

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.

OPERATIONS

6. 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.
7. 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.
8. In addition to its main business activities, the Debtor operates a truck parts distribution and retail outlet ("Truck Part Segment") which employs 11 people. The Truck Part Segment is operated from a leased 20,000 square foot facility, located in St-Jean-sur-Richelieu, Quebec.
9. 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.
10. 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.
11. 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.

MONITORING

12. 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.
13. The Trustee has compared the actual results to those forecasted from September 5, 2010 to October 16, 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;
 - 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; and
 - Professional fees were lower than projected due to timing.

14. 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").
15. 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.
16. 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

17. 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.
18. 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 recent hiring of a new President and Chief Executive Officer ("CEO") and the initiation of these proceedings.
19. Since taking office, the Company's new CEO, with the assistance of Richter, has developed an action plan and the Company has begun to implement several measures to rationalize its operations and turn around its financial results. Those reorganization measures include:
 - Replacing senior management with an interim management team;
 - 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.
20. The Company, with the assistance of Richter, has recently 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

21. 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 is continuously being updated and presently 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.
22. The following documents related to the search for potential investors or purchasers for each of the business segments have been prepared by Richter ("Information Package"):
- Letter of solicitation;
 - Summary information ("Teaser"); and
 - Confidentiality Agreement.
23. On September 23, 2010, the Information Package for the Truck Parts Segment was sent to approximately 70 potential purchasers. On October 5, 2010 the Information Package for the Battery Segment was sent to approximately 375 potential purchasers.
24. Richter is presently finalizing the terms and conditions related to the Sale Process. Although a deadline to receive offers has not yet been set, prospective purchasers have been advised that the Debtor is seeking to consummate a transaction in an expedited time frame.
25. Since having sent the Information Package, Richter has received 14 signed confidentiality agreements ("CA") from potential purchasers of the Battery Segment and 9 signed CAs from potential purchasers of the Truck Parts Segment. All parties who have signed a CA have been given access to the Data Room, and almost all have begun reviewing documents and other information.
26. To date, the following progression has been made with respect to the Sale Process:
- Representatives of Richter have had several discussions with potential purchasers regarding the particulars of the Sale Process, the Business Plan and other information and documentation contained in the Data Room;
 - Representatives of the Debtor with a representative of Richter, have held several teleconference meetings with potential purchasers and have addressed their queries related to the Business Plan and in particular the rationalization of operations and the various markets served by the Debtor;
 - Richter is in the process of scheduling site visits with the potential purchasers; and
 - Richter and the Debtor are continuing to respond to various queries by the potential purchasers on a timely basis.

EXTENSION OF DELAY TO FILE A PROPOSAL

27. The Debtor has filed its Motion, in order to enable it to continue to rationalize and restructure its operations, complete the Sale Process and formulate a Proposal to its creditors.
28. The Debtor has prepared an additional Cash Flow Forecast for the period ending December 4, 2010. Annexed hereto as **Exhibit "B"** is the Statement of Projection Cash Flow covering the period from October 17, 2010 to December 4, 2010 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.
29. If the extension is granted, we are not aware that any creditor will be materially prejudiced.

30. NBC, Alter-Moneta and GE Capital have been advised of the Company's Motion and Alter-Moneta has indicated that they do not oppose the extension sought herein.
31. In the event that the extension is not granted and a Bankruptcy ensues, any reorganization efforts of the business units would cease and the piecemeal disposition of the Company's 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 find investors or purchasers for its business units or assets as a going concern and to attempt to formulate a Proposal.
32. That given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to December 6, 2010.

DATED AT MONTRÉAL, this 21st day of October 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 "B" A

Cash Flow Statement				
Actual vs Projected for the period from September 5 to October 16, 2010				
	<u>Actual</u>	<u>Projections</u>	<u>Variance</u>	<u>Notes</u>
Cash Receipts				
Collection of Accounts Receivable	\$ 3,384,456	\$ 4,402,919	\$ (1,018,463)	1
Cash Disbursements				
Lead Purchases	1,284,401	1,659,680	375,279	2
Other Raw Material Purchases	1,066,533	1,137,355	70,823	
Payroll	775,948	818,526	42,579	
Other Operating Disbursements	331,211	302,511	(28,700)	
Professional Fees	339,239	505,000	165,761	3
Total Cash Disbursements	<u>3,797,330</u>	<u>4,423,072</u>	<u>625,742</u>	
Net Cash Flow	(412,874)	(20,153)	(392,721)	
Opening Bank Position	(10,482,479)	(10,482,479)	-	
Ending Bank Position	<u>\$ (10,895,353)</u>	<u>\$ (10,502,632)</u>	<u>\$ (392,721)</u>	
Notes				
1 -Negative variance due to shortfall in inter-company transfers from PBCI.				
2- Purchases have been reduced by management to compensate for shortfall in cash receipts.				
3 -Timing difference.				

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 20th day of October 2010, consisting of the period from October 17 to December 4, 2010, 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,

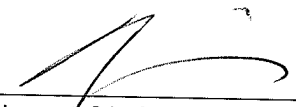
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given 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 20th day of October 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 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 October 17 to December 4, 2010, relating to the filing of a Motion to extend the delay to file a proposal on October 22, 2010. This Statement of Projected Cash Flow has been prepared by management on October 20, 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 October 17 to December 4, 2010, 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;

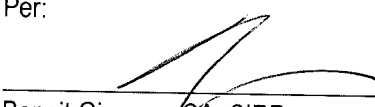
The cash disbursements do not provide for the payment of arrears to unsecured creditors or of principal payments to the company's secured creditors; and

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 20th day of October 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 20th day of October 2010, consisting of the period from October 17 to December 4, 2010.

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 20th day of October 2010.

Michel Desautels

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 October 17 to December 4, 2010, relating to the filing of a Motion to extend the delay to file a proposal on October 22, 2010. This Statement of Projected Cash Flow has been prepared by management on October 20, 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 October 17 to December 4, 2010, 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.

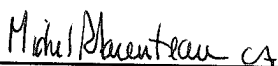
(b) Projected Cash Disbursements

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 20th day of October 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 October 17 to December 4, 2010

	Week ending:							
	23-Oct-10	30-Oct-10	6-Nov-10	13-Nov-10	20-Nov-10	27-Nov-10	4-Dec-10	Total
Cash Receipts								
Collection of Accounts Receivable	\$ 557,274	\$ 470,358	\$ 577,678	\$ 659,139	\$ 566,601	\$ 542,236	\$ 526,763	\$ 3,900,050
Cash Disbursements								
Lead Purchases	73,140	73,140	146,280	146,280	146,280	146,280	146,280	877,680
Other Raw Material Purchases	235,525	98,025	152,525	105,525	65,525	55,525	55,525	788,176
Payroll	119,000	119,000	119,000	119,000	119,000	119,000	119,000	833,000
Other Operating Disbursements	205,398	176,000	93,000	32,500	106,000	116,898	276,500	1,006,296
Professional Fees	29,208	174,208	49,208	124,208	24,208	124,208	24,208	549,456
Total Cash Disbursements	662,271	640,373	560,013	527,513	461,013	561,911	621,513	4,034,608
Net Cash Flow	(104,997)	(170,015)	17,664	131,626	105,588	(19,675)	(94,750)	(134,558)
Opening Line of Credit Balance	(10,815,319)	(10,920,316)	(11,090,331)	(11,072,667)	(10,941,041)	(10,835,452)	(10,855,127)	(10,815,319)
Ending Line of Credit Balance	\$ (10,920,316)	\$ (11,090,331)	\$ (11,072,667)	\$ (10,941,041)	\$ (10,835,452)	\$ (10,855,127)	\$ (10,949,877)	\$ (10,949,877)

Michel Parenteau
 Michel Parenteau, CFO

