

CANADA  
PROVINCE OF QUÉBEC

DISTRICT OF MONTRÉAL  
COURT NO.: 500-11-031970-078

SUPERIOR COURT  
(COMMERCIAL DIVISION)

(Sitting as Court designated pursuant to the  
*Companies' Creditors Arrangement Act, R.S.C.*  
*1985, c. C-36, as amended*)

IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, R.S.C. 1985,  
c. C-36, as amended:

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Positron Technologies Inc., a legal person duly  
constituted, having its place of business at:

18107 Trans-Canada Highway,  
Kirkland, Province of Quebec H9J 3K1

Petitioner

– and –

RSM RICHTER INC.

Monitor

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SEVENTH REPORT OF THE DESIGNATED MONITOR  
ON THE STATE OF PETITIONER'S AFFAIRS

INTRODUCTION

1. On November 28, 2007, Positron Technologies Inc. (the "Petitioner" or "PTI") filed with the Quebec Superior Court a Motion for Protection and the Issuance of an Initial Order pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). On that same date, the Honourable Justice Christiane Alary, S.C.J., issued an initial order (the "Initial Order") *inter alia* appointing RSM Richter Inc. as monitor (the "Monitor").

2. On December 10, 2007, the Honourable Justice Christiane Alary, S.C.J., granted the Order authorizing the sale of the assets of the Petitioner to Triton Électronique Inc. ("Triton") (the "**Sale Transaction**").
3. On December 20, 2007, the Petitioner filed a Motion for Extension of Delay to File a Plan of Arrangement and for Extension of the Stay Order as Provided for in the Initial Order until January 25, 2008. On that same date, the Honourable Justice Christiane Alary, S.C.J., granted the Motion.
4. On January 25, 2008, the Petitioner filed a Motion for a further Extension of Delay to file a Plan of Arrangement and the Extension of the Stay Order as Provided for in the Initial Order until April 9, 2008. On that same day, the Honourable Justice Christiane Alary, S.C.J., granted the Motion.
5. On January 25, 2008, the Petitioner filed a Motion to Establish a Claims Process. On that same date, the Honourable Justice Christiane Alary, S.C.J., granted the Motion (the "**Claims Process**"). The Claims Process sets the bar date for the filing of Proofs of Claim with the Monitor to March 7, 2008 at 5:00 p.m.
6. On April 9, 2008, the Petitioner filed a Motion for a further Extension of Delay to File a Plan of Arrangement and the Extension of the Stay Order as Provided for in the Initial Order until June 9, 2008. On that same day, the Honourable Justice Christiane Alary, S.C.J., granted the Motion.
7. On June 6, 2008, the Petitioner filed a Motion for a further Extension of Delay to File a Plan of Arrangement and the Extension of the Stay Order as Provided for in the Initial Order until September 15, 2008. On that same day, the Honourable Justice Christiane Alary, S.C.J., granted the Motion. The Court further extended the bar date for the filing of Proofs of Claim with the Monitor to June 30, 2008 at 5:00 p.m.
8. On September 12, 2008, the Petitioner filed a Motion for a further Extension of Delay to File a Plan of Arrangement and the Extension of the Stay Order as Provided for in the Initial Order until December 15, 2008. On that same day, the Honourable Justice Christiane Alary, S.C.J., granted the Motion.
9. On December 11, 2008, the Petitioner filed a Motion for a further Extension of Delay to File a Plan of Arrangement and the Extension of the Stay Order as Provided for in the Initial Order until February 13, 2009. On that same day, the Honourable Justice Christiane Alary, S.C.J., granted the Motion.

10. On February 12, 2009, the Petitioner will be filing a Motion for a further Extension of Delay to File a Plan of Arrangement and the Extension of the Stay Order as Provided for in the Initial Order until March 31, 2009.
11. This Seventh Report of the Monitor is to inform the Court of the following:
  - Pti's current affairs
  - Monitor's administration
  - Quorum's claim
  - Request for extension
  - Monitor's recommendation

#### **PTI'S CURRENT AFFAIRS**

12. PTI has had no commercial activities since the completion, on December 21, 2007, of the Sale Transaction pursuant to the Order rendered on December 10, 2007 authorizing same.
13. PTI, with the assistance of the Monitor, is currently finalizing its discussions with representatives of the Ministère du Revenu du Québec regarding the results of their audit of the sales tax remittance. Furthermore, the corporate tax returns are to be filed with the tax authorities for fiscal years ended March 31, 2007 and 2008.
14. PTI has completed the analysis of the claims filed by the creditors.
15. PTI is continuing to seek advice from its attorneys and the Monitor in dealing with various matters relating to the filing of a Plan of Arrangement to be submitted to its creditors.
16. PTI intends to submit a Plan of Arrangement to its creditors imminently with a view of holding a creditors' meeting as soon as March 19, 2009.

## MONITOR'S ADMINISTRATION

17. In connection with the Sale Transaction entered into on December 21, 2007, the Monitor did collect from Triton the initial sale proceeds as well as the first and second installments of \$1,000,000 each of the balance of sale due in March and June 2008. A portion of these proceeds was distributed to PTI's secured creditors in accordance with their rank in satisfaction of all priorities and hypothecary interest.
18. The final payment of the balance of sale of \$500,000 due December 1, 2008 has not been paid by Triton. On January 28, 2009, Triton filed for protection of the Court pursuant to the CCAA. Under the circumstances, no recovery of the balance of sale of \$500,000 is expected in the immediate future.
19. The transactions recorded in the Monitor's trust account are summarized in the Statement of Receipts and Disbursements for the period ended February 6, 2009, as shown in **Exhibit "A"** attached hereto.
20. The funds presently on deposit in the Monitor's trust account are being invested to earn interest.
21. The Monitor has continued to answer the queries of PTI's creditors.
22. On February 5, 2008, the Monitor gave notice to all known creditors of the Claims Process and advised them of the March 7, 2008 bar date for the filing of their Proof of Claim with the Monitor.
23. Pursuant to the June 6, 2008 Order, the Monitor has sent on June 10, 2008, by registered mail, to all creditors who had not filed a Proof of Claim, a Notice that a new bar date to file a Proof of Claim with the Monitor had been set to June 30, 2008 at 5:00 p.m.
24. The list of Proofs of Claim filed is submitted as **Exhibit "B"** attached hereto.
25. The Monitor completed the collocation of creditors' claims in accordance with the Claims Process.
26. The Monitor is continuing to deal with PTI's attorneys, Mes Fasken Martineau Du Moulin, and the Monitor's attorneys, Mes McCarthy Tetrault, to finalize the preparation of the Plan of Arrangement to be submitted to its creditors.

## QUORUM'S CLAIM

27. In connection with the financing of PTI's affairs, Quorum Investment Pool Limited Partnership ("Quorum") extended various loans to PTI. Further to the Initial Order and the Sale Transaction, Quorum has demanded, as a secured creditor, rights to the proceeds of the Sale Transaction.
28. The Monitor has contested the rights demanded by Quorum to claim, as a secured creditor, the payment of the \$2,000,000 loan. On February 5, 2008, the Monitor filed a Motion for guidance asking the Court to decide as to the validity of the securities claimed.
29. The Honourable Justice Christiane Alary, S.C.J., rendered a judgment on October 3, 2008, declaring that Quorum did not hold a valid guarantee and could not claim rights as secured creditor for the said \$2,000,000 loan.
30. Quorum has filed an appeal of the Court's decision on January 12, 2009.
31. Discussions between the representatives and counselors of PTI, the Monitor and Quorum have made it clear that it would be in the best interest of all to see if a settlement of the litigation could not be negotiated between the parties.
32. In connection with said negotiations, Quorum, PTI and the Monitor have determined that a settlement providing for the payment to Quorum of an amount of \$1,000,000, in full and final payment of the \$2,000,000 loan, including all interests and fees, would be reasonable and acceptable.
33. On February 5, 2009, the legal counsel of PTI, of the Monitor and the Monitor held a conference call to review the facts in the file and the proposed settlement with the representatives of the four most important creditors of PTI, that is Arrow Electronics Inc. (claim of \$1,855,859), Future Electronics Inc. (claim of \$1,617,133), Canada Economic Development (claim of \$1,193,260) and Avnet Inc. (claim of \$982,260) representing 49.5% of the total claims collocated.

34. The representatives of these four creditors have approved the settlement providing for the payment to Quorum of \$1,000,000 in full and final payment of the \$2,000,000 loan, including interest and fees. The excerpt of the discussions held during the conference call of February 5, 2009 is submitted as **Exhibit "C"**.
35. The settlement with Quorum provides for the authorization and approval of the Superior Court of Québec.
36. PTI will submit to the Court on February 12, 2009 its request for authorization and approval of the proposed settlement with Quorum.

#### **REQUEST FOR EXTENSION**

37. The Petitioner's Motion to the Court for Extension of delay to File a Plan of Arrangement is reasonable for, amongst others, the following reasons:
  - a) To date, the Petitioner has paid for any and all approved goods and services received subsequent to the date of the Initial Order;
  - b) The Petitioner having sold its assets is continuing to act in good faith and is cooperating with all stakeholders involved to finalize the winding up of its affairs;
  - c) The Petitioner requires a further extension to finalize the terms of the Plan of Arrangement to be submitted to its creditors.

#### **MONITOR'S RECOMMENDATION**

38. The Monitor recommends that the Court grant to the Petitioner an extension of the Initial Order until March 31, 2009 for the following principal reasons:
  - a) The Petitioner has and continues to act in good faith and with diligence;
  - b) The Petitioner's behaviour has not prejudiced its creditors;

- c) The Petitioner needs additional time to finalize the terms of the Plan of Arrangement in order to file same and to hold a creditors' meeting no later than March 19, 2009 .

DATED AT MONTREAL, this 10<sup>th</sup> day of February 2009.

**RSM RICHTER INC.**  
Court-Appointed Monitor

*(s) Yves Vincent*

Per: Yves Vincent, FCA, CIRP