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Estate No.: 35-3311888

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
REACTOR ENGINEERING GROUP LTD.**

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**FACTUM OF THE APPLICANT**  
(Motion Returnable April 17, 2026)

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**PART I - OVERVIEW**

1. This factum is filed in support of a motion (the “**Motion**”) by the Applicant, Reactor Engineering Group Ltd. (“**Reactor**”), for:

- (a) an approval and vesting order (the “**AVO**”), among other things:
  - (i) approving the transaction (the “**Transaction**”) contemplated by the Amended and Restated Stalking Horse Asset Purchase Agreement dated April 10, 2026 (the “**A&R Stalking Horse Agreement**”) between Reactor, as vendor, and ATMIS Protective Equipment Inc. (“**ATMIS**”), as purchaser (in such capacity, the “**Purchaser**”), and authorizing Reactor to complete the Transaction;
  - (ii) vesting all right, title, and interest of Reactor in and to the Purchased Assets (as defined in the A&R Stalking Horse Agreement);
  - (iii) authorizing and directing Reactor to file articles of amendment upon closing of the Transaction to change its name; and
- (b) an order (the “**Ancillary Order**”), among other things:
  - (i) granting an extension of time for filing of a proposal by Reactor in its *Bankruptcy and Insolvency Act* (the “**BIA**”) proposal proceedings (the “**Proposal Proceedings**”) by thirteen (13) days up to and including April 30, 2026, pursuant to subsection 50.4(9) of the BIA;

- (ii) approving the Fourth Report of BDO Canada Limited (“**BDO**”) in its capacity as proposal trustee in the Proposal Proceedings (in such capacity, the “**Proposal Trustee**”), dated April 13, 2026 (the “**Fourth Report**”), and the Proposal Trustee’s activities set out therein;
- (iii) approving the professional fees and disbursements of the Proposal Trustee and its counsel, Aird & Berlis LLP;
- (iv) increasing the maximum principal amount of the DIP Financing, as defined in, and approved by, the Order of the Ontario Superior Court of Justice (the “**Court**”) dated January 16, 2026 (the “**January 16 Order**”);
- (v) approving the \$40,000 advance made by ATMIS on April 8, 2026 (the “**April 8 Advance**”) pursuant to the A&R Secured Note (as defined below);
- (vi) approving one or more distributions by Reactor or the Bankruptcy Trustee (as defined below) to ATMIS in repayment of any DIP Financing or other secured ATMIS loan amounts not credit bid in the Transaction and thus remaining outstanding after the Sale Closing (the “**ATMIS Distributions**”); and
- (vii) approving the transfer of retainer funds by the Proposal Trustee to the Bankruptcy Trustee.

## **PART II - FACTS**

### **A. Background**

2. The relevant facts in connection with this motion are more fully set out in the Affidavit of Andrew Glover, sworn April 10, 2026 (the “**Fourth Glover Affidavit**”).<sup>1</sup> Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Fourth Glover Affidavit.

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<sup>1</sup> The prior Affidavits of Andrew Glover sworn January 2, 2026, January 23, 2026, January 29, 2026, and February 26, 2026 are attached as exhibits to the Fourth Glover Affidavit.

3. Reactor is an Ontario corporation having operations in Windsor, Ontario and Chatham, Ontario. Historically, Reactor's core business has been in the development of custom machine tools, high tolerance tools, machining, and assembled components for various industries. Reactor maintains a staff of thirty-one full-time employees.<sup>2</sup>

4. Although its core business has remained profitable, an ill-fated venture into the manufacture of personal protecting equipment during the COVID-19 pandemic has resulted in substantial litigation claims which, if materially successful, would be ruinous. The mere cost of responding to these claims have placed tremendous strain on Reactor's resources.<sup>3</sup>

5. As a result, on December 17, 2025, Reactor commenced the within proceedings (the "**Proposal Proceedings**") by filing a Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the BIA (the "**NOI**").<sup>4</sup>

#### **B. DIP Financing, the Initial Advances, and the April 8 Advance**

6. On January 16, 2026, the Court granted the January 16 Order, among other things, approving debtor-in-possession financing in the maximum principal amount of \$110,000, to be drawn in accordance with borrowing certificates (the "**DIP Financing**"), as well as a charge on all of Reactor's present and after-acquired property, assets, and undertaking for the benefit of the DIP Lender (the "**DIP Lenders' Charge**").

7. Prior to the Court's approval of the DIP Financing, Reactor required a cash injection to finance working capital and pay certain costs to be incurred in the Proposal Proceedings. To address this anticipated shortfall, Reactor and ATMIS entered into a Secured Grid Promissory Note dated January 7, 2026 (the "**Secured Note**"), pursuant to which ATMIS, in its capacity as DIP Lender, agreed to advance funds to Reactor in the aggregate maximum amount of \$110,000 to fund its business during the proposal proceedings. Pursuant to the Secured Note, the DIP Lender was granted a contractual security interest that is subordinate to the Court-ordered charges in the January 16 Order.

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<sup>2</sup> Affidavit of Andrew Glover, sworn April 10, 2026 ("**Fourth Glover Affidavit**"), Motion Record of the Applicant dated April 10, 2026 ("**MR**"), Tab 2, paras. 3 & 5-6.

<sup>3</sup> Glover Affidavit, MR, Tab 2, paras. 8-9.

<sup>4</sup> Glover Affidavit, MR, Tab 2, para. 10.

8. On January 30, 2026, the Court granted an Order (the “**January 30 Ancillary Order**”), among other things, approving the Secured Note and the advances made thereto on January 7, 2026 and January 12, 2026 (the “**Initial Advances**”).<sup>5</sup>

9. As of the week ended April 5, 2026:

- (a) the DIP Financing had been fully advanced in the amount of \$110,000; and
- (b) the advances under the Secured Note were in the amount of \$55,000.

10. Due to a delay in the collection of certain receipts, Reactor was unable to fund payroll for the week of April 6, 2026, absent an urgent injection of capital. On April 8, 2026, Reactor and the DIP Lender entered into the Amended and Restated Secured Grid Promissory Note (the “**A&R Secured Note**”), pursuant to which the DIP Lender advanced interim funding in the amount of \$40,000 to ensure that Reactor was able to meet its obligations.

### **C. The Sale and Investment Solicitation Process**

11. On January 30, 2026, the Court granted an Order (the “**SISP Approval Order**”), among other things:

- (a) approving a sale and investment solicitation process in respect of the business and assets of Reactor (the “**SISP**”);
- (b) approving the Stalking Horse Asset Purchase Agreement executed by Reactor and ATMIS (in such capacity, the “**Stalking Horse Bidder**”) dated January 29, 2026 (the “**Stalking Horse Agreement**”) solely for purposes of serving the role as stalking horse in the SISP.<sup>6</sup>

12. The Proposal Trustee administered the SISP in accordance with the SISP Order, with the assistance of BDO Transaction Advisory Services Inc., in its capacity as advisor to the Proposal Trustee and Reactor in connection with the SISP (the “**Sales Agent**”).<sup>7</sup>

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<sup>5</sup> Ancillary Order of Justice Mitchell dated January 30, 2026 (“**January 30 Ancillary Order**”), MR, Tab E2, para. 4.

<sup>6</sup> SISP Approval Order of Justice Mitchell dated January 30, 2026 (“**SISP Approval Order**”), MR, Tab E1.

<sup>7</sup> Fourth Report, Appendix G – Third Report of BDO Canada Limited in its capacity as Proposal Trustee dated March 2, 2026, paras. 43-45; Fourth Report, paras. 39-41 [**Third Report**].

13. Certain of Reactor’s operations involve goods and information which restricted pursuant to the *Defence Production Act* (Canada) and the *Controlled Goods Regulations* (“**Controlled Goods**”). Controlled Goods may only be reviewed by persons having the appropriate certificate and requisite clearance. As a result, it was necessary to establish a protocol within the SISP regarding the portion of Reactor’s business pertaining to Controlled Goods, which protocol was developed in consultation with the Proposal Trustee and Public Services and Procurement Canada’s Controlled Goods Program. This protocol included, among other things, establishing separate virtual data rooms for Controlled Goods information (the “**CG VDR**”) and non-Controlled Goods information (the “**Non-CG VDR**”). Access to the CG VDR was restricted to those Known Potential Bidders having the requisite certification.<sup>8</sup>

14. The unexpected complexity in creating and administering the Controlled Goods protocol resulted in unforeseen delays in the SISP. As a result, the bid deadline was extended from March 12, 2026, to March 19, 2026 (the “**Extended Bid Deadline**”).<sup>9</sup>

15. Prior to the Extended Bid Deadline, the Sales Agent contacted one-hundred and five (105) Known Potential Bidders<sup>10</sup>. Seventeen (17) Known Potential Bidders executed a non-disclosure agreement and were granted access to the Non-CG VDR. No Known Potential Bidders had appropriate clearance to access the CG VDR.<sup>11</sup>

16. No bids were received by the Extended Bid Deadline. Pursuant to the SISP, with no Superior Bids received, the Stalking Horse Bidder was declared the Successful Bidder, and the A&R Stalking Horse Agreement the successful bid, subject to Court approval.<sup>12</sup>

#### **D. The Transaction**

17. The Transaction is an asset purchase wherein ATMIS, as the Purchaser, will acquire substantially all of Reactor’s assets—subject to certain material exclusions—in exchange for a credit bid of a portion of the DIP Financing advanced by ATMIS in its capacity as DIP Lender.

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<sup>8</sup> Third Report, paras. 46-48.

<sup>9</sup> Fourth Report, para. 39.

<sup>10</sup> As defined in the Sale Process, being Schedule “A” to the SISP Approval Order, MR, Tab E1.

<sup>11</sup> Fourth Report, para. 40.

<sup>12</sup> Fourth Report, para. 41.

18. A summary of the salient points of the Transaction is as follows<sup>13</sup>:
- (a) Purchase Price: a cash payment in the amount of \$261,845.00, *less* the amount of the Credit Bid Debt (the “**Cash Amount**”); *plus* the amount of the Credit Bid Debt; *plus* the aggregate amount of the Assumed Liabilities.<sup>14</sup>
  - (b) Payment of the Purchase Price: the Cash Amount, if any, shall be paid by wire transfer to the Proposal Trustee, in trust; the Credit Bid Debt shall be paid by cancellation thereof; and the Assumed Liabilities shall be assumed by the Purchaser.<sup>15</sup>
  - (c) Purchased Assets: include but are not limited to the Assigned Contracts, Pre-Paid Expenses, Intellectual Property, Inventories, and Tangible Personal Property, insurance proceeds, and goodwill.<sup>16</sup>
  - (d) Assigned Contracts: include all equipment financing contracts and leases, the real property leases to the two facilities in Windsor, Ontario and the facility in Chatham, Ontario and all of Reactor’s outstanding purchase orders.<sup>17</sup>
  - (e) Excluded Assets: include but are not limited to cash, bank balances, Accounts Receivable, and tax rebates, refunds, or credits, including any credits awarded pursuant to Reactor’s claims under the Scientific Research and Experimental Development Tax Program for each of the fiscal years ending February 28, 2025 and February 28, 2026 (the “**SRED Claims**”).<sup>18</sup>
  - (f) Assumed Liabilities: include but are not limited to all obligations and liabilities relating to the Assigned Contracts, including pre-NOI filing and pre-Closing

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<sup>13</sup> All capitalized terms not herein defined shall have the meanings ascribed thereto in the A&R Stalking Horse Agreement.

<sup>14</sup> Amended and Restated Stalking Horse Asset Purchase Agreement dated April 10, 2026 (“**A&R Stalking Horse Agreement**”), MR, Tab H, s. 5.1.

<sup>15</sup> A&R Stalking Horse Agreement, MR, Tab H, s. 5.2.

<sup>16</sup> A&R Stalking Horse Agreement, MR, Tab H, s. 2.1; Fourth Report, para. 43(d)

<sup>17</sup> Fourth Glover Affidavit, para. 25.

<sup>18</sup> A&R Stalking Horse Agreement, MR, Tab H, s. 2.2; Fourth Report, para. 43(e).

liabilities and the obligations of Reactor with respect to any Transferred Employees.<sup>19</sup>

- (g) Employees: the Purchaser will assume all of Reactor's employees who accept offers of employment (each a "**Transferred Employee**"), will acknowledge the prior service of all such Transferred Employees, and will assume any Employee Plans (as defined in the A&R Stalking Horse Agreement) and all liabilities thereunder.<sup>20</sup>
- (h) Post-Closing Accounts Receivable: as of the Closing Date, the Purchaser shall, as agent for the Vendor, bill and collect Accounts Receivable relating to the Assigned Contracts and deliver the collected amounts to the Proposal Trustee, without charging any commission.<sup>21</sup>

### **PART III - ISSUES**

19. On the within motion, the following issues are before the Court:

- (a) Should the Court grant the AVO, among other things, approving the A&R Stalking Horse Agreement and the Transaction?
- (b) Should the Court grant the Ancillary Order, among other things, approving distributions to ATMIS in repayment of the secured interim advances, increasing the maximum principal amount of the DIP Financing, approving the April 8 Advance, and extending the time for Reactor to file a proposal?

20. Reactor submits that both of these questions must be answered in the affirmative on the bases that, among other things and as further detailed below:

- (a) Reactor has acted, and continues to act, in good faith and with due diligence in these proceedings;

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<sup>19</sup> A&R Stalking Horse Agreement, MR, Tab H, s. 3.1; Fourth Report, para. 43(f).

<sup>20</sup> A&R Stalking Horse Agreement, MR, Tab H, s. 7.1; Fourth Report, para. 43(g).

<sup>21</sup> A&R Stalking Horse Agreement, MR, Tab H, s.9.6; Fourth Report, para. 45.

- (b) Reactor is not aware of any creditor that will be materially prejudiced by the proposed extension of the deadline and the stay of proceedings; and
- (c) the Proposal Trustee is wholly supportive of the relief sought on this motion.

21. It has been agreed that, before the Court, counsel for the Proposal Trustee will lead in making submissions in support of the relief relating to the AVO.

#### **PART IV - LAW AND ARGUMENT**

##### **A. The A&R Stalking Horse Agreement and the Transaction should be approved**

22. The A&R Stalking Horse Agreement and the Transaction will maximize recoveries for creditors of Reactor and avoid the economic harm that would result from a liquidation bankruptcy. Accordingly, A&R Stalking Horse Agreement and the Transaction must be approved.

23. In proposal proceedings under the BIA, section 65.13 provides the Court with the discretion to approve a sale outside of the ordinary course of business and sets out the factors that the Court should consider in exercising such discretion.<sup>22</sup> Section 65.13 also gives the Court the discretion, to include vesting provisions in such approval order.<sup>23</sup> Such discretion is also found in section 100 of the *Courts of Justice Act*, R.S.O. c. C.43.<sup>24</sup>

24. Section 65.13(4) provides that, in determining whether to authorize a sale or disposition of assets, the court is to consider the following non-exhaustive factors:

- (a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
- (b) whether the trustee approved the process leading to the proposed sale or disposition;

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<sup>22</sup> *Bankruptcy and Insolvency Act*, R.S.C., 1985, C. B-3, s. 65.13 [“BIA”].

<sup>23</sup> BIA, s. 65.13(7).

<sup>24</sup> *Courts of Justice Act*, R.S.O. c. C.43, s. 100.

- (c) whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
- (d) the extent to which the creditors were consulted;
- (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and
- (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.<sup>25</sup>

25. In tandem with the non-exhaustive factors in Section 65.13(4), it is well established that in determining whether to approve a transaction of an insolvent entity's assets generally, the Court should consider the factors set out in *Royal Bank of Canada v. Soundair Corp.*:

- (a) whether sufficient effort was made to get the best price and whether the parties acted improvidently;
- (b) the interests of all parties;
- (c) the efficacy and integrity of the process by which offers are obtained; and
- (d) whether there has been unfairness in the process.<sup>26</sup>

26. Each of these factors support the Court's approval of the Transaction:

- (a) The SISP was reasonable. The SISP was approved in advance by the Court and was followed by the Proposal Trustee and the Sales Agent, with reasonable extensions of milestone dates to mitigate the impact of delays relating to the Controlled Goods protocol. Although no bids other than that of the Stalking Horse Bidder were ultimately received, thorough efforts were made to solicit interest from entities who were reasonably expected to have an interest in the business and assets of Reactor. Furthermore, all stakeholders were served with motion materials

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<sup>25</sup> BIA, s. 65.13(4).

<sup>26</sup> *Royal Bank of Canada v. Soundair Corp.*, 1991 CanLII 2727 (Ont. C.A.).

in advance of the motion on which the SISP Approval Order was sought; none expressed any reservations, neither prior to that motion nor at any time thereafter.<sup>27</sup>

- (b) The Proposal Trustee conducted, and remains supportive of, the SISP. The Proposal Trustee, with the support of the Sales Agent, diligently marketed the business and assets of Reactor in accordance with the SISP. The Proposal Trustee supported the motion for approval of the SISP and has not resiled from its support thereof. The Proposal Trustee does not believe that further marketing would yield a better or higher offer than the A&R Stalking Horse Agreement, nor is there sufficient liquidity to fund any further process.<sup>28</sup>
- (c) The Transaction is beneficial to the creditors of Reactor. As of the Closing Date, the Purchaser shall have made offers of employment to all of Reactor's employees and will have assumed all of Reactor's trade debt, real property lease obligations, and equipment lease obligations. In respect of the Excluded Liabilities, the Proposal Trustee anticipates that net recoveries will be in the amount of approximately \$1.17 million to \$1.755 million, this being the expected receipts in respect of Accounts Receivable and Government Receivables (i.e., SRED Claims, income tax credits, HST credits).<sup>29</sup>
- (d) Creditors will realize higher recoveries in the Transaction than a liquidation. The Proposal Trustee estimates that, pursuant to the Transaction, the blended recovery for Assumed Liabilities and Excluded Liabilities will range between 25% to 27%. However, in a bankruptcy scenario, unsecured creditors' recovery would be approximately 4% to 12%, substantially less than the recovery expected under the Transaction.<sup>30</sup>
- (e) The consideration is fair and reasonable. As further detailed in the Fourth Report, and as evidenced by the outcome of the SISP, the consideration payable under the

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<sup>27</sup> Third Report, paras. 43-45; Fourth Report, paras. 39-41 & 49.

<sup>28</sup> Fourth Report, paras. 49(b)-(d).

<sup>29</sup> Fourth Report, para. 70.

<sup>30</sup> Fourth Report, paras. 70-71.

Transaction is fair and reasonable and contemplates greater recovery for creditors than if Reactor were liquidated in a bankruptcy.<sup>31</sup>

27. Additionally, the Transaction will maintain Reactor's going-concern business, which is of immeasurable value to Reactor's employees, landlords, and contractual counterparties. In the event of a bankruptcy, jobs would be lost, leases would be terminated, and customer orders would be unfulfilled.<sup>32</sup>

28. Because Reactor is an employer, subsection 65.13(8) of the BIA requires that all preferred employees wage amounts and any outstanding pension amounts be paid.<sup>33</sup> The A&R Stalking Horse Agreement requires that there be sufficient DIP Financing to cover all Priority Payables (as defined in the A&R Stalking Horse Agreement), including any BIA 65.13(8) amounts. Subject to the Court's approval of the increase to the DIP Financing limit, these amounts will be paid prior to closing of the Transaction or, to the extent they are related to the Employee Plans, assumed by ATMIS on closing.

29. A further factor to be considered by the Court in assessing a proposed transaction is whether the purchaser is a person who is related to the applicant. Per section 65.13(5), the Court may approve a sale or disposition to a related person where the Court is satisfied that:

- (a) good-faith efforts were made to sell the assets to persons other than the related party; and
- (b) the consideration to be received is superior to any other offer received.<sup>34</sup>

30. The Court has held that where sufficient good faith efforts in respect of, among other things, the marketing and sales process, are shown, it is not precluded from approving a sale to a related person.<sup>35</sup>

31. The Purchaser, ATMIS, is a party related to Reactor. Andrew and David Glover (collectively, the "**Glovers**") are the shareholders of Reactor. The Glovers are also directors and

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<sup>31</sup> Fourth Report, para. 47.

<sup>32</sup> Fourth Report, para. 71.

<sup>33</sup> BIA, s. 65.13(8).

<sup>34</sup> BIA, s. 65.13(5).

<sup>35</sup> *Elleway Acquisitions Limited v. 4358376 Canada Inc.*, 2013 ONSC 7009 at para. 45.

officers of ATMIS, and act as trustees for family trusts collectively holding a minority ownership interest in ATMIS.<sup>36</sup>

32. For the reasons set out above in respect of the section 65.13(4) factors, Reactor submits that the Transaction ought to be approved notwithstanding the relationship between Reactor and ATMIS. The Proposal Trustee, acting at arm's-length, made good-faith efforts to market Reactor's business and assets through SISP, and no other bids were received.<sup>37</sup>

33. The Transaction is therefore the best available alternative. It is in the best interest of the stakeholders that the Court authorize the Transaction and grant the AVO.

34. The requested form of AVO, at paragraph 11, also contains standard director release language, although limited to matters arising during the Proposal Proceedings. Subsection 50(13) of the BIA permits a proposal to include a release of directors, subject to restrictions set out in subsection 50(14).<sup>38</sup> Subsection 50(14) states, among other things, that a proposal cannot release claims based on allegations of misrepresentation or of wrongful or oppressive conduct.<sup>39</sup> The language of the requested release explicitly incorporates this limitation.

35. The analogue to BIA subsection 50(13) in the *Companies' Creditors Arrangement Act* (the "CCAA") is subsection 5.1(1), and the analogue to BIA subsection 50(14) is CCAA subsection 5.1(2). This Court has regularly incorporated director releases as contemplated by CCAA subsection 5.1(1) into approval and vesting orders (or reverse vesting orders) in CCAA proceedings, outside of plans of arrangement, with the scope of such releases limited by specific reference to CCAA subsection 5.1(2).<sup>40</sup>

36. Courts have also granted releases as contemplated by subsection 50(1) of the BIA in approval and vesting orders made in BIA proposal proceedings, outside of a proposal.<sup>41</sup> Although director releases are more commonly seen in connection with sale approvals in CCAA

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<sup>36</sup> Affidavit of Andrew Glover dated January 23, 2026, MR, Tab G1, para. 24.

<sup>37</sup> Third Report, paras. 43-45; Fourth Report, paras. 39-41 & 49.

<sup>38</sup> BIA, s. 50(14).

<sup>39</sup> BIA, s. 50(14).

<sup>40</sup> See e.g., *Re Green Relief Inc.*, 2020 ONSC 6837, paras. 23-26 [*Green Relief*]; *In the Matter of a Plan of Compromise or Arrangement of Sandvine Corporation et al.*, 2025 CanLII 15118 (Ont. S.C.J.), paras. 36-37; *In the Matter of a Plan of Compromise or Arrangement of Sandvine Corporation et al.*, CV-24-00730836-00CL (Order of Justice Osborne dated January 30, 2025, para. 26).

<sup>41</sup> See e.g., *Proposition de Cook It Recipes Inc.*, 2024 QCCS 341, para. 24.

proceedings, this Court has held that the treatment of third-party releases, including director releases, should be uniform across CCAA and BIA proposal proceedings.<sup>42</sup> Reactor submits that this principal of harmonious interpretation of the BIA and CCAA should extend to treatment of director releases in approval and vesting orders sought pursuant to section 65.13 of the BIA.

37. Based on this principal of adopting an interpretation of the BIA that is harmonious with the interpretation that has been given to the CCAA, this Court has applied the same test for director releases in proposal proceedings as it has applied in CCAA proceedings.<sup>43</sup> The most current formulation of the factors to be considered is as set out in *Re Lydian International Limited*:

- (a) whether the parties to be released from claims were necessary and essential to the restructuring of the debtor;
- (b) whether the claims to be released were rationally connected to the purpose of the plan and necessary for it;
- (c) whether the plan could succeed without the releases;
- (d) whether the parties being released were contributing to the plan; and
- (e) whether the release benefitted the debtors as well as the creditors generally.<sup>44</sup>

38. No single factor listed above is determinative, it is not necessary for each of the factors to apply, and some factors may assume greater weight in one case than another.<sup>45</sup> In the case of a release of directors, the limitations contemplated in subsection 50(14) of the BIA must be expressly included.<sup>46</sup>

39. The directors of Reactor to be released pursuant to the AVO, Andrew and David Glover (together, the “**Directors**”, or, the “**Glovers**”), have been and are necessary to the restructuring of Reactor’s business as they have had direction and control of operations throughout the Proposal Proceedings and will continue on as principals of ATMIS after closing of the Transaction. The

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<sup>42</sup> *Kitchener Frame Limited (Re)*, 2012 ONSC 234, paras. 47 & 72-78 [*Kitchener Frame*].

<sup>43</sup> *Kitchener Frame*, paras. 79-92; *FT ENE Canada Inc. (Re)*, 2019 ONSC 5793, para. 48.

<sup>44</sup> *Lydian International Limited (Re)*, 2020 ONSC 4006, para. 54 [*Lydian*].

<sup>45</sup> *Lydian*, para. 54; *Kitchener Frame*, para. 82; *Green Relief*, para. 28.

<sup>46</sup> *Kitchener Frame*, para. 59.

claims to be released are entirely connected to Reactor's restructuring as they are comprised of those that may have arisen during the Proposal Proceedings, with the explicit exclusion of any claims based on allegations of misrepresentation or of wrongful or oppressive conduct. The Directors have worked to preserve the business as a going concern throughout the Proposal Proceedings and the SISP and have expended significant time and effort to preserve and generate value for stakeholders. This includes work done, and work to be done, on the SRED Claims, which are Excluded Assets to be retained by Reactor after closing of the Transaction, to the substantial benefit of all remaining creditors.

40. Most importantly, the claims to be released are precisely the claims against which the Directors are indemnified by paragraph 11 of the January 16 Order.<sup>47</sup>

**B. An extension is appropriate to allow time for the Transaction to close**

41. Reactor seeks an order to extend the time to file a proposal through April 30, 2026. The proposed thirteen-day extension will afford Reactor, the Proposal Trustee, and the Sales Agent time to close the Transaction.

42. Pursuant to section 50.4(8) of the BIA, a person having filed a notice of intention must make a proposal within thirty days, failing which the applicant shall be deemed to have made an assignment in bankruptcy. However, section 50.4(9) provides that the Court may extend the time to file a proposal by up to forty-five days where it is satisfied that:

- (a) the company has acted, and is acting, in good faith and with due diligence;
- (b) the company is likely to be able to make a viable proposal if the extension is granted; and
- (c) no creditor would be materially prejudiced if the extension being applied for were granted.<sup>48</sup>

43. Reactor submits that all three factors are satisfied in the present case.

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<sup>47</sup> January 16 Order, MR, Tab D1, para. 11.

<sup>48</sup> BIA, s. 50.4(9).

44. First, Reactor has acted in good faith and with due diligence. Among other things, Reactor has assisted the Proposal Trustee and the Sales Agent in implementing the SISP, negotiated the A&R Stalking Horse Agreement, and continued carrying on the business of Reactor during the proposal proceedings, thereby preserving going-concern value.<sup>49</sup>

45. Second, the extension will allow the Transaction to close. As set out above, the Transaction will maximize recoveries for Reactor's creditors and is preferable to a bankruptcy. The Transaction is expected to close on or before April 21, 2026.<sup>50</sup>

46. Third, neither Reactor nor the Proposal Trustee is not aware of any creditor who will be materially prejudiced by the proposed extension.<sup>51</sup>

47. Moreover, the Proposal Trustee is supportive of the proposed extension.<sup>52</sup>

### **C. The DIP Financing must be increased**

48. Reactor seeks an increase in the maximum amount of the DIP Financing to \$380,000. As set out above, the January 16 Order approved the DIP Financing in an amount not to exceed \$110,000 "unless permitted by further Order of this Court."<sup>53</sup>

49. An increase in the DIP Financing is necessary to satisfy outstanding Priority Payables which must be paid prior to closing of the Transaction. These Priority Payables primarily consist of professional fees secured by the Administration Charge<sup>54</sup> which cannot be paid through the DIP Financing at its current limit and/or through expected receipts.<sup>55</sup>

50. The increase in professional fees was caused by, among other things, the unexpected complexities relating to the Controlled Goods and the resulting modifications to the SISP. These

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<sup>49</sup> Fourth Report, para. 75(b).

<sup>50</sup> Fourth Report, para. 48.

<sup>51</sup> Fourth Report, para. 75(c).

<sup>52</sup> Fourth Report, para. 75,

<sup>53</sup> January 16 Order, MR, Tab D1, para. 3.

<sup>54</sup> As defined in the January 16 Order.

<sup>55</sup> Fourth Glover Affidavit, para. 30; Fourth Report, Appendix I – Second Extended Cash Flow Projection.

were novel matters; the Controlled Goods Program indicated that this is the first time it had seen an insolvency marketing progress for a Controlled Goods business.<sup>56</sup>

51. The Court's authority to approve interim financing in a proposal proceeding is codified in section 50.6 of the BIA. In deciding whether to make such an order, section 50.6(5) requires the Court to consider the following factors:

- (a) the period during which the debtor is expected to be subject to the proceedings;
- (b) how the debtor's business and financial affairs are to be managed during the proceedings;
- (c) whether the debtor's management has the confidence of its major creditors;
- (d) whether the loan would enhance the prospects of a viable proposal being made;
- (e) the nature and value of the debtor's property;
- (f) whether any creditor would be materially prejudiced; and
- (g) the proposal trustee's report.<sup>57</sup>

52. Reactor submits that the requested increase in the DIP Financing is appropriate for the following reasons:

- (a) Reactor has managed its business and affairs reasonably and in good faith, and with the supervision of the Proposal Trustee;
- (b) the DIP Financing is necessary and sufficient to service Reactor's needs;<sup>58</sup>
- (c) the terms of the DIP Financing are reasonable and competitive, including the interest rate, which is "far below the market rate for DIP financing", and the use

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<sup>56</sup> Fourth Glover Affidavit, para. 31.

<sup>57</sup> BIA, ss. 50.6(1) & 50.6(5).

<sup>58</sup> Fourth Report, Appendix I – Second Extended Cash Flow Projection.

of a simple borrowing certificate which avoids many of the onerous costs and obligations that would arise under a standard DIP loan agreement;<sup>59</sup> and

- (d) the Proposal Trustee has determined that the DIP Financing must be increased by \$270,000 to fund the cash flow shortfall.<sup>60</sup>

53. Most importantly, the requested increase to the DIP Financing is critical to the maximization of recoveries for the creditors of Reactor. As previously stated, and as evidenced by the four-week cash flow projection prepared by Reactor with the assistance of the Proposal Trustee, the DIP Financing is necessary in order for Reactor to pay Priority Payables incurred during the Proposal Proceedings. The increase to the DIP Financing is a condition to closing of the Transaction; if this relief is not granted, the Transaction will not close.<sup>61</sup>

54. The DIP Financing is secured by the DIP Lenders' Charge, which ranks only behind the Administration Charge. Accordingly, an increase in the DIP Financing will impact creditors of Reactor having a subordinate interest. Although a super-priority charge imposes a "necessary adverse effect on creditors' positions", Courts have held that such prejudice is outweighed by the benefit which accrues to all stakeholders through a going-concern sale of the business.<sup>62</sup>

55. Reactor submits that, to the extent that the increase in the amount secured by the DIP Lenders' Charge has such an adverse impact, this is far outweighed by the benefit of the Transaction which cannot close without additional DIP Financing.

#### **D. The Court Should Approve the April 8 Advance**

56. Reactor seeks approval of the April 8 Advance provided pursuant thereto. This relief is in furtherance of the relief contained in the January 30 Ancillary Order, wherein the Court approved the Secured Note and the Initial Advances.<sup>63</sup>

57. ATMIS made the April 8 Advance on an emergency basis to cover payroll, given that the DIP Financing had been fully advanced and could not be increased by Order of the Court in a

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<sup>59</sup> Fourth Report, Appendix A – First Report of BDO Canada Limited in its capacity as Proposal Trustee dated January 7, 2026, para. 39.

<sup>60</sup> Fourth Report, para. 36.

<sup>61</sup> A&R Stalking Horse Agreement, MR, Tab H, s. 10.2(3).

<sup>62</sup> *Colossus Minerals Inc. (Re)*, 2014 ONSC 514, para. 8; *Mustang GP Ltd. (Re)*, 2015 ONSC 6562, para. 29.

<sup>63</sup> January 30 Ancillary Order, MR, Tab E2, para. 4.

timely manner. Like the DIP Financing and the Initial Advances, the April 8 Advance under the A&R Secured Note accrues interest at the Bank of Montreal's prime commercial rate.<sup>64</sup>

58. The A&R Secured Note grants the DIP Lender a security interest in substantially all of Reactor's present and future property and undertaking (the "**Contractual Security**").<sup>65</sup> The Contractual Security is subordinate to the charges created by the January 16 Order.

59. Reactor submits that approval of the April 8 Advance is necessary to ensure fairness and the integrity of the Proposal Proceedings on the basis that:

- (a) if not for the April 8 Advance, Reactor would not have had sufficient funds to keep all of its post-NOI obligations current prior to April 17, 2026, including employee wages;<sup>66</sup>
- (b) the April 8 Advance accrue interest at the below-market rate of Bank of Montreal's prime commercial rate, which is identical to the interest rate applicable to advances under the already-approved DIP Financing;<sup>67</sup>
- (c) before drawing the April 8 Advance, Reactor obtained the consent of the Proposal Trustee;<sup>68</sup> and
- (d) the DIP Lender should not bear additional risk for having prevented an imminent liquidity crisis.

#### **E. The Court Should Approve the ATMIS Distributions**

60. Reactor requests that the Court authorize and direct:

- (a) Reactor, upon written approval and consent of the Proposal Trustee (in the case of a distribution made during the Proposal Proceedings); and
- (b) any trustee in bankruptcy of Reactor (the "**Bankruptcy Trustee**"),

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<sup>64</sup> Fourth Glover Affidavit, paras. 28-29; Fourth Report, para. 35.

<sup>65</sup> Amended and Restated Secured Grid Promissory Note dated April 8, 2026 ("**A&R Secured Note**"), MR, Tab J, art. 3.

<sup>66</sup> Fourth Glover Affidavit, para. 28; Fourth Report, para. 35.

<sup>67</sup> A&R Secured Note, MR, Tab J, s. 1.3; January 16 Order, MR, Tab D1, Schedule "A" - DIP Certificate.

<sup>68</sup> Fourth Glover Affidavit, para. 18.

to make one or more distributions to either (i) the DIP Lender in satisfaction of any amounts remaining outstanding under the DIP Financing pursuant to any DIP Certificates issued (as such terms are defined in the January 16 Order), or (ii) ATMIS in satisfaction of any amounts outstanding pursuant to the A&R Secured Note, provided that, in the opinion of the Proposal Trustee or the Bankruptcy Trustee, as applicable, all claims ranking in priority to the DIP Lenders' Charge either have been satisfied or have been accounted for by appropriate reserves taken.

61. Upon payment of all outstanding Priority Payables, including amounts secured by the Administration Charge, ATMIS, in its capacity as DIP Lender, will be the first-ranking secured creditor of Reactor in respect of any DIP Financing amounts not cancelled in satisfaction of the Purchase Price on closing of the Transaction. As Reactor has no other generally secured creditor and since all obligations under financing agreements are being assumed by the Purchaser in the Transaction, ATMIS will also be the second-ranking secured creditor of Reactor (behind the DIP Lender) in respect of amounts advanced pursuant to the Secured Note.<sup>69</sup> Therefore, ATMIS will, at law, have the first-ranking secured claim to proceeds from the Accounts Receivable or the SRED Claims received post-closing.

62. Based on ATMIS' entitlements and in order to avoid the need for further appearance before the Court, Reactor submits that the ATMIS Distributions should be approved.

#### **PART V - ORDER REQUESTED**

63. For the reasons set out above, Reactor requests that this Honourable Court grant Orders substantially in the forms attached at Tab 3 and Tab 5 to the Motion Record, as subsequently revised and filed.

#### **ALL OF WHICH IS RESPECTFULLY SUBMITTED**

April 16, 2026



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Sam Babe / Nick Hollard

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<sup>69</sup> Fourth Glover Affidavit, para. 34; PPSA Search for Reactor Engineering Group Ltd. as of April 9, 2026, MR, Tab K.

## SCHEDULE “A” – AUTHORITIES CITED

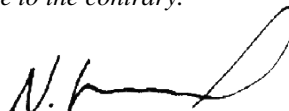
1. *Re Green Relief Inc.*, 2020 ONSC 6837
2. *In the Matter of a Plan of Compromise or Arrangement of Sandvine Corporation et al.*, 2025 CanLII 15118 (Ont. S.C.J.)
3. *In the Matter of a Plan of Compromise or Arrangement of Sandvine Corporation et al.*, CV-24-00730836-00CL (Order of Justice Osborne dated January 30, 2025)
4. *Royal Bank of Canada v. Soundair Corp.*, 1991 CanLII 2727 (Ont. C.A.)
5. *Elleway Acquisitions Limited v. 4358376 Canada Inc.*, 2013 ONSC 7009
6. *Proposition de Cook It Recipes Inc.*, 2024 QCCS 341
7. *Kitchener Frame Limited (Re)*, 2012 ONSC 234
8. *FT ENE Canada Inc. (Re)*, 2019 ONSC 5793
9. *Lydian International Limited (Re)*, 2020 ONSC 4006
10. *Colossus Minerals Inc. (Re)*, 2014 ONSC 514
11. *Mustang GP Ltd. (Re)*, 2015 ONSC 6562

## CERTIFICATE OF AUTHENTICITY

I certify that I am satisfied as to the authenticity of every authority cited.

*Note: Under Rule 4.06.1(2.2) of the Rules of Civil Procedure, an authority that is published on a government website or otherwise by a government printer, on the Canadian Legal Information Institute website (CanLII), on a court’s website or by a commercial publisher of court decisions is presumed to be authentic for the purposes of subrule (2.1), absent evidence to the contrary.*

April 16, 2026



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Nick Hollard

## **SCHEDULE “B” – LEGISLATION CITED**

### **Bankruptcy and Insolvency Act, R.S.C., 1985, C. B-3, as amended**

#### **Section 50**

##### **Claims against directors — compromise**

(13) A proposal made in respect of a corporation may include in its terms provision for the compromise of claims against directors of the corporation that arose before the commencement of proceedings under this Act and that relate to the obligations of the corporation where the directors are by law liable in their capacity as directors for the payment of such obligations.

##### **Exception**

(14) A provision for the compromise of claims against directors may not include claims that

(a) relate to contractual rights of one or more creditors arising from contracts with one or more directors; or

(b) are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

#### **Section 50.4**

##### **Extension of time for filing proposal**

(9) The insolvent person may, before the expiry of the 30-day period referred to in subsection (8) or of any extension granted under this subsection, apply to the court for an extension, or further extension, as the case may be, of that period, and the court, on notice to any interested persons that the court may direct, may grant the extensions, not exceeding 45 days for any individual extension and not exceeding in the aggregate five months after the expiry of the 30-day period referred to in subsection (8), if satisfied on each application that:

(a) the insolvent person has acted, and is acting, in good faith and with due diligence;

(b) the insolvent person would likely be able to make a viable proposal if the extension being applied for were granted; and

(c) no creditor would be materially prejudiced if the extension being applied for were granted.

## **Section 50.6**

### **Order — interim financing**

(1) On application by a debtor in respect of whom a notice of intention was filed under section 50.4 or a proposal was filed under subsection 62(1) and on notice to the secured creditors who are likely to be affected by the security or charge, a court may make an order declaring that all or part of the debtor's property is subject to a security or charge — in an amount that the court considers appropriate — in favour of a person specified in the order who agrees to lend to the debtor an amount approved by the court as being required by the debtor, having regard to the debtor's cash-flow statement referred to in paragraph 50(6)(a) or 50.4(2)(a), as the case may be. The security or charge may not secure an obligation that exists before the order is made.

### **Individuals**

(2) In the case of an individual,

- (a) they may not make an application under subsection (1) unless they are carrying on a business; and
- (b) only property acquired for or used in relation to the business may be subject to a security or charge.

### **Priority**

(3) The court may order that the security or charge rank in priority over the claim of any secured creditor of the debtor.

### **Priority — previous orders**

(4) The court may order that the security or charge rank in priority over any security or charge arising from a previous order made under subsection (1) only with the consent of the person in whose favour the previous order was made.

### **Factors to be considered**

(5) In deciding whether to make an order, the court is to consider, among other things,

- (a) the period during which the debtor is expected to be subject to proceedings under this Act;
- (b) how the debtor's business and financial affairs are to be managed during the proceedings;
- (c) whether the debtor's management has the confidence of its major creditors;

(d) whether the loan would enhance the prospects of a viable proposal being made in respect of the debtor;

(e) the nature and value of the debtor's property;

(f) whether any creditor would be materially prejudiced as a result of the security or charge; and

(g) the trustee's report referred to in paragraph 50(6)(b) or 50.4(2)(b), as the case may be.

## **Section 65.13**

### **Restriction on disposition of assets**

(1) An insolvent person in respect of whom a notice of intention is filed under section 50.4 or a proposal is filed under subsection 62(1) may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by a court. Despite any requirement for shareholder approval, including one under federal or provincial law, the court may authorize the sale or disposition even if shareholder approval was not obtained.

### **Individuals**

(2) In the case of an individual who is carrying on a business, the court may authorize the sale or disposition only if the assets were acquired for or used in relation to the business.

### **Notice to secured creditors**

(3) An insolvent person who applies to the court for an authorization shall give notice of the application to the secured creditors who are likely to be affected by the proposed sale or disposition.

### **Factors to be considered**

(4) In deciding whether to grant the authorization, the court is to consider, among other things,

(a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;

(b) whether the trustee approved the process leading to the proposed sale or disposition;

(c) whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;

(d) the extent to which the creditors were consulted;

(e) the effects of the proposed sale or disposition on the creditors and other interested parties; and

(f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

**Additional factors — related persons**

(5) If the proposed sale or disposition is to a person who is related to the insolvent person, the court may, after considering the factors referred to in subsection (4), grant the authorization only if it is satisfied that

(a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the insolvent person; and

(b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition.

**Related persons**

(6) For the purpose of subsection (5), a person who is related to the insolvent person includes

(a) a director or officer of the insolvent person;

(b) a person who has or has had, directly or indirectly, control in fact of the insolvent person; and

(c) a person who is related to a person described in paragraph (a) or (b).

**Assets may be disposed of free and clear**

(7) The court may authorize a sale or disposition free and clear of any security, charge or other restriction and, if it does, it shall also order that other assets of the insolvent person or the proceeds of the sale or disposition be subject to a security, charge or other restriction in favour of the creditor whose security, charge or other restriction is to be affected by the order.

**Restriction — employers**

(8) The court may grant the authorization only if the court is satisfied that the insolvent person can and will make the payments that would have been required under paragraphs 60(1.3)(a) and (1.5)(a) if the court had approved the proposal.

### **Restriction — intellectual property**

(9) If, on the day on which a notice of intention is filed under section 50.4 or a copy of the proposal is filed under subsection 62(1), the insolvent person is a party to an agreement that grants to another party a right to use intellectual property that is included in a sale or disposition authorized under subsection (7), that sale or disposition does not affect the other party's right to use the intellectual property — including the other party's right to enforce an exclusive use — during the term of the agreement, including any period for which the other party extends the agreement as of right, as long as the other party continues to perform its obligations under the agreement in relation to the use of the intellectual property.

## **Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36**

### **Section 5.1**

#### **Claims against directors — compromise**

(1) A compromise or arrangement made in respect of a debtor company may include in its terms provision for the compromise of claims against directors of the company that arose before the commencement of proceedings under this Act and that relate to the obligations of the company where the directors are by law liable in their capacity as directors for the payment of such obligations.

#### **Exception**

(2) A provision for the compromise of claims against directors may not include claims that

(a) relate to contractual rights of one or more creditors; or

(b) are based on allegations of misrepresentations made by directors to creditors or of wrongful or oppressive conduct by directors.

#### **Powers of court**

(3) The court may declare that a claim against directors shall not be compromised if it is satisfied that the compromise would not be fair and reasonable in the circumstances.

#### **Resignation or removal of directors**

(4) Where all of the directors have resigned or have been removed by the shareholders without replacement, any person who manages or supervises the management of the business and affairs of the debtor company shall be deemed to be a director for the purposes of this section.

**Courts of Justice Act, R.S.O. 1990, c. C.43**

**Section 100**

**Vesting orders**

A court may by order vest in any person an interest in real or personal property that the court has authority to order be disposed of, encumbered or conveyed.

Court File No.: CV-26-00035949-0000  
Estate No.: 35-3311888

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF REACTOR ENGINEERING GROUP LTD.**

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***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**

PROCEEDING COMMENCED AT LONDON

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**FACTUM**

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