

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 Notice of Intention to Make a Proposal of:

POWER BATTERIES (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

**TRUSTEE'S REPORT ON THE STATE OF THE INSOLVENT PERSON'S
BUSINESS AND FINANCIAL AFFAIRS
(Pursuant to 50.4(7)(b)(ii) and 50.4(9) of the Bankruptcy and Insolvency Act)**

I, Benoit Gingues, CA, of RSM Richter Inc. ("Richter"), Trustee, with respect to the Notice of Intention to Make a Proposal ("Notice of Intention") filed by Power Batteries (Iberville) Ltd. (the "Company" or "Debtor"), an insolvent person, do hereby report to the Court the following:

INTRODUCTION

1. On August 12, 2010, the Debtor filed a Notice of Intention to Make a Proposal in accordance with the *Bankruptcy and Insolvency Act* ("the Act"), a copy of which has previously been filed with the Court.
2. On August 19, 2010, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's Notice of Intention, a copy of which has previously been filed with the Court.
3. On August 20, 2010, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("Forecast") together with his report pursuant to Section 50.4(2)(c) of the Act ("Debtor's Report"), covering the period from August 15, 2010 to September 25, 2010, which included the major Assumptions used in the preparation of the afore-noted Forecast. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Forecast in accordance with Section 50.4(2)(b) of the Act ("Trustee's Report"), all of which have been previously filed with the Court.

4. On September 9, 2010, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("Forecast") together with his report pursuant to Section 50.4(2)(c) of the Act ("Debtor's Report"), covering the period from September 5, 2010 to November 6, 2010, which included the major Assumptions used in the preparation of the afore-noted Forecast. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Forecast in accordance with Section 50.4(2)(b) of the Act ("Trustee's Report"), all of which have been previously filed with the Court.
5. On September 9, 2010, an extension to October 22, 2010 was granted to the Debtor by the Court for the filing of a Proposal.
6. On October 22, 2010, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("Forecast") together with his report pursuant to Section 50.4(2)(c) of the Act ("Debtor's Report"), covering the period from October 17, 2010 to December 4, 2010, which included the major Assumptions used in the preparation of the afore-noted Forecast. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Forecast in accordance with Section 50.4(2)(b) of the Act ("Trustee's Report"), all of which have been previously filed with the Court.
7. On October 22, 2010, an extension to November 26, 2010 was granted to the Debtor by the Court for the filing of a Proposal.

OPERATIONS

8. 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"). There have historically been a significant number of intercompany transactions and balances owing between the various entities which comprise the Group.
9. Given the interrelationship between the legal entities within the Group, BUL and PCC have also filed Notices of Intention to Make a Proposal with Richter acting as Trustee there under.
10. 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.
11. 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 Part Segment"). As noted below, on November 17, 2010, the Debtor obtained the Court's approval to sell the assets of the Truck Part Segment.
12. The Company's primary secured lender is National Bank of Canada ("NBC"). The NBC has a universal first ranking charge on all of the assets (except real estate and certain equipment) of each corporate entity within the Group. Corporation Alter-Moneta ("Alter-Moneta"), another secured lender, also has a charge on certain of the Company's equipment used in the operations of the Battery Segment.
13. The Company's mortgagee is GE Canada Real Estate Financing Business Property Company ("GE Capital") whose advances are secured by a first ranking charge on the building located in Iberville, Quebec.

MONITORING

14. In order to monitor the affairs and finances of the Debtor, we have been provided with access to the books, records and other important documents of the Company.

15. The Trustee has compared the actual results to those forecasted from October 17, 2010 to November 20, 2010, which is annexed as **Exhibit "A"**. The following variances were noted:
 - Cash receipts were lower than projected due to a shortfall in the inter-company transfers from PBCI which was partially offset by accelerated collections of third party accounts receivable;
 - The Company made a payment of \$5.5MM against a letter of guaranty issued in favour of PBCI's operating lender, which was not projected during the period; and
 - Purchases and expenses have been reduced by management to compensate for the shortfall in cash receipts and remain within the authorized line of credit level.
16. The Company has been paying its suppliers and employees, on a timely basis, for goods and services provided subsequent to the date of the filing of the Notice of Intention. Alter-Moneta and GE Capital have not been paid interest on their advances and have been notified of the Debtor's Motion to Extend the Delay for the Filing of a Proposal ("Motion for Extension").
17. The Debtor has adjusted the level of its operations in order to maintain its cash flow requirements within the line of credit level authorized by the NBC.
18. NBC has been supporting the Debtor's scaled down cash flow requirements during the restructuring process, so far, and the Trustee believes that, as long as the Debtor complies with the standstill conditions to be agreed upon between the Debtor and NBC, NBC shall continue to maintain its support for the duration of the extension sought herein.

RESTRUCTURING INITIATIVES

19. 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.
20. 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 the current fiscal year, a significant number of restructuring measures have been taken, including the hiring of a new President and Chief Executive Officer ("CEO") and the initiation of these proceedings.
21. Since taking office, the Company's new CEO, with the assistance of Richter, has developed an action plan and the Company is in the process of implementing several measures to rationalize its operations and turn around its financial results, some of which have been completed to date. Those reorganization measures include:
 - Replacing senior management with an interim management team ("Management");
 - Reassignment of the work force and headcount reductions;
 - Filling of certain previously vacant positions;
 - Consolidation of the manufacturing facilities in Iberville and Paterson, NJ;
 - Re-engineering of the production process in Iberville;
 - Analysis of product line profitability;
 - Optimization of salespersons compensation programs; and
 - Renegotiation of the collective bargaining agreement.
22. The Company, with the assistance of Richter, has prepared its business plan (including financial projections) for the next two fiscal periods which incorporate the impact of the afore-noted reorganization measures ("Business Plan").

SOLICITATION PROCESS

23. On August 12, 2010, the Company has retained the services of Richter to assist in its efforts to sell its business units whether by a sale of assets or by way of an investment in the Company ("Sale Process"). As part of its mandate, Richter has assisted the Company in preparing a virtual data room ("Data Room") to assist potential buyers in making an investment decision. The Data Room includes 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.
24. 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").
25. The Sale Process for the Truck Part Segment has been completed and, on November 17, 2010, the Debtor obtained the Court's approval to sell the assets of the Truck Parts Segment.
26. On October 5, 2010 the Information Package for the Battery Segment was sent to approximately 375 Potential Purchasers (both strategic and financial).
27. 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.
28. 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.
29. 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.
30. While assisting the Potential Purchasers with their analysis of this business opportunity, Richter finalized the terms and conditions and offer form related to the Sale Process ("Terms and Conditions"). The Terms and Conditions stipulated that a deadline of November 23, 2010 was set to receive offers.
31. 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 LOI's, two were for the purchase of the Group's assets as a whole. The third LOI was received from a group of investors ("Investor Group") and contemplates a private placement in the Company (the "Investors LOI").
32. The Investors LOI is conditional on, among other things:
 - The approval of a Proposal by the unsecured creditors of the Company and the Court;
 - A successful restructuring of the Company's equity whereby the Investor Group would become the Debtor's sole shareholder; and

- A successful restructuring by the Company of its indebtedness owing to its secured creditors, namely the NBC, GE Capital and Alter-Moneta.
33. The Company, with the assistance of Richter is presently in the process of negotiating the terms and conditions of the transaction contemplated with the Investor Group, which requires additional time.

EXTENSION OF DELAY TO FILE A PROPOSAL

34. The Debtor has filed its Motion for Extension, in order to enable it to conclude a transaction with the Investor's Group, recapitalize its equity, enter into restructuring agreements with its secured creditors and formulate a Proposal to its unsecured creditors.
35. The Debtor has prepared an additional Cash Flow Forecast for the period ending January 8, 2011. Annexed hereto as **Exhibit "B"** is the Statement of Projected Cash Flow covering the period from November 21, 2010 to January 8, 2011 which includes the major Assumptions used in the preparation of the aforementioned Forecast, the Trustee's Report on the reasonableness of the Forecast in accordance with Section 50.4(2)(b) of the Act and the Debtor's Report pursuant to Section 50.4(2)(c) of the Act.
36. If the extension is granted, we are not aware that any creditor will be materially prejudiced.
37. NBC, Alter-Moneta and GE Capital have been advised of the Company's Motion for Extension.
38. In the event that the extension is not granted and a Bankruptcy ensues, any reorganization efforts of the Battery Segment business unit would cease and the piecemeal disposition of its assets would likely result in a substantial shortfall to the creditors. Consequently, the creditors' best opportunity to maximize recovery in this matter is to allow the Company time to continue its efforts to consummate a transaction with the Investor Group, enter into agreements with its secured creditors, recapitalize its equity and attempt to formulate a Proposal to its unsecured creditors.
39. That given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to January 9, 2011.

DATED AT MONTRÉAL, this 25th day of November 2010.

RSM Richter Inc.

Trustee


Benoit Gingues, CA, CIRP
Administrator

EXHIBIT A

Power Batteries (Iberville) Ltd.
 District: Quebec
 Division: 01-Montreal
 Court # 500-11-039457-102
 Estate # 41-1393380

Exhibit "A"

Cash Flow Statement				
Actual vs Projected for the period from October 17 to November 20, 2010				
	<u>Actual</u>	<u>Projections</u>	<u>Variance</u>	<u>Notes</u>
Cash Receipts				
Collection of Accounts Receivable	\$ 2,755,296	\$ 2,831,050	\$ (75,754)	1
Cash Disbursements				
Lead Purchases	350,415	585,120	234,705	2
Other Raw Material Purchases	568,243	657,126	88,882	
Payroll	539,897	595,000	55,103	
Other Operating Disbursements	681,981	612,898	(69,083)	
TD letter of guarantee payment	5,500,000	-	(5,500,000)	3
Professional Fees	365,100	401,040	35,940	
Total Cash Disbursements	<u>8,005,636</u>	<u>2,851,184</u>	<u>(5,154,452)</u>	
Net Cash Flow	(5,250,340)	(20,134)	(5,230,206)	
Opening Bank Loan	(10,815,319)	(10,815,319)	-	
Ending Bank Loan	<u>\$ (16,065,659)</u>	<u>\$ (10,835,452)</u>	<u>\$ (5,230,206)</u>	
Notes				
1 -Negative variance in cash collections due to lower inter-company transfers from PBCI which was partially offset by accelerated collections of third party accounts receivable.				
2 -Negative variance due to restrictions in cash flow availability.				
3- Payment of the US \$5.5M letter of guarantee in favor of TD BankNorth which was not projected.				

EXHIBIT B

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

-- FORM 29 --

Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
Power Batteries (Iberville) Ltd.
Of the City of Saint Leonard
In the Province of Quebec

The attached statement of projected cash flow of Power Batteries (Iberville) Ltd, as of the 24th day of November 2010, consisting of the period from November 21, 2010 to January 8, 2011, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

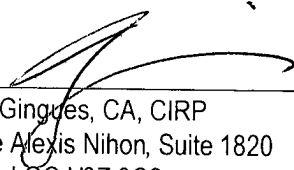
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 24th day of November 2010.

RSM Richter Inc. - Trustee

Per:


Benoit Gingras, CA, CIRP
2 Place Alexis Nihon, Suite 1820
Montréal QC H3Z 3C2
Phone: (514) 934-3497 Fax: (514) 934-3504

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

-- FORM 29 -- Attachment -
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)
In the Matter of the Proposal of
Power Batteries (Iberville) Ltd.
Of the City of Saint Leonard
In the Province of Quebec

Purpose:

Power Batteries (Iberville) Ltd., filed a Notice of Intention to Make a Proposal on August 12, 2010. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Power Batteries (Iberville) Ltd. (the "Company"), for the period November 21, 2010 to January 8, 2011, relating to the filing of an extension to delay the filing of a Proposal. This Statement of Projected Cash Flow has been prepared by management on November 24, 2010 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period November 21, 2010 to January 8, 2011, considering the economic conditions that are considered the most probable by Management. As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

Consist of projected accounts receivable collections which are based on management's best estimate and historical data.

(b) Projected Cash Disbursements

The projected cash disbursements are based on historical data adjusted to reflect the current level of activity and the filing of the Notice of Intention;

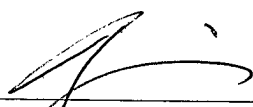
The cash disbursements do not provide for the payment of arrears to unsecured creditors or of principal payments to the company's secured creditors; and

Professional fees include the Trustee's fees, the company's consultant's fees and the fees of the company's and its major secured creditor's legal counsel.

Dated at the City of Montréal in the Province of Quebec, this 24th day of November 2010.

RSM Richter Inc. - Trustee

Per:


Benoit Gingues, CA, CIRP

2 Place Alexis Nihon, Suite 1820

Montréal QC H3Z 3C2

Phone: (514) 934-3497 Fax: (514) 934-3504

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

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Power Batteries (Iberville) Ltd.
Of the City of Saint Leonard
In the Province of Quebec

The Management of Power Batteries (Iberville) Ltd, has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 24th day of November 2010, consisting of the period from November 21, 2010 to January 8, 2011.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

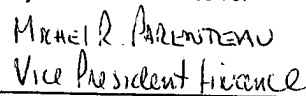
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 24th day of November 2010.



Power Batteries (Iberville) Ltd
Debtor



Vice President finance
Name and title of signing officer

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

- FORM 30 - Attachment -
Report on Cash-flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
Power Batteries (Iberville) Ltd.
Of the City of Saint Leonard
In the Province of Quebec

Purpose:

Power Batteries (Iberville) Ltd., filed a Notice of Intention to Make a Proposal on August 12, 2010. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Power Batteries (Iberville) Ltd. (the "Company"), for the period November 21, 2010 to January 8, 2011, relating to the filing of an extension to delay the filing of a Proposal. This Statement of Projected Cash Flow has been prepared by management on November 24, 2010 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period November 21, 2010 to January 8, 2011, considering the economic conditions that are considered the most probable by Management. As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

Consist of projected accounts receivable collections which are based on management's best estimate and historical data.

(b) Projected Cash Disbursements

The projected cash disbursements are based on historical data adjusted to reflect the current level of activity and the filing of the Notice of Intention;

The cash disbursements do not provide for the payment of arrears to unsecured creditors or of principal payments to the company's secured creditors; and

Professional fees include the Trustee's fees, the company's consultant's fees and the fees of the company's and its major secured creditor's legal counsel.

Dated at the City of Montréal in the Province of Quebec, this 24th day of November 2010.



Power Batteries (Iberville) Ltd
Debtor

Power Batteries (Iberville) Ltd.
 District: Quebec
 Division: 01-Montreal
 Court # 500-11-039457-102
 Estate # 41-1393380

Statement of Projected Cash Flow
For the Period November 21 to January 8, 2011

	27-Nov-10	4-Dec-10	11-Dec-10	18-Dec-10	25-Dec-10	1-Jan-11	8-Jan-11	Total
Cash Receipts								
Collection of Accounts Receivable	\$ 730,000	\$ 345,000	\$ 379,000	\$ 464,000	\$ 665,276	\$ 60,445	\$ 879,116	\$ 3,522,837
Cash Disbursements								
Lead Purchases	100,980	-	105,000	100,980	100,980	-	168,300	576,240
Other Raw Material Purchases	402,524	-	30,000	29,524	29,524	5,000	55,873	552,444
Payroll	90,000	90,000	90,000	75,000	90,000	90,000	90,000	615,000
Other Operating Disbursements	143,898	279,398	96,500	70,600	124,000	225,500	109,898	1,049,794
Professional Fees	205,083	130,750	55,750	130,750	55,750	130,750	30,750	739,583
Total Cash Disbursements	942,485	500,148	377,250	406,854	400,254	451,250	454,821	3,533,061
Net Cash Flow	(212,485)	(155,148)	1,750	57,146	265,022	(390,805)	424,295	(10,224)
Opening Line of Credit Balance	(16,065,659)	(16,278,144)	(16,433,292)	(16,431,542)	(16,374,395)	(16,109,373)	(16,500,179)	(16,065,659)
Ending Line of Credit Balance	\$ (16,278,144)	\$ (16,433,292)	\$ (16,431,542)	\$ (16,374,395)	\$ (16,109,373)	\$ (16,500,179)	\$ (16,075,883)	\$ (16,075,883)

Michel Parenteau
 Michel Parenteau, CFO

