

CANADA
Province of Quebec
District of: Quebec
Division No.: 01-Montréal
Court No.: 500-11-039457-102
Estate No.: 41-1393380

**SUPERIOR COURT
In Bankruptcy and Insolvency
(Commercial Division)**

In the matter of the Proposal of:

POWER BATTERY (IBERVILLE) LTD.,
a corporation duly incorporated having its
head office at 6290 des Grandes Prairies,
St-Leonard, Quebec H1P 1A2

Debtor

- and -

RSM Richter Inc.

Trustee

**REPORT OF THE TRUSTEE ON THE FINANCIAL SITUATION OF THE DEBTOR AND ON THE PROPOSAL
(Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act*)**

Please refer to our website www.rsmrichter.com for a French version of this report

The purpose of the Meeting of Creditors is to consider the Proposal filed on December 3, 2010 (hereinafter referred to as "the Proposal") by Power Battery (Iberville) Ltd. (the "Debtor" or the "Company").

Pursuant to Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act* (hereinafter referred to as the "Act" or "BIA"), and to assist the creditors in considering the Proposal, the Trustee is submitting its report on the financial situation of the Debtor and on the Proposal.

We caution the reader that we have neither conducted an audit nor a verification of the books and records of the Debtor. Consequently, we cannot render an opinion as to the accuracy of the information contained therein. The information discussed herein emanates from the books and records of the Debtor as well as from our discussions with the Management of the Debtor.

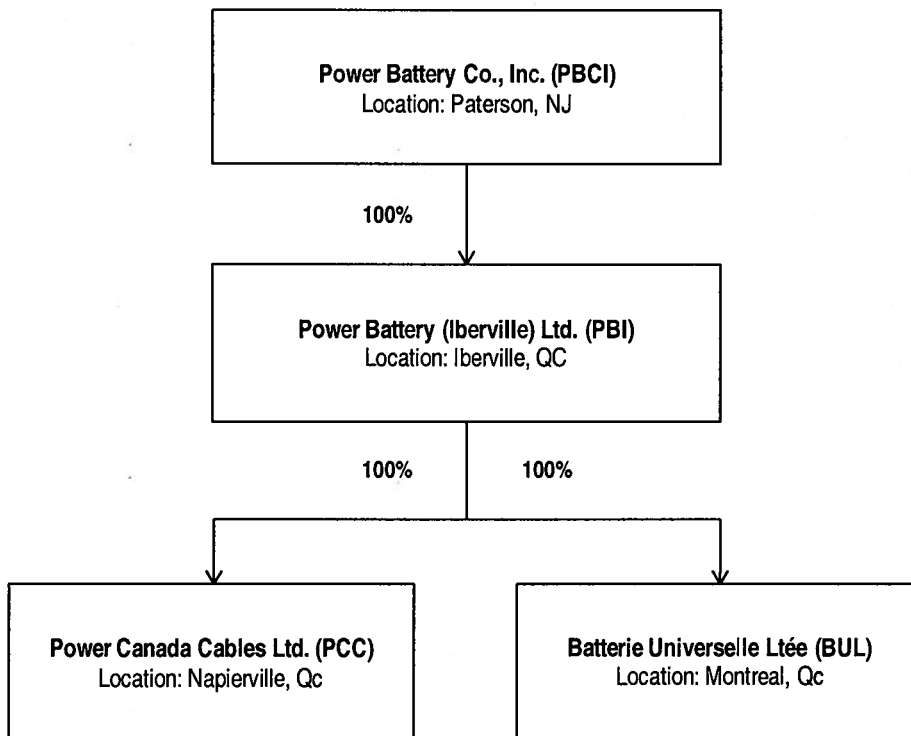
I. INTRODUCTION

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

On December 3, 2010, the Debtor filed a Proposal to its creditors. We have enclosed herewith the Proposal made by the Debtor to its creditors, a proof of claim form, a voting form, a proxy, a notice indicating the place and time of the Meeting of the Creditors to consider the Proposal and a Notice of hearing of application for Court approval of the Proposal in the event that the Proposal is accepted by the statutory majority of creditors.

This report summarizes the relevant information and key elements that may assist the creditors in analysing the Debtor's affairs and the terms of the Proposal.

II. ORGANIZATIONAL CHART



III. BACKGROUND AND OPERATIONS OF THE DEBTOR

The Debtor forms part of a corporate group including its parent, Power Battery Co., Inc. ("PBCI"), a New Jersey corporation, and its subsidiaries Batterie Universelle Ltée ("BUL") and Power Canada Cables Ltd. ("PCC") (collectively, the "Group").

Given the interrelationship between the legal entities within the Group, BUL and PCC have also filed a Proposal with Richter acting as Trustee there under. The Company, BUL and PCC are collectively referred to as the "Canadian Companies".

The Debtor's main business activities consist of the design and manufacturing of stationary batteries and cabinets used in backup or standby applications which ensure continuous power to critical applications in the event of a loss of power, and of motive power batteries which are used in small industrial equipment such as forklift trucks (the "Battery Segment"). There are approximately 150 employees in the Battery Segment which is operated from an owned 125,000 square foot facility located in Iberville, Quebec.

PBCI, the Debtor's parent company's business activities are similar to the Debtor's. PBCI has historically manufactured a small portion of the Group's batteries and assembles the majority of its battery cabinets. PBCI's operating premises are located in Paterson New Jersey.

In addition to its core business activities, the Debtor, up to mid-November 2010, operated a Truck Parts distribution and retail outlet located in St-Jean-sur-Richelieu ("Truck Parts Segment"). As noted below, on November 17, 2010, the Debtor obtained the Court's approval to sell all the assets of the Truck Parts Segment.

IV. CAUSES OF INSOLVENCY AND RESTRUCTURING MEASURES

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 such as absentee management due to illness, significant volatility in raw material costs and a downturn in the global economy.

Richter has been actively involved with the Company's management in analyzing the different business units' financial situation and performance and their restructuring alternatives. In August 2010, the Company hired a new President and Chief Executive Officer ("CEO"). His mandate is to lead the Company in its new strategic direction and implement restructuring measures to return to profitability.

In summary, the new strategic plan involves exiting the Truck Parts Segment and centralizing all battery manufacturing activities of the Group in Iberville (ie: shut-down the battery manufacturing and cabinet assembly in Paterson) (the "Business Plan").

To date, several restructuring measures to rationalize the Company's operations and turn around its financial situation have been implemented. Aside from the proceedings undertaken under the BIA, the reorganization measures implemented include the following:

- Replacing senior management with an interim management team ("Management");
- Centralize all battery manufacturing operations to Iberville and shut-down the battery manufacturing operations in Paterson, NJ;
- Re-engineering of the production process in Iberville;
- Reassignment of the work force and headcount reductions;
- Filling of certain previously vacant positions;
- Analysis of product line profitability;
- Optimization of salespersons' compensation programs;
- Renegotiation of the collective bargaining agreement; and
- Planning the transfer of cabinet assembly: at this time, cabinet assembly remains in Paterson on a temporary basis until the Company secures the necessary infrastructure to assemble all cabinets.

The only manner by which the Company can complete its restructuring, finance its on-going operations and survive financially is to receive a capital injection. It was determined that the best way to maximize value for the creditors was to seek potential purchasers that would either buy the assets of the Company on a going-concern basis or invest in the Company as part of a financial restructuring. On August 12, 2010, the Company has retained the services of Richter to assist in the implementation of a formal process to sell the business units whether by a sale of assets or by way of an investment in the Company ("Sale Process").

V. PLAN OF ACTION

a) Sale Process (General)

As part of its mandate, Richter has assisted the Company in preparing a virtual data room ("Data Room") to assist interested parties in making an investment decision. The Data Room included the following information:

- Corporate background and history;
- Organizational chart;
- Historical financial information;
- The Business Plan and a summary of Management's assumptions;
- A description and listing of the assets at the various locations; and
- Key contractual agreements.

The following documents related to the search for potential investors or purchasers (collectively "Potential Purchasers") for each of the business segments have been prepared by Richter ("Information Package"):

- Letter of solicitation;
- Summary information ("Teaser"); and
- Confidentiality Agreement ("CA").

b) Truck Parts Segment

Richter has performed a thorough research in order to identify parties that may have an interest in the Truck Parts Segment opportunity. On September 23, 2010, the Information Package for TPSJ was sent to approximately 70 Potential Purchasers, all of which are strategic buyers.

Subsequent to mailing the Information Package to the 70 identified Potential Purchasers, a general lack of interest was noticed for the Truck Parts Segment and only one offer was received from a strategic buyer which was considered not acceptable by the Company.

On October 15, 2010, Richter contacted 15 auctioneers and liquidators in order to market the assets and generate interest. Of the 15 auctioneers and liquidators contacted, 12 have returned a signed CA and were provided with an inventory and an equipment list. Three auctioneers conducted a site visit of the premises and Richter subsequently requested that offers be received by November 1, 2010.

During the course of the Sale Process, Richter received four offers (including the strategic buyer mentioned above).

On November 17, 2010, the Debtor obtained the Court's approval to sell the assets of the Truck Parts Segment and the transaction was concluded shortly thereafter.

c) Battery Segment

Richter has performed a thorough research in order to identify parties that may have interest in the Battery Segment opportunity. On October 5, 2010 the Information Package for the Battery Segment was sent to approximately 375 Potential Purchasers (both strategic and investment funds).

Following the mailing of the Information Package, Richter contacted the Potential Purchasers to follow up on their level of interest. These efforts resulted in the receipt of 22 signed CA's from Potential Purchasers for the Battery Segment. All parties who have signed a CA were given access to the Data Room.

In order to accelerate the process, Richter contacted the Potential Purchasers in order to provide them with additional information, schedule conference calls with Management and organize site visits, all with the view of providing the potential buyers or investors with the opportunity to thoroughly evaluate an acquisition or investment transaction on a timely basis.

A number of teleconferences were organized by Richter and attended by several Potential Purchasers and Management and many Potential Purchasers visited the Company's premises and met with Management.

Richter requested that offers be received by November 23, 2010.

On November 23, 2010, one (1) offer and three (3) letters of intent ("LOI") were received. The offer was for the purchase of certain of the Group's assets. Of the three (3) LOI's, two (2) were for the purchase of the Group's assets as a whole. The third LOI was received from a group of investors ("Investor Group") that contemplated an investment in the Company as part of a global financial restructuring.

The Board of Directors of the Company approved the filing of the Proposal which provides for an investment of \$1MM in the Company by the Investor Group under certain conditions (the "Investor Group Transaction"), considering that this transaction allowed for the best return for all stakeholders particularly the creditors.

d) Description of the investment and timetable

The Investor Group Transaction provided in the Proposal contemplates an investment by way of equity of \$1MM. We understand from different correspondence that the Investor Group would advance another \$1MM in the form of subordinated debt. The Investor Group Transaction is conditional on the following:

- The approval of a Proposal by the Ordinary Creditors of each of the Canadian Companies and the Court;
- A successful restructuring of the Company's equity whereby the Investor Group would become its sole shareholder ("Equity Restructuring"); and
- A successful restructuring of the Company's indebtedness owing to its Secured Creditors, namely the National Bank of Canada ("NBC"), GE Real Estate Financing Business Property Company ("GE") and Alter Moneta Corporation ("Alter Moneta").

The closing of the transaction is expected to take place as soon as the above conditions are met.

The sequence of events that is contemplated is that upon acceptance of the Proposal by the Creditors, the Company will seek shortly thereafter the Court's approval of the Proposal and at the same time will make a petition to the court ordering the Equity Restructuring. Therefore, the Investor Group Transaction could be concluded in December 2010.

The above assumes that the Investor Group will be successful in its negotiations with the secured creditors. Before the Meeting of Creditors, the Investor Group will inform the Trustee whether or not they successfully entered into agreements with the Secured Creditors and the Trustee will inform the Creditors at the Meeting of Creditors.

VI. PROPOSAL

Summary

The Proposal provides for the Debtor to remit to the Trustee no later than 60 days following the Approval an amount of \$700,000 for distribution to Ordinary Creditors in full and final payment of their unsecured claim, without interest or penalty. **The success of the Proposal is dependent on the successful conclusion of the Investor Group Transaction.**

The Proposal provides that at any time within (but not after) 15 days following Approval, any Ordinary Creditor may elect to receive the lesser of \$1,000 or the amount of its Ordinary Claim and that any such Ordinary Claim in excess of \$1,000 shall be deemed to be irrevocably and unconditionally reduced to \$1,000 (defined as an Electing Creditor). Electing Creditors will receive a one-time payment to a maximum of \$1,000 from the funds to be remitted by the Company to the Trustee. Thereafter, Electing Creditors shall not receive any further dividends.

Creditors are advised to read the Proposal for complete details of the terms of the Proposal.

Amounts to be paid as a priority

According to the terms of the Proposal, the following amounts must be paid in priority:

- All Secured Claims shall be paid in accordance with existing agreements or as may be otherwise arranged with each of the Secured Creditors. For greater certainty, the Debtor acknowledges that the Proposal is not addressed to and shall have no effect on the rights of the holders of secured claims;
- All 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 of the Proposal or as may otherwise be arranged with the Crown;
- The Employee Claims relating to employees who are continuing in employment with the Debtor shall be paid in the normal course of business. Amounts owing to employees who are not currently employed by the Debtor and that they would have been entitled to receive under Section 136(1)(d) of the Act if their employer had been declared bankrupt on the date of the Approval of the Proposal, shall be paid in their entirety on the latest of the following dates:
 - 5 days after acceptance of a valid proof of claim from such employee or the Court's definitively determining such proof of claim to be valid;
 - the date of Approval of the Proposal by both the creditors and the Court; or
 - the date of receipt of the relevant certificates required in virtue of Section 46 of the Employment Insurance Act, of Canada.
- The Preferred Claims, without interest or penalty, shall be paid in their entirety in priority to unsecured claims, within thirty (30) days of the Approval of the Proposal;
- The Proposal costs shall be paid in priority to all priority claims and all unsecured claims; and
- Post-filing obligations shall be paid in full in the ordinary course of business and according to usual commercial terms or according to agreements between the Debtor and suppliers.

Other

- The Proposal provides for a restructuring of the Company's equity whereby the Investor Group become the sole shareholder of the Company;
- The Proposal provides that the statutory terms of Sections 95 to 101 of the Act, and similar Civil Code of Quebec provisions, shall not apply as permitted by Section 101.1 of the Act;
- The Proposal will constitute a compromise of all claims against directors and will operate as a full and complete discharge in favour of such directors with respect to such claims;
- Upon acceptance of the Proposal, the related companies and/or individuals that are creditors agree as follows in respect of funds owing to them (the "Postponed Claims"):
 - the Postponed Claims shall be subordinated and postponed and shall not be entitled to receive payment from the Debtor of any principal or interest unless and until all of the dividends shall have been fully paid to Ordinary Creditors under the Proposal; and
 - The Postponing Creditors waive and renounce to any right to prove the whole or any portion of any Postponed Claim as an ordinary claim under the Proposal.

Creditor Committee

The Debtor consents to the creation of a committee which shall be comprised of up to five (5) individuals (the "Committee") designated by the creditors at the meeting of creditors to consider the Proposal. The Committee shall have the power to advise the Trustee in connection with the Trustee's actions under the Proposal:

- to advise the Trustee in connection with the Trustee's actions under the Proposal;
- to postpone or suspend the Approval of the Proposal;

- to advise the Trustee in connection with any dispute as to the validity or valuation of any proof of claim under the Proposal; and
- to authorize the deferment of any payment of any of the dividends to ordinary creditors provided for in the Proposal.

VII. FINANCIAL INFORMATION

The following financial data was extracted either from the Statement of Affairs dated December 2, 2010, the books and records of the Debtor, the audited financial statements or from discussions held with Management. This information is submitted solely to assist the reader in assessing the current financial position of the Debtor.

The Trustee makes no representations or warranty as to the accuracy of said financial information:

a) Non-Consolidated Statement of Operations and Retained Earnings

| Power Battery (Iberville) Ltd. Summary Income Statement and Retained Earnings | | | |
|--|--------------------|--------------------|--------------------|
| (In 000's) | F2010 Unaudited | F2009 Unaudited | F2008 Unaudited |
| Net Sales | \$ 40,487 | \$ 46,196 | \$ 47,829 |
| Cost of Sales | 37,487 | 42,993 | 42,338 |
| Gross Profit | 3,000 7% | 3,204 7% | 5,490 11% |
| Selling Expenses | 1,115 | 1,223 | 1,425 |
| Administrative and General Expenses | 1,253 | 1,567 | 1,724 |
| Financial Expenses | 3,512 | 509 | 2,839 |
| Income Taxes | 2 | (8) | (238) |
| | 5,882 | 3,291 | 5,750 |
| Net Earnings (Loss) | (2,882) | (87) | (260) |
| Retained Earnings, Beginning | 10,523 | 7,791 | 8,051 |
| Accounting Changes | | 2,820 | - |
| Retained Earnings, Ending | <u>\$ 7,641</u> | <u>\$ 10,523</u> | <u>\$ 7,791</u> |

b) Non-Consolidated Balance Sheet:

| Power Battery (Iberville) Ltd. Balance Sheet | |
|---|------------------------------------|
| (In 000's) | As of August 31, 2010 Unaudited |
| Assets | |
| Accounts Receivable | \$ 2,031 |
| Inventory | 5,621 |
| Other Current Assets | 241 |
| Prepaid Expenses | 178 |
| Receivables from Related Parties | 13,183 |
| | 21,254 |
| Capital Assets (as net book value) | 14,873 |
| Long Term Investments | 462 |
| Other Investments | 94 |
| | \$ 36,683 |
| Liabilities | |
| Line of Credit | \$ 10,937 |
| Accounts Payables | 6,133 |
| Accrued Liabilities | 717 |
| Payables to Related Parties | 1,710 |
| | 19,498 |
| Long Term Debt | 8,772 |
| Future Taxes | 2,597 |
| Shareholder's Equity | |
| Capital Stock | 390 |
| Retained Earnings | 5,426 |
| | 5,817 |
| | \$ 36,683 |

- i. **Accounts receivable** – Accounts receivable are net of a provision of approximately \$350,000 (estimated book value as at the date of this report \$2.8MM).
- ii. **Inventory** – Inventory is comprised of raw materials, work in process and finished goods and is reflected net of a provision taken during F2010 of approximately \$2.0MM for slow-moving and obsolete items. Based on an inventory count performed on November 22, 2010, the estimated net book value of inventory at that date amounts to \$4.5MM.
- iii. **Other Current Assets and Prepaid Expenses** – These are mainly comprised of various prepayments and deposits (insurance, security deposits etc.) related to the Company's operations.

- iv. **Receivables from Related Parties** – The net amounts owing from the Company's related parties are not likely to be collected. The following table summarizes the amounts receivable from related parties as at the date of the Statement of Affairs:

| Power Battery (Iberville) Ltd. Accounts Receivable from Related Parties As of December 2, 2010 | |
|--|------------------|
| (In 000's) | Amount |
| PBCI | \$ 10,643 |
| Power Battery Limited | 1,605 |
| BUL | 569 |
| Atlantic Battery Corp. | 168 |
| PCC | 161 |
| Shareholders | 37 |
| | <u>\$ 13,183</u> |

- **Atlantic Battery Corp.** is a commonly controlled entity located in Paterson, New Jersey which used to manufacture grids and plates for the Group. We understand that Atlantic Battery Corp's operations have ceased and, based on the information available, it is unlikely that any recovery would be available to the ordinary creditors;
 - **Power Battery Limited** is a UK based company which is presently in liquidation. Based on the information available, it is unlikely that any recovery would be available to the ordinary creditors;
 - **PBCI** is presently being wound-down as its manufacturing operations have ceased. All of the assets of PBCI are pledged in favor of its secured creditors and it is therefore unlikely that any recovery would be available to the ordinary creditors; and
 - **BUL and PCC** are the Company's subsidiaries who are also insolvent. All of their assets are pledged in favor of PBI's secured creditor and consequently, it is unlikely that any recovery would be available to the ordinary creditors.
- v. **Capital Assets** – These are presented at their depreciated cost and do not reflect any write downs to their liquidation value. The balance is comprised of the net book value of the Company's plant building, equipment, moulds, rolling stock as well as a property located in Alburg, Vermont. All of the Company's capital assets have been pledged in favor of its secured creditors and, with the exception of the Vermont property, it appears that there would be no recovery for the ordinary creditors. The Vermont property, after payment of its first ranking mortgage of approximately \$393,000, may generate funds available to the ordinary creditors (see Section X b).).

- vi. **Long Term and Other Investments** – These are presented at their net book value and have not been written down to reflect their liquidation value. The following table summarizes the Long Term and Other Investments:

| Power Battery (Iberville) Ltd. Long Term and Other Investments As of August 31, 2010 | |
|--|---------------|
| (In 000's) | Amount |
| Long Term Investments | |
| PCC | \$ 510 |
| Investissement Rasmussen | 173 |
| BUL | (221) |
| | <u>\$ 462</u> |
| Other Investments / Advances | |
| Power Tech Plastique | \$ 73 |
| Power Battery SRL Capital | 17 |
| Centre d'aide entreprises H-R | 5 |
| | <u>\$ 94</u> |

- **BUL and PCC** are insolvent corporations having filed for proceedings under the BIA, therefore their shares have no value;
- **Investissement Rasmussen** is a related company holding real estate assets which are leased to certain of the Group's entities. It is unlikely that there would be any recovery available to the ordinary creditors; and
- **Power Battery SRL Capital and Power Tech Plastique** are commonly controlled entities that are currently not operating. It is unlikely that there would be any recovery available to the ordinary creditors.

VIII. LIABILITIES

The Debtor has provided us with a list of its creditors. Notices have been sent to the known creditors and, to date, we are unable to determine if the Debtor's records agree with those of its creditors. As Proofs of Claim are received, we shall record the specific amounts claimed by the creditors and, prior to paying any dividend, we shall perform a variance analysis.

Liabilities indicated below are based on the books and records of the Debtor, the Statement of Affairs as well as Management's representations, estimated as follows:

i. Secured Creditors

All assets of the Debtor are encumbered in favour of various secured creditors. The Trustee has retained the services of Me. Michel LaRoche from LaRoche Rouleau & Associés to provide an independent legal opinion on the validity of the security of NBC, Alter-Moneta and GE Capital prior to the Meeting of Creditors to consider the Proposal. There are \$24.8MM of secured claims reflected on the Statement of Affairs which can be summarized as follows:

| Power Batteries (Iberville) Ltd. Secured Claims | |
|--|------------------|
| (In 000's) | Amount |
| National Bank of Canada | \$ 20,453 |
| GE Capital | 3,587 |
| Alter Moneta | 587 |
| Ville de St-Jean sur Richelieu ¹ | 165 |
| Commission Scolaire des Hautes Rivieres ¹ | 12 |
| | <u>\$ 24,804</u> |

¹ Property taxes enjoying a first ranking claim on the Company's plant.

ii. Ordinary Creditors

According to the unaudited books and records of the Debtor, as of August 12, 2010, the total amount of estimated pre-filing unsecured payables is approximately \$8.7MM (including payables to related parties totalling \$1.81MM). We caution that these amounts may change as proofs of claim are received, in particular pertaining to any unsecured portion (shortfall) of the secured creditor claims.

IX. VOTING ON THE PROPOSAL

The Proposal shall be deemed to be accepted by the creditors if, and only if, the ordinary creditors vote for the acceptance of the Proposal by a majority in number and two-thirds in value of the ordinary creditors present, personally or by proxy, at the meeting and voting on the resolution.

X. ESTIMATE AS TO DISTRIBUTION TO CREDITORS

In the event that the creditors reject the Proposal, the Debtor will automatically be bankrupt and the net proceeds of the sale of assets after the payment of the Trustee's fees and expenses will be distributed to the creditors in the order provided for under the Act. The following information is to inform the creditors on the estimate as to the distribution to creditors under the Proposal in comparison to the estimated distribution under a bankruptcy scenario.

a) Proposal

We estimate that the distribution to ordinary creditors identified in the Debtor's Statement of Affairs could correspond to the following:

| Power Battery (Iberville) Ltd. Proposal Estimated Distribution As of December 2, 2010 | | | |
|--|---------------------------|---------------|-----|
| (000's) | Amount | | |
| Total dividend to be paid | | \$ 700 | |
| | Claim Amount ¹ | Distribution | |
| Secured Claims | \$ 24,804 | N/A | |
| Preferred Claims ² | - | - | |
| Unsecured Claims ³ | 6,850 | \$ 700 | 10% |
| | | <u>\$ 700</u> | |

¹ Claim amounts are based on the liabilities included in the Statement of Affairs dated December 2, 2010.

² At the time of the preparation of this report, no preferred claims existed as all unpaid salaries and vacation pay were paid by the Debtor in the normal course of business since the filing of the Notice of Intention. Management of Power Battery (Iberville) Ltd. does not know of nor expect any preferred claims.

³ Excluding unsecured claims from related parties totalling \$1.81MM who will forego their dividend in the Proposal.

b) Bankruptcy Scenario

In a bankruptcy scenario, based on the value of the assets and liabilities as reflected in the Statement of Affairs dated December 2, 2010, we estimate that the distribution would be as follows:

| Power Battery (Iberville) Ltd. Bankruptcy Estimated Distribution As of December 2, 2010 | | |
|--|------------------|------------------------------|
| (000's) | Book Value | Estimated Value ¹ |
| Accounts receivable | \$ 2,807 | \$ 1,800 |
| Intercompany receivables | 13,183 | - |
| Inventory | 4,500 | 2,000 |
| Capital Assets | 10,295 | 5,000 |
| Plant Building | 3,503 | 3,000 |
| Investment in subsidiaries | 555 | - |
| | <u>\$ 34,843</u> | 11,800 |
| Priority Claims - WEPPA | | (300) |
| Property Taxes | | (125) |
| Professional fees and realization costs | | (500) |
| Estimated net proceeds available for distribution | | 10,875 |
| Secured Claims ² | | 24,410 |
| Estimated Shortfall of the Secured Creditors | | \$ (13,535) |
| Alburg Property ³ | \$ 1,075 | \$ 800 |
| Commissions on sale | | (40) |
| Fees and Costs | | (35) |
| Mortgage ³ | | (393) |
| Estimated Equity on Alburg Property | | \$ 332 |
| Ordinary Creditors (including related parties) | | \$ 8,665 |
| Estimated Shortfall on Secured Claims | | 13,535 |
| Total Ordinary Claims | | <u>\$ 22,200</u> |
| % Distribution | | 1.5% |

¹ Estimated values are as per the Statement of Affairs dated December 2, 2010.

² As per the Statement of Affairs dated December 2, 2010.

³ The Alburg Property is only subject to a first ranking mortgage.

c) Other Considerations

The following are additional elements to be considered in the event of a bankruptcy:

i. Inopposability of some transactions

By the Approval of the Proposal, all the creditors waive their remedies provided by sections 95 to 101 of the Act. These remedies relate to the recovery of certain amounts under reviewable transactions, preferential treatments and asset disposals.

Since these remedies would be available in the event of a bankruptcy of the Debtor, we have performed a summary analysis of various transactions involving the Debtor and non-related third parties and related parties over the 3 months and 12 months respectively prior to the filing of the NOI.

• **Non-related Third Parties**

Based on our review of the amounts payable to third parties (suppliers) between three months prior to the filing of the NOI and the date of NOI, we do not note any creditor who appears to have received a preferential payment.

• **Related Parties**

Based on our review of payments made to related parties, between twelve months prior to the filing of the NOI and the date of the NOI, we did not note any payments made which appear to have been in the nature of a preference or which would be a reviewable transaction under the Act.

ii. Ongoing Operations

Acceptance of the Proposal will avoid a bankruptcy and will be of benefit to the following constituents:

- Approximately 150 employees will have continued employment at the Company's plant and head-office; and
- Merchandise suppliers and service providers will have a going concern entity with which to continue doing business.

XI. CONCLUSION

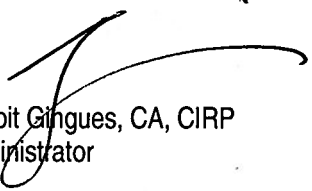
After having estimated the amount that may be available for the creditors in the context of a bankruptcy, we are of the opinion that the present Proposal is more advantageous to the creditors.

It is estimated that the Proposal would provide the creditors with a dividend of approximately \$0.10 on the dollar to the Ordinary Creditors as presented in the Statement of Affairs, compared to an estimated dividend of \$0.01 on the dollar in the event of a bankruptcy.

For these reasons, the Trustee recommends the approval of the Proposal.

Dated at Montréal, this 3rd day of December 2010.

RSM Richter Inc.
Trustee



Benoit Gingues, CA, CIRP
Administrator