

**RSM Richter Inc.**

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

**CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF QUÉBEC  
DIVISION NO.: 01-MONTREAL  
COURT NO.: 500-11-039458-100  
ESTATE NO.: 41-1393388**

**SUPERIOR COURT  
(Commercial Division)**

**IN THE MATTER OF THE BANKRUPTCY OF:**

**POWER CANADA CABLES LTD.**

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

**Bankrupt**

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**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS**

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

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

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

## **I. OVERVIEW**

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

PCC's main business activities consisted of the design and manufacturing of specialized cables and terminals used in commercial applications such as refrigeration and lighting units, and of peripheral devices used in conjunction with commercial backup power applications.

## **II. CAUSES OF INSOLVENCY**

Although the Company has been marginally profitable for the past two fiscal years, its financing is intertwined with that of the other entities within the Group, which has resulted in a significant cash flow pressure on PCC's operations.

### III. FINANCIAL RESULTS

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

<b>Power Canada Cables Ltd.</b>		
<b>Summary of results</b>		
	<b>Fiscal year ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Sales	\$ 2,257,300	\$ 3,248,073
Expenses	1,803,060	2,848,225
Gross Margin	454,240	399,848
Gross Margin (%)	20.1%	12.3%
Selling, General and Administration	274,744	280,332
Interest and Others	15,386	54,633
<b>Net Earnings</b>	<b>\$ 164,110</b>	<b>\$ 64,883</b>

- Sales have decreased by \$1.0MM (31%) between fiscal 2009 and fiscal 2010;
- Gross margin has increased from 12.3% to 20.1% during fiscal 2010; and
- Selling, General and Administration expenses have remained stable from fiscal 2009 to fiscal 2010.

### IV. RECEIVERSHIP

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

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

## V. STATEMENT OF AFFAIRS

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

<b>Power Canada Cables Ltd. Statement of Affairs - Assets As at January 20, 2011</b>		
	<b>Amount</b>	<b>Secured in Favor of:</b>
Inventory	\$ 100,000	NBC
Accounts Receivable	150,000	NBC
Equipment	100,000	Free of lien/Finance Co
	<u>\$ 350,000</u>	

### A) Assets

- **Inventory – \$100,000**

The inventory is pledged in favour of National Bank of Canada. The inventory comprised of cabinets, cabinet components and cables.

- **Accounts receivable – \$150,000**

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

- **Fixed Assets – \$200,000**

The Company's fixed assets are comprised of production and assembly equipment, rolling stock and office equipment. With the exception of certain rolling stock which have been pledged to certain financing companies, the Company's fixed assets are unencumbered.

**B) Liabilities**

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

Description	Amount
Secured creditors	\$ 350,000
Preferred creditors	24,000
Unsecured Creditors	16,583,547
	<u>\$ 16,957,547</u>

- **Secured Creditors - \$350,000**

The Company's accounts receivable and inventories are pledged in favour of NBC. In addition, certain specific pieces of equipment (rolling stock) have been pledged to financing companies.

The Trustee has received a proof of secured claim in the amount of \$725,000 from NBC. Based on the administration to date, it is unlikely that this claim will be paid in full.

- **Preferred Creditors - \$24,000**

Based on the Company's records, there is approximately \$24,000 owing to employees a portion of which may be considered a priority under section 81.3 or 136 of the Act.

- **Unsecured Creditors - \$16,583,547**

The books and records of the Company have not been fully updated and the claims received from unsecured creditors may therefore differ from the amounts reflected in the Statement of Affairs. The amount reflected as unsecured liabilities in the Statement of Affairs includes the estimated shortfall by NBC on its secured claims against PBI, which are guaranteed by the Company (\$15,954,000).

## **VI. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE ESTATE**

- **Books and Records**

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

- **Security and Protective Measures**

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

- Changing locks and notifying the alarm company;
- Hiring former employees of PCC, on a temporary basis, to assist the Trustee in its functions;
- Opening trust bank accounts;
- Safeguarding the information contained in the computer system;
- Adding the Trustee's name to the insurance policies in force covering the assets of the Company;
- Entering into a custody agreement for the premises with a former employee; and
- Making arrangements with certain suppliers of services to maintain the continuity of essential services (utilities, etc.).

- **Transaction Review**

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

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

- In the case of related parties (including creditors), for the period which begins twelve months preceding the date of the filing of the NOI and ending on the date of bankruptcy.

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

## **VII. SUMMARY OF THE ONGOING SALE PROCESS**

During the NOI period, Richter initiated a sale process targeting going-concern purchasers, i.e. battery-related companies and investment funds (the "First Sale Process"). The First Sale Process did not result in finding a going-concern purchaser for the Company's assets.

Since the bankruptcy, Richter initiated another sale process to solicit offers for the assets of the Company from strategic buyers as well as from auctioneers, liquidators and dismantlers (the "Second Sale Process"). In this regard, we have gathered relevant information and built a virtual data room for prospective buyers. Access is granted upon request to the Trustee.

We have requested offers ("Offers") to be submitted no later than February 10, 2010 at 3:00 p.m. (Montreal time). The Offers shall be reviewed with the Inspectors.

## **VIII. Property of Others**

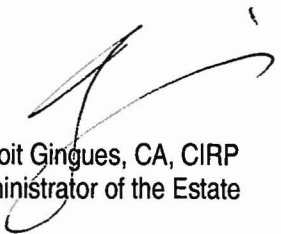
To date, the Trustee has received property claims and is reviewing them with the assistance of Me. Michel Laroche.

**IX. Projected Dividend**

The process to liquidate the assets has just commenced and consequently it is too early to estimate the anticipated realization and whether a dividend will be available to the unsecured creditors.

**RSM Richter Inc.**

Trustee



Benoit Gingues, CA, CIRP  
Administrator of the Estate