

CANADA
Province of Quebec
District of: Quebec
Division No.: 01-Montréal
Court No.: 500-11-043820-121
Estate No.: 41-1697486

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

In the matter of the Notice of Intention to make a Proposal of:

MATÉRIAUX DE CONSTRUCTION PROBEX INC. a legal person, duly incorporated according to law, having its head office and principal place of business located at 10,000 Boul. Gouin Ouest in the borough of Pierrefonds Roxboro District of Montréal, Province of Québec, H8Y 3K9

Debtor

- and -

RICHTER ADVISORY GROUP INC. (formerly RSM Richter Inc.) trustee in bankruptcy, a legal person, duly incorporated, having a place of business at 1981 McGill College in the City and District of Montréal, Province de Québec, H3A 0G6

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, Philip Manel, CPA, CA, CIRP of Richter Advisory Group Inc. (formerly RSM Richter Inc. – Trustee), (“Richter”), with respect to the Notice of Intention to Make a Proposal (“Notice of Intention”) filed by Matériaux de Construction Probex Inc. (the “Company” or the “Debtor” or “Probex”), an insolvent person, do hereby report to the Court the following:

1. On December 17, 2012, 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 been annexed hereto as **Exhibit “A”**.
2. On December 21, 2012, 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, as annexed hereto as **Exhibit “B”**.
3. On December 21, 2012, 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, covering the period from December 15, 2012 to January 19, 2013, which included the major Assumptions used in the preparation of the afore-noted Forecast. Concurrently therewith,

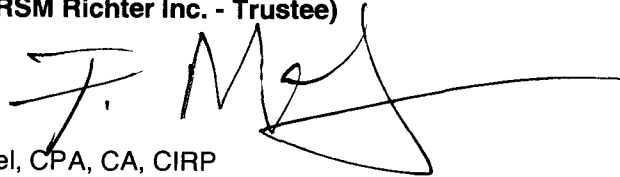
the Trustee filed its Report on the reasonableness of the Forecast in accordance with Section 50.4(2)(b) of the Act, all of which have been annexed hereto as **Exhibit "C"**.

4. 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.
5. The Trustee has compared the actual cash flows to those forecasted from December 15, 2012 to January 11, 2013, which is annexed as **Exhibit "D"**. Overall, the actual cash flows for that period have been consistent with the Forecast, save for some timing differences. The Company has been paying its employees, suppliers and other service providers on a timely basis, for services rendered and goods supplied subsequent to the date of the filing of the Notice of Intention.
6. The business of the Debtor consists of selling hardware and construction materials to the general public and construction contractors, from premises (the "Premises") owned by a related party ("Building Co").
7. All of the Debtor's assets are subject to a first ranking security interest in favour of its principal lender, the Canadian Imperial Bank of Commerce ("CIBC"). In addition, the Premises are subject to a first ranking mortgage in favour of the CIBC.
8. On October 16, 2012, the CIBC sent its Notice of Intention to Enforce Securities in accordance of s.244 of the BIA ("244 Notice") to both the Company and Building Co. The Company's management waived the prescribed 10 day delay.
9. On October 16, 2012 the Company, Building Co. and the CIBC entered into a forbearance agreement (the "Forbearance") which included the conditions on which the CIBC would support the Company's minimum cash flow requirements while it sought an investor and/or acquirer for its business assets and the Premises.
10. Since the filing of the Notice of Intention, the Debtor's management has suspended day-to-day operations, and scaled down its cash flow requirements to comply with the conditions of the Forbearance.
11. The Company's activities since the filing of the Notice of Intention are restricted to collecting its accounts receivable to reduce the outstanding advances from the CIBC, and negotiating with prospective going concern purchasers in an attempt to conclude a transaction to sell its operating assets and the Premises and subsequently resume operations.
12. The Debtor's management has been meeting with interested parties for the Company's operating assets and the Premises.
13. As of the present date, the Debtor has not filed a proposal nor will it be in a position to file one before the expiry of the statutory delay on January 16, 2013.
14. The Debtor has been unable to file a proposal due to the Christmas holiday period, during which all commercial activity, including the negotiations with the above noted interested parties, were suspended. As a result, ongoing negotiations have been taking longer than anticipated and the due diligence process being performed by perspective purchasers has not proceeded as expeditiously as the Debtor had hoped for.
15. More time is required in order for the Company's management to continue negotiating with potential purchasers with the view of completing a going concern transaction, which in all likelihood will result in a better realization than in the case of a liquidation following a bankruptcy. In addition, the avoidance of a bankruptcy will enhance the orderly collection of the Company's accounts receivable.

16. The Debtor has filed a Motion to Extend the Delay for the Filing of a Proposal ("Motion"), so that its management can continue negotiating with interested parties for the Company's operating assets and the Premises, and collecting the Company's accounts receivable; and ultimately determine the viability of filing a proposal to its creditors.
17. The Debtor has prepared an additional Cash Flow Forecast for the period ending March 1, 2013. Annexed hereto as **Exhibit "E"** is the Statement of Projection Cash Flow covering the period from January 12 to March 1, 2013, 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.
18. The CIBC, the Company's primary secured lender has been advised of the Company's Motion and does not oppose the extension sought herein. The Company's second ranking secured creditor and franchisor, RONA, has also been advised of the extension sought and has not indicated any objection.
19. In the event that the extension is not granted and a bankruptcy ensues, the liquidation of the Company's assets would result in a substantial shortfall to the creditors. In addition, the negative stigma of a bankruptcy will have an adverse effect on the collection of the Company's accounts receivable. Consequently, the creditors' best opportunity to maximize recovery in this matter is to allow the Company time to conclude a transaction for the sale of its business as a going concern and continue to reduce its bank debt via the collection of its accounts receivable in an orderly fashion.
20. The Debtor has acted, and is acting in good faith and with due diligence.
21. No creditor will be materially prejudiced if the extension being applied for were granted.
22. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to March 1, 2013.

DATED AT MONTRÉAL, this 15st day of January 2013.

Richter Advisory Group Inc.
(formerly RSM Richter Inc. - Trustee)

A handwritten signature in black ink, appearing to read 'P. Manel', with a long horizontal line extending to the right.

Philip Manel, CPA, CA, CIRP
Administrator