

**BUCHH HOLDING INC., 2371561 ONTARIO INC., BRITMAN SPECIALTY
PRODUCTS INC., ROTALEC INTERNATIONAL INC. and ROTALEC
CANADA INC.**

PRE-FILING REPORT OF THE PROPOSED INTERIM RECEIVER

July 17, 2024

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

BETWEEN:

TD BANK

Applicant

- and -

**BUCHH HOLDING INC., 2371561 ONTARIO INC., BRITMAN SPECIALTY PRODUCTS INC.,
ROTALEC INTERNATIONAL INC. and ROTALEC CANADA INC.**

Respondents

**APPLICATION UNDER subsections 47(1) and 243(1) of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, and under section 101 of the
Courts of Justice Act, R.S.O. 1990, c. C.43, as amended**

**REPORT OF RICHTER INC.
IN ITS CAPACITY AS PROPOSED INTERIM RECEIVER OF
BUCHH HOLDING INC., 2371561 ONTARIO INC., BRITMAN SPECIALTY PRODUCTS INC.,
ROTALEC INTERNATIONAL INC. and ROTALEC CANADA INC.**

July 17, 2024

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I. INTRODUCTION

1. On May 15, 2024, Richter Inc. (“**Richter**”) was engaged by the Toronto-Dominion Bank (the “**Bank**” or the “**Applicant**”) to review and assess the assets, financial position, business and operations of Buchh Holding Inc. (“**Buchh Holding**”), 2371561 Ontario Inc. (“**UGP**”), Britman Specialty Products Inc. (“**BSP**”), Rotalec International Inc. (“**Rotalec International**”) and Rotalec Canada Inc. (“**Rotalec Canada**”), and (collectively the “**Company**” or “**Respondents**”) as well as Rotalec USA Inc. (“**Rotalec US**”).
2. More specifically the scope of Richter’s engagement included the following elements:
 - Review of the Company’s monthly borrowing base calculation (“**BBC**”);
 - Review of the Company’s current financial situation; and
 - Any other matters as required by the Bank.
3. The Proposed Interim Receiver understands that an application will be made by the Bank to appoint Richter as an Interim Receiver to exercise the powers and duties set out in the Interim Receivership Order, pursuant to subsections 47(1) and 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 “**Receiver**”), without security, of the assets, undertakings and properties of the Company (the “**Property**”). The Bank will subsequently move to appoint Richter as the Receiver of the Property.
4. Richter is a licensed trustee within the meaning of section 2 of the BIA and has consented to act as Interim Receiver and eventually as Receiver in these proceedings in the event that this Court grants the relief sought by the Bank. We are writing this report as Proposed Interim Receiver of the Company.

II. PURPOSE OF REPORT

5. The purpose of this report (the “**Report**”) is to:
 - (a) Inform the Court of the activities Richter since our appointment as consultant; and
 - (b) Provide this Court with the Richter’s preliminary observations and findings.

III. QUALIFICATIONS

6. In preparing this Report, Richter has relied upon unaudited financial information, the Company’s books and records, financial information prepared by the Company and discussions with management (collectively, the “**Information**”). Richter has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided, and in consideration of the nature of the evidence provided to this Court, in relation to the relief sought therein. Richter has not, however, audited or otherwise attempted to verify the

accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards (“GAAS”) pursuant to the Canadian Institute of Chartered Accountants Handbook and, as such, Richter expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information. An examination of the Company’s financial forecasts in accordance with the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future-oriented financial information reported on or relied upon in this Report is based on management’s assumptions regarding future events; actual results achieved may vary from forecast and such variations may be material.

7. Unless otherwise noted, all monetary amounts contained in this Report are expressed in Canadian dollars (“CAD”).

IV. BACKGROUND

8. Reference is made to the Affidavit of Amanda Bezner of the Bank, sworn July 17, 2024 (the “Bezner Affidavit”) filed in support of the Bank’s application for the Interim Receivership Order, appended as Tab 2 of the Applicant’s Motion Record. While this Report summarizes some of the information set out in the Bezner Affidavit, for context, readers are directed to the Bezner Affidavit for a more detailed explanation of the grounds for the Bank’s application.
9. The Company is a privately-owned corporation which is a consolidation of multiple businesses, with Rotalec Canada being the primary operating company. The Respondents have operations in Ontario, Quebec and Minnesota, and operate as follows:
 - Buchh Holding is a management company with no operations. It owns 100% of each of Rotalec International and BSP and 50% of UGP;
 - Rotalec specializes in the distribution of industrial automation products and customized robotics for numerous industries including aerospace, aluminum, packaging and general manufacturing;
 - BSP specializes in the sale of locking devices to companies in the furniture industry; and
 - UGP specializes in custom plastic injection molding.
10. The principal of the Company is Mr. Farhat Buchh.

V. CURRENT OPERATIONS AND FINDINGS

11. Despite being engaged by the Bank on May 15, 2024, Richter’s work was delayed (in part due to delays in: (i) receiving a signed engagement letter from the Company, and (ii) obtaining the necessary financial information

from the Company) and only commenced on June 12, 2024 with an initial meeting with senior management. Richter issued its report to the Bank on July 4, 2024 (the “**Consulting Report**”).

12. The Company has incurred losses in two of the last three fiscal years. The year-to-date sales through April 30, 2024 for Rotalec (which represents approximately 85% of Company revenue) reflect a 50% sales decline versus April 30, 2023 which has significantly eroded the Company’s collateral and liquidity.

13. Based on our review of the BBC as at April 30, 2024, we noted significant errors as follows:

- Eligible accounts receivable were overstated by approximately \$809,000;
- Eligible inventory was overstated by approximately \$917,000; and
- Priority payables were understated by approximately \$201,000.

As a result of these errors, the reported margin deficit of approximately \$60,000 as of April 30, 2024, was in fact adjusted to a margin deficit of \$1,298,000. Management was made aware of our findings and have not disputed them.

14. In addition, as noted in our Consulting Report, the Company’s serious liquidity issues resulted in their two largest suppliers to refuse further shipments to the Company. The Company advises it is attempting to address the suppliers concerns through COD payments and nominal weekly payments of arrears.

15. Richter believes that there are several factors that support the appointment of an Interim Receiver:

- Ongoing delays in the receipt of financial information which enables the Bank to properly and timely assess their security position to enable them to take appropriate measures to limit any further erosion in the Bank’s security. As an example, to date, the Company has failed to provide the May 2024BBC report when due; and
- As provided for in the Bezner Affidavit, the Company has recently made several changes which could impact on the going concern operations of the Company and the realization value of the assets. This includes employee layoffs, relocation of inventory, ceasing to pay rent and the apparent engagement of Mr. Bob Claeys to act as an investor but who appears to have imbedded himself in the day-to-day operations of the Company.

16. In our current capacity as consultant, Richter is not in a position to ensure we have the information that we need on a timely basis to assist the Bank such that the necessary safeguards are in place to protect the Bank, pending the appointment of a Receiver.

All of which is respectfully submitted on the 17th day of July, 2024.

Richter Inc.
as Proposed Interim Receiver of
Buchh Holding Inc., 2371561 Ontario Inc., Britman Specialty Products Inc.,
Rotalec International Inc. and Rotalec Canada Inc. and not in its personal capacity



Andrew Adesky, CPA, CIRP, LIT



Olivier Benchaya, CPA, CIRP, LIT

THE TORONTO-DOMINION BANK

Applicant

- **BUCHH HOLDING INC. et al.**
and -
Respondents

Court File No. CV-24-00723986-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

NOTICE OF APPLICATION

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