

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-039827-106
ESTATE NO.: 41-342660

SUPERIOR COURT
(Commercial Division)
In Bankruptcy and Insolvency

IN THE MATTER OF THE RECEIVERSHIP OF:

Patella Manufacturing Inc., a body politic and corporate, duly incorporated according to law and having its head office and its principal place of business at:
161 rue Stirling,
LaSalle, Quebec H8R 3P3

Debtor/Bankrupt

-and-

RSM RICHTER INC.

Receiver

RECEIVER'S INTERIM REPORT ON THE AFFAIRS OF THE DEBTOR (S.246(2))

RSM Richter Inc., in its capacity as Receiver to the assets of Patella Manufacturing Inc. ("Patella" or "Company" or "Bankrupt"), an insolvent person, hereby reports on the following:

The following is an update to the Receiver's Interim Report on the affairs of the debtor (S.246(2)) dated May 24, 2011. (We refer you to **Exhibit "1"** for a copy of the prior report).

A) Update on the realization of the assets of the Company by the Receiver

i) Collection of Patella Receivables

Since its latest report, the Receiver has collected accounts receivable of various natures in the amount of \$623K, consisting mostly of amounts due for completed construction projects. The total amount collected from receivables is \$1,980K at this time.

ii) Intercompany accounts receivable / settlement with other Patella entities

In order to obtain value for the US intercompany accounts receivable, the Receiver has entered into various settlement agreements with representatives of the Patella US subsidiaries. Under these settlement agreements, the said representatives caused the Receiver to receive \$133K since the last report, for a total and final settlement amount of \$1,508K.

B) Statement of Receipts and Disbursements

We refer you to **Exhibit "2"** for the Debtor's/Bankrupt's Statements of Receipts and Disbursements for the period from November 3, 2010 to November 11, 2011.

C) Property not yet realized

As of this date, accounts receivable in the amount of approximately \$400K remain to be collected/settled (book value, before provision for doubtful accounts and lien offsets). There also remains a potential claim against the former owners / directors of the debtor which may or may not be pursued by the Receiver. These are the only assets of the debtor that remain to be realized.

D) Distribution

The proceeds from the realization of the assets are being remitted to HSBC taking into account claims that may rank ahead of its securities. In this latter regard, GE Capital, which is a prior ranking secured creditor on specific assets, has received a net distribution of \$89K.

E) Anticipated completion of the Receivership

Once all accounts receivable are collected and/or settled, and when all obligations are settled, in particular the obligation relating to sections 81.4 and 81.6 of the BIA, RSM Richter Inc. will proceed to close the Receivership and Bankruptcy matters. Same is expected to occur by May 2013.

DATED AT MONTRÉAL, this 22nd day of November 2011.

RSM Richter Inc.
Receiver



Phillip Manel, CA, CIRP, CPA
Administrator

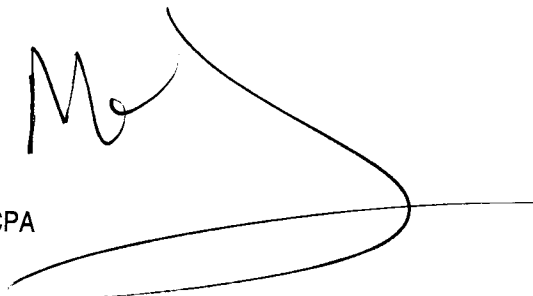


EXHIBIT 1

RSM Richter Inc.

RSM Richter Inc.

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RSM RICHTER INC.

Receiver

RECEIVER'S INTERIM REPORT ON THE AFFAIRS OF THE DEBTOR (S.246(2))

RSM Richter Inc., in its capacity as Receiver to the assets of Patella Manufacturing Inc. ("Patella" or "Company" or "Bankrupt"), an insolvent person, hereby reports on the following:

A) Overview

- 1) The Company's manufacturing activities were located at 161 Stirling Avenue, Lasalle, Quebec. The Company commenced operations in the 1960's. At the time of the bankruptcy, Mr. Eric Perlinger was the president of the Company and the shares of the Company were held by 3476600 Canada Inc. (on November 15, 2010, 3476600 Canada Inc. was petitioned into bankruptcy by HSBC Bank Canada ("HSBC") with Richter acting as Trustee).
- 2) The Company's operations consisted of the manufacturing and installation of architectural woodworking. In addition, the Company acted as a project manager for certain construction contracts in Toronto and Montreal.
- 3) During the last two years, the Company incurred significant losses of approximately \$1.1 million in 2009 and an estimated loss of approximately \$5.3 million in 2010. Given these losses, the Company's financial position rapidly eroded and was unable to meet its obligations as they became due.

B) Receivership

- 4) On November 3, 2010, pursuant to a motion filed by HSBC Bank Canada ("HSBC"), the primary secured lender, the Quebec Superior Court appointed RSM Richter Inc ("Richter") Receiver to the assets of Patella Manufacturing Inc. ("Patella" or "Company" or "Bankrupt"). (We refer you to **Exhibit "1"** for a copy of the Receiver Order). Just prior to the Receivership, due to financial constraints, the operations of the Company had ceased.
- 5) On November 12, 2010, RSM Richter Inc., as Receiver, mailed its Notice and Statement of the Receiver to all known creditors. (We refer you to **Exhibit "2"** for a copy of the Notice and Statement of the Receiver).

C) Bankruptcy

- 6) On November 10, 2010, Richter, in its quality as Receiver of Patella, caused Patella to file an assignment in Bankruptcy under section 49 of the Bankruptcy and Insolvency Act ("BIA") and Richter was duly appointed Trustee of the Bankrupt.
- 7) On November 12, 2010, RSM Richter Inc., as Trustee, mailed its Notice of Bankruptcy and First meeting of Creditors, to all known creditors. (We refer you to **Exhibit "3"** for a copy of the Notice of Bankruptcy and First meeting of Creditors).
- 8) On November 22, 2010, RSM Richter Inc., as Trustee, issued its Trustee's Report to the First Meeting of Creditors, which was posted on its website and made available to creditors at the First Meeting of Creditors. (We refer you to **Exhibit "4"** for a copy of the Trustee's Report).
- 9) On November 22, 2010, the First Meeting of Creditors was held and RSM Richter Inc. was confirmed as Trustee.

D) Realization of the assets of the Company by the Receiver

i) Sale of equipment and inventory

- 10) The Receiver initiated a call for tender process on November 3, 2010. On or around November 26, 2010, the Receiver communicated with approximately forty (40) prospective purchasers. The highest offer was submitted by Maynards Industries Ltd.
- 11) On December 15, 2010, HSBC filed a Motion Seeking the Authorization to Sell Property of the Debtor and the Issuance of a Vesting Order, in accordance with Section 243 of the *Bankruptcy and Insolvency Act*. (We refer you to **Exhibit "5"** for a copy of the Motion).
- 12) On December 16, 2010 a Court Order was granted authorizing the Receiver to sell the assets of the Debtor to Maynards Industries Inc. ("Purchaser") and to take the necessary steps to do so ("Sale Order"). (We refer you to **Exhibit "6"** for a copy of the Sale Order).
- 13) On December 16, 2010, pursuant to the Sale Order, the Receiver and the Purchaser concluded the sale transaction.
- 14) In accordance with the terms of the Offer to Purchase, the Receiver received the proceeds of sale, net of closing adjustments.

ii) Collection of Patella Receivables

- 15) Over the course of the Receivership, the Receiver has collected accounts receivable of various nature in the amount of \$1,285K consisting mostly of amounts due for completed construction projects. It has also collected various government refunds and sales taxes receivable.

iii) Intercompany accounts receivable / settlement with other Patella entities

- 16) In order to obtain value for the US intercompany accounts receivable, the Receiver has entered into various settlements agreements with representatives of the Patella US subsidiaries. Under these settlement agreements, the said representatives caused the Receiver to receive over \$1,376K.

E) Statement of Receipts and Disbursements

- 17) We refer you to **Exhibit "7"** for the Debtor's/Bankrupt's Statements of Receipts and Disbursements for the period from November 3, 2010 to May 13, 2011.

F) Property not yet realized

- 18) As of this date, accounts receivable in the amount of \$1,948K remain to be collected/settled (book value, before provision for doubtful accounts and lien offsets). These are the only assets of the debtor that remain to be realized.

G) Distribution

- 19) The proceeds from the realization of the assets are being remitted to HSBC taking into account claims that may rank ahead of its securities. In this latter regard GE Capital is a secured creditor on specific assets.

H) Anticipated completion of the Receivership

- 20) Once all accounts receivable are collected and/or settled, and when all obligations are settled, in particular the obligation relating to sections 81.4 and 81.6 of the BIA, RSM Richter Inc. will proceed to close the Receivership and Bankruptcy matters. Same is expected to occur by December 2011.

DATED AT MONTRÉAL, this 24th day of May 2011.

RSM Richter Inc.
Receiver

Phillip Manel, CA, CIRP, CPA
Administrator

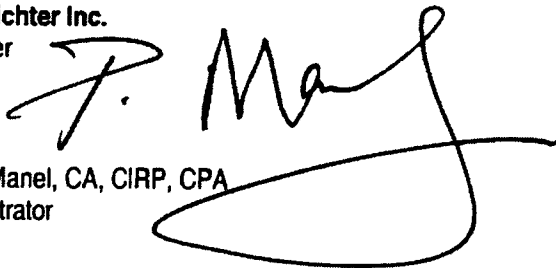
The image shows two handwritten signatures in black ink. The first signature is a stylized 'P. Manel' and the second is a more fluid signature, likely representing the Receiver. Below the signatures is a large, horizontal, oval-shaped scribble or mark.

EXHIBIT 2

**In the Matter of the Receivership of
Patella Manufacturing Inc.**

**COURT NO.: 500-11-039827-106
ESTATE NO.: 41-342660**

**November 11, 2011
In \$000's**

Receipts

Sale of equipment and inventory by tender	\$ 690
Patella receivables	1,980
Settlement with other Patella entities	1,508
Government refunds and sales taxes receivable	298
Miscellaneous	27
	<u>4,503</u>

Disbursements

Rent and utilities	136
Security and protective measures	81
Wages of retained employees	57
Redemption of GE's tender proceeds	89
GST/QST	207
Trustee's fees and costs	463
Receiver's fees and costs	225
Sundry	21
	<u>1,278</u>
	<u>3,225</u>

HSBC's loan reduction (2,000)

Funds on hand (Note 1) \$ 1,225

Note 1:

Funds on hand are to be remitted to the secured lenders and used to settle potential prior ranking liabilities (salaries and vacation (BIA 81.4), prescribed pension plan (BIA 81.6), Receiver's fees and costs, others).

Note 2: Some amounts were reclassified from the previous Receiver's report.