

RSM Richter Inc.

2, Place Alexis Nihon, bureau 1820
Montréal (Québec) H3Z 3C2
Téléphone / Telephone : 514.934.3497
Télécopieur / Facsimile : 514.934.3504
www.rsmrichter.com

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-039459-108
ESTATE NO.: 41-1393389**

**SUPERIOR COURT
(Commercial Division)**

IN THE MATTER OF THE BANKRUPTCY OF:

BATTERIE UNIVERSELLE LTEE.

a corporation duly incorporated having its head office at 6290 des Grandes Prairies, St-Leonard, Quebec H1P 1A2

Bankrupt

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On August 12, 2010, Batterie Universelle Ltee. (the "Company" or "BUL") filed a Notice of Intention to Make a Proposal to its creditors ("NOI") in accordance with the Bankruptcy and Insolvency Act (the "Act") and RSM Richter Inc. ("Richter") was appointed as Trustee under the NOI.

On December 3, 2010, BUL filed a Proposal to its creditors which was accepted by same at the Meeting of Creditors held on December 17, 2010. The success of the Proposal was dependent on the conclusion of an investment transaction with an investor group (the "Investor Group Transaction"). The Proposal and the Investor Group Transaction was conditional on the successful restructuring of the Company's Parent's (Power Battery (Iberville) Ltd. ("PBI")) indebtedness owing to its secured creditors, namely the National Bank of Canada ("NBC"), GE Real Estate Financing Business Property ("GE") and Alter-Moneta Corporation ("Alter-Moneta"). PBI was not able to complete the successful restructuring of the indebtedness owing to its secured creditors and therefore the Investor Group Transaction could not be successfully concluded. Consequently, at the hearing of application for Court approval of the Proposal on January 20, 2011, the Court refused to approve the Proposal and BUL was thereupon deemed to have made an assignment. Richter was appointed as trustee of the bankrupt estate by the official receiver (the "Trustee").

The information contained in this Report has been prepared from the available books and records of the Company. These books and records have not been reviewed or otherwise audited by the Trustee. Consequently the Trustee expresses no opinion whatsoever with respect to the validity, the exactitude or the reliability of the information contained herein.

I. OVERVIEW

BUL formed part of a corporate group including its parent, Power Battery (Iberville) Ltd. ("PBI"), PBI's parent, Power Battery Co., Inc. ("PBCI") - a New Jersey corporation, and an affiliated company, Power Canada Cables Ltd. ("PCC") (collectively, the "Group"). PCC and PBI are also bankrupt and Richter has been appointed Trustee of both bankrupt estates.

BUL's main business activities consisted of operating a battery retail and service outlet in the east end of Montreal.

II. CAUSES OF INSOLVENCY

The Company has incurred operating losses in the past two fiscal years (ending March 31, 2009 and 2010) due to a combination of extraordinary factors which include:

- Absentee management due to illness; and
- A downturn in the global economy which resulted in a loss in sales.

III. FINANCIAL RESULTS

The following table summarizes the internal, unaudited financial results of BUL for the fiscal years ending March 31, 2009 and 2010.

Batterie Universelle Ltee		
Summary of results		
	Fiscal year ended March 31,	
	2010	2009
Sales	\$ 1,941,253	\$ 2,214,251
Expenses	1,655,391	1,925,200
Gross Margin	285,862	289,051
Gross Margin (%)	14.7%	13.1%
Selling, General and Administration	321,610	363,687
Interest and Others	25,145	34,739
Net Loss	\$ (60,893)	\$ (109,375)

- Sales decreased by \$273,000 (12%) between fiscal 2009 and fiscal 2010;
- Gross margin increased slightly from 13.1% to 14.7% during fiscal 2010; and
- Selling, General and Administrative expenses decreased by \$43,000 during fiscal 2010.

IV. RECEIVERSHIP

As noted below, the Company's accounts receivable are pledged in favour of NBC. We have obtained an independent legal opinion from Me. Michel Laroche which confirms the validity of NBC's security.

On February 3, 2011, NBC mandated Richter to act as its Receiver and collect the Company's accounts receivable.

V. STATEMENT OF AFFAIRS

The following table summarizes the Company's Statement of Affairs as at January 20, 2011:

Batterie Universelle Ltee Statement of Affairs - Assets As at January 20, 2011		
	Amount	Secured in Favor of:
Inventory	\$ 85,000	NBC
Accounts Receivable	150,000	NBC
Equipment	15,000	Free of lien
	<u>\$ 250,000</u>	

A) Assets

As noted in the section below, on January 25, 2011, the Court approved the sale by the Trustee of BUL's inventories and equipment to Batterie Natech Inc. ("Natech") for an amount of \$100,000 including taxes.

- **Inventory – \$85,000**

The inventory is pledged in favour of NBC. The inventory is comprised of finished batteries and has been sold by the Trustee since the date of bankruptcy for an amount of \$85,000.

- **Accounts receivable – \$150,000**

The accounts receivable are pledged in favour of NBC. As noted above, Richter was appointed by NBC to act as its Receiver and collect the Company's accounts receivable. At the date of this report, it is difficult to evaluate the amount that will be collected.

- **Fixed Assets – \$15,000**

The Company's fixed assets are comprised of store fixtures and rolling stock. With the exception of certain rolling stock, BUL's fixed assets are unencumbered.

BUL's fixed assets have been sold by the Trustee for \$15,000 since the date of bankruptcy. Part of these proceeds (related to rolling stock) may be subject to a secured claim by GMAC. The Trustee is presently reviewing GMAC's claim.

B) Liabilities

It is important to note that the exact amount of the liabilities which existed as at January 20, 2011 will only be determined once the Proof of Claims are submitted by the creditors and have been compiled by the Trustee. We, nonetheless, present hereinafter a summary of the Company's liabilities, based upon PCC's books and records.

Description	Amount
Secured creditors	\$ 250,000
Preferred creditors	18,000
Unsecured Creditors	17,096,318
	<u>\$ 17,364,318</u>

- **Secured Creditors - \$250,000**

The Company's accounts receivable and inventories are pledged in favour of NBC. The Statement of Affairs reflects a claim by BNC in the amount of \$16,304,567 and the value of its security is \$250,000. The Trustee has not yet received a proof of secured claim from NBC. In addition, the proceeds of disposition of certain rolling stock (from the sale to Natech) may be subject to a secured claim from GMAC. The Trustee is presently reviewing GMAC's secured claim.

- **Preferred Creditors - \$18,000**

Based on the Company's records, there is approximately \$18,000 owing to employees a portion of which may be considered a priority under section 81.3 or 136 of the Act.

- **Unsecured Creditors - \$17,096,318**

The books and records of the Company have not been fully updated and the claims received from unsecured creditors may therefore differ from the amounts reflected in the Statement of

Affairs. The amount reflected as unsecured liabilities in the Statement of Affairs includes the estimated shortfall by NBC on its secured claims against PBI, which are guaranteed by the Company (\$16,054,567).

VI. SALE OF THE ASSETS OF BUL

Prior to the date of the bankruptcy, BUL and Natech were in the process of closing a transaction whereby Natech would purchase some of BUL's assets (inventories and equipment/rolling stock) (the "Transaction"). The Company was unable to conclude the Transaction prior to the date of Bankruptcy. The Trustee, in consultation with NBC, having an interest in the inventories being sold, determined that the Transaction was likely the most beneficial realization option for the assets in question. In addition, the Trustee obtained from GMAC the amount of its claim alleged against the rolling stock included in the Transaction. The Trustee intends to pay GMAC's claim in full (subject to the levy), if it's determined to be valid. On January 24, 2011 the Trustee made a motion to the Court to obtain authorization to complete the Transaction.

On January 25, 2011, the Court approved the Transaction.

VII. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE ESTATE

- **Books and Records**

The books and records of the Bankrupt were not up to date as at the Bankruptcy. The Trustee has engaged the Company's former controller who is bringing certain of the records up to date for the administration of the Bankrupt Estate. The Trustee is presently performing an inventory of the books and records and will take them into its custody for future reference.

- **Security and Protective Measures**

Since January 20, 2011, the Trustee has undertaken various security and protective measures such as:

- Entering into a custody agreement with Natech, in particular with respect to the property of others located on BUL's premises;
 - Opening trust bank accounts;
 - Safeguarding the information contained in the computer system;
 - Adding the Trustee's name to the insurance policies in force covering the assets of the Company; and
 - Making arrangements with certain suppliers of services to maintain the continuity of essential services (utilities, etc.).
- **Transaction Review**

Richter, either as Trustee under the NOI or as Trustee under the Proposal, performed a review of the payments made by the Company in order to identify preferential payments and transactions at undervalue. Richter's review covered the following periods:

- In the case of unrelated parties (including creditors), for the period which begins three months prior to the filing of the NOI and ending on the date of Bankruptcy; and
- In the case of related parties (including creditors), for the period which begins twelve months preceding the date of the filing of the NOI and ending on the date of Bankruptcy.

Based on our review, we did not note any payments appearing to be preferential or which were made at undervalue.

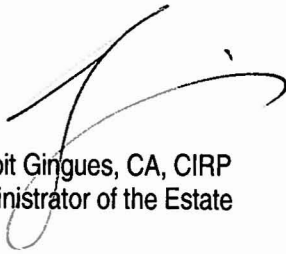
VIII. Property of Others

To date, the Trustee has received several property claims and is reviewing them with the assistance of Me. Michel Laroche.

IX. Projected Dividend

Based on the administration to date, the Company's secured lender is likely to suffer a shortfall on its advances. In addition, the realization from BUL's unencumbered assets will likely be insufficient to cover the costs of the administration. Consequently, the Trustee does not foresee any dividend to the unsecured creditors.

RSM Richter Inc.
Trustee

A handwritten signature in black ink, appearing to read "Benoit Gingues", is written over the typed name and title.

Benoit Gingues, CA, CIRP
Administrator of the Estate