Applicant, Siriot Holdings Inc., Faviz Holdings Ltd. and Comparin Holdings Inc., no other party appearing, and on reading the Consent of A&M 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, A&M is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, 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 Debtors, 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 Debtors;
- (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 Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (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 Debtors, for any purpose pursuant to this Order;
- (i) 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 Debtors, 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;

- (j) 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;
 - (k) 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 \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$100,000; 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.
- (l) 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;
 - (m) 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;
 - (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
 - (o) 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 Debtors;

- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;
- (r) to, on behalf of any of the Debtors, assign any of the Debtors into bankruptcy and execute all necessary documents to effect such assignment in bankruptcy; 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 Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of their 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 Debtors, 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.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court

upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. **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 DEBTORS OR THE PROPERTY

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtors 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 Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. **THIS COURT ORDERS** that all rights and remedies against the Debtors, 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 Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors 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

11. **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 Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors 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 Debtors 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 Debtors' 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 Debtors 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

13. **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

14. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' 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

15. **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 Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. **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

17. **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

18. **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 unless otherwise ordered by the Court on the passing of accounts, 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, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. **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.

20. **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 standard 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

21. **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 \$1,000,000 (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.

22. **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.

23. **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.

24. **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.

SERVICE AND NOTICE

25. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '<http://www.alvarezandmarsal.com/vertexpm>'.

26. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

27. **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.

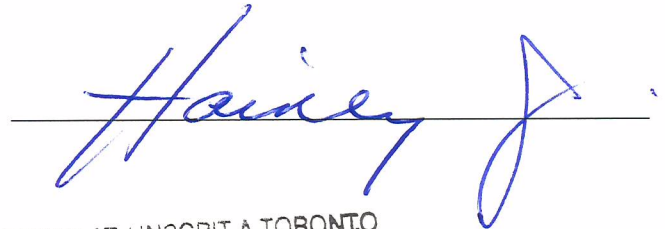
28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

29. **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.

30. **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.

31. **THIS COURT ORDERS** that the Applicant shall have its costs of this application, 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 Debtors' estate with such priority and at such time as this Court may determine.

32. **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:

MAR 12 2018

PER / PAR:



SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Alvarez & Marsal Canada Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Vertex Precision Manufacturing Inc., Dellcom Aerospace Inc., Mercap Holdings Inc., 1527039 Ontario Inc., 867822 Ontario Inc., Aero-Safe Processing Inc., and Aero-Safe Technologies Inc. acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 12th day of March 2018 (the "**Order**") made in an action having Court file number __-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 _____.

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 _____, 20__.

Alvarez & Marsal Canada Inc., solely in its capacity as Receiver of the Property, and not in its personal or corporate capacity

Per: _____
Name:
Title:

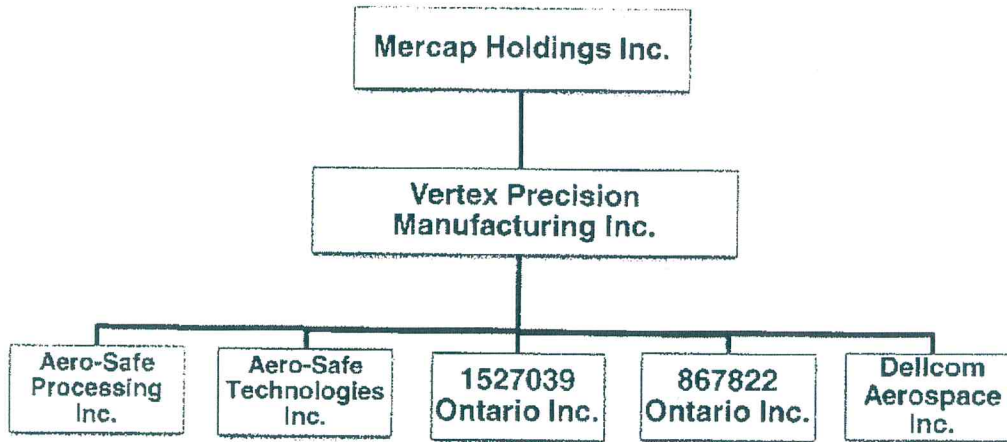
2624492 ONTARIO INC.
- and -
VERTEX PRECISION MANUFACTURING INC., DELLCOM
AEROSPACE INC., MERCAP HOLDINGS INC., 1527039
ONTARIO INC., 867822 ONTARIO INC., AERO-SAFE
PROCESSING INC. and AERO-SAFE TECHNOLOGIES INC.
Respondents

Applicants

<p>ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</p> <p>PROCEEDING COMMENCED AT TORONTO</p>	
<p>ORDER (appointing Receiver)</p>	
<p>DENTONS CANADA LLP 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1</p> <p>Kenneth Kraft (LSO# 31919P) Tel: (416) 863-4374 Fax: (416) 863-4592 kenneth.kraft@dentons.com</p> <p>John Salmas (LSO# 42336B) Tel: (416) 863-4737 john.salmas@dentons.com</p> <p>Sara-Ann Van Allen (LSO# 56016C) Tel: (416) 863-4402 sara.vanallen@dentons.com</p> <p><i>Lawyers for 2624492 Ontario Inc.</i></p>	

Appendix “B”

Corporate Organizational Chart



2624492 ONTARIO INC.

VERTEX PRECISION MANUFACTURING INC. et al.

Applicant

Respondents

Court File No. CV-18-593678-00CL

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

Proceedings commenced at TORONTO

MOTION RECORD

CHAITONS LLP

5000 Yonge Street, 10th Floor
Toronto, ON M2N 1M9

George Benchetrit (LSUC #34163h)

Tel: (416) 218-1141

Fax: (416) 218-1841

E-mail: george@chaitons.com

**Lawyers for Alvarez & Marsal Canada Inc.,
Court-Appointed Receiver and Manager of
Vertex Precision Manufacturing Inc.,
Dellcom Aerospace Inc., Aero-Safe
Technologies Inc., Aero-Safe Processing
Inc., Mercap Holdings Inc., 1527039
Ontario Inc. and 867822 Ontario Inc.**