

IN THE MATTER OF THE PROPOSAL OF

**WABI IRON & STEEL CORP.
OF THE CITY OF NEW LISKEARD
IN THE PROVINCE OF ONTARIO**

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

This report provides an outline of the background and financial position of Wabi Iron & Steel Corp. (“Wabi” or the “Company”), including relevant information that should be of assistance to the Company’s creditors in considering their position with respect to the Proposal (as defined herein) being presented by the Company to its creditors.

Enclosed are the following documents:

- Notice of Proposal to Creditors;
- Proposal, under Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3 (the “BIA”) lodged with Richter Advisory Group Inc. (“Richter” or the “Proposal Trustee”) by the Company and filed with the Official Receiver on January 9, 2015 (the “Proposal”);
- The Company’s Statement of Affairs sworn January 9, 2015;
- A Proof of Claim form and general Proxy; and
- A Voting Letter.

In preparing this report the Proposal Trustee has relied upon unaudited financial information prepared by the Company’s representatives, the Company’s books and records, discussions with the Company’s representatives and the Company’s legal counsel. The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information.

Unless otherwise stated, monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this report have the meanings attributed to such items in the Proposal.

Section A – Introduction and Background

Wabi is a privately held company, which manufactures metal castings and specialized equipment for the mining industry. Wabi also provides custom engineering services to a variety of industries.

The Company operates from an owned, 112,000 square foot facility located in Temiskaming Shores, Ontario. The Company has approximately 57 employees, including both salaried and hourly workers. The Company has a unionized workforce and also sponsors a pension plan for its employees.

Due, in part, to a depressed resource/mining sector and a general slowdown in the mining industry, Wabi has suffered declining sales and reduced gross margins resulting in operating losses over the previous several years.

In order to address its market and financial difficulties, the Company has informed the Proposal Trustee that it undertook a number of restructuring steps, including:

- (i) reducing its workforce;
- (ii) rationalizing its manufacturing operations to focus on higher margin products; and
- (iii) renegotiating the Company's obligations to certain of its secured creditors.

Notwithstanding the Company's restructuring efforts, the Company's current debt load has proven too much of a burden for the Company. As a result, on December 12, 2014 (the "**NOI Filing Date**"), the Company filed a Notice of Intention to Make a Proposal ("**NOI**") under Subsection 50.4(1) of the BIA.

On January 9, 2015, the enclosed Proposal naming Richter as Proposal Trustee, was filed with the Official Receiver.

Section B – Summary of the Proposal

A brief summary of the Proposal is provided below. The terms of the Proposal would be effective if:

1. The Creditors comprising the class of Unsecured Creditors vote for acceptance of the Proposal by a majority in number and two thirds in value of the Creditors comprising such class that are present, personally or by proxy, at the Creditors' Meeting and voting on the resolution; and
2. The Proposal is approved by the Court, in accordance with the provisions of the BIA.

The Proposal provides for the restructuring of the Company's liabilities through the distribution to Unsecured Creditors of either (i) a monetary payment of up to \$1,500, or (ii) a Payment Certificate, as further described below. The Proposal provides for the following:

1. The Proposal is not being made to the following Unaffected Creditors whose claims shall be dealt with in accordance with the agreements between the relevant Unaffected Creditor and the Company or as otherwise agreed between the relevant Unaffected Creditor and the Company:
 - (a) the Secured Creditor;
 - (b) the Term Lenders;
 - (c) the Unaffected Trade Creditors; and
 - (d) the claims relating to amounts owing to the pension plan for Wabi employees (registration number 1001916).
2. The fees and expenses of the Proposal Trustee and the Company, including legal fees and expenses of the Proposal Trustee and the Company in connection with the preparation of and proceedings arising out of or relating to the Proposal, are to be paid by the Company in priority to all Proven Unsecured Claims of Ordinary Creditors in accordance with the scheme of distribution set forth in the BIA.

3. Claims as of the NOI Filing Date that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* (Canada) (the "ITA"), any provision of the *Canada Pension Plan* or *Employment Insurance Act* that refers to subsection 224(1.2) of the ITA, or any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the ITA, shall be paid within six (6) months after the issuance of the Approval Order.
4. Amounts owing to the Company's employees and former employees that they would qualify to receive as claims under paragraph 136(1)(d) of the BIA if the Company became bankrupt on the NOI Filing Date, as well as all wages, salaries, commissions or compensation for services rendered after the NOI Filing Date but before Court approval of the Proposal, are to be paid immediately after the issuance of the Approval Order or as otherwise agreed. For greater certainty, amounts due or which may become due do not include claims for severance or termination pay or any compensation in lieu of notice of termination.
5. Unsecured Claims as of the NOI Filing Date are to be dealt with as follows:
 - (a) Creditors having (i) Proven Unsecured Claims in an aggregate amount of \$1,500 or less, and (ii) Creditors having Proven Unsecured Claims in an aggregate amount in excess of \$1,500 and who provide to the Proposal Trustee an Election to Reduce Claim prior to the date which is two (2) Business Days following the issuance of the Approval Order and who reduce the aggregate amount of their Proven Unsecured Claims to \$1,500, will receive within ten (10) Business Days after the Implementation Date or as soon thereafter as is practicable, a dividend equal to the lesser of \$1,500 and the aggregate amount of such Creditor's Proven Unsecured Claims;
 - (b) Creditors with Proven Unsecured Claims in an aggregate amount in excess of \$1,500 and who have not provided the Proposal Trustee with an Election to Reduce Claim on or before the date which is two (2) Business Days following the issuance of the Approval Order, will within thirty (30) Business Days following the Implementation Date or as soon thereafter as is practicable, receive a Payment Certificate in an amount equal to the aggregate amount of all its Proven Unsecured Claims. The Payment Certificate will provide that the holder of the Payment Certificate is entitled to a pro rata share of the amount to be distributed by the Company in accordance with paragraph 5(c) below;
 - (c) Within 180 days of the Company's fiscal year end commencing in 2015 and ending in 2017, the Company (not the Proposal Trustee) will distribute to holders of Payment Certificates, on a pro rata basis based upon the face amount of the Payment Certificates, an amount equal to their pro rata share of a percentage of the Company's income after taxes ("**Profits**") (calculated as set out below and determined pursuant to the Company's audited financial statements) which will be payable without interest, as follows:

Profits for the year	Percentage to Certificate Holders	Maximum Cumulative Payment to Certificate Holders
\$0 to \$1.5 million	20%	\$300,000
\$1.5 million to \$2.0 million	30%	\$450,000
\$2.0 million to \$2.5 million	40%	\$650,000
Greater than \$2.5 million	50%	Balance of outstanding Payment Certificates

Profits will be calculated in accordance with Canadian accounting standards for private enterprises. For certainty, Profits will not in any manner reflect any direct benefit Wabi receives as a result of any compromise of any Claim pursuant to the Proposal or pursuant to revised Term Lender obligations. The term of the Payment Certificates will be three years commencing with the 2015 fiscal year. The Company will make distributions each year until the earlier of (i) the distribution required for the 2017 fiscal year, or (ii) such time as the amount of the distributions made by the Company equals the total face amount of the Payment Certificates issued. If holders of Payment Certificates have not received the total face amount of their Payment Certificate once the payments in respect of the 2017 fiscal year are made, then the Payment Certificates will be of no further force and effect and the Company will have no further obligation to the holders of the Payment Certificates.

All distributions made to Unsecured Creditors, either by way of cash or Payment Certificate, will be net of the Superintendent of Bankruptcy levy payable pursuant to the BIA.

6. The monetary payment provided for in paragraph 5(a) above or the Payment Certificate will be distributed in full and final satisfaction of all Claims (other than Unaffected Claims) against the Company. On the Implementation Date, all Claims (other than Unaffected Claims) against the Company will be forever discharged and released, except only the obligations of the Company to make the monetary payments and distribute the Payment Certificates provided for in the Proposal.
7. On the Implementation Date, each Creditor (other than Unaffected Creditors) will be deemed to have given the consent, releases, assignments and waivers required to carry out the Proposal, and authorizations necessary to give effect to the terms of the Proposal.
8. All goods supplied and services rendered to the Company after the NOI Filing Date are to be paid in full in the ordinary course of business by the Company on terms agreed to between the Company and the relevant creditors.
9. On the Implementation Date, the Company, the Proposal Trustee and all of their respective affiliates, employees, agents, directors, former directors, officers, shareholders, advisors, consultants and solicitors are released and discharged from any and all claims relating to or arising out of any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date relating to the Claims, the business and affairs of the Company or the Proposal.
10. Sections 95 to 101 of the BIA, which relate to the power of a trustee in bankruptcy to challenge transactions, such as preferences and transfers at undervalue, are stated to not apply in the Proposal.
11. On the Implementation Date, to the extent permitted by the BIA, each and every present and former director of the Company shall be released and forever discharged from any and all claims against the Company where directors are by law liable in their capacity as directors for the payment of such obligations.
12. Upon distribution of the payments described in paragraph 5(a) above, the Payment Certificates referred to in paragraph 5(b) above, the payment of fees and disbursements described in paragraph 2 above and the payment of the Claims described in paragraphs 3 and 4 above, the Proposal will have been fully performed, and the Proposal Trustee will provide to the Company the certificate referred to in Section 65.3 of the BIA (Certificate of Full Performance of Proposal).

13. The implementation of the Proposal is conditional upon the fulfillment of all of the following conditions:

- (a) the Proposal being accepted by the Unsecured Creditors;
- (b) the Proposal being approved by the Court and the expiry of all appeal periods; and
- (c) the approval of a settlement agreement with each of the Term Lenders on terms satisfactory to the Company and the Term Lenders.

The description of the Proposal in this report is a summary only and is only provided for the assistance of the Creditors. In the event there is any inconsistency between this report and the Proposal, the terms of the Proposal shall govern. Creditors are advised to read the Proposal.

Section C – Financial Position and Causes of Difficulties

The Company's operating results for the fiscal years ended October 1, 2011, September 29, 2012, September 28, 2013 and September 27, 2014 are summarized in the table below:

Wabi Iron & Steel Corp. Historical Financial Results	Fiscal Year			
	2011 (unaudited)	2012 (audited)	2013 (audited)	2014 (unaudited)
Sales	\$ 13,835,159	\$ 16,018,716	\$ 15,286,087	\$ 12,576,205
Cost of Sales	(10,280,660)	(12,560,505)	(12,449,447)	(10,784,412)
Gross Profit	3,554,499	3,458,211	2,836,640	1,791,793
Operating Expense	(4,671,015)	(4,507,057)	(4,450,485)	(4,346,994)
Operating Loss	\$ (1,116,516)	\$ (1,048,846)	\$ (1,613,845)	\$ (2,555,201)

The Company has informed the Proposal Trustee that its financial difficulties have resulted from several factors, including a general slowdown in the resource/mining sector, declining sales and gross margins, and the Company's inability to reduce its fixed overhead costs to adjust to its current financial circumstances.

Section D – Interim Receiver

Not applicable.

Section E – Identification and Evaluation of Assets

According to the Company's Statement of Affairs, the Company's assets consist of the following:

Asset Description	Estimated Realizable Value per SOA
Accounts Receivable	\$ 1,603,876
Inventory	743,427
Capital Assets	1,600,790
Total	\$ 3,948,093

The Company's assets are discussed in greater detail below:

Accounts Receivable

According to the Company, the accounts receivable balance set out in its Statement of Affairs (\$1,603,876) is net of an allowance for doubtful accounts.

In a liquidation scenario, it is the Proposal Trustee's view that in addition to normal credit risk, customers may claim offsets for product warranty, lack of continued supply, back charges, etc. against amounts owed to the Company. In addition, the Company has advised the Proposal Trustee that in excess of 30% of its accounts receivable are from customers situated outside of Canada. As a result, the Proposal Trustee estimates that in a liquidation scenario, the realizable value of the Company's accounts receivable ranges between \$960,000 – \$1,500,000.

Inventory

According to the Company's books and records, the net book value of inventory, as of October 25, 2014, was approximately \$1,800,000. According to the Company, Wabi's inventory consists of raw materials (\$569,000), work-in-process (\$312,000) and finished goods (\$919,000). The Company has advised the Proposal Trustee that the value of inventory reported on Wabi's Statement of Affairs (\$743,427) was the estimated liquidation value for the Company's inventory.

In the Proposal Trustee's view, there is a limited market for the Company's inventory, as a significant portion of the parts manufactured by Wabi are highly specialized and customer specific. As a result, due to a lack of warranty or return rights in a liquidation scenario, discounts may be required to sell the Company's finished goods inventory to existing customers and there may be limited recoveries from the Company's raw materials and work-in-process. Based on the above and taking into consideration the current market rate for steel and scrap metal, the Proposal Trustee estimates that in a liquidation scenario, the realizable value of the Company's inventory ranges between \$520,000 and \$740,000.

Capital Assets

According to the Company's books and records, the net book value of the Company's capital assets, as of October 25, 2014, was approximately \$2,800,000. The Company's capital assets consist largely of real property and buildings and machinery and equipment.

The Company has advised the Proposal Trustee that the values attributed to its capital assets on Wabi's Statement of Affairs are liquidation values based on recent appraisals.

In the Proposal Trustee's view (it has not obtained an independent appraisal of the Company's capital assets), taking into account the manufacturing activities undertaken at the Company's facility and the Proposal Trustee's understanding that the Company's foundry and fabrication equipment is dated and subject to notable wear, the Proposal Trustee estimates that, in a liquidation scenario, the realizable value of the Company's capital assets ranges between \$1,130,000 - \$1,600,000, net of any commissions and expenses that would be charged by an auctioneer and/or real estate agent.

Section F – Conduct of the Debtor

The Proposal Trustee has performed a preliminary review of certain of Wabi's financial records, including the Company's bank statements for the 12 month period prior to the NOI Filing Date in order to identify (i) any disbursements greater than \$25,000 that may be considered preferences pursuant to the BIA, and (ii) any transactions that may be considered transfers at undervalue pursuant to the BIA.

Based on its preliminary review, the Proposal Trustee has not identified any disbursements and/or transactions in the 12 month period prior to the NOI Filing Date that may be considered preferences or transfers at undervalue. The Proposal Trustee will provide an update, if necessary, on its review of Wabi's financial records at the Creditors' Meeting to consider the Company's Proposal.

Section G – Creditor Claims

According to the Company's Statement of Affairs, Wabi's creditors are summarized in the table below:

Creditor Classification	Estimated Claim Per SOA	
Secured	\$	5,222,627
Preferred		-
Unsecured		5,360,078
Contingent		-
Total Claims	\$	10,582,705

Secured Creditor/Term Lenders

Based on the Company's books and records, Wabi's Secured Creditors, which include the Term Lenders, and the amount of their respective claims, as of December 12, 2014 (excluding any accrued interest and other recovery costs), are as follows:

Secured Creditor	Amount of Claim	
Royal Bank of Canada ("RBC")	\$	1,562,922
South Temiskaming Community Futures Development Corporation ("STCFDC")		600,000
Northern Ontario Heritage Fund Corporation ("NOHFC")		3,059,705
Total Claims	\$	5,222,627

The Proposal is not being made to the Secured Creditor/Term Lenders. As noted in Section B of this report, the Claims of the Secured Creditor/Term Lenders are to be dealt with in accordance with existing agreements between the Company and the respective Secured Creditor/Term Lenders or as otherwise agreed between Wabi and the Secured Creditor/Term Lenders.

As at the date of this report, the Proposal Trustee has not been provided with copies of the security documents executed in favour of the secured creditors and, consequently, the Proposal Trustee has not obtained an independent legal opinion on the validity and enforceability of the security granted by the Company in favour of each of RBC, STCFDC and NOHFC. The Trustee will provide an update on its review of the security granted by the Company in favour of each of RBC, STCFDC and NOHFC at the Creditors' Meeting to consider the Company's Proposal.

The Proposal Trustee also notes that, based on its review of a printout summarizing registrations of security interests against the Company pursuant to the *Personal Property Security Act* (Ontario), in addition to the above secured creditors, the following parties have registered a security interest against Wabi: National Leasing Group Inc., Toyota Credit Canada Inc., IBM Canada Limited, Bank of Nova Scotia, Mercedes-Benz Financial Services Canada Corporation, De Lage Landen Financial Services Canada Inc., Ford Credit Canada Limited, Northern Ontario Grow Bonds Corporation, the Babcock & Wilcox Company, and Babcock & Wilcox Power Generation Group, Inc. (collectively, the "Other Security Registrations").

Wabi has informed the Proposal Trustee that, as at the NOI Filing Date, no amounts were owed by the Company in respect of the Other Security Registrations. The parties holding the Other Security Registrations will be provided with notice of the Creditors' Meeting.

Preferred Creditors

According to the Statement of Affairs, no amounts are due to Preferred Creditors. Based on the Proposal Trustee's review of certain of the Company's financial records, it appears that all amounts owed to Wabi's employees, in respect of outstanding wages and vacation pay, which may have existed as of the NOI Filing Date, have been paid or will be paid by the Company in the ordinary course. Any employee claims that might exist at the time of Court approval of the Proposal will be paid immediately following Court approval in accordance with the terms of the Proposal and the BIA.

Unsecured Creditors

According to the Company's Statement of Affairs, Wabi's Unsecured Creditors are owed \$5,360,078, excluding any amounts owed to the Company's former employees for termination and/or severance pay.

Contingent Creditors

The Company is not aware of any contingent creditors.

Section H – Previous Dealings with the Debtor

The undersigned Proposal Trustee confirms that neither he nor the firm with which he is related has provided previous services to the Company in any capacity other than consulting with the Company in respect of its consideration to file a Notice of Intention to Make a Proposal and the preparation and filing of the Proposal. The Proposal Trustee further confirms that he does not have any knowledge of any conflict of interest situation arising from the acceptance of this appointment as Proposal Trustee.

Section I – Informal Meetings with Major Creditors

The Proposal Trustee has not had any informal meetings with major creditors.

Section J – Remuneration of Proposal Trustee

Payment of the fees and expenses of the Proposal Trustee, including the legal fees and disbursements of the Proposal Trustee, are provided for in the Proposal.

As at the date of this report, the Company has provided Richter with a retainer in the amount of \$30,000 of which \$10,000 has been provided to Fasken Martineau DuMoulin LLP, independent counsel retained by the Proposal Trustee.

Section K – Cash Flow Statement

In accordance with the BIA, the Proposal Trustee reviewed the cash flow statement and assumptions for the period December 12, 2014 to March 20, 2015 that were prepared by the Company (the "**Cash Flow Statement**") and which were filed with the Official Receiver. In reviewing the Cash Flow Statement, nothing has come to the Proposal Trustee's attention which would lead the Proposal Trustee to believe that the hypothetical and probable assumptions used by the Company in the preparation of the Cash Flow Statement are inconsistent with the purpose of the Cash Flow Statement.

Section L – Critical Suppliers

The Company has informed the Proposal Trustee that certain Creditors that supply goods and services to Wabi, which goods and services cannot reasonably be sourced from parties that are not Creditors without material delay or cost, are critical to the Company's ongoing operations and restructuring efforts. As noted in Section B of this report, the Proposal is not being made to these essential suppliers (the "Unaffected Trade Creditors") and these suppliers are to be paid the pre-filing amounts owed to them by Wabi in accordance with existing agreements with the Company or as may otherwise be agreed.

The Company has further advised the Proposal Trustee that, in the Company's view, there is significant risk that the Creditors in questions will not continue to provide goods and services to Wabi if the pre-filing amounts owing are not paid. In accordance with the Proposal, the Company is required to inform the Proposal Trustee of those Creditors it considers essential to its ongoing operations and restructuring efforts and who are to be treated as Unaffected Trade Creditors prior to the issuance of this report.

The Proposal Trustee agrees with the Company's view that an interruption of services provided by certain essential suppliers could have a significant and immediate detrimental impact on the business, operations and cash flows of Wabi. The Proposal Trustee, however, also recognizes that the Company's cash flows are limited and has worked with the Company to ensure that those parties identified as Unaffected Trade Creditors are minimized. The Unaffected Trade Creditors and the amount of their respective claims against the Company, as per the Statement of Affairs, are summarized below:

Creditor	Estimated Claim Per SOA	
Astech Alloy Steel Technologies	\$	80,736
Barberton Steel Industries		54,451
Century Pacific Foundry		122,394
Temiskaming Industrial Mining Eq.		67,807
Wear-Tek		44,844
Total	\$	370,232

The Proposal Trustee notes that if the Proposal is not accepted by the Creditors or approved by the Court, the payments to the Unaffected Trade Creditors may be subject to review as a preference pursuant to Section 95 of the BIA.

Section M – Statement of Estimated Realizations

Proposal Accepted

According to the Proposal, if the Proposal is accepted by the requisite majority of Creditors, Unsecured Creditors with Proven Unsecured Claims in the aggregate of \$1,500 or less, and creditors having Proven Unsecured Claims in an aggregate amount in excess of \$1,500 and who provide to the Proposal Trustee an Election to Reduce Claim prior to the date which is two (2) Business Days following the making of the Approval Order reducing the aggregate amount of their Proven Unsecured Claims to \$1,500, will receive a cash dividend equal to the lesser amount of their Proven Unsecured Claims or \$1,500.

Creditors with Proven Unsecured Claims who are owed in excess of \$1,500 and who have not elected to receive a cash dividend of \$1,500 will receive a Payment Certificate which will afford those Creditors an opportunity to receive a dividend up to a maximum amount equal to 100% their Proven Unsecured Claims against the Company. As set out earlier in this report, payments against the Payment Certificates will be made by the Company based on the amount of the Company's Profits for the fiscal year ended 2015 to 2017. The Proposal Trustee points out that no payments will be made against the Payment Certificates if the Company does not have any Profits in the fiscal years ended 2015 to 2017.

Distributions to creditors in respect of their Proven Unsecured Claims will be subject to the Superintendent of Bankruptcy's levy that will not exceed 5% of the dividend paid.

Proposal Not Accepted

If the Proposal is not accepted, Wabi would become bankrupt on January 30, 2015 and the Company's assets would vest with the trustee in bankruptcy, subject to the rights of the Company's secured creditors. The Proposal Trustee is of the view that in the event of a bankruptcy of the Company, at least one of RBC, STCFDC or NOHFC would likely appoint a receiver to realize on the Company's assets. The estimated realizable value of the Company's assets in a liquidation scenario is outlined in Section E of this report.

In the event of the Company's bankruptcy, there is risk that realizations from the Company's assets will be reduced resulting in diminished realizations for Creditors. In a bankruptcy scenario, assuming the Company's assets and liabilities as at January 30, 2015 are substantially the same as the Company's assets and liabilities as detailed the Company's Statement of Affairs, the Proposal Trustee estimates that, based on the information set out in Section E of this report, the realizations that would be available for distribution to the Company's Unsecured Creditors would be \$Nil as follows:

Asset Description	Estimated Realizable Value		Notes
	Low	High	
Accounts Receivable	\$ 960,000	\$ 1,500,000	1
Inventory	520,000	740,000	2
Capital Assets	1,130,000	1,600,000	
Estimated Gross Realizations	2,610,000	3,840,000	
Less:			
Claims of Secured Creditors	(5,222,627)	(5,222,627)	3
Source Deductions	-	-	4
Estimated Fees of Receiver/Trustee in Bankruptcy	(200,000)	(100,000)	
Amount Available for Distribution	\$ Nil	\$ Nil	

Notes:

1. In a bankruptcy, estimated recoveries from accounts receivable may be negatively impacted by customer claims for offsets for potential product warranty claims, lack of continued supply, back charges, etc.
2. The products manufactured by Wabi are highly specialized and many are customer specific. As a result, significant discounts may be required to sell the Company's finished goods, which largely consist of metal castings and mining machinery products, and there may be limited recoveries from the Company's raw materials and work in process inventory.

3. This amount represents the amounts owing to the Company's secured creditors, as at December 12, 2014, excluding accrued interest and other recovery costs (see Section G of this report).
4. According to the Company, there are no amounts owing for source deductions.

Section M – Recommendations

If Wabi becomes bankrupt, the Unsecured Creditors of Wabi would only receive a dividend if the net realizations from Wabi's assets were sufficient to pay (i) Wabi's secured creditors (including their costs in realizing on the Company's assets), (ii) preferred creditors, and (iii) the fees and disbursements of the trustee and/or receiver. Based on the claims of secured creditors referred to in this report and estimated professional fees of approximately \$100,000 - \$200,000, the realizations from Wabi's assets would likely need to be at least \$5,500,000 in order for there to be any distribution to the Company's Unsecured Creditors in a bankruptcy scenario.

Based on the Company's assets as at December 12, 2014 set out on the Statement of Affairs and the information set out herein, the amount available for distribution to Wabi's Unsecured Creditors with Proven Unsecured Claims of up to \$1,500, or those Creditors who file an Election to Reduce Claim in accordance with the terms of the Proposal, would be higher if the Proposal is accepted by Wabi's Creditors and approved by the Court, and the required payments are made by the Company to the Proposal Trustee, than in a bankruptcy scenario. For those Creditors with Proven Unsecured Claims of greater than \$1,500 and who do not file an Election to Reduce Claim, acceptance of the Proposal affords those Creditors the opportunity to receive a dividend of up to 100% of their Proven Unsecured Claims depending on the profitability of Wabi over the next three (3) fiscal years.

Accordingly, the Trustee recommends that Wabi's Unsecured Creditors accept the Proposal in order to provide the Company's Unsecured Creditors with the opportunity to maximize their return from Wabi's indebtedness to them.

Section N – Meeting of Creditors

In completing the Proof of Claim form enclosed herewith, Creditors should only include all amounts outstanding as of December 12, 2014.

It is expressly noted and should be clearly understood that Richter, acting solely in its capacity as Proposal Trustee, assumes no responsibility for any claims against Wabi before, on, or after the NOI Filing Date.

Creditors may attend the meeting to consider the Proposal either in person or by proxy. The meeting to consider the Proposal will be held on January 30, 2015 at 11:00 a.m. at the Park Inn by Radisson, 175 Derry Road East, Mississauga, Ontario.

Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the enclosed documents prior to the meeting.

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee so as to be received prior to the meeting.

Should you have any questions in connection with the Proposal or this report, please contact Mr. Anthony Dalfio at (416) 642-4835 or via email at adalfio@richterconsulting.com.

Dated at Toronto, Ontario, this 20th day of January, 2015

Richter Advisory Group Inc.
in its capacity as Proposal Trustee re
the Proposal of Wabi Iron & Steel Corp.



Adam Sherman, MBA, CIRP