

**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**

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**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 November 22, 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) 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 \$256K since the last Report, for a total and final settlement amount of \$1,764K.

**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 May 23, 2012.

**C) Property not yet realized**

As of this date, accounts receivable in the amount of approximately \$150K 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**

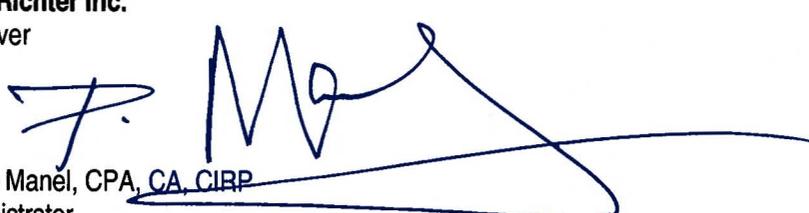
The proceeds from the realization of the assets are being remitted to HSBC taking into account claims that may rank ahead of its securities. In this latter regard, GE Capital, which is a prior ranking secured creditor on specific assets, has received a net distribution of \$89K.

**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 28<sup>th</sup> day of May 2012.

**RSM Richter Inc.**  
Receiver

  
Phillip Manel, CPA, CA, CIRP  
Administrator

# EXHIBIT 1

# RSM Richter Inc.

RSM Richter Inc.

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Montréal (Québec) H3Z 3C2  
Téléphone / Telephone : (514) 934-3497  
Télécopieur / Facsimile : (514) 934-3504  
www.rsmrichter.com

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Debtor/Bankrupt

-and-

**RSM RICHTER INC.**

Receiver

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## 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**

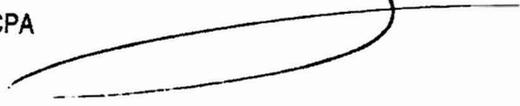
Once all accounts receivable are collected and/or settled, and when all obligations are settled, in particular the obligation relating to sections 81.4 and 81.6 of the BIA, RSM Richter Inc. will proceed to close the Receivership and Bankruptcy matters. Same is expected to occur by May 2013.

DATED AT MONTRÉAL, this 22<sup>nd</sup> day of November 2011.

**RSM Richter Inc.**  
Receiver



Phillip Manel, CA, CIRP, CPA  
Administrator



# EXHIBIT 2

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

**COURT NO.: 500-11-039827-106**

**ESTATE NO.: 41-342660**

**May 28, 2012**

**In \$000's**

**Receipts**

Sale of equipment and inventory by tender	\$ 690
Patella receivables	1,981
Settlement with other Patella entities	1,764
Government refunds and sales taxes receivable	298
Miscellaneous	84
	<u>4,817</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	219
Trustee's fees and costs	207
Receiver fees and costs	476
Sundry	34
	<u>1,298</u>

**3,518**

**HSBC's loan reduction**

(2,000)

Funds on hand (Note 1)

\$ 1,518

Note 1: Funds on hand are to be remitted to the secured lenders and used to settle potential prior ranking liabilities (salaries and vacations (BIA 81.4), prescribed pension plan (BIA 81.6), Receiver's fees, costs and others.

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