

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

BANK OF MONTREAL

Applicant

- and -

ACS PRECISION COMPONENTS PARTNERSHIP

Respondent

**SEVENTH REPORT TO THE COURT
SUBMITTED BY ZEIFMAN PARTNERS INC. AS RECEIVER**

Introduction

1. By Order of the Honourable Mr. Justice Campbell dated May 6, 2010, Zeifman Partners Inc. (the "Receiver") was appointed as receiver without security of all of the assets, undertakings and properties of ACS Precision Components Partnership ("ACS") acquired for, or used in relation to a business carried on by ACS (the "Receivership Order"). A copy of the Receivership Order is attached hereto as **Schedule A**.
2. Unless otherwise indicated in this Report, all dollar amounts are in Canadian dollars.

Purpose of Report

3. The purpose of this Report is to request an Order approving the appointment of representative counsel for the unsecured creditors of ACS.

The Business of ACS

4. Prior to the making of the Receivership Order, ACS carried on a plastic injection molding and related mold building business from leased premises located at 1574 Eagle Street North, Cambridge, Ontario. The customer base of ACS consisted primarily of tier one parts suppliers to the automotive industry.

Pending Motion

5. Following its appointment, the Receiver caused ACS to continue operations and produce parts for customers until September 22, 2010. In a motion scheduled to be heard on January 20, 2011, the Receiver will seek the Court's direction as to whether some or all of the operating income generated from the operations during the receivership should be reimbursed to certain customers (the "Pending Motion"). Attached as **Schedule B** is a draft, without schedules, of the Eighth Report of the Receiver in connection with the Pending Motion.
6. As previously reported to the Court in the Receiver's Third Report, the Receiver entered into Accommodation Agreements (the "Accommodation Agreements") with each of the ACS customers having more than 4% of sales in the 12 month period preceding the receivership to allow for the continued production of parts and the building of parts banks for those customers while they transitioned to new suppliers
7. The Receiver also entered into letter agreements (the "Letter Agreements") with customers (the "Secondary Customers") having less than 4% of sales in the 12 month period preceding the receivership and who required a continued supply of parts during the receivership.
8. The Accommodation Agreements and Letter Agreements provided for a 30% surcharge on the price of parts shipped during the receivership. A 30% surcharge was charged to customers on all parts shipped from the date of the Receiver's appointment on May 6, 2010 until July 2, 2010 (the "30% Surcharge Period").
9. The Accommodation Agreements permitted the Receiver, on notice to the customers, to increase the amount of the surcharge if the Receiver believed that the surcharge was insufficient to fully fund all cash losses incurred or to be incurred in producing component parts for customers. The Letter Agreements were silent on any increase in the amount of the surcharge but also did not obligate the Receiver to supply the Secondary Customers with parts in any fixed quantity for any period of time.
10. After providing notice to the Primary and Secondary Customers, a 40% surcharge was in fact charged on all parts shipped from July 3, 2010 to September 2, 2010 (the "40% Surcharge Period").

11. Parts production ceased for all customers other than Delphi Automotive Systems LLC ("Delphi") on or around September 3, 2010. The Receiver continued production of parts for Delphi, on a limited basis, until September 22, 2010. ACS ceased production completely effective September 22, 2010.
12. The operation of the ACS business generated positive operating income during both the 30% Surcharge Period and 40% Surcharge Period. Operating income of \$371,284 was generated during the 30% Surcharge Period and operating income of \$412,843 was generated during the 40% Surcharge Period.
13. In the Pending Motion, the Receiver will seek the Court's direction as to whether some or all of the operating income generated during the 30% Surcharge Period and 40% Surcharge Period should be reimbursed to the Primary Customers and Secondary Customers.

Need for Representative Counsel

14. After payment of all secured claims and accounting for other potential prior claims, the Receiver presently anticipates that there will be sufficient monies available to fund a distribution to the unsecured creditors of at least 45 cents on the dollar. The distribution of the operating income generated from the operations during the receivership period to Primary Customers and Secondary Customers will, if approved, reduce the amount otherwise available to the unsecured creditors. As such, it is the Receiver's view that the unsecured creditors have an interest in the Pending Motion.
15. The Receiver's Interim Statement of Receipt and Disbursements for the period from May 6, 2010 to December 17, 2010 is attached hereto as **Schedule C** (the "Statement").
16. As of December 17, 2010 the Receiver was holding Cdn\$5,182,597 and US\$287,797. The Receiver will be seeking approval on the Pending Motion to distribute approximately \$2.75 million to ATS Automation Tooling Systems Inc. on account of its secured claim. If approval to make that distribution is granted, the Receiver anticipates receiving a further amount of approximately \$2.75 million by early February, 2011 from Omex Manufacturing ULC. There are a number of outstanding potential third party claims totalling approximately \$640,000.

17. According to the books and records of ACS, there are approximately 230 unsecured creditors with claims totalling approximately \$6.7 million. The amount of those claims range from less than \$100 to approximately \$730,000.
18. The largest unsecured creditors are: Alegre Inc. ("Alegre"), with a claim of approximately \$730,000 and S&T America, Ltd. ("Daewoo") with a claim of over \$440,000.
19. A number of the unsecured creditors are out-of-jurisdiction. Most of the out-of-jurisdiction unsecured creditors are based in the United States, including Alegre, Daewoo and Uniplas Inc., which has a claim of over \$190,000. Woo Joo Machinery & Electronics Ltd., an unsecured creditor with a claim of over \$80,000, is based in Korea. Porite Taiwan Co. Ltd., an unsecured creditor with a claim of over \$80,000, is based in Taiwan. There are also unsecured creditors who are located in Mexico and Switzerland.
20. The granting of a representation order will:
 - (a) Provide unsecured creditors with a reliable resource for information about the issues that may affect their interests in the Pending Motion;
 - (b) Provide a large group of unsecured creditors, consisting of a wide-range of claims, with a cost-effective method to ensure that their interests in the Pending Motion are properly considered;
 - (c) Provide out-of-jurisdiction unsecured creditors with counsel who is qualified to assist with the issues in question and who is familiar with the process; and
 - (d) Provide to all parties a stream-lined and efficient process for determining the issue of the right to the profits from the operations during the receivership.

Qualifications

21. The Receiver is of the view that Raymond Slattery has the necessary qualifications and experience required to represent the unsecured creditors in the Pending Motion.

22. Raymond Slattery, the managing partner at Minden Gross, was called to the Bar in 1981.
23. Mr. Slattery practices in the area of insolvency litigation including commercial reorganizations and restructurings under the *Companies Creditors' Arrangement Act*, the *Bankruptcy and Insolvency Act* and other related legislation. Attached as **Schedule D** is a copy of Mr. Slattery's profile.

Recommendation of the Receiver

24. The Receiver respectfully requests this Honourable Court to approve the appointment of Raymond Slattery of Minden Gross LLP as representative counsel for the unsecured creditors.

All of the foregoing is respectfully submitted this 24th day of December, 2010.

**ZEIFMAN PARTNERS INC., Court
Appointed Receiver of ACS Precision
Components Partnership**

Per: 

Allan Rutman

SCHEDULE A

Receivership Order dated May 6, 2010

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) THURSDAY, THE 6TH DAY
MR. JUSTICE CAMPBELL) OF MAY, 2010
)



BANK OF MONTREAL

Applicant

- and -

ACS PRECISION COMPONENTS PARTNERSHIP

Respondent

ORDER

THIS APPLICATION made by the Applicant for, *inter alia*, 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 Zeifman Partners Inc. ("ZP") as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of ACS Precision Components Partnership (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 Alex McIntosh sworn May 4, 2010 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, the Debtor and ATS Automation Tooling Systems Inc., the Debtor consenting, and on reading the consent of ZP to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record 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, ZP 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*, 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;
- (s) to file an assignment for the general benefit of the creditors of the Debtor or consent to the making of a Bankruptcy Order on behalf of the Debtor; and
- (t) 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.

SPECIFIC PROVISIONS

4. THIS COURT ORDERS that the Agreement Regarding Receivership dated May 4, 2010 (the "Agreement") among the Applicant, the Debtor and ZP, a copy of which is attached hereto as Schedule "A", including Exhibits "A" and "B" attached thereto, be and it is hereby ratified and approved, and shall have full force and effect in the within proceedings. In the event of any inconsistency between the terms of the Agreement and the provisions of this Order, the terms of the Agreement shall govern.

5. THIS COURT ORDERS that, without limiting paragraph 4 above, the Receiver is authorized to do all things contemplated to be done by the Receiver in the Agreement, as and when contemplated to be done therein. For certainty, the Receiver shall be under no obligation to cause the Debtor to produce component parts for any customers of the Debtor save and except in accordance with the Agreement.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

6. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former officers, employees, agents, accountants, legal counsel and partners, 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.
7. 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 7 or in paragraph 8 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.
8. 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

9. 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

10. 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

11. 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

12. 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

13. 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

14. 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

15. 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) and 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

16. 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

17. 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

18. 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) and 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

19. 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, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

20. 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.

21. 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

22. 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 \$600,000 (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.

23. 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.

24. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "B" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

25. 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

26. 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.

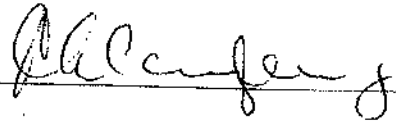
27. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

28. 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.

29. 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.

30. 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 Debtor's estate with such priority and at such time as this Court may determine.

31. 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.:

MAY 06 2010

PER / PAR: TV

SCHEDULE "A"
AGREEMENT REGARDING RECEIVERSHIP

AGREEMENT REGARDING RECEIVERSHIP

ACS Precision Components Partnership, an Ontario partnership ("Borrower"), Bank of Montreal ("Lender") and Zeifman Partners Inc. ("ZP") enter into this Agreement Regarding Receivership (this "Agreement") on May 4, 2010.

BACKGROUND

A. Pursuant to a Commitment Letter dated December 16, 2008 and related loan and security documents (together, the "Loan Documents"), Lender provided secured financing to Borrower. Borrower is in default of its obligations to Lender and Lender has demanded repayment of the obligations outstanding under the Loan Documents and issued a Notice of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act* (the "Act").

B. Borrower acknowledges that as of April 22, 2010, its obligations to Lender (inclusive of its obligations arising from Borrower's guarantee of the obligations of OMEX Manufacturing ULC) totalled \$3,704,134.28 plus accrued but unpaid interest from and after April 22, 2010 and costs and expenses called for by the Loan Documents (the "Loans").

C. In an effort to maximize the value of its assets and provide an opportunity for its customers to orderly re-source their production to other suppliers, subject to the terms of this Agreement, Borrower has agreed to consent to the appointment of a receiver and manager over its assets and operations.

Based on the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

TERMS AND CONDITIONS

1. Borrower consents to each of the following:
 - (a) the granting of an Order (the "Order") by the Ontario Superior Court of Justice, Commercial List (the "Court") on the application of the Lender for the appointment of a receiver (the "Receiver") of all of the assets, undertakings and properties of the Borrower under Section 243 of the Act and Section 101 of the Courts of Justice Act; and
 - (b) the appointment in the Order of ZP as Receiver.
2. Borrower acknowledges that it is in default under the Loan Documents and pursuant to Section 244 of the Act hereby waives the 10 day notice period prescribed thereby.
3. In consideration of Borrower's consents and waivers set forth in this Agreement, Lender agrees to allow the Receiver, in acting pursuant to the Order, to use

cash proceeds of accounts receivable and inventory ("Cash Collateral") on the following terms:

- (a) the Receiver will not be allowed to use any cash proceeds from fixed asset sales (such proceeds will be segregated by the Receiver in a separate account pending Court approval for the distribution of such proceeds).
- (b) Cash Collateral may be used only to the extent the following formula is satisfied (the "Formula"):
 - (i) remaining Cash Collateral being held by Receiver in a segregated deposit account; plus
 - (ii) 90% of accounts subject to a setoff limitation substantially in the form of paragraph 3 of the form Accommodation Agreement attached as Exhibit A (the "Form Accommodation Agreement"); plus
 - (iii) 70% of raw materials and finished goods inventory which are subject to a purchase obligation under a Form Accommodation Agreement or Letter Agreement; plus
 - (iv) 85% of the amount of any tooling accounts that customers agree in writing to pay within 30 days without setoff or reduction on any basis;

is equal to or greater than the sum of the following:

- (i) the balance of the Loans (inclusive of unpaid interest and fees), plus
 - (ii) a reserve of \$100,000 (the "Wind Down Reserve"), plus
 - (iii) a reserve of \$300,000 (the "Employee Claim Reserve"), plus
 - (iv) a reserve equal to Receiver's good faith estimate of unpaid professional fees and costs owing to Receiver and its counsel (the "Fee Reserve").
- (c) The Formula will be calculated on a daily basis based on Cash Collateral, accounts receivable and inventory balances, with all amounts [other than inventory values] updated daily. [Inventory values adjusted on Tuesday of each week based on actual inventory levels as of the close of business on the prior Friday].

- (d) the Receiver will not be allowed to use any Cash Collateral for production after May 13, 2010 for any customer representing 4% or more of Borrower's historical sales unless the customer agrees to the accommodations outlined in the Form Accommodation Agreement.
- (e) Subject to the Formula and there being sufficient Cash Collateral available to fund such expenses, the Receiver may use (i) the Employee Claim Reserve to fund vacation pay and accrued but unpaid wages owing to Borrower's employees as of the effective date of the receivership, (ii) the Wind Down Reserve to fund costs and expenses incurred by Receiver after production ceases for all customers, and (iii) the Fee Reserve to pay professional fees owing to Receiver and its legal counsel.
- (f) For certainty, any "Surcharges" (as that term is defined in the Form Accommodation Agreement or the Letter Agreement, as defined below) paid by Customers will be Cash Collateral.
- (g) Lender will have no obligation to make any new advances to Borrower or the Receiver.

4. Lender will:

- (a) promptly seek the appointment of ZP as Receiver; and
- (b) consent to the Receiver's sale of dedicated machinery, equipment, tooling and fixtures owned by Borrower ("Dedicated Assets") for an amount not less than 90% of appraised fair market value as provided for in the Corporate Assets Valuations Appraisal dated April 23, 2010; for certainty, "dedicated" means used solely by Borrower in producing component parts for a particular customer and not reasonably useable in producing component parts for third parties).

5. Subject to being appointed as Receiver and this Agreement and the exhibits hereto being approved by the Court, and subject to any further Order of the Court, ZP agrees that it will:

- (a) use its best efforts to cause Borrower to produce parts banks for customers who execute the Form Accommodation Agreements substantially in the form of Exhibit "A" ("Participating Customers") and to otherwise cooperate with the Participating Customers in their re-sourcing activities;

- (b) seek expedited court approval, if necessary, to sell Dedicated Assets on the terms of subsection 4(b) above;
- (c) not allow any customer to remove Tooling (as defined in the Form Accommodation Agreement) from Borrower's possession unless (i) required to do so by court order, or (ii) the customer pays (or agrees to pay in a written agreement satisfactory to Receiver) all accounts payable owing to Borrower subject to the setoff limitations provided in the Form Accommodation Agreement (regardless of whether the customer has executed a Form Accommodation Agreement);
- (d) use Cash Collateral consistent with the terms of this Agreement;
- (e) use the Employee Claim Reserve to fund vacation pay and accrued but unpaid wages owing to Borrower's employees as of the effective date of the receivership; and
- (f) use its best efforts to get all customers representing less than 4% of Borrower's historical sales to execute and deliver a letter agreement substantially in the form of Exhibit B (the "Letter Agreement") in exchange for the Receiver allowing Borrower to produce goods for such customers.

6. ZP will have no obligations or duties under this Agreement unless and until it is appointed Receiver and this Agreement and the Exhibits hereto being approved by the Court.

7. This Agreement sets forth the entire agreement and understanding of the parties, and supersedes all prior agreements and understandings between the parties with respect to the assignment. This Agreement will be binding on, and inure to the benefit of, the parties and their successors and assigns.

8. This Agreement may be signed in counterparts, each of which will be an original and both of which taken together will constitute one agreement, and facsimile signatures will be treated as original for all purposes.

9. This Agreement may not be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

[End of document –signatures are set forth on the next page]

[Signature page to Agreement Regarding Receivership dated May 4, 2010]

BANK OF MONTREAL

By: 

Name: Dave Coutts

Title: Account Manager

I have authority to bind the Bank

ZEIFMAN PARTNERS INC.

By: _____

Name: Allan Rutman

Title: President

I have authority to bind the
Company

**ACS PRECISION COMPONENTS
PARTNERSHIP**

By: _____

Name: Matthew Richey

Title: Chief Executive Officer

And

By: _____

Name: Douglas Spittal

Title: Executive V-P


We have authority to bind the
Partnership

[Signature page to Agreement Regarding Receivership dated May 4, 2010]

BANK OF MONTREAL

By: _____
Name: Dave Coutts
Title: Account Manager
I have authority to bind the Bank

ZEIFMAN PARTNERS INC.

By:  _____
Name: Allan Rutman
Title: President
I have authority to bind the
Company

**ACS PRECISION COMPONENTS
PARTNERSHIP**

By: _____
Name: Matthew Richey
Title: Chief Executive Officer

And

By: _____
Name: Douglas Spittal
Title: Executive V-P
We have authority to bind the
Partnership

[Signature page to Agreement Regarding Receivership dated May 4, 2010]

BANK OF MONTREAL

By: _____
Name: Dave Coutts
Title: Account Manager
I have authority to bind the Bank

ZEIFMAN PARTNERS INC.

By: _____
Name: Allan Rutman
Title: President
I have authority to bind the
Company

**ACS PRECISION COMPONENTS
PARTNERSHIP**

By: Matthew Richey
Name: Matthew Richey
Title: Chief Executive Officer

And
By: Douglas Spittal
Name: Douglas Spittal
Title: Executive V-P
We have authority to bind the
Partnership

EXHIBIT A

CUSTOMER ACCOMMODATION AGREEMENT

Zeifman Partners Inc., solely in its capacity as receiver and manager of ACS Precision Components Partnership, an Ontario partnership ("ACS") and _____ ("Customer") enter into this Customer Accommodation Agreement (this "Agreement") as of May __, 2010.

BACKGROUND

A. ACS manufactures component parts for Customer (the "Component Parts") pursuant to various purchase orders and supply contracts (each a "Purchase Order" and collectively, the "Purchase Orders").

B. ACS defaulted on its obligations to its senior lender, Bank of Montreal ("BMO") and BMO demanded payment of all outstanding obligations on April 27, 2010.

C. On May 6, 2010 at approximately _____ p.m. E.D.T. (the "Effective Date"), the Ontario Superior Court of Justice, Commercial List (the "Receivership Court") entered an order (the "Receivership Order") appointing Zeifman Partners Inc. as receiver and manager of ACS (the "Receiver").

D. The Receivership Order provides that the Receiver is under no obligation to allow ACS to continue to produce Component Parts for any customer unless such customer enters into acceptable arrangements with the Receiver.

E. Subject to the terms and conditions of this Agreement, Receiver has agreed to allow ACS to manufacture and supply Component Parts to Customer.

BASED on the foregoing background and for good and valuable consideration, the receipt and adequacy of which is acknowledged, the parties agree as follows:

TERMS AND CONDITIONS

1. Payment of Existing Accounts. For convenience, all amounts owing by Customer to ACS for Component Parts shipped on or before the Effective Date or for tooling that has received so-called "PPAP" or equivalent approval on or before the Effective Date are collectively referred to as the "Pre-Effective Date Payables". Customer acknowledges and agrees that the Pre-Effective Date Payables are equal to at least CDN \$ _____ and that subject to any Allowed Setoffs (defined below), Customer claims no rights of setoff or any other claim of any nature whatsoever and that the foregoing amount is due and owing, in full, by the Customer to ACS. By May __, 2010 Customer will pay all Pre-Effective Date Payables subject to the terms of Section 3 below; payment will be made by cheque and must be received by the

Receiver on or before May _____, 2010 at the address set forth under the Receiver's signature below or via wire transfer as follows:

_____, Toronto Canada
SWIFT No: _____
Account No: _____
Account Name: Zeifman Partners, as receiver and manger of
ACS Precision Components Partnership

2. Expedited Payment Terms. For shipments of Component Parts to Customer after the Effective Date (the "Post-Effective Date Payables"), Customer will pay for shipments on terms of net 7 days or better.
3. Limitation of Setoff Rights. With respect to all accounts payable owing to ACS, whether arising before or after the Effective Date, Customer agrees to suspend and not assert any defenses, rights and claims for setoffs, deductions and/or recoupment other than for Allowed Setoffs. For purposes of this Agreement, "Allowed Setoffs" means setoffs, recoupments or deductions for defective or nonconforming products, short shipments, misshipments, or *bona fide* billing errors (improper invoices or mispricing). Provided further that under no circumstances will (a) Allowed Setoffs exceed ten percent (10%) of the face amount of any *bona fide* invoice, or (b) setoffs or recoupments, including Allowed Setoffs, be taken against the Surcharge (as defined below).
4. Surcharges. For all Component Parts shipped to Customer after the Effective Date, Customer agrees to pay a thirty percent (30%) surcharge (the "Surcharge") in excess of the applicable Purchase Order price. Additionally, Customer will bear the cost of premium freight to the extent it is incurred in connection with delivery of Component Parts to Customer. If Receiver, acting reasonably, believes that the Surcharge is insufficient to fully fund Customer's pro-rata share of all cash losses incurred or to be incurred in producing Component Parts for Customer (including Receiver's and its counsel's professional fees and costs, the cost of winding down the operations of ACS when all production ceases and payment of any employee claims other than termination and severance pay), on 5 days' written notice to Customer, unless Customer agrees in writing to increase its Surcharge to the level requested by Receiver, Receiver will have the right to cause ACS to cease production for Customer.
5. Tooling Purchase Orders. Customer previously entered into purchase orders or other agreements (the "Tooling Purchase Orders") with ACS for the tooling, gauges, molds, fixtures, and appurtenances thereto described on Schedule A (collectively, the "Tooling"). In turn, ACS entered into agreements with third parties to manufacture the Tooling (the "Tool Vendor"); as of the Effective Date, the Tooling was not completed such that payment was not due under the applicable Tooling Purchase Order. In respect of the Tooling Purchase Orders, Customer agrees to (a) assume full responsibility for dealing with Tool Vendors (by assuming ACS' obligations to Tool Vendor or entering into a new contract with Tool Vendor(s)), (b) within 10 days after

receipt of reasonable documentation from the Receiver to evidence the amount due, pay to Receiver an amount equal to the sum of any payments previously made by ACS to the Tool Vendors in respect of the Tooling, with such payments made without setoff, recoupment or deduction for any reason, and (c) upon the Tooling receiving final PPAP approval, pay to the Receiver (without setoff or deduction on any basis) an amount equal to the difference between (i) the applicable ACS Tooling Purchase Order price, minus (ii) amounts paid by Customer to Tool Vendors in respect of the Tooling, minus (iii) amounts paid to Receiver under subpart (b) above. Upon Customer's payment of the foregoing amounts, any right, title or interest of the Receiver or ACS to the subject Tooling will pass to Customer and Customer will thereafter be released from any further payment obligation to the Receiver or ACS on account of the Tooling Purchase Order.

6. Inventory Purchase. At the earlier of the time Customer re-sources any Component Part from ACS or when ACS ceases production of Component Parts, Customer agrees to purchase from Receiver (free and clear of all liens, security interests and charges), all raw materials, work in process and finished goods inventory related to the manufacture, production or assembly of the subject Component Part (the "Customer Inventory") that is "useable" and in a "merchantable" condition. The price for the Customer Inventory to be purchased under this Paragraph 6 will be calculated as follows:

- (a) for raw material – 100% of the cost of the raw material, with cost based on ACS' actual landed cost;
- (b) for work-in-process – 100% of the applicable Purchase Order price plus the Surcharge, with such amount pro-rated on a percentage of completion basis; and
- (c) for finished Component Parts – 100% of the applicable Purchase Order price plus the Surcharge.

For the purpose of this Agreement, the term "useable" means inventory in quantities that are reasonably useable by Customer or Customer's new suppliers in the production of Component Parts. The term "merchantable" as used in this Agreement means of good quality and in conformance with any applicable Purchase Order specifications. Customer will pay the purchase price for the Customer Inventory without setoff, recoupment or other deduction of any kind or nature prior to taking delivery of such Customer Inventory.

7. Continue to manufacture; allocation of resources. Subject to the availability of sufficient financing, raw materials, labor, machine capacity and the terms of Paragraph 4 above, Receiver will use its best efforts to cause ACS to continue to manufacture Component Parts in accordance with Customer's requirements. Production capacity and available resources will be allocated equitably among all customers providing accommodations substantially equivalent to those provided in this

Agreement (such customers are referred to collectively as the "Participating Customers").

8. Inventory Bank. Upon Customer's reasonable request and subject to availability of sufficient financing, raw materials, labor, machine capacity and the terms of Paragraph 4 above, Receiver will use its best efforts to cause ACS to build inventory banks of Component Parts ("Inventory Banks"). Inventory Banks will be shipped as produced and Customer will pay for same in accordance with Paragraphs 2, 3, and 4. Receiver will use its best efforts to cause ACS to allocate available capacity and resources equitably among the Participating Customers. For purposes of Paragraph 7 and this Paragraph 8, an "equitable allocation" means that Customer's production will receive at least a pro-rata share of available resources or capacity (including any excess capacity used to produce parts banks) based on the dollar value of Customer's and other Participating Customers' respective purchases from ACS during the one (1) year period prior to the Effective Date.

9. Cooperation in Re-Sourcing. Receiver will cause ACS to provide Customer and its new supplier(s) reasonable access to ACS' manufacturing operations to facilitate the transfer of production of the Component Parts provided such access does not unreasonably interfere with production for other Participating Customers. Further, Customer agrees to give Receiver as much advance notice as possible, and in no event less than twenty-one (21) days' notice, regarding Customers re-sourcing plans so Receiver can manage ACS' operations in an efficient and economical manner.

10. Tooling Acknowledgement.

- (a) Within ten (10) days of execution of this Agreement, Customer will provide Receiver a list of all tooling, dies, test and assembly fixtures, jigs, gauges, paint racks, patterns, casting patterns, cavities, molds and documentation including engineering specifications and test reports together with any accessions, attachments, parts, accessories, substitutions, replacements, and appurtenances used by ACS in connection with its manufacture of Component Parts for the Customer (collectively "Tooling") and claimed to be owned by the Customer. Customer and Receiver will exercise best efforts in good faith to resolve any discrepancy or dispute relating to the ownership of such Tooling.
- (b) As soon as practicable, but in any event no later than forty-five (45) days after the execution of this Agreement, Receiver will attach to this Agreement Schedule B listing all Tooling Customer claims to be owned by Customer and to which the Receiver acknowledges and agrees are owned by Customer (the "Customer's Tooling"). By appending Schedule B, Receiver acknowledges and agrees that Customer's Tooling is owned by the Customer and that no person or entity other than Customer has any right, title or interest in

Customer's Tooling other than ACS' right, subject to Customer's unfettered discretion, to utilize Customer's Tooling in the manufacture of Component Parts pursuant to the terms of the Purchase Orders (as amended by this Agreement). Subject to Customer's compliance with the terms of this Agreement, Customer will have the right to take immediate possession of the Customer's Tooling at any time, should Customer elect to exercise such right, and Receiver agrees to cooperate with Customer in its taking possession of the Customer's Tooling.

- (c) In the event of a dispute as to the ownership of any one or more items of Tooling, Customer will have the right to apply to the Ontario Superior Court of Justice, Commercial List in the receivership proceeding of ACS to determine ownership of such Tooling.

11. No liability. The Receiver will not be deemed to be a successor to ACS in respect of any obligations under the Purchase Orders or the Tooling Purchase Orders (collectively, the "Customer Agreements") and Receiver is acting solely in its capacity of receiver and manager of ACS and with no personal or corporate liability. Subject to the Allowed Setoffs, Customer further agrees that Receiver will have no liability to Customer for, and Customer will indemnify and hold Receiver harmless from and against any claims of third parties for, (a) any failure to supply Component Parts, including without limitation, in the quantities or at the times requested by Customer, (b) breaches by ACS of any agreements it has with Customer, and (c) any liability for non-conforming or defective Component Parts sold to Customer, including in respect of product liability claims and claims for latent defects in such Component Parts. **FURTHER, RECEIVER HAS NOT GIVEN AND WILL NOT BE DEEMED TO HAVE GIVEN ANY CUSTOMER OR ITS SUCCESSORS OR PERMITTED ASSIGNS ANY WARRANTIES (INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), IN RESPECT OF ANY COMPONENT PARTS OR CUSTOMER INVENTORY. ALL CONDITIONS AND WARRANTIES EXPRESSED OR IMPLIED BY THE SALE OF GOODS ACT OF ONTARIO DO NOT APPLY HERETO AND HAVE BEEN WAIVED BY THE CUSTOMER.**

12. General Terms.

A. Authorization. The parties executing this Agreement warrant that they have the corporate power and authority to execute this Agreement and this Agreement has been duly authorized by the parties.

B. Cooperation. Each party agrees to cooperate fully and in good faith with the other parties and to take all additional actions that may be necessary to give full force and effect to this Agreement.

C. Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation of this Agreement.

D. No Waiver; Cumulative Remedies; Unenforceability. No party to this agreement will by any act, delay, indulgence, omission, or otherwise be deemed to have waived any right or remedy under this Agreement, or any other agreement between the parties or between Customer and ACS, or of any breach of the terms and conditions of this Agreement or any other agreement between the parties or between Customer and ACS. A waiver by any party of any right or remedy under this Agreement on any one occasion will not be construed as a bar to any right or remedy which that party would otherwise have had on a subsequent occasion. No failure to exercise, nor any delay in exercising, any right, power, or privilege under this Agreement, by any party will operate as a waiver, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies under this Agreement are cumulative, may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by any other agreements or applicable law. If any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement will not be affected thereby.

E. Reservation of Rights. Subject to the terms of this Agreement, Customer expressly reserves and does not waive any claims it has against ACS, including without limitation, for breaches of any Purchase Order, or obligations under any other agreements between Customer and ACS.

F. Waivers and Amendments; Successors and Assigns. No term or provision of this Agreement may be waived, altered, modified, or amended except by a written instrument, duly executed by the parties hereto. This Agreement and all of the parties' obligations are binding upon their respective successors, and together with the rights and remedies of the parties under this Agreement, inure to the benefit of the parties and their respective successors; provided, further, no party will assign any of its rights under this Agreement.

G. Counterparts. This Agreement may be executed in any number of counterparts and by each party hereto on separate counterparts, each of which when so executed and delivered will be an original, but all of which together will constitute one and the same instrument, and it will not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. For purposes of this Agreement, facsimile signatures will be treated as originals.

H. Jurisdiction. Customer agrees to submit to the jurisdiction of the Ontario Superior Court of Justice, Commercial List in connection with any dispute under this Agreement and agrees that if the Receiver is required to seek the assistance of the Receivership Court to enforce this Agreement, in addition to any other remedies

available under applicable law, the Receiver will be entitled to recover its reasonable lawyer's fees and costs so incurred.

I. Entire Agreement; Conflicts; Ambiguous Language. This Agreement, together with any other agreements and schedules referenced to herein or executed in connection with this Agreement, constitutes the entire understanding of the parties in connection with the subject matter hereof. To the extent any term or condition of this Agreement is inconsistent or in conflict with the terms of any other agreements between ACS or the Receiver and the Customer, the terms of this Agreement will govern and control to the extent necessary to resolve such inconsistency or conflict. This Agreement is being entered into among competent persons who are experienced in business and represented by counsel, and has been reviewed by the parties and their respective counsel. Therefore, any ambiguous language in this Agreement will not necessarily be construed against any particular party as the drafter of such language.

J. Governing Law. This Agreement is made in the Province of Ontario and shall be governed by, and construed and enforced in accordance with, the laws of the Province of Ontario and of Canada applicable therein and the parties irrevocably attorn to the jurisdiction of the Court and other appropriate courts of the Province of Ontario in respect of any matters and disputes arising in connection with this Agreement.

K. CONSULTATION WITH COUNSEL. THE PARTIES ACKNOWLEDGE THAT THEY HAVE BEEN GIVEN THE OPPORTUNITY TO CONSULT WITH COUNSEL BEFORE EXECUTING THIS AGREEMENT AND ARE EXECUTING SUCH AGREEMENT WITHOUT DURESS OR COERCION AND WITHOUT RELIANCE ON ANY REPRESENTATIONS, WARRANTIES OR COMMITMENTS OF THE RECEIVER, OTHER THAN THOSE SPECIFICALLY SET FORTH IN THIS AGREEMENT.

[Intentionally left blank, signature page continued on following page]

[Signature page to Customer Accommodation Agreement]

"Receiver"

ZEIFMAN PARTNERS INC., solely in its capacity as Receiver and Manager of ACS Precision Components Partnership and with no personal or corporate liability

By: _____

Its: _____

Address for notices:

One Toronto Street
PO Box 28
Suite 910
Toronto, Ontario M5C 2C6 Canada

"CUSTOMER"

By: _____

Its: _____

Address for notices:

EXHIBIT B

[ZEIFMAN PARTNERS INC. LETTERHEAD]

May ____, 2010

Re: ACS Precision Components Partnership ("ACS")

Dear Customer:

ACS manufactures various component parts (the "Component Parts") for _____ ("Customer" or "you") pursuant to various purchase orders and supply contracts (each a "Purchase Order" and collectively the "Purchase Orders"). At approximately ____ p.m. E.D.T. on May 6, 2010 (the "Effective Date"), the Ontario Superior Court of Justice, Commercial List, entered an order (the "Receivership Order") appointing Zeifman Partners Inc. as receiver and manager (the "Receiver") of ACS.

The Receivership Order provides that the Receiver is under no obligation to allow ACS to continue to produce Component Parts for any customer unless such customer enters into acceptable arrangements with the Receiver. The purpose of this letter agreement is to set forth the terms and conditions pursuant to which the Receiver will allow ACS to manufacture Component Parts for you.

Subject to the availability of sufficient financing, raw materials, labor and machine capacity and subject to the following terms, the Receiver will use its best efforts to cause ACS to continue to manufacture Component Parts in accordance with Customer's requirements:

1. **Payment of Existing Accounts.** You acknowledge and agree that the aggregate amount owing by you to ACS for Component Parts shipped on or before the Effective Date (the "Pre-Effective Date Payables") is no less than CDN \$ _____. By May ____, 2010, you will pay all Pre-Effective Date Payables in accordance with the terms of Section 3 below.
2. **Expedited Payment Terms.** For shipments of Component Parts to you after the Effective Date (the "Post-Effective Date Payables"), you will pay for all invoices provided by ACS on terms of net seven (7) days or better.

3. **Limitation of Setoff Rights.** With respect to Pre-Effective Date Payables and Post-Effective Date Payables, you agree to suspend and not assert any defenses, rights and claims for setoffs, deductions and/or recoupment other than for Allowed Setoffs. For purposes of this letter agreement, "**Allowed Setoffs**" means setoffs, recoupments or deductions for defective or nonconforming products, short shipments, misshipments, or billing errors (improper invoices or mispricing). Provided further that under no circumstances shall (a) Allowed Setoffs exceed ten percent (10%) of the face amount of any *bona fide* invoice, or (b) setoffs or recoupments, including Allowed Setoffs, be taken against the Surcharge (as defined below).
4. **Surcharge.** For all Component Parts shipped to you after the Effective Date, you agree to pay a [thirty percent (30%)] increase (the "**Surcharge**") in excess of current Purchase Order prices.
5. **Inventory Purchase.** You agree to purchase from Receiver, at the time of resourcing any Component Part, all raw materials, work in process and finished goods inventory related to the manufacture, production or assembly of the subject Component Part (collectively, the "**Customer Inventory**") that is "useable" and in a "merchantable" condition. The price for the Customer Inventory to be purchased under this Section will be calculated as follows:
- (a) for raw material – 100% of the cost of the raw material, with cost based on ACS' actual landed cost;
 - (b) for work-in-process – 100% of the applicable Purchase Order price plus the Surcharge, with such amount pro-rated on a percentage of completion basis; and
 - (c) for finished Component Parts – 100% of the applicable Purchase Order price plus the Surcharge.

For the purpose of this Agreement, the term "useable" means inventory in quantities that are reasonably useable by you or your new suppliers in the production of Component Parts. The term "merchantable" as used in this Agreement means of good quality and in conformance with any applicable Purchase Order specifications. You agree to pay the purchase price for the Customer Inventory without setoff, recoupment or other deduction of any kind or nature within three (3) days of taking delivery of such Customer Inventory.

6. **No Liability.** Receiver is acting solely in its capacity of receiver and manager of ACS and with no personal or corporate liability. Further, Receiver will not be deemed to be successors to ACS in respect of any obligations under the Purchase Orders. You also agree that the Receiver will have no liability to you for, (a) any failure to supply Component Parts, including without limitation, in the quantities or at the times requested by you, (b) breaches by ACS of any agreements it has with you, and (c) Component Parts sold to you (including in respect of product liability claims and claims for latent defects in such Component Parts).
7. **No Warranty.** RECEIVER HAS NOT GIVEN AND WILL NOT BE DEEMED TO HAVE GIVEN ANY CUSTOMER OR ITS SUCCESSORS OR PERMITTED ASSIGNS ANY WARRANTIES (INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), IN RESPECT OF ANY COMPONENT PARTS OR CUSTOMER INVENTORY. ALL CONDITIONS AND WARRANTIES EXPRESSED OR IMPLIED BY THE SALE OF GOODS ACT OF ONTARIO DO NOT APPLY HERETO AND HAVE BEEN WAIVED BY THE CUSTOMER.

Please acknowledge your agreement to these terms by signing in the space provided. This letter may be signed in counterparts and facsimile copies of signatures will constitute originals for all purposes. This letter sets forth the entire understanding of the parties with respect to the subject matter hereof.

ZEIFMAN PARTNERS INC., solely in its capacity as Receiver and Manager of ACS Precision Components Partnership and with no personal or corporate liability

By: _____

Its: _____

Acknowledged and agreed:
[CUSTOMER]

By: _____

Its: _____
an authorized representative

SCHEDULE "B"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Zeifman Partners Inc., the receiver (the "Receiver") of the assets, undertakings and properties ACS Precision Components Partnership 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 ____ day of _____, 20__ (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 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 _____, 20__.

Zeifman Partners Inc., solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name: _____

Title: _____

BANK OF MONTREAL
Applicant and
ACS PRECISION COMPONENTS
PARTNERSHIP
Respondent

Court File No: 10-8702-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

ORDER

MILLER THOMSON LLP
ONE LONDON PLACE
255 QUEENS AVENUE, SUITE 2010
LONDON, ON CANADA N6A 5R8

Tony Van Klink LSUC#: 29008M
Tel: 519.931-3509
Fax: 519.858.8511

Lawyers for the Applicant

SCHEDULE B

Draft Eighth Report of the Receiver

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

BANK OF MONTREAL

Applicant

- and -

ACS PRECISION COMPONENTS PARTNERSHIP

Respondent

**EIGHTH REPORT TO THE COURT
SUBMITTED BY ZEIFMAN PARTNERS INC. AS RECEIVER**

Introduction

1. By Order of the Honourable Mr. Justice Campbell dated May 6, 2010, Zeifman Partners Inc. (the "Receiver") was appointed as receiver without security of all of the assets, undertakings and properties of ACS Precision Components Partnership ("ACS") acquired for, or used in relation to a business carried on by ACS (the "Receivership Order"). A copy of the Receivership Order is attached hereto as **Schedule A**.
2. Unless otherwise indicated in this Report, all dollar amounts are in Canadian dollars.

Purpose of Report

3. The purpose of this Report is to:
 - (a) advise this Honourable Court of the activities of the Receiver and the conduct of the receivership subsequent to the Receiver's Sixth Report;
 - (b) request an Order approving the conduct and activities of the Receiver to date;
 - (c) request an Order approving the Receiver's Statement of Receipts and Disbursements for the period from May 6, 2010 to December 17, 2010;

- (d) advise this Honourable Court on the status of the motions brought by Aalbers Tool & Mold Inc. ("Aalbers") and Omega Tool Corporation ("Omega") for the determination of their claims in accordance with the process established by the Order of the Honourable Madam Justice Hoy dated June 15, 2010 as amended by the Order of the Honourable Mr. Justice Newbould dated September 3, 2010;
- (e) advise this Honourable Court on the status of the auctioning of the equipment pursuant to the Auction Services Agreement dated September 30, 2010 between the Receiver and Infinity Assets Solutions Inc. ("Infinity") as previously approved by the Order of the Honourable Mr. Justice Campbell dated October 15, 2010;
- (f) seek the directions of this Honourable Court with respect to the entitlement of customers of ACS during the receivership to receive the net income generated from operations during the receivership;
- (g) request an Order approving a settlement between the Receiver and Omex Manufacturing ULC ("Omex");
- (h) request an Order approving, *nunc pro tunc*, the return of a forklift to De Lage Landen Financial Services Canada Inc. ("DLL");
- (i) request an Order approving a distribution to ATS Automation Tooling Systems Inc. ("ATS") in respect of ATS' secured claim;
- (j) request an Order approving the professional fees of the Receiver and its legal counsel as reflected herein; and
- (k) request an Order authorizing the Receiver to destroy certain records of ACS.

The Business of ACS

4. Prior to the making of the Receivership Order, ACS carried on a plastic injection molding and related mold building business from leased premises located at 1574 Eagle Street North, Cambridge, Ontario (the "Premises"). The customer base of ACS consisted primarily of tier one parts suppliers to the automotive industry.

Activities of the Receiver

5. As previously reported to the Court in the Receiver's Sixth Report, ACS ceased production effective September 22, 2010 and all remaining ACS employees were terminated effective September 30, 2010.
6. The Receiver is continuing to collect remaining accounts receivable and pay post-receivership obligations.
7. The Receiver is continuing to correspond with customers, suppliers and creditors on an as required basis.
8. The Receiver is continuing to attend to all responsibilities in respect of the terminated employees, including completion of tax forms, responding to government inquiries and providing other information as required.
9. The Receiver corresponded and co-ordinated activities with Infinity relating to the auctioning of the equipment.
10. As authorized by Order of the Honourable Mr. Justice Campbell dated October 15, 2010, the Receiver has completed the disposition of the Abandoned Tooling, as defined in the Fifth Report.

Status of Aalbers and Omega Motions

11. On June 15, 2010, the Honourable Madam Justice Hoy made an Order (the "Hoy Order") which, *inter alia*, established a process for the determination of the claims of Aalbers and Omega. A copy of the Hoy Order is attached as **Schedule B**.
12. Pursuant to the Hoy Order, Omega and Aalbers were to file motions by no later than July 16, 2010 for the determination of their claims. Aalbers filed a motion prior to July 16, 2010. Omega did not. By Order of the Honourable Mr. Justice Newbould dated September 3, 2010 (the "Newbould Order") the Hoy Order was varied to extend the deadline for the filing of a motion by Omega to September 7, 2010. Omega filed a motion by the deadline established in the Newbould Order.
13. The Receiver served responding materials to the Omega motion on November 8, 2010. Cross-examinations did not occur as counsel for Omega advised that they were

preparing a reply affidavit and intended to amend their Motion. The Receiver has now received a Fresh as Amended Notice of Motion dated December 6, 2010 along with the reply Affidavit.

14. The Receiver served a Responding Motion Record on December 10, 2010 in connection with the Aalbers Motion. The completion of those materials was delayed as the individual required to swear the Affidavit has obtained other employment and is not under the "control" of the Receiver.
15. The Receiver anticipates that cross-examination in both the Omega Motion and Aalbers Motion will be undertaken in January, 2011.

Status of Equipment Auction

16. By Order of the Honourable Mr. Justice Campbell dated October 15, 2010 approval was granted for an Auction Services Agreement (the "ASA") between the Receiver and Infinity for the auctioning of the equipment in the ACS premises.
17. The ASA provided for a Net Minimum Guarantee of \$1,775,000, of which \$500,000 was paid as a deposit on the execution of the ASA. The Receiver received payment of the balance of the Net Minimum Guarantee from Infinity on November 26, 2010.
18. The auction of the equipment was held on November 30, 2010. Including presales, the sale proceeds from the auction totalled \$2,995,068.30. Under the terms of the ASA, the Receiver was to receive 90% of the sale proceeds after reimbursement to Infinity of the Net Minimum Guarantee and payment of expenses to Infinity in the amount of \$125,000 (the "Receiver's Share"). The Receiver's Share totalled \$985,361.47. The Receiver's Share was received by the Receiver on December _____, 2010.
19. A summary of the auction proceeds and disbursement of same is attached as **Schedule C** to this Report.

Entitlement to Receivership Operating Income

20. As previously reported to the Court in the Receiver's Third Report, the Receiver entered into Accommodation Agreements with each of the ACS customers having more than 4% of sales in the 12 month period preceding the receivership to allow for

the continued production of parts and the building of parts banks for those customers while they transitioned to new suppliers. The Accommodation Agreements were either substantially in the form of the model Accommodation Agreement (the "Model Accommodation Agreement"), a copy of which is attached as **Schedule D**, which formed part of the Receivership Order or in the form negotiated with ACS' largest customer, Magna Closures Inc. ("Magna"). A copy of the template Accommodation Agreement as negotiated with Magna is attached as **Schedule E** (the "Template Accommodation Agreement").

21. There was a total of seven customers (the "Primary Customers") having more than 4% of sales in the 12 month period preceding the receivership. Five of those customers, Magna, Anderson-Cook Inc. ("Anderson-Cook"), Continental Automotive Systems US, Inc. ("Continental"), Automotive Components Holdings, LLC ("ACH") and Visteon Corporation ("Visteon") entered into Accommodation Agreements substantially in the form of the Template Accommodation Agreement. The remaining two suppliers, Delphi Automotive Systems LLC ("Delphi") and Brose North America ("Brose") entered into Accommodation Agreements substantially in the form of the Model Accommodation Agreement.
22. The Receiver also entered into letter agreements (the "Letter Agreements") in the form attached as **Schedule F** with customers (the "Secondary Customers") having less than 4% of sales in the 12 month period preceding the receivership and who required a continued supply of parts during the receivership.
23. The Accommodation Agreements and Letter Agreements provided for a 30% surcharge on the price of parts shipped during the receivership. The 30% surcharge was based on projections prepared prior to the commencement of the receivership to offset the operating losses which were otherwise forecast to be incurred with the intention that the operation of the ACS business during the receivership would run on a break even basis.
24. The Accommodation Agreements permitted the Receiver, on notice to the customers, to increase the amount of the surcharge if the Receiver believed that the surcharge was insufficient to fully fund all cash losses incurred or to be incurred in producing component parts for customers. The Letter Agreements were silent on any increase in

the amount of the surcharge but also did not obligate the Receiver to supply the Secondary Customers with parts in any fixed quantity for any period of time.

25. The Accommodation Agreements with Magna, Visteon, Continental, ACH and Anderson-Cook were for a term ending July 2, 2010, which was the projected exit date of Magna from the Premises. Magna represented approximately 60% of ACS' historical sales.
26. On or about June 24, 2010, the Receiver prepared a forecast income statement (the "Forecast") for continuing production for the months of July and August, 2010 following the exit of Magna from the Premises to determine whether or not an increase in the amount of the surcharge would be required for those months. A copy of the Forecast is attached as **Schedule G**.
27. The Forecast showed a 40% surcharge being required to cover all cash losses for the months of July and August, 2010.
28. On or around June 25, 2010, the Receiver provided written notice to the Primary Customers that a 40% surcharge was required for all parts shipped after July 2, 2010. A copy of the notice provided to the Primary Customers of the increase in the amount of the surcharge to 40% is attached as **Schedule H**.
29. On or around June 25, 2010 the Receiver also gave notice to the Secondary Customers that the surcharge would be increased to 40% for all parts shipped after July 2, 2010. A copy of the notice provided to the Secondary Customers is attached as **Schedule I**.
30. A 40% surcharge was in fact charged on all parts shipped from July 3, 2010 to September 2, 2010.
31. Parts production ceased for all customers other than Delphi on or around September 3, 2010. The Receiver continued production of parts for Delphi, on a limited basis, until September 22, 2010. ACS ceased production completely effective September 22, 2010.

32. Production during the receivership period can be broken down into three distinct time periods:
- (a) the period from the date of the Receiver's appointment on May 6, 2010 until July 2, 2010 during which customers were charged a 30% surcharge on all parts shipped (the "30% Surcharge Period");
 - (b) the period from July 3, 2010 until September 2, 2010 during which customers were charged a 40% surcharge on all parts shipped (the "40% Surcharge Period"); and
 - (c) the period from September 3, 2010 until September 22, 2010 during which production continued on a limited basis for Delphi only (the "Delphi Production Period").
33. The operation of the ACS business generated positive operating income during both the 30% Surcharge Period and 40% Surcharge Period. Attached as **Schedule J** is a summary of the operating results for both the 30% Surcharge Period and 40% Surcharge Period. As shown on **Schedule J**, operating income of \$371,284 was generated during the 30% Surcharge Period and operating income of \$412,843 was generated during the 40% Surcharge Period.
34. The Receiver seeks the Court's direction as to whether some or all of the operating income generated during the 30% Surcharge Period and 40% Surcharge Period should be reimbursed to the Primary Customers and Secondary Customers.
35. As mentioned previously, the 30% surcharge was calculated based on a forecast prepared prior to the receivership. That forecast was provided to some, but not all, of the Primary Customers prior to their executing an Accommodation Agreement. The forecast was not provided to any of the Secondary Customers.
36. The Accommodation Agreements and Letter Agreements do not provide for any reimbursement to the Primary Customers or Secondary Customers of all or any part of the surcharge under any circumstances, including positive operating income being generated from the continuation of the operations of ACS. The Accommodation

Agreements also contain an entire agreement clause which provides, in part, as follows:

“This Agreement, together with any other Agreements and Schedules referenced to herein or executed in connection with this Agreement, constitutes the entire understanding of the parties in connection with the subject matter hereof.”

37. The surcharge was increased to 40% based on the Receiver's forecast that the 30% surcharge would be insufficient to fully fund all cash losses after July 2, 2010. On that basis, the Receiver requested that the Primary Customers and Secondary Customers who required continued production after July 2, 2010 pay an increased surcharge.
38. Because the increase in the amount of the surcharge from 30% to 40% was specifically sought by the Receiver on the basis that the increase in the amount of the surcharge was necessary to offset the forecasted cash losses from continuing the operations after July 2, 2010, the Receiver is of the view that the operating income generated during the 40% Surcharge Period should be reimbursed to the customers which paid the 40% surcharge on a pro rata basis based on the percentage which each customers sales comprised of the total sales during the 40% Surcharge Period.
39. While the Accommodation Agreements and Letter Agreements do not provide for the reimbursement of any portion of the 30% surcharge in the event that a lesser surcharge would have been sufficient to cover all operating losses, it was never the Receiver's intention that the operations of the receivership generate positive income at the expense of the Primary Customers and Secondary Customers. The 30% surcharge was based on a forecast prepared prior to the receivership with the intention of covering the operating losses and allowing the receivership to run on a break even basis. In exchange for the accommodations given by the Primary Customers and Secondary Customers under the Accommodation Agreements and Letter Agreements, the customers were to receive an ongoing supply of parts while they transitioned their supply requirements to alternate suppliers. It was not the intention of the Receiver under the Accommodation Agreements or Letter Agreements to make a profit from continuing to operate the ACS business.

40. **Schedule J** shows the allocation among each of the Primary Customers and the Secondary Customers collectively of the operating income for the 30% Surcharge Period and 40% Surcharge Period. That allocation is based on the percentage which each customers' sales comprised of the total sales during each period and is as follows:

Allocation of Operating Income

<u>Primary Customer</u>	<u>30% Surcharge Period</u>	<u>40% Surcharge Period</u>
Magna	\$165,098	\$23,178
Delphi	\$80,262	\$237,744
Visteon	\$10,566	\$27,814
Continental	\$22,649	\$63,916
ACH	\$21,802	\$3,150
Brose	\$10,683	\$24,107
Anderson-Cook	\$13,388	\$17,458
Secondary Customers	\$53,153	\$26,293
	<hr/>	<hr/>
	\$377,590	\$423,661

41. During the Delphi Production Period a net operating loss of \$121,649 resulted. Attached as **Schedule K** is a schedule of the operating results for the Delphi Production Period.
42. Delphi agreed to cover any operating losses incurred during the Delphi operating period. For that purpose, Delphi deposited \$200,000 with the Receiver. The Receiver will be reimbursing Delphi for the sum of \$78,351.

Omex Manufacturing ULC

43. As previously reported in the Receiver's Sixth Report to the Court, on September 29, 2010 the sum of \$1,676,682.71 (the "Omex Debt") was paid by the Receiver to Bank of Montreal ("BMO") in full satisfaction of ACS' guarantee of the indebtedness of Omex to BMO. Subsequent to that payment, the security held by BMO over the assets of

Omex was assigned to the Receiver pursuant to Section 2 of the *Mercantile Law Amendment Act*, R.S.O. 1990, Chapter M-10. The Omex Debt, plus accrued interest thereon, is now payable by Omex to the Receiver.

44. Omex is jointly liable with ACS and two related holding companies in respect of two promissory notes in the combined total amount of \$2.75 million (collectively, the "ATS Promissory Notes") payable to ATS. Copies of the ATS Promissory Notes are attached as **Schedule L**. The Promissory Notes relate to vendor take back debt arising from the sale by ATS of the ACS and Omex businesses to ACS and Omex in December, 2008.
45. ATS holds security for the ATS Promissory Notes over the assets of ACS by way of a General Security Agreement. As explained below, the Receiver is seeking an Order approving a distribution to ATS on account of its secured claim in the amount of the ATS Promissory Notes plus related legal costs. To the extent that ATS is repaid from the receivership estate an amount greater than ACS's "share" of the ATS Promissory Notes debt, the Receiver will have a claim for contribution (the "Contribution Claim") against Omex.
46. The Receiver has completed a review of inter company transactions between ACS and Omex from January 1, 2010 to the date of the Receiver's appointment on May 6, 2010. That review disclosed potential preferential payments made by ACS to Omex in the amount of \$80,376.70 immediately prior to the Receiver's appointment (the "Preference Payments").
47. In summary, the Receiver has the following claims against Omex:
 - (a) a claim for repayment of the Omex Debt;
 - (b) subject to the Court approving the distribution to ATS on account of its secured claim, the Contribution Claim; and
 - (c) a claim for repayment of the Preference Payments.
48. As also previously reported to the Court in the Receiver's Sixth Report, Omex advised the Receiver that it would repay the Omex Debt, plus interest thereon, by no later than 4:30 p.m. on October 6, 2010. The Receiver entered into a Letter Agreement dated

September 30, 2010 (the "September 30 Letter Agreement") with Omex, a copy of which is attached as **Schedule M**, setting forth terms and conditions which would apply in the event that the Omex Debt was not repaid to the Receiver by 4:30 p.m. on October 6, 2010.

49. Omex had intended to repay the Omex Debt from the proceeds of financing to be obtained from Comerica Bank ("Comerica").
50. As part of the Comerica financing, Comerica and Omex sought a postponement and subordination from ATS of its claim against Omex under the ATS Promissory Notes. ATS was not prepared to provide the postponement and subordination without the consent of the Receiver. The Receiver did not provide its consent as doing so, in the Receiver's view, would have prejudiced the rights of the Receiver to recover the amount of the Contribution Claim from Omex. As a result, the Comerica financing did not proceed and the Omex Debt was not repaid by Omex as planned.
51. Thereafter, the Receiver and its legal counsel undertook discussions with Omex and its legal counsel in an effort to resolve the Contribution Claim, repayment of the Omex Debt and the Preference Payments. These discussions resulted in an agreement (the "Omex Settlement Agreement") being reached, subject to Court approval, between the Receiver and Omex by which Omex has agreed to pay the following amounts to the Receiver by February 1, 2010:
 - (a) the Omex Debt, including accrued interest thereon plus the sum of \$10,000 payable by Omex to the Receiver pursuant to the September 30 Letter Agreement;
 - (b) \$1 million on account of the Contribution Claim; and
 - (c) \$40,000 on account of the Preference Payments.
52. A copy of the Omex Settlement Agreement between the Receiver and Omex dated December ____, 2010 is attached as **Schedule N**. The Omex Settlement Agreement is subject to Court approval.
53. Upon repayment by Omex to the Receiver of the Preference Payments, Omex would again have an unsecured claim against ACS for an equal amount. As part of the

Omex Settlement Agreement, Omex has agreed to forego any right to receive a dividend as an unsecured creditor in the receivership estate by virtue of its repayment of the \$40,000 on account of the Preference Payments. As detailed below, it is presently anticipated that the unsecured creditors will receive at least 40 cents on the dollar for their claims. Taking into account the dividend which Omex has agreed to forego, the effective recovery to the estate on the Preference Payments is greater than \$70,000.

54. The ATS Promissory Notes are signed by four parties, ACS, Omex and two holding companies, 2178124 Ontario Inc. ("217") and ACS Precision Components Holdings (Hong Kong) Co. Limited ("Hong Kong Co."). Each of ACS, Omex, 217 and Hong Kong Co. are jointly liable for the full amount owing on the ATS Promissory Notes.
55. Assuming the Court approves the distribution to ATS of the full amount owing on the ATS Promissory Notes, the Receiver will have a claim for contribution against Omex, 217 and Hong Kong Co. The Receiver understands that the only asset of 217 is its partnership interest in ACS and the only asset of Hong Kong Co. is shares in ACS Precision Components (Shanghai) Co. Limited, a company located in China. Because 217 has no ability to satisfy any contribution claim and Hong Kong Co. is out of jurisdiction, absent any existing agreement between ACS and Omex as to the allocation of the amount owing on the ATS Promissory Notes as between themselves, ACS and Omex are, arguably, each responsible for 50% of the ATS Promissory Notes debt. In that event, upon payment by the Receiver to ATS of the ATS Promissory Notes debt, the Receiver would have a Contribution Claim of \$1,375,000 against Omex.
56. Following the completion of the purchase transaction with ATS, the \$2.75 million owing on the ATS Promissory Notes was allocated on the opening balance sheets of Omex and ACS as follows:
 - ACS - \$1,870,000 (68%)
 - Omex - \$880,000 (32%)
57. Omex takes the position that the allocation of the ATS Promissory Notes debt on the opening balance sheets of Omex and ACS is evidence of an agreement between

ACS and Omex as to their respective liability for payment of the ATS Promissory Notes debt. If the Court were to accept that position, the Contribution Claim against Omex would be only \$880,000.

58. The businesses and assets of ACS and Omex were purchased by ACS and Omex from ATS in a single transaction. The value of the assets acquired by ACS under that transaction was greater than the value of the assets acquired by Omex. On a percentage basis, of all of the assets acquired by ACS and Omex under that transaction, approximately 70% of the total assets were acquired by ACS. An allocation of the ATS Promissory Notes debt based on asset values would result in a Contribution Claim against Omex of approximately \$825,000.
59. As part of the settlement Omex is to receive a general release of all claims. The Receiver is unaware of any further claims against Omex. A Release is also to be given to 217 and Hong Kong Co. in respect of any Contribution Claim against those parties.
60. It is the Receiver's view that resolving the Contribution Claim for \$1 million and the Preference Payments Claim for \$40,000 is appropriate. The Receiver requests the Court approve the Omex Settlement Agreement for the following reasons:
 - (a) doing so will avoid the costs which would be incurred in litigating those issues;
 - (b) the uncertainty of outcome of the litigation;
 - (c) taking into account the dividend which Omex has agreed to forego, the effective recovery to the estate on the Preferential Payments Claim is greater than \$70,000; and
 - (d) resolving the Contribution Claim will facilitate the repayment of the Omex Debt.

Statement of Receipts and Disbursements

61. The Receiver's Interim Statement of Receipt and Disbursements (the "Statement") for the period from May 6, 2010 to December 17, 2010 is attached hereto as **Schedule O**.
62. As of December 17, 2010 the Receiver was holding Cdn\$5,182,597 and US\$287,797. As shown on the Statement, there are a number of outstanding potential third party claims totalling approximately \$640,000.
63. According to the books and records of ACS, there are approximately 230 unsecured creditors with claims totalling approximately \$6.7 million.
64. Subject to the Court approving the distribution to ATS on account of its secured claim, and the receipt of the approximately \$2.75 million from Omex under the Omex Settlement Agreement, the Receiver anticipates that there will be sufficient monies available to fund a distribution to the unsecured creditors of at least 45 cents on the dollar.

Security Opinion and Distribution to ATS

65. ATS holds security over all of the property, assets and undertaking of ACS pursuant to a General Security Agreement dated December 31, 2008 (the "ATS GSA"), a copy of which is attached as **Schedule P**.
66. As part of the transaction by which ATS sold the ATS and Omex businesses, ATS agreed to limit the principal amount secured by the ATS GSA to \$2.75 million. Attached as **Schedule Q** is a copy of an Acknowledgment executed by ATS confirming same.
67. The Receiver has obtained a legal opinion from Miller Thomson LLP which confirms that, subject to the customary exceptions and qualifications, the security interest granted by ACS in favour of ATS is valid and enforceable. A copy of the legal opinion is attached hereto as **Schedule R**.

68. There are five registrations under the *Personal Property Security Act* ("PPSA") against ACS. Those registrations are summarized on **Schedule S** to this Report and are in favour of the following:
- (a) BMO;
 - (b) ATS;
 - (c) Omega (two registrations); and
 - (d) DLL.
69. There is one registration under the *Repair and Storage Liens Act* ("RSLA") against ACS in the amount of \$286,831 filed by Miller's Electric Ltd. ("Millers").
70. A copy of a search of registrations under the PPSA as of December 22, 2010 is attached as **Schedule T** hereto.
71. The Receiver understands that the two Omega PPSA registrations relate to Omega's tooling claim (approximately \$140,000) which is the subject of the Omega motion.
72. Employee wages and other priority payables (employee source deductions for income tax, CPP and EI, goods and services tax and retail sales tax) were paid current to the date of the receivership. On June 30, 2010 the Receiver paid all vacation pay owing to the hourly employees. Salaried employees were paid their vacation pay upon termination.
73. As previously reported to the Court, the amounts owing to BMO on account of its secured claim were repaid in September, 2010 pursuant to the Order of the Honourable Justice Newbould dated September 3, 2010. With the repayment of the amounts owing to BMO, the Receiver is only aware of the following pre-receivership claims which may have priority over the ATS Promissory Notes debt:
- (a) the claim of Omega Tool in respect of the Omega Tooling (approximately \$140,000) which is the subject of the Omega Motion;
 - (b) the claim of Aalbers Tooling to the Aalbers Fund (approximately \$203,000) which is the subject of the Aalber's Motion;

(c) the Millers' RSLA Lien (approximately \$287,000); and

(d) employee claims in respect of registered retirement savings plan contributions and overtime pay (approximately \$_____).

The validity and priority of the above claims has not yet been determined. Sufficient funds remain available in the Receiver's possession should such claims be determined to be valid and in priority to the claims of other creditors.

74. No payments have been made on the ATS Promissory Notes. The balance owing on the ATS Promissory Notes is \$2.75 million. There is no interest yet accrued or payable on the ATS Promissory Notes. ATS also claims an additional amount of approximately \$300,000 as owing to it by ACS for amounts unrelated to the ATS Promissory Notes.

75. The ATS GSA contains the following clause respecting the payment of legal costs incurred by ATS:

"Each Debtor agrees to pay all reasonable expenses, including solicitor's fees and disbursements and the remuneration of any receiver appointed hereunder, incurred by ATS in the preparation, perfection and enforcement of this Security Agreement, including all expenses incurred by ATS and its agents to put into place and confirm the priority of any security interest in this Security Agreement and the payment of such expenses shall be secured hereby."

76. ATS has advised the Receiver that in addition to the principal sum of \$2.75 million it also seeks payment under its security of legal costs incurred by ATS subsequent to the Receiver's appointment. Those costs total \$47,891.45 as of October 26, 2010. A summary of those costs together with copies of the invoices in support of same are attached as **Schedule U**. A significant portion of those costs (approximately \$_____) relate to the discussions with respect to the Comerica Financing.

77. The Receiver seeks approval to make a distribution to ATS of the following amounts on account of ATS's secured claim:

- \$2.75 million being the principal balance outstanding on the ATS Promissory Notes

- \$_____, on account of ATS' legal costs to October 17, 2010 as secured by the ATS GSA
- further legal costs, if any, incurred by ATS subsequent to October 26, 2010 and which are secured by the ATS GSA, upon satisfactory proof of same being provided to the Receiver

Miller's RSLA Lien Claim

78. Pursuant to section 7(5) of the RSLA, a non-possessory lien is enforceable only if the lien claimant obtains a signed acknowledgement of the indebtedness. The Receiver has not yet determined the validity of the lien claim being asserted by Millers under the RSLA.

DLL

79. The DLL PPSA registration relates to the lease of a 2006 Caterpillar P5000 Forklift V.I.N. AT3506567 (the "Forklift"). A copy of the lease is attached as **Schedule V**. The Receiver obtained a legal opinion from Miller Thomson LLP ("MT") that DLL had a valid and enforceable purchase money security interest in same. A copy of the legal opinion is attached hereto as **Schedule R**. Accordingly, upon the request by DLL, the Forklift was returned to DLL. The Receiver seeks approval for same *nunc pro tunc*.

Professional Fees

80. The Receiver and its legal counsel have maintained detailed records of their professional time and costs since the date of the Receivership Order.
81. Pursuant to paragraph 19 of the Receivership Order, any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees of the Receiver and the fees and disbursements of its legal counsel, incurred at the standard rates and charges of the Receiver and its counsel, shall be allowed to it in passing its accounts and shall form a first charge on the property of ACS in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person.
82. The total fees and disbursements of the Receiver for the period from August 1, 2010 to October 31, 2010 amount to \$193,050.12, plus HST. These fees and disbursements

are particularized in the Affidavit of Allan Rutman, sworn December 2, 2010 and the invoices are attached as related exhibits.

83. The total fees and disbursements billed by MT, counsel to the Receiver, for the period from August 1, 2010 to October 31, 2010 amount to \$64,920.99, plus GST/HST. These fees and disbursements are particularized in the Affidavit of Sherry Kettle, sworn December 2, 2010 and the invoices attached as related exhibits.
84. It is the Receiver's opinion that the fees and disbursements of the Receiver and MT (collectively, the "Professional Fees") are fair and reasonable and justified in the circumstances, and accurately reflect the work done by the Receiver and MT in connection with the receivership during the relevant periods. The Receiver recommends approval of the Professional Fees by this Honourable Court.

Destruction of Documents

85. Attached as **Schedule W** is a list of the documents removed by the Receiver from the Premises and which the Receiver has placed in storage for future reference as required.
86. Attached as **Schedule X** is a list of the documents (the "Destruction Documents") which remain at the Premises and which are not required by the Receiver for the administration of the receivership. The Receiver seeks approval from the Court to destroy and dispose of the Destruction Documents.

Recommendation of the Receiver

87. The Receiver respectfully requests this Honourable Court to:
 - (a) accept and approve this, the Receiver's Eighth Report and the conduct and activities of the Receiver as set out herein;
 - (b) approve the Receiver's Statement of Receipts and Disbursements for the period from May 6, 2010 to December 17, 2010;

- (c) provide the Receiver with directions regarding the reimbursement to the Primary Customers and Secondary Customers of the operating income for the 30% Surcharge Period and 40% Surcharge Period as set forth on Schedule J;
- (d) approve the Omex Settlement Agreement;
- (e) approve the distribution to ATS on account of its secured claim the sum of \$_____ plus further legal costs, if any, incurred by ATS subsequent to October 26, 2010 and which are secured by the ATS GSA upon satisfactory proof of same being provided to the Receiver;
- (f) approve, *nunc pro tunc*, the return of the Forklift to DLL;
- (g) approve the Professional Fees; and
- (h) authorize the Receiver to destroy and dispose of the Destruction Documents.

All of the foregoing is respectfully submitted this _____ day of December, 2010.

**ZEIFMAN PARTNERS INC., Court
Appointed Receiver of ACS Precision
Components Partnership**

Per: _____

Allan Rutman

SCHEDULE C

Receiver's Interim Statement of Receipt and Disbursements
for the period from May 6, 2010 to December 17, 2010

Zeifman Partners Inc., Court Appointed Receiver of ACS Precision Components Partnership
Interim Statement of Receipts and Disbursements
For the Period from May 6, 2010 to December 17, 2010

	CAD	USD
	\$	\$
Cash Receipts		
Revenues from Operations	3,229,901	6,789,360
Realization of Pre-receivership A/R	1,680,940	1,710,828
Sale of Assets	3,096,524	426,407
Inventory Receipts	175,825	442,805
Tooling Receipts	-	500,087
Goods and Service Tax Refunds	38,519	-
Miscellaneous Receipts	29,026	872
Interest	3,575	167
Total Receipts	8,254,310	9,870,525
Cash Disbursements		
Direct Material Purchases	370,858	3,705,820
Payroll and Benefits	2,108,567	-
Rent/Lease Payment	327,953	-
GST/HST Paid	181,228	-
Utilities	214,709	-
Repairs & Maintenance	111,207	(395)
Freight & Brokerage	82,160	(20,331)
WSIB Expense	61,265	-
Key Employee Retention Plan	55,800	-
Administration/Corporate Charges	36,372	32,665
Insurance	30,257	3,070
Office Expense	9,794	34,131
Supplies	33,164	(1,739)
Bank Charges	6,048	997
Pre Receivership Vacation Pay	256,656	-
Receiver's Fees	600,795	-
Legal Fees	166,796	-
Total Disbursements	4,653,629	3,754,217
Cash Inflow	3,600,681	6,116,308
Payment to Bank of Montreal re First Position Loan	(2,993,859)	-
Payment to Bank of Montreal re OMEX Guarantee	(1,676,683)	-
Delphi September Operating Loss Reserve	-	200,000
Transfers between CAD and US Accounts	6,252,457	(6,028,511)
	1,581,916	(5,828,511)
Ending Cash Balance	5,182,597	287,797
Third Party Reserves	(400,583)	(281,383)
Ending Cash Balance Less Reserves	4,782,014	6,414

Notes

1. Balances in cash receipt and disbursement line items reflected above are inclusive of respective taxes.
2. Remaining receipts include \$1,676,683 from Omex Manufacturing ULC ("Omex") on account of the Omex debt to Bank of Montreal paid by the Receiver and \$10,000 in accounts receivable from ProTerra LED.
3. The third party reserves consist of lien claims by Aalber's Tool & Die of US \$203,032, Omega Tool & Die of \$113,752, Miller's Electric of \$286,831, and excess funds from the Delphi September Operating Loss Reserve of US \$78,351.
4. Delphi Automotive Systems LLC paid US \$200,000 to the Receiver in respect of September operating losses on account of an extension to the production period. The September Loss is calculated \$121,649, resulting in excess reserve of US \$78,351.
5. Credit balances in the cash disbursement line items above represent US\$ cash receipts from customers in respect of CAD\$ cash disbursements made by the Receiver.

SCHEDULE D

Profile of Raymond M. Slattery

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Lawyers

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Practice Area:

Litigation; Alternative Dispute Resolution; Insolvency and Restructuring; Construction Law

Raymond is a Senior Member and Managing Partner of our firm and is the past Chair of our litigation group.

He engages in a broad range of advocacy matters including trials, appeals, arbitrations, mediation and other forms of alternative dispute resolution. Raymond has litigated at all levels of Courts including the Supreme Court of Canada and makes regular appearances on the Commercial List in Toronto.

Raymond is involved in all facets of insolvency litigation including commercial reorganizations and restructurings under the Companies Creditors' Arrangement Act, Bankruptcy and Insolvency Act and other related legislation. He acts on behalf of companies, creditors, financial institutions, receivers, trustees and monitors in these proceedings and security enforcement matters.

He also conducts litigation arising out of construction and real estate projects, shareholder disputes and related claims for developers, owners, landlords, tenants, joint ventures, contractors and suppliers.

Raymond graduated from Boston University, *magna cum laude*, then received his LL.B. from Osgoode Hall Law School.

Law School: Osgoode Hall Law School
Year of Call: 1981
Year Joined the Firm: 1993

Affiliations:

Canadian Bar Association
Law Society of Upper Canada
Toronto Construction Association
Past President Thornhill Golf and Country Club

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BANK OF MONTREAL
Applicant and ACS PRECISION COMPONENTS
Respondent

Court File No: 10-8702-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

SEVENTH REPORT TO THE COURT SUBMITTED
BY ZEIFMAN PARTNERS INC. AS RECEIVER

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