RSM Richter Inc.

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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01 - MONTREAL
COURT NO.: 500-11-031719-079
ESTATE NO.: 41-1008035

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE PROPOSAL OF:

Priva Inc.

a body politic and corporate, duly incorporated according to law and having its head office and its principal place of business at:
9100 Ray-Lawson Boulevard
Montreal, QC H1J 1K8

Debtor

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*)

The purpose of the First Meeting of Creditors is to consider the Proposal filed on November 23, 2007 (hereinafter referred to as the "Proposal") by Priva Inc. (hereinafter referred to as the "Debtor" or "Priva").

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.

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I. INTRODUCTION

On October 26, 2007, Priva filed a Notice of Intention to make a Proposal (hereinafter referred to as the "Notice of Intention") to its creditors and RSM Richter Inc. (hereinafter referred to as "Richter") was appointed Trustee.

On October 26, 2007, the Superior Court of Quebec (Commercial Division) granted the Debtor's motion for the appointment of Richter as Interim Receiver and for the authorization to sell certain assets of Priva (refer to section IV for details on this transaction).

On November 23, 2007, 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 and a notice indicating the place and time of the first meeting of the creditors to consider the Proposal.

The following summarizes the relevant information and key elements that may assist the creditors in evaluating the Debtor's affairs and the Proposal.

II. BACKGROUND OF THE DEBTOR

Priva was established in 1987 and its business consisted of the manufacturing, distribution and marketing of absorbent, waterproof, protective textile products for adults and children, for sale by retailers and catalogue companies in Canada, the U.S., the U.K., Australia and Spain. Exports represented approximately 70% of Priva's sales.

Priva has been listed on the TSX Venture Exchange since July 1993, where its common shares trade under the symbol "PIV". Approximately 65% of the Debtor's issued and outstanding shares are directly or indirectly controlled by Med-I-Pant Inc. (hereinafter referred to as "MIP"), a privately owned corporation.

In the Fall of 2005, Priva acquired the entirety of the assets of the U.S. based company Philmont Manufacturing, a division of The Strongwater Group, which designed, manufactured and distributed similar products to those of Priva primarily serving U.S. retailers (hereinafter referred to as the "Transaction").

As part of this Transaction, Priva incorporated a subsidiary, Priva (USA) Inc. (hereinafter referred to as "Priva USA"), to operate the business out of an office and a warehouse located in New York, USA.

At the time, the Debtor anticipated generating growth, profitability and synergies pursuant to the Transaction. According to a press release dated November 9, 2005, Priva was projecting to double its sales in fiscal year 2006 resulting from the Transaction.

However, even if the sales generated by Priva USA contributed to significantly increase Priva's sales, costs associated with the Transaction, increased administrative and selling costs regarding Priva USA's New York premises and increased distribution costs prevented Priva from achieving profitability.

However, during the fiscal year 2006, Priva was unsuccessful in its attempts to integrate the new business of Priva USA and the anticipated synergies did not materialize. In addition, the strengthening of the Canadian Dollar against other currencies contributed to enhance Priva's financial difficulties as exportations represented a significant portion of sales.

Therefore, on January 16, 2007, Priva was forced to sell Priva USA and use the proceeds of the sale to reduce Priva's liabilities and improve its balance sheet.

According to Management, notwithstanding the steps that Priva has taken to improve its balance sheet and return to profitability, the strengthening of the Canadian Dollar and the effect of the acquisition and divestiture of Priva USA continued to impact Priva's ability to return to sustained profitability.

The continuation of Priva's operations had been dependent on the advantageous credit terms offered by its majority shareholder and critical supplier, MIP.

MIP did not want to continue taking additional credit risk required to fund the ongoing non-profitable operations of the Debtor.

Priva's inability to continue as a going concern forced the Debtor to file a Notice of Intention. Since the filing of the Notice of Intention, there has been no operation.

III. CAUSES OF INSOLVENCY

Unachieved synergies and increased administrative and overhead costs pursuant to the Transaction coupled with the continued strengthening of the Canadian Dollar over other currencies contributed to the Debtor's financial difficulties.

Priva did not have the financial ability to sustain the continued operating losses. This resulted in the incapacity of the Debtor to operate a solvent business on a going concern basis.

IV. SALE OF PRIVA'S ASSETS

Early in fiscal year 2007, in anticipation of poor operating results and of the possible resulting financial ambiguities, Priva's Management started to explore solutions and alternatives which would result in the continuation of its business on a going concern basis.

In this context, Priva's Management started an informal process to try to find a potential buyer, which resulted in the expressions of interest of two potential buyers. However, Priva was unable to conclude a transaction with either of these potential purchases due to certain conditions that could not be met.

In light of these unsuccessful negotiations, an independent committee was formed to pursue other potential buyers in an attempt to solve Priva's financial difficulties while preserving its going concern value.

Accordingly, after lengthy negotiations, on October 26, 2007, Priva received a formal offer from Fiberlinks Textiles Inc., one of the Debtor's creditors (hereinafter referred to as "Fiberlinks"), to purchase most of its assets (hereinafter referred to as the "Fiberlinks Transaction"). The Fiberlinks Transaction was closed on November 1, 2007 (hereinafter referred to as the "Closing Date") whereby the purchase price was paid in full by Fiberlinks to Richter.

The salient facts of the Fiberlinks Transaction can be summarized as follows:

- Fiberlinks purchased at cost all inventories of finished goods, work in progress, raw materials and other materials and supplies owned by the Debtor and used in connection with the operation of Priva as at the Closing Date pursuant to an inventory count performed by both parties;

- Fiberlinks also purchased the goodwill, the intellectual property and the furniture and fixtures of the Debtor;
- The following assets of Priva were specifically excluded from the Fiberlinks Transaction:
  - Cash, bank accounts, and marketable securities;
  - Accounts receivable and;
  - Prepaid expenses.
- The purchase price for the inventory was based on Priva's cost price per unit and totalled $988,010, while the purchase price for the purchased assets other than the inventory amounted to $300,000 for a total purchase price of $1,288,010;
- 11 out of the 15 employees of Priva were retained by Fiberlinks;
- Fiberlinks agreed to collect Priva's accounts receivable (which did not form part of the Fiberlinks Transaction) on behalf of the Debtor and to remit the proceeds to Priva for the benefit of Toronto-Dominion Bank (the Debtor's first ranking secured creditor), then of MIP (second ranking secured creditor) and the balance, if any, to the ultimate benefit of the unsecured creditors;
- The Fiberlink Transactions was conditional upon the following conditions:
  - The appointment of Richter as Interim Receiver and the authorization for the Interim Receiver to intervene into the Fiberlinks Transaction and perform its obligations;
  - The authorization of the Fiberlinks Transaction by the Superior Court of Quebec;
  - The closing of the transaction by no later than four (4) business days following the Court Order date;
  - The delivery of discharges by the secured creditors of Priva (i.e. the TD Bank and MIP);

  - The execution of a non-competition agreement to be entered into with the former president of the Debtor for a cash consideration of $124,236.45, and;

  - The payment of all wages and accrued vacations to the employees retained by Fiberlinks until the Closing Date.

- All of the above conditions were met as at the Closing Date.

Pursuant to the Fiberlinks Transaction, Richter, in its capacity as Interim Receiver, remitted to the TD Bank the sale proceeds relating to the sale of the inventory (i.e. $988,010).

In addition, Richter also remitted for the benefit of the TD Bank, the payment made to Priva's former president in the aggregate amount of $124,236.45.

V. FAIRNESS OPINION

RSM Richter Corporate Finance (hereinafter referred to as "RCF"), a division of Richter, was engaged by Priva as independent business valuators to:

- Review the terms of the Fiberlinks Transaction;

- Provide an estimate valuation report on the fair market value of the purchased assets under two scenarios: sale of the business as a going concern and liquidation, and;

- Provide its opinion as to the fairness of the Fiberlinks Transaction from a financial point of view.

The estimated liquidation value of the inventory was provided to RCF by Crescent Commercial Corporation, a leading Canadian appraisal consultant, while the estimated liquidation value of the office furniture and fixtures, computer hardware and software was provided by Priva's Management.

The conclusion of RCF's valuation report can be summarized as follows:

- The agreed upon purchase price for the purchased assets other than the inventory is greater than the fair market value of same assets on a going concern and on a liquidation basis;
- The cost value of the inventory is significantly higher than its liquidation value under either an orderly or forced liquidation scenario.

Therefore, RCF is of the opinion that the Fiberlinks Transaction is fair from a financial point of view.

VI. FINANCIAL INFORMATION

The following financial data was extracted either from the Statement of Affairs, dated November 22, 2007, filed with the Official Receiver on November 23, 2007, the internal 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) Operating results

Priva Inc. - Operating results (unaudited)										
	26-Oct-07		31-Dec-06		31-Dec-05		31-Dec-04		31-Dec-03	
(In thousands of CND $)	(10 months)		(12 months)		(12 months)		(12 months)		(12 months)	
Sales	$ 7,929	*100%*	$ 9,602	*100%*	$ 8,949	*100%*	$ 8,317	*100%*	$ 7,844	*100%*
Growth	*NA*		*7.3%*		*7.6%*		*6.0%*		*NA*	
Gross Margin	2,431	*31%*	2,853	*30%*	2,694	*30%*	2,406	*29%*	1,886	*24%*
Operating Expenses	2,587		3,465		2,568		1,967		2,498	
Income Taxes & Other	187		95		53		(237)		-	
Net Earnings /(Loss)	**$ (343)**	***-4%***	**$ (707)**	***-7%***	**$ 73**	***1%***	**$ 676**	***8%***	**$ (612)**	***-8%***

The above table shows the poor financial performance of the Company in 2006 and 2007.

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B) Assets

The Debtor's Statement of Affairs (refer to Exhibit 1 attached) reflects the following:

Assets	As at October 26, 2007		As at November 22, 2007	
	Book Value	Realisation Value	Book Value	Realisation Value
Cash	$ 240,580	$ 240,580	$ 241,215	$ 241,215
Accounts Receivable				
Gross	1,913,473	1,512,000	1,256,684	1,011,226
Reserves and other	(77,857)		(81,685)	
	1,835,616	1,512,000	1,174,999	1,011,226
Sales Tax (net)	120,261	71,210	47,207	-
Prepaid	36,023	-	20,580	-
	2,232,480	1,823,790	1,484,001	1,252,441
Inventory	1,006,324	988,010	-	-
Property and Equipment	38,085		-	-
Intangible Assets	373,817	300,000	-	-
Future Income Taxes	184,487	-	184,487	-
Total Assets	**$ 3,835,193**	**$ 3,111,800**	**$ 1,668,488**	**$ 1,252,441**

Our comments concerning the November 22 values are summarized as follows:

i) <u>Cash in Bank</u>

The Company as well as the interim receiver have funds on deposit totalling $241,215 (these funds are subject to MIP's security interest).

ii) <u>Accounts Receivable</u>

The Company, with the assistance of Fiberlinks, has been managing the collection of its accounts receivable. A roll-forward of the accounts receivable for the period is submitted as Exhibit 2 (the majority of the funds collected were used to repay the Toronto-Dominion Bank indebtedness).

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The current realization value of the accounts receivable is based upon Management's best estimate and represents approximately 90% of the book value.

Based on our experience, we believe that, in a bankruptcy scenario, the realization of the accounts receivable would be significantly lower. In addition, the fact that Fiberlinks is assisting the Debtor in the collection of the accounts receivable should result in better recoveries.

iii) <u>Inventories and Other Assets</u>

The inventory, property and equipment and intangible assets were sold to Fiberlinks.

iv) <u>Realization</u>

It is important to note that in conjunction with the Fiberlinks Transaction, Priva funded the reimbursement of TD Bank indebtedness and payment of closing expenses from the collection of receivables. It is estimated that the net realization (after deducting $150,000 to fund the Proposal, refer to Section VII) to be used to reduce MIP's indebtedness will be approximately $827,000.

The statement of receipts and disbursements for the period of October 26 to November 22, 2007 is submitted as Exhibit 3.

The Company's cash flow projections for the period November 22, 2007 to January 11, 2008 are submitted as Exhibit 4.

C) Liabilities

The Debtor has provided us with a list of its creditors. Notices have been sent to the known creditors. However, to date, we are unable to determine if the Debtor's records agree are consistent with those of its creditors. As Proofs of Claim are received, we shall review them with the representatives of Priva and deal with any discrepancies for purposes of collocation and distribution.

Priva's liabilities are detailed as follows:

Liabilities	Oct. 26, 2007	Nov. 22, 2007
TD Bank (first ranking creditor)	$ 1,690,000	NIL
MIP (2nd ranking secured creditor)	1,215,805	$ 1,213,552
Total Secured Creditors	2,905,805	1,213,552
Preferred Creditors (accrual)	300,000	NIL
Unsecured Creditors	769,469	870,309
Total	**$ 3,975,274**	**$ 2,083,861**

i) **Secured Creditors**

Priva's secured creditors are the TD Bank and MIP to which Priva was indebted as at October 26, 2007 in an aggregate approximate amount of $1,690,000 and $1,216,000, respectively.

- TD Bank

The TD Bank has the following security:

  - A hypothec on the universality of Priva's accounts receivable and inventory, and;
  - Bank Act security on Priva's inventory.

As at November 23, 2007, the TD Bank indebtedness has been repaid in full.

- MIP

MIP holds security on the universality of Priva's assets.

Based on the information presently available, the estimated net realization of Priva's assets will not be sufficient to satisfy the secured claim of MIP.

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- Validity of Security

Richter engaged independent counsel, Laroche, Rouleau & Associates, to review and give an opinion on the validity of the security held by the TD Bank and MIP. They confirmed that the secured lenders held valid security. Pursuant to our review of the quantum of the indebtedness, we are of the opinion that the secured debts are for valid consideration and are owed.

ii) Preferred Creditors

At the time of preparing this report, no preferred claims existed as all unpaid salaries and vacation pay were paid by Priva. Management of Priva does not know of nor expects any claims.

iii) Unsecured Creditors

Since the filling of the Notice of Intention on October 26, 2007, the Debtor has updated its books and records and as such the amount owed to unsecured creditors has been determined to be $870,309. The amount due to the unsecured creditors will be validated upon the filing by the creditors of their proofs of claim.

VII. PROPOSAL

A) Summary

MIP has agreed to waive its rights to claim an amount of $150,000 (hereinafter referred to as the "Proposal Fund") for the benefit and distribution to the unsecured creditors of Priva.

The Proposal Fund would be distributed to the unsecured creditors as follows:

i) <u>Preferred claims</u>

The proven claims of the preferred creditors, without interest, will be paid in full and in priority to the ordinary claim (at present, the Trustee does not have knowledge of any Preferred Claims).

ii) Ordinary claims

a) The lesser of $1,000 or the amount of their ordinary claim payable out of the Proposal Fund within thirty (30) days of Proposal approval; and

b) With respect to the balance of the proven claim, if any, its pro rata share of the balance of the Proposal Fund as soon as reasonably possible, as determined by the Trustee, after the final determination of all proven claims of the Ordinary Creditors and the Preferred Creditors.

B) Other amounts to be paid

Priva's asset realization will be used as follows:

- The TD Bank's indebtedness was reimbursed in full with the proceeds from the sale of inventory and the collection of accounts receivable;
- The MIP indebtedness will be reimbursed with the collection of accounts receivable;
- The Proposal expenses will be paid from the collection of accounts receivable;
- Post-filing obligations, if any, shall be paid in full in the ordinary course of business from the collection of accounts receivable.

VIII. ESTIMATED DISTRIBUTION TO CREDITORS

In the event that the creditors reject the Proposal, the Debtor will automatically be bankrupt. As already expressed and based upon our review of the information relating to the collectability of the accounts receivable, at the present time, their estimated realization value is not sufficient to reimburse in full the secured claims. Thus, we believe that under a bankruptcy scenario the realization results would most likely diminish and as such no amount would be available for distribution to the unsecured creditors.

IX. CONCLUSION

After having estimated that no amount would 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, based on the current list of payables, that the Proposal will allow all unsecured creditors to receive the lesser of their proven claim or $1,000 and, on a pro-rata basis, a further dividend of approximately 9.3% of the balance of their claim, dependent on the final determination of all proven claims of the Ordinary Creditors and the Preferred Creditors.

MIP has committed to waive its rights to claim the Proposal Fund following the approval of the Proposal. The certainty and rapidity of the receiving the $150,000 are important factors to our conclusion.

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

Dated at Montreal, Province of Quebec, this 27th day of November 2007.

RSM Richter Inc.
Trustee

Yves Vincent, FCA, CIRP
Administrator

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EXHIBIT 1

STATEMENT OF AFFAIRS (Sec 158)
IN THE MATTER OF THE PROPOSAL OF
PRIVA INC.

To the Debtor:

You are required to carefully and accurately complete this form and the applicable attachments, showing the state of your affairs on the date of your proposal, November 22, 2007. When completed, this form and the applicable attachments will constitute your Statement of Affairs and must be verified by oath or solemn declaration:

Liabilities

(as stated and estimated by debtor)

1. Unsecured creditors as per list 'A'	870,309.81
2. Secured creditors as per list 'B'	1,213,551.50
3. Preferred creditors as per list 'C'	NIL
4. Contingent or other liabilities as per list 'D' estimated to be reclaimable for	NIL
Total Liabilities	2,083,861.31
Surplus	NIL

Assets

(as stated and estimated by debtor)

1. Inventory		NIL
2. Trade fixtures, fittings, utensils, etc....................		NIL
3. Accounts Receivable, etc. as per list 'E'		
Good	1,123,584.00	
Doubtful	112,358.00	
Bad	NIL	
Estimated to produce		1,011,226.00
4. Bills of exchange, promissory notes, etc. as per list 'F'		NIL
5. Deposits in Financial Institutions........................		168,926.60
6. Cash		72,288.00
7. Livestock		NIL
8. Machinery, equipment and plant		NIL
9. Real property or immovable as per list 'G'		NIL
10. Furniture...		NIL
11. RRSPs, RRIFs, Life Insurance, etc		NIL
12. Securities (Shares, bonds, debentures, etc)		NIL
13. Interest under wills		NIL
14. Vehicles		NIL
15. Other Property		NIL

If Bankrupt is a Corporation add:	
Amount of capital subscribed	1,688,591.00
Amount paid thereon	1,688,591.00
Balance subscribed and unpaid	NIL
Estimated to produce	NIL
Total Assets	1,252,440.60
Deficiency	831,420.71

I, Danielle Lefort Officer of the Bankrupt Corporation of Priva Inc., do swear that this statement and attached lists are to the best of my knowledge a full, true and complete statement of its affairs on 11/22/2007, and fully disclose all property of every description, that is in its possession or that may devolve on it in accordance with Section 67 of the Act.

SWORN before me in the City of Montreal in theProvince of of Quebec this 22nd day of November, 2007.

Gilles Gauf

Commissaire à l'assermentation
GILLES
LEROUX
151 620

Danielle Lefort

Signature of Debtor or Officer

EXHIBIT 2

Exhibit 2

Summary of account receivable For period October 26 to November 22, 2007	CDN	US	GBP	Total (CDN) *
Accounts Receivable - Beginning Balance	**647,735 $**	**1,092,727 $**	**111,136 $**	**1,913,473 $**
Collection	(236,135)	(389,428)	-	(620,773)
Sales	40,824	29,144	2,095	73,829
Discount	(4,019)	(4,561)	-	(8,523)
Credit notes	(44,372)	(24,691)	-	(68,759)
Other	(720)	-	-	(720)
Foreign exchange variance				(31,843)
Accounts Receivable Ending Balance	**403,313 $**	**703,192 $**	**113,231 $**	**1,256,684**
	Credits to be issued concernaing volume rebates			(133,100)
	Allowance for doubtfull accounts			(112,358)
				1,011,226 $

* As of November 22, 2007, the exchange rate for US$ is 0.9877 and 2.0144 for GBP (As per Bank of Canada)

EXHIBIT 3

Exhibit 3

Analysis of receipts and disbursements For the period October 26 to November 22, 2007			
	Budget	Actual (1)	Diff.
Cash Receipts			
Collection of accounts receivable	920,962 $	606,357 $	(314,605) $
Sales tax refund	44,000	71,210	27,210
Proceeds from sale of inventory	988,010	988,010	-
Cash settlement re: non-compete agreement	124,237	124,236	(1)
Other	-	5,040	5,040
Total cash receipts	**2,077,209 $**	**1,794,854 $**	**(282,356) $**
Cash Disbursements			
Payroll & benefits (including vacation pay)	141,133 $	98,913 $	42,219 $
Cash settlement re: non-compete agreement	124,237	124,236	0
Outside contractors	20,155	17,408	2,747
Warehousing fees	2,500	2,474	26
Administrative fees (payable to MIP)	4,553	4,553	0
Duty, freight & delivery	10,000	7,101	2,899
Interest & bank fees	9,042	9,365	(323)
Professional fees	100,000	10,005	89,995
Corporate fees	21,600	2,063	19,537
Other	10,100	(2,494)	12,594
Total cash disbursements	**443,319 $**	**273,625 $**	**169,694 $**
Opening balance - bank indebtedness (2)	(1,448,941) $	(1,448,941) $	- $
Change in cash	1,633,890	1,521,229	(112,661)
Closing balance - cash in bank (3)	**184,949 $**	**72,288 $**	**(112,661) $**

Note 1. Exchange Rate of .9877 for US and 2.0144 for GBP (As per Bank of Canada)

Note 2. The opening bank indebtedness is net of the cash in bank of $240,580.

Note 3. The closing cash in bank balance is before taking into consideration the funds in deposit in the Interim Receiver's account of $168,927.

EXHIBIT 4

Priva Inc.
Statement of Projected Cash Flow
For the Period November 22, 2007 to January 11, 2008

	Total	
Cash Receipts		
Collection of accounts receivable	$ 1,011,226	
RSM Richter Inc, Interim Receiver	168,927	
Total cash receipts	**1,180,153**	
Cash Disbursements		
Remittance to MIP, secured lender	827,000	
EDC coverage	100	
Interest & bank fees	1,500	
Professional fees	237,586	
Corporate fees	33,170	
Other	2,500	
Total cash disbursements	**$ 1,101,855**	
Remittance to RSM Richter Inc., Trustee to Proposal	150,000	**(2)**
Net Change in cash	**$ (71,702)**	
Cash position		
Cash, opening balance	$ 72,288	
Change in cash	(71,702)	
Cash, closing balance	**$ 585**	**(3)**

Notes:
1. The above expenses include GST/QST, where applicable.
2. Subject to approval of Proposal.
3. Subject to Med-I-Pant Inc. security rights.

Danielle Lefort

Danielle Lefort
November 22, 2007

Yr

Priva Inc.

NOTES TO
STATEMENT OF PROJECTED CASH FLOW
FOR THE PERIOD NOVEMBER 22, 2007 TO JANUARY 11, 2008

Note 1: General

The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Priva Inc., for the period November 22, 2007 to January 11, 2008, relating to the filing of a Notice of Intention to Make a Proposal on October 26, 2007. This Statement of Projected Cash Flow has been prepared by Management on November 22, 2007 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.

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 22, 2007 to January 11, 2008, considering the economic conditions that are considered the most probable by Management.

As the cash flow is based upon various assumptions about 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.

Note 2: Assumptions

A. **Cash Receipts**

- Collection of opening accounts receivable is based upon a customer by customer analysis performed by Management.

B. **Cash Disbursements**

- The projected cash disbursements are based upon management evaluation and best estimates of expenses to be incurred.
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.