

RICHTER

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION NO.:01-MONTRÉAL
COURT NO.: 500-11-044144-136
ESTATE NO.: 41-1698291

SUPERIOR COURT
(Chambre commerciale)
Loi sur la faillite et l'insolvabilité

IN THE MATTER OF THE PROPOSAL OF:

**Les Aliments Newland North America Inc./
Newland North America Foods Inc.**

a body politic and corporate, duly
incorporated according to law and having its
head office at 1000 Saint-Charles Avenue,
Suite 901, Vaudreuil-Dorion, Quebec
J7V 8P5

Debtor or Company

- and -

**Richter Advisory Group Inc.
(formerly RSM Richter Inc.)**

Trustee or Richter

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

We refer to our reports dated January 23, 2013 and February 7, 2013 which had been sent to the creditors to provide them information to better evaluate Newland's Proposal and affairs. Since the issuance of these reports, the Meeting of Creditors to consider the Proposal has been postponed three times to allow the Company to refine its Proposal to its creditors and to allow the various creditor groups to provide constructive input to the process. In this latter regard an Ad Hoc Creditors' Committee and legal counsel to them and the Trustee had been named at the February 7, 2013 Meeting of Creditors. The Ad Hoc Creditors' Committee comprises representatives primarily from the most significant creditors.

Pursuant to the input of the Ad Hoc Creditors' Committee and negotiations with the representatives of the Company, **on April 9, 2013, the Debtor filed an Amended Proposal** to its creditors which is being concurrently forwarded to them via mail, e-mail where available, and appears on our website together with ancillary documents under <http://www.richter.ca/fr-ca/insolvency-cases/n/newland-north-america-foods-inc>; <http://www.richter.ca/en/insolvency-cases/n/newland-north-america-foods-inc>.

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As per the Notice sent to all known creditors, a vote on the Amended Proposal is scheduled to take place on **April 19, 2013 at 2:30 PM at the Trustee's office**. If creditors wish, they may vote in advance by voting letter sent to the Trustee, or in person or by proxy at the forthcoming Meeting. Should the Amended Proposal be accepted by the statutory majority of creditors and approved by the Court, it will be binding all creditors, whether or not they have voted thereon. Should the Amended Proposal be rejected, a bankruptcy will forthwith take place resulting in the liquidation of the remaining assets and ensuing costs.

In accordance with 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 Amended Proposal, the Trustee is submitting the present report.

We caution the reader that the information and resulting recommendations herein emanate from the books and records of the Debtor. However, we have not conducted an audit of these books and records. Consequently, we cannot render an opinion as to the accuracy of the information contained herein.

Included in this report are the following sections:

- I. Background of the Debtor and financial information
- II. Amended Proposal to Creditors
- III. Estimated Distribution to Unsecured Creditors

I. BACKGROUND OF THE DEBTOR AND FINANCIAL INFORMATION

Please refer to the Trustee's reports dated January 23, 2013 and February 7, 2013 wherein background and financial details were provided in detail.

It should be noted that since the February 7, 2013 Meeting of Creditors the Company has proceeded to the orderly wind down of its affairs albeit it remains in business and has assets yet to be realized upon. The Company has not continued purchasing inventory for the purposes of trading. It has, however, continued collecting its receivables, and selling its remaining inventory with the assistance of its principal, Mr. Jonathan Morgan, and a limited number of employees. Additionally, its interim affairs since February 11 2013 have been overseen by court-appointed "Joint Interim Receivers", namely the firms of Richter and Blumer Lapointe Tull & Associés. Additionally, the Joint Interim Receivers have been guided by independent legal counsel as well as the Ad Hoc Committee of Creditors with whom there have been regular meetings and discussions.

II. AMENDED PROPOSAL TO CREDITORS

Creditors are advised to read the text of the Amended Proposal as well as associated definitions and any ancillary documents. The foregoing supersedes the Trustee's summary comments on the Amended Proposal, below.

In summary, the Amended Proposal provides for:

- The payment to the creditors according to their rank under the BIA of the Net Amount, as more fully defined in the Amended Proposal. Without limitation to the foregoing, the payment to the unsecured creditors shall be by way of an interim dividend comprising a pro rata distribution ("Dividend") of \$2 million (the "Gross Amount"), net of all proposal costs, post filing obligations, secured claims, priority claims, Reserve, and all other amounts to be paid in priority to the unsecured claims (the "Net Amount"). The Trustee shall pay the Dividend or a significant portion thereof, within ninety (90) days of creditors' approval and subsequent ratification by the Court of the Amended Proposal. In addition, to the extent that there is further recovery resulting from the realization upon certain Intellectual Property ("Excluded IP"), mainly the name "Newland", or from the attack by the Trustee of Reviewable Transactions, the proceeds therefrom will also be subsequently distributed pro rata to the creditors, net of associated costs.

The process of maximizing the Dividend entails various important elements, including without limitation:

The assistance and cooperation of the Company's President, Mr. Jonathan Morgan. To induce the foregoing, the Amended Proposal contemplates the granting of certain releases ("Releases") in favor of Mr. Morgan and his holding company, as well as in favor of the Company's Directors, as well as concluding the sale ("Sale Transaction") to him or a new company ("Newco") of any residual assets of the Company providing that the Gross Amount has been received by the Trustee by May 3, 2013 and the foregoing receives the approval of the Court. Collectively, the Releases and Sale Transaction are to be more fully enumerated in a "Memorandum of Understanding" which shall appear imminently on the Trustee's website for creditors' review.

- The discharge of the security interest of PJ Impex over the assets of the Debtor. PJ Impex alleges to be a secured creditor for approximately \$1.6 million and has conditionally agreed to convert its claim to the status of an unsecured creditor for purposes of a pro rata Dividend distribution together with all other unsecured creditors. The foregoing also entails certain releases in favor of PJ Impex with respect to possible Reviewable Transactions to be concurrent with the discharge of its security.

- The right of the Trustee to attack Reviewable Transactions either to diminish creditors' claims or result in additional recovery, the whole for the benefit of the unsecured creditors.
- The right of the Trustee to deal with the name "Newland" for the benefit of the unsecured creditors.

Further details regarding the Amended Proposal or subsequent amendments thereto, the contemplated Sale Transaction, Reviewable Transactions and other relevant information will be provided to the creditors present at the forthcoming Meeting of Creditors scheduled for April 19, 2013.

III. ESTIMATED DISTRIBUTION TO UNSECURED CREDITORS

If the unsecured creditors reject the Amended Proposal, the Company will automatically be deemed to have filed an assignment in bankruptcy. Thereafter, the assets of the Company will be liquidated and the net proceeds will be distributed by the Trustee to the creditors, based on the provisions of the BIA. It is likely, however, that the ultimate distribution to creditors in a bankruptcy scenario will take an extended period of time particularly due to possible litigation concerning various Reviewable Transactions, including without limitation that relating to PJ Impex and the security charge on assets which it allegedly holds. It is important to note that, in the event the security of PJ Impex is not set aside, it would have a priority rank on the assets of the Company ahead of all creditors, resulting in minimal or no dividend to the unsecured creditors.

Additionally, the net proceeds distributable to unsecured creditors in a Bankruptcy scenario are highly dependent on the collection of the remaining accounts receivable as well as the liquidation of the residual inventory on hand and the related realization costs, which cannot be projected with certainty at this time.

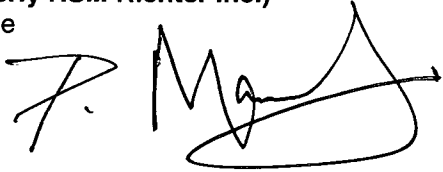
The acceptance of the Amended Proposal and its fulfillment by the Debtor will lead to a more prompt and determinable dividend to the creditors. However, the Trustee is unable to advise the creditors of a definitive dividend percentage as there still remains certain variables, including without limitation, such as the quantum of total creditors. That being said, on the assumption that Gross Amount is received, the Trustee estimates that a Dividend under the Amended Proposal should be in the range of 25% - 35%. The Trustee is of the opinion that a dividend in a bankruptcy scenario will be substantially less.

Accordingly, the Trustee, in consultation with the Ad Hoc Committee of Creditors, recommends the acceptance of the Amended Proposal.

Dated at Montréal, Province of Quebec, this 9th day of April 2013.

**Richter Advisory Group Inc.
(formerly RSM Richter Inc.)**

Trustee

A handwritten signature in black ink, appearing to read 'P. Manel', with a large, stylized flourish extending from the end of the name.

Philip Manel, CPA, CA, CIRP
Trustee-Administrator