

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

SUPERIOR COURT
(Commercial Division)

NO: 500-11-039457-102

SUPERINTENDENT'S NO:
41-1393380

IN THE MATTER OF THE PROPOSAL OF:

POWER BATTERY (IBERVILLE) LTD./
BATTERIES POWER (IBERVILLE) LTÉE

Debtor

PROPOSAL

(under the provisions of the *BIA*, including a reorganization under
the provisions of the *CBCA*)

POWER BATTERY (IBERVILLE) LTD./BATTERIES POWER (IBERVILLE) LTÉE
("Debtor"), hereby submits the following Proposal under the *BIA*:

1. DEFINITIONS AND INTERPRETATION

1.1 In addition to words and terms otherwise defined herein, whenever used
herein:

1.1.2 "Approval" means:

- (a) acceptance of this Proposal (or the PCC Proposal or the BU Proposal, as the case may be) by the statutory majority of Creditors (or PCC's creditors or BU's creditors, as the case may be) entitled to vote thereon in accordance with the relevant provisions of the *BIA*;
- (b) the approval of this Proposal (or the PCC Proposal or the BU Proposal, as the case may be) by the Court by judgment rendered by such Court which has become executory as a result of the delay for appeal having expired without there having been an appeal lodged therefrom or, if an appeal is lodged therefrom, such judgment of the Court having been confirmed or such appeal withdrawn; and
- (c) the approval and the ordering of the Equity Restructuring by the Court by judgment rendered by such Court which has

become executory as a result of the delay for appeal having expired without there having been an appeal lodged therefrom or, if an appeal is lodged therefrom, such judgment of the Court having been confirmed or such appeal withdrawn;

- 1.1.3 “Approval Motion”** has the meaning set forth in **Section 17.1** hereof;
- 1.1.4 “Articles”** means the Debtor’s Articles of Amalgamation, any and all Articles of Amendment thereto and all Certificates issued in respect thereof in accordance with the relevant provisions of the *CBCA*;
- 1.1.5 “Articles of Reorganization”** means the “Articles of Reorganization” in respect of the Debtor in accordance with Section 191(4) *CBCA* (as well as Sections 59(4) and 66(1.4) *BIA*, to the extent applicable) giving effect to the proposed reorganization of the Debtor, together with such deletions, additions or modifications as the Debtor may make thereto or therefrom at any time prior to the Approval. The Articles of Reorganization shall form part of the Equity Restructuring;
- 1.1.6 “BIA”** means the *Bankruptcy and Insolvency Act*, Canada, RSC 1985, c.B-3, as amended;
- 1.1.7 “BU”** means Batterie Universelle Ltée;
- 1.1.8 “BU Proposal”** means the “Proposal” made by BU under even date herewith pursuant to the relevant provisions of the *BIA* as well as any and all future amendments thereto;
- 1.1.9 “CBCA”** means the *Canada Business Corporations Act*, Canada, RSC 1985, c.C-44, as amended;
- 1.1.10 “Civil Code”** means the *Civil Code of Quebec*;
- 1.1.11 “Committee”** has the meaning set forth in **Section 13.1** hereof;
- 1.1.12 “Court”** means the the Québec Superior Court for the District of Montréal, sitting as both:
- (a) the “court” as envisaged and defined in Section 2(1) *BIA* and includes any Justice thereof or, if applicable, the Registrar or any Deputy Registrar thereof; and
 - (b) sitting as the “court” as envisaged in Section 191 *CBCA* and includes any Justice thereof;

- 1.1.13 “Creditors”** means all creditors affected by the Proposal, namely the Crown, the Preferred Creditors, the Employee Creditors and the Ordinary Creditors, and **“Creditor”** means any of them. All other creditors of the Debtor shall not be, in any manner whatsoever, affected or bound by this Proposal;
- 1.1.14 “Crown”** means Her Majesty in Right of Canada or any province of Canada;
- 1.1.15 “Crown Claims”** means all claims of the Crown as set forth and described in Section 60(1.1) *BIA*, which were outstanding on the Proposal Date, and **“Crown Claim”** means any of them;
- 1.1.16 “Dividend”** have the meaning set forth in **Section 8.2** hereof;
- 1.1.17 “Electing Creditor Claims”** means all Proven Ordinary Claims in respect of which the Ordinary Creditors have elected (as set forth in **Section 8.1** hereof) to receive the lesser of \$1,000.00 or the amount of their Ordinary Claims or to reduce their respective Ordinary Claims to \$1,000.00, and **“Electing Creditor Claim”** means any of them;
- 1.1.18 “Electing Creditors”** means Ordinary Creditors having Electing Creditor Claims and **“Electing Creditor”** means any of them;
- 1.1.19 “Employee Claims”** means:
- (a) all amounts which the Debtor’s present or former employees would have been entitled to receive under Section 136(1)(d) *BIA* if the Debtor had become bankrupt on the Proposal Date as well as wages, salaries, commissions or compensation for services rendered from and after the Proposal Date up to and including the date of Approval of this Proposal, together with, in the case of traveling salesmen, disbursements properly incurred by those salesmen in and about the Debtor’s business during the same period, all as envisaged by Section 60(1.3) *BIA*; and
 - (b) to the extent that the Debtor participated in a “prescribed pension plan” as envisaged by Section 60(1.5) *BIA*, all amounts envisaged by Section 60(1.5)(a) *BIA* which may be unpaid on the Proposal Date and which are required to be paid from and after the Proposal Date up to and including the Date of Approval of this Proposal,
- and **“Employee Claim”** means any of them;

- 1.1.20 “Employee Creditors”** means all of the Debtor’s past and present employees having Employee Claims and “**Employee Creditor**” means any of them;
- 1.1.21 “Equity Restructuring”** has the meaning set forth in **Section 10.3** hereof;
- 1.1.22 “Existing Shares”** means, collectively, all issued and outstanding shares (of any class or category whatsoever) in the Debtor’s capital stock as of the Proposal Date;
- 1.1.23 “Holder”** means the holder(s) of the Existing Shares as at the Implementation Date;
- 1.1.24 “Implementation Date”** means such date, after Approval, appearing on the Certificate issued by the Director as defined in and appointed under the *CBCA* giving effect to the Articles of Reorganization in accordance with the relevant provisions of the *CBCA*;
- 1.1.25 “Investment”** means the amount of \$1,000,000.00 or such greater amount as the Investor, in his discretion, may determine;
- 1.1.26 “Investor”** means Michel Caron or one or more entities designated by him;
- 1.1.27 “New Shares”** means a class of common, fully-participating voting shares in the Debtor’s capital stock to be created by the Articles of Reorganization, having the rights, privileges and restrictions as set forth in the Articles of Reorganization;
- 1.1.28 “Ordinary Claims”** means all claims other than Crown Claims, Employee Claims, Preferred Claims and Secured Claims, of any nature or source whatsoever, resulting from and/or arising out of any transaction entered into by the Debtor prior to the Proposal Date or any event which occurred prior to the Proposal Date, whether due or not due as of the Proposal Date and includes all such claims which are contingent and unliquidated (once quantified or liquidated) and “**Ordinary Claim**” means any of them. In addition to and notwithstanding the foregoing, “Ordinary Claims” include, under all circumstances:
- (a) all Electing Creditor Claims;
 - (b) all claims resulting from or arising out of any breaches of any obligations contracted by the Debtor prior to the Proposal Date where such breaches occurred (i) at any time prior to the Proposal Date, or (ii) at any time between the Proposal

Date and the date hereof; and

- (c) any proof of claim which may be filed by a Secured Creditor in excess of the Value of such Secured Creditor's Security, as envisaged by **Paragraph 6.2.3** hereof.

1.1.29 "Ordinary Creditors" means all persons having Ordinary Claims and "**Ordinary Creditor**" means any of them;

1.1.30 "PCC" means Power Canada Cables Ltd./Les Câbles Power Canada Ltée";

1.1.31 "PCC Proposal" means the "Proposal" made by PCC under even date herewith pursuant to the relevant provisions of the *BIA* as well as any and all future amendments thereto;

1.1.32 "Postponed Claims" means any and all Ordinary Claims and any and all Secured Claims of any or all of the Postponing Creditors, as well as, any and all other claims, of any nature or source whatsoever, of any or all of the Postponing Creditors against the Debtor which existed as at the Proposal Date;

1.1.33 "Postponing Creditors" means each and every one of PCC, BU, Les Investissements Rasmussen Inc., William A. Rasmussen and any other person which is "related" to William A. Rasmussen (as envisaged by Section 4 *BIA*), and "**Postponing Creditor**" means any of them;

1.1.34 "Preferred Claims" means all claims, other than Employee Claims, as set forth and described in Sections 136(1)(a) through 136(1)(c) *BIA* and in Sections 136(1)(e) through 136(1)(j) *BIA*, being such claims directed by the *BIA* to be paid in priority to all other claims in the distribution of the property of a bankrupt to the extent applicable to this Proposal and "**Preferred Claim**" means any of them;

1.1.35 "Preferred Creditors" means all persons having Preferred Claims and "**Preferred Creditor**" means any of them;

1.1.36 "Proposal" means the "Proposal" as well as any and all future amendments hereto, which amendments may be made at any time prior to a vote by the Creditors hereon or by the Court at the time of Approval;

1.1.37 "Proposal Conditions" means the occurrence and/or fulfillment of each of each and every one of the following conditions precedent (unless expressly waived in writing, in whole or in part, by both the Debtor and the Investor), namely:

- (a) the Approval of this Proposal;
- (b) the Approval of the PCC Proposal;
- (c) the Approval of the BU Proposal; and
- (d) the entering into between the Debtor and each of the Secured Creditors (including, without limitation, National Bank of Canada, GE Real Estate Financing Business Property Company and Alter Moneta Corporation) of binding agreements restructuring all indebtedness owing by the Debtor to such Secured Creditors on terms and conditions satisfactory to the Debtor;

1.1.38 "Proposal Date" means **August 12, 2010**, being the date upon which the Debtor filed its Notice of Intention to Make a Proposal pursuant to Section 50.4(1) *BIA*;

1.1.39 "Proposal Expenses" means all proper fees, expenses, liabilities and obligations of the Trustee as well as all legal fees, accounting fees and consulting fees for, in respect of and/or incidental to all proceedings and matters pertaining to the Debtor's notice of intention to make a proposal and the Proposal and includes, without limitation, all advice to the Debtor in connection therewith;

1.1.40 "Proven" with reference to any Crown Claims, Employee Claims, Preferred Claims and Ordinary Claims, all such claims that have been the object of a proof of claim in accordance with Section 124 *BIA*, filed with the Trustee in due time and allowed by the latter. With respect thereto to all such claims:

- (a) contingent and unliquidated claims and claims payable at a future time shall be governed by Sections 121(2) and 121(3) *BIA*;
- (b) every provision of the *BIA* dealing with the right to vote a claim shall apply to this Proposal; and
- (c) Proven Ordinary Claims under successive performance contracts which have not been repudiated or terminated by the Debtor shall be limited to amounts owing by the Debtor thereunder accruing only up to (but not after) the Proposal Date;

1.1.41 "Secured Claim" means the claim of each Secured Creditor and "Secured Claims" means all of them;

1.1.42 "Secured Creditor" means all creditors holding Security and

“Secured Creditor” means any of them;

1.1.43 “Security” means:

- (a) all of the mortgages, hypothecs, pledges, charges, liens or other rights as set forth in and envisaged under the definition of “secured creditor” in Section 2(1) *BIA*; and
- (b) the rights of a lessor under any contract of leasing as envisaged by Articles 1842 and following of the *Civil Code*;

1.1.44 “Trustee” means RSM Richter Inc., the trustee under the Debtor’s Notice of Intention to Make a Proposal and the trustee named herein; and

1.1.45 “Value” means, with respect to any claim filed by a Secured Creditor, the value of such Secured Creditor’s Security as assessed by the Secured Creditor and accepted by the Trustee or as determined by the Court;

1.2 The paragraph headings herein contained are for ease of reference only, shall not form part of the Proposal and shall not be utilized, in any manner whatsoever, in the interpretation of the Proposal.

1.3 Whenever the context so provides, all references to the masculine shall include the feminine and *vice versa* and all references to the singular shall include the plural and *vice versa*.

1.4 In the event of any inconsistencies or discrepancies between the English language version of the Proposal and the French language version of the Proposal, the English language version of the Proposal shall govern and prevail under all circumstances.

2. PROPOSAL EXPENSES

2.1 All Proposal Expenses, to the extent not already paid by the Debtor in the ordinary course of the Debtor’s business, shall be paid by the Debtor in priority to all Preferred Claims, and Ordinary Claims.

3. EMPLOYEE CLAIMS

3.1 Subject to **Paragraphs 3.2** and **3.3** hereof, all Proven Employee Claims will be paid in full, immediately after Approval.

3.2 With respect to all of the Employee Creditors who are currently employed by the Debtor, all of their Employee Claims have been or shall have been fully paid by the Debtor to such Employees, in the normal course of the Debtor’s business.

3.3 With respect to the Employee Creditors who are not currently employed by the Debtor (being, for greater certainty, all of the Employee Creditors other than those referred to in **Paragraph 3.2** hereof), all of their Proven Employee Claims will be paid in full on the latest of the following dates, namely:

3.3.1 5 days after acceptance of a valid proof of claim from such Employee Creditor or the Court's definitively determining such proof of claim to be valid;

3.3.2 the date of Approval; or

3.3.3 the date of receipt of the relevant certificates required in virtue of Section 46 of the *Employment Insurance Act*, Canada.

3.4 The Debtor undertakes to request all relevant certificates required in virtue of Section 46 of the *Employment Insurance Act*, Canada upon acceptance of each Employee Claim.

4. CROWN CLAIMS

4.1 All Proven Crown Claims, to the extent not already paid by the Debtor in the ordinary course of the Debtor's business, shall be paid in full, within 6 months after Approval or as may otherwise be arranged with the Crown.

5. PREFERRED CLAIMS

5.1 Within 30 days following Approval or as may otherwise be arranged with each individual Preferred Creditor, all Proven Preferred Claims of Preferred Creditors, without any interest whatsoever thereon, shall be paid prior to payment of all Ordinary Claims and after payment of all Crown Claims and Employee Claims.

6. SECURED CREDITORS

6.1 All Secured Claims shall be paid in accordance with existing agreements with each relevant Secured Creditor or as may be otherwise agreed with each such Secured Creditors;

6.2 For greater certainty:

6.2.1 This Proposal is not addressed to the Secured Creditors;

6.2.2 All Secured Creditors and their Secured Claims shall not, in any manner whatsoever, be affected or bound by this Proposal to the extent of their Secured Claims; and

6.2.3 If a Secured Creditor chooses to file a proof of claim and values its Security in order to be considered as an Ordinary Creditor, then the Proven claim of each such Secured Creditor in excess of the Value of its Security shall be included in the class of Ordinary Claims under this Proposal unless such Secured Creditor has agreed otherwise in writing.

7. SUBSEQUENT CLAIMS

7.1 All claims arising in respect of property supplied, services rendered or other consideration given to the Debtor subsequent to the Proposal Date, including, without limitation, all salaries, remuneration and other compensation of the Debtor's employees for current services, have been or shall be paid in full by the Debtor in the ordinary course of the Debtor's business.

8. ORDINARY CLAIMS

8.1 At any time within (but not after) 15 days following Approval, any Ordinary Creditor may elect in writing (as provided for in its proof of claim or in any other manner acceptable to the Trustee) to receive the lesser of \$1,000.00 or the amount of its Proven Ordinary Claim or to irrevocably and unconditionally reduce such Proven Ordinary Claim to \$1,000.00, whereupon:

8.1.1 any such Proven Ordinary Claim in excess of \$1,000.00 shall be deemed, for all purposes, to have been irrevocably and unconditionally reduced to \$1,000.00 and the Ordinary Creditor having a Proven Ordinary Claim in excess of \$1,000.00 shall be deemed to have irrevocably and unconditionally waived and renounced to any rights to file a proof of claim in this Proposal in excess of \$1,000.00 or to participate in any further amount of the Dividend; and

8.1.2 any such Ordinary Creditor shall be treated as an Electing Creditor and such Ordinary Creditor's Ordinary Claim shall be treated as an Electing Creditor Claim under this Proposal.

8.2 The following shall be paid by the Debtor, without any interest thereon whatsoever, in full and final settlement, release and discharge of all Ordinary Claims (collectively the "**Dividend**"), namely:

8.2.1 the full amount of all Proven Electing Creditor Claims shall be paid to the Trustee, no later than 60 days following Approval, for distribution to all Electing Creditors as herein set forth, in full and final settlement, release and discharge of all Electing Creditor Claims; and

8.2.2 an amount of \$700,000.00 (less all amounts set forth in **Section 8.2.1** hereof) shall be paid to the Trustee, no later than 60 days following Approval, for distribution on a *pro rata* basis to all Ordinary Creditors (other than Electing Creditors) as herein set forth.

8.3 All amounts referred to in **Section 8.2** shall be paid by the Debtor to the Trustee no later than 60 days following Approval and shall thereafter be distributed by the Trustee to the Ordinary Creditors, according to the amount of their respective Proven Ordinary Claims, as follows:

8.3.1 the amount set forth in **Section 8.2.1** hereof shall be distributed by the Trustee to the Electing Creditors according to the amounts of their respective Proven Electing Creditor Claims; and

8.3.2 the amounts set forth in **Section 8.2.2** shall be distributed by the Trustee to the Ordinary Creditors (other than the Electing Creditors), on a *pro rata* basis, according to the amounts of their respective Proven Ordinary Claims.

8.4 The Dividend, without any interest whatsoever thereon, once paid by the Debtor to the Trustee in accordance with the provisions of this Proposal, shall constitute full and final settlement of and shall operate as a complete release and discharge of all Ordinary Claims.

9. UNAFFECTED CREDITORS

9.1 All creditors of the Debtor other than the Creditors shall be unaffected and not bound by this Proposal except to the extent set forth in this Proposal;

10. EQUITY RESTRUCTURING

10.1 The Debtor is insolvent and, in consequence thereof, has sought application of the relevant provisions of the *BIA*. The Debtor has no shareholders' equity and as a consequence, the Existing Shares have no value. The Debtor effectively exists, at the present time, for the benefit of its creditors and not for the benefit of Holder of the Existing Shares.

10.2 The only manner by which the Debtor can survive financially, restructure and bring value to its Creditors is for the Debtor to receive a fresh equity investment. The Investor is prepared to make the Investment into the Debtor sufficient to allow the Debtor to fund payment to all Creditors' claims under this Proposal and to provide working capital funds for the Debtor. In consideration of the Investment, the Investor shall receive the issuance by the Debtor to the Investor of the New Shares. It is a condition precedent of the Investor making such Investment that the Equity Restructuring occur, in general, and that all Existing Shares be:

10.2.1 converted into shares redeemable for cancellation by the Debtor for the aggregate price (for all of the Existing Shares) of \$1.00; and

10.2.2 thereafter, be deemed to have been so redeemed for cancellation by the Debtor and cancelled for the aggregate price (for all the Existing Shares) of \$1.00,

all such that the Investor, after the implementation Date, will be and remain the sole shareholder of the Debtor.

10.3 Once this Proposal shall have been accepted by all Creditors entitled to vote thereon in accordance with the relevant provisions of the *BIA*, the Debtor will present the Approval Motion to the Court (as set forth in **Section 17** hereof) seeking Approval, which Approval shall include the ordering, *inter alia*, that the following shall occur as at the Implementation Date (collectively the “**Equity Restructuring**”) namely:

10.3.1 with respect to all Existing Shares:

(a) the conversion of all Existing Shares into shares redeemable for cancellation by the Debtor for the aggregate price (for all Existing Shares) of \$1.00; and

(b) thereafter, the deemed redemption for cancellation of all Existing Shares by the Debtor for the aggregate redemption price (for all Existing Shares) of \$1.00 and the cancellation of all Existing Shares;

10.3.2 the creation of the New Shares as described in and having the rights, privileges and restrictions set forth in the Articles of Reorganization; and

10.3.3 such other amendments and/or restating of the Articles as set forth in the Articles of Reorganization,

the Debtor retaining the right, at any time prior to Approval, to make such further deletions, additions or modifications, as the Debtor may deem appropriate, to the Equity Restructuring, such that the term “**Equity Restructuring**” shall include such deletions, additions or further modifications so made by the Debtor.

10.4 Immediately following Approval, the Debtor will send the Articles of Reorganization to the “Director” (as envisaged by Section 191(4) *CBCA*) in order to obtain from such “Director” a certificate confirming the Equity Restructuring (as envisaged by Section 191(5) *CBCA*).

10.5 Subject to occurrence of Approval and the issuance by the “Director” (as envisaged in Section 191(5) *CBCA*) of a certificate affecting the Equity

Restructuring (as envisaged by Section 191(4) *CBCA*), the Investor will, immediately following the Implementation Date, make and advance the Investment to or on behalf of the Debtor or to the Trustee in a timely manner (as has been agreed and/or may hereafter be agreed between the Debtor and the Investor) in order to fund all of the payments by the Debtor to the Creditors as envisaged by this Proposal. In consideration of such Investment, the Debtor shall, contemporaneously with the making and advancing of such Investment, issue such number of New Shares to the Investor at the issue price of \$1.00 per New Share for the full amount of the Investment.

10.6 The implementation of the Equity Restructuring is and shall remain a condition precedent (and one of the Proposal Conditions) to the performance of this Proposal. As a consequence, any acceptance by the Creditors of this Proposal shall include approval of the Equity Restructuring. In the event that Approval does not order the Equity Restructuring, then no Approval shall be deemed to have occurred and this Proposal shall be deemed, for all purposes, to have not been accepted or approved as required pursuant to the relevant provisions of the *BIA*.

10.7 Prior to the vote of the Creditors on this Proposal, the Debtor shall provide the Trustee with a written undertaking by the Investor whereby the Investor, subject to occurrence and/or fulfillment of all of the Proposal Conditions, shall agree to make the Investment. Nothing herein contained shall constitute any agreement or undertaking by the Investor to make such Investment unless and until such written undertaking is delivered to the Trustee as aforesaid.

11. CLAIMS AGAINST DIRECTORS

11.1 In accordance with Section 50(13) *BIA*, Approval of the Proposal shall be deemed, for all purposes whatsoever, to constitute the complete release and discharge of all claims, of any nature or source whatsoever, of all Creditors and any other persons against all of the Debtor's past and present directors which arose before the Proposal Date and which relate to obligations of the Debtor where such directors are by law liable in their capacity as directors for payment of such obligations.

11.2 Nothing in the Proposal shall be deemed, in any manner whatsoever, to constitute any acknowledgement of any liability or obligations of any of the Debtor's past or present directors.

12. PREFERENCES, TRANSFERS AT UNDER VALUE, ETC.

12.1 All of the provisions of and all rights, remedies and recourses under and/or pursuant to:

12.1.1 Sections 95 through 101 *BIA*;

12.1.2 Articles 1631 through 1636 of the *Civil Code of Québec*; and

12.1.3 all other provisions of law, rights, remedies and recourses similar to the provisions of law, rights, remedies and recourses set forth in **Sections 12.1.1** and/or **12.1.2** hereof in any province of Canada other than the Province of Québec,

shall not, in any manner whatsoever, apply to this Proposal.

12.2 As a result of and in accordance with the provisions of **Section 12.1** hereof and all of the rights, remedies, recourses and claims therein described:

12.2.1 all of such provisions, rights, remedies and recourses and any claims based thereon shall be completely unavailable to the Trustee or any Creditors against the Debtor, any of the Debtor's property, any other Creditor or any other person whatsoever; and

12.2.2 the Trustee and all of the Creditors shall be deemed, for all purposes whatsoever, to have irrevocably and unconditionally waived and renounced to such provisions, rights, remedies and recourses and any claims based thereon against the Debtor, the Debtor's property, any other Creditor or any other persons,

arising from and/or as a result of any matter whatsoever which occurred at any time prior to the Proposal Date.

13. COMMITTEE

13.1 A committee (the "**Committee**") of up to 5 individuals shall be appointed by the Ordinary Creditors at a meeting of the Creditors called to consider the Proposal. Such Committee shall be thereafter deemed to have been formed and constituted for the purposes hereafter set forth.

13.2 The powers of the Committee shall be limited to the following:

13.2.1 to advise the Trustee in connection with the Trustee's actions under the Proposal, as the Trustee may, from time to time, request;

13.2.2 to postpone, suspend or cause the postponement or suspension of Approval, if deemed necessary by the Trustee and the Committee;

13.2.3 to advise the Trustee concerning any dispute which may arise as to the validity or valuation of any proofs of claim under the Proposal; and

13.2.4 to authorize the deferment of any payment of any of the Dividend under the terms of **Section 8.2** hereof, either in whole or in part, and entirely at the discretion of the Committee.

14. POSTPONED CLAIMS

14.1 Subject to the occurrence and/or fulfillment of each and every one of the Proposal Conditions, each of the Postponing Creditors hereby unconditionally and irrevocably:

14.1.1 subordinates and postpones its entire Postponed Claim to and in favour of full payment of all of the Dividends, such that each of the Postponing Creditors shall not be entitled to receive any payment from the Debtor of any principal of or interest on its Postponed Claim unless and until all of the Dividends shall have been fully paid to the Ordinary Creditors as set forth in the Proposal; and

14.1.2 waives and renounces to any right to prove the whole or any portion of its Postponed Claim as an Ordinary Claim under the Proposal.

14.2 Nothing set forth in **Section 14.1** hereof shall restrict or prohibit any sale or transfer by any Postponing Creditor of its Postponed Claim, provided always that such Postponed Claim has not been repaid by the Debtor and remains owing by the Debtor.

14.3 The provisions of **Section 14.1** hereof shall survive:

14.3.1 any annulment of the Proposal; or

14.3.2 any bankruptcy of the Debtor occurring after occurrence and/or fulfillment of each and every one of the Proposal Conditions but prior to satisfaction of the Proposal.

14.4 Prior to the vote of the Creditors on this Proposal, the Debtor shall provide the Trustee with a written undertaking from each of the Postponing Creditors whereby each of the Postponing Creditors, subject to the occurrence and/or fulfillment of all of the Proposal Conditions, shall agree to the subordinations and postponements set forth in **Section 14.1** hereof. Nothing herein contained shall constitute any agreement or undertaking by the Postponing Creditors to agree to such subordinations and postponements unless and until such written undertakings is delivered to the Trustee as aforesaid.

15. POWERS OF THE TRUSTEE

15.1 Subject to the rights of the Secured Creditors, the Trustee shall have the following rights, powers and authority, namely:

15.1.1 to have full access to the Debtor's premises as well as the Debtor's books, records and documents in order to obtain such information on the Debtor's activities as the Trustee may consider appropriate, in its sole discretion; and

15.1.2 to examine, accept or contest any security or alleged security of any Secured Creditor or the evaluation thereof.

15.2 The rights, powers and authority set forth and enumerated in **Section 15.1** hereof are in addition to and not in lieu of all of the Trustee's rights, powers and authorities under the *BIA* and any other applicable laws.

16. TRUSTEE

16.1 The Trustee will be the trustee under the Proposal. All monies payable to the Creditors affected by the Proposal shall be paid over to the Trustee which shall make all payments provided for hereunder (including, without limitation, payment of the Dividend), in accordance with the provisions of the Proposal.

17. NOTICE OF PRESENTATION OF APPROVAL MOTION

17.1 Each of:

17.1.1 the Creditors;

17.1.2 the Holder; and

17.1.3 the official receiver (as defined in the *BIA*),

are hereby given notice that, after acceptance of this Proposal by the Creditors entitled to vote thereon in accordance with the relevant provisions of the *BIA*, the Trustee and/or the Debtor will present an application to the Court (the "**Approval Motion**") for Approval (which will include the ordering of the Equity Restructuring);

17.2 The Approval Motion will be presented before the Court (namely the Commercial Division of the Québec Superior Court for the District of Montreal in **Room 16.10** of the Palais de Justice, 1 Notre Dame Street, East, City of Montreal, Province of Québec on **December 21, 2010 at 9 o'clock a.m.** or so soon thereafter as counsel may be heard.

17.3 The forwarding of this Proposal to the Creditors, the Holder and the official receiver (as defined in the *BIA*) shall avail, for all purposes, as valid and proper signification and service of the Approval Motion on all of the Creditors, the Holder and the official receiver (as defined in the *BIA*).

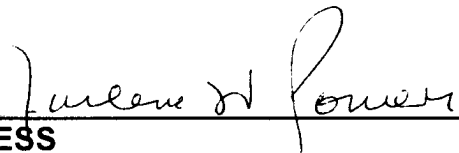
18. PROPOSAL CONDITIONS

- 18.1** This Proposal is expressly subject to the occurrence and/or fulfillment of each and every one of the Proposal Conditions by no later than the date of presentation of the Approval Motion before the Court as set forth in **Section 17.2** above (or such later date as may be agreed to in writing by both the Debtor and the Investor).
- 18.2** In the event of the non occurrence and/or unfulfillment of any of the Proposal Conditions within the delay set forth in **Section 18.1** above, then this Proposal shall become null, void and inoperative for all purposes.

Montreal, Province of Québec, Canada
this **1st** day of **December, 2010**.

**POWER BATTERY (IBERVILLE) LTD./
BATTERIES POWER (IBERVILLE) LTÉE**

Per:



WITNESS



Regis Rehel, President

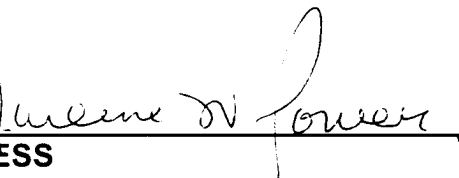
POWER BATTERY CO., INC. a New Jersey (U.S.A.) corporation, hereby:

- (i)** confirms that it is the Holder of all of the Existing Shares;
- (ii)** consents, for all purposes, to the Equity Restructuring in all respects;
- (iii)** acknowledges receipt of this Proposal, in general, and notice of the hearing of the Approval Motion contained in this Proposal, in particular, to avail, for all purposes, in lieu of service of such Approval Motion; and
- (iv)** consents, for all purposes, to the granting by the Court of the Approval Motion in all respects.

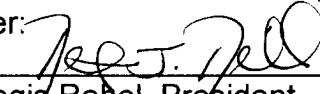
Montreal, Province of Québec, Canada
this **1st** day of **December, 2010**.

POWER BATTERY CO., INC.

Per:



WITNESS



Regis Rehel, President