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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01 - LONGUEUIL
COURT NO.: 505-11-007944-064
ESTATE NO.: 41-339436

SUPERIOR COURT
(In bankruptcy and insolvency)

IN THE MATTER OF THE PROPOSAL OF:

Avestor Limited Partnership

a limited partnership established on March 7, 2001, by way of a Declaration of Partnership and having its head office and its principal place of business at:
1560, de Coulomb
Boucherville, Québec J4B 7Z7

Debtor

TRANSLATION

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

The purpose of the First Meeting of Creditors is to consider the Proposal filed on December 6, 2006 (hereinafter referred to as "the Proposal") by Avestor Limited Partnership (hereinafter referred to as the "Debtor" or "Avestor").

Pursuant to 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 Proposal, the Trustee is submitting its report on the financial situation of the Debtor and on the Proposal.

We caution the reader that we have neither conducted an audit nor a verification of the books and records of the Debtor. Consequently, we cannot render an opinion as to the accuracy of the information contained therein. The information discussed herein emanates from the books and records of the Debtor as well as from our discussions with the Management of the Debtor.

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I. INTRODUCTION

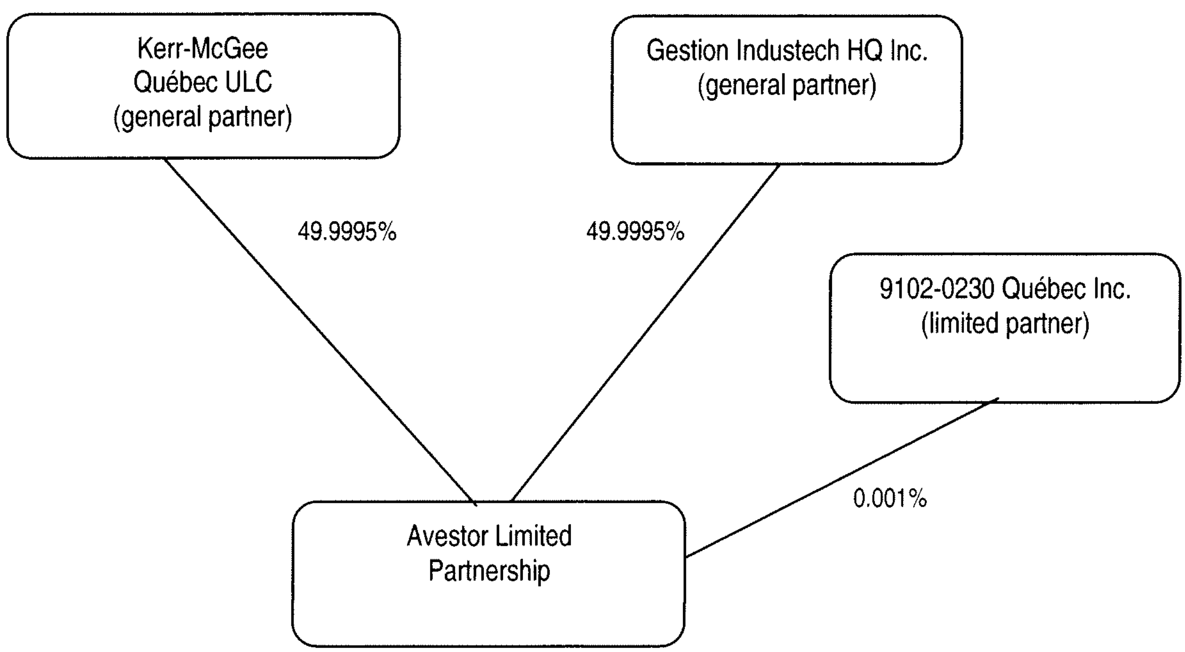
On October 31, 2006, Avestor filed a Notice of Intention to make a proposal (hereinafter referred to as the "Notice of Intention") to its creditors and RSM Richter Inc. (hereinafter referred to as "Richter") was appointed Trustee.

On December 6, 2006, the Debtor filed a Proposal to its creditors. We have enclosed herewith the Proposal made by the Debtor to its creditors, a proof of claim form, a voting form, a proxy and a notice indicating the place and time of the first meeting of the creditors to address the Proposal.

The following summarizes the relevant information and key elements that may assist the creditors in evaluating the Debtor's affairs and the Proposal.

II. ORGANIZATION CHART

The Debtor is a limited partnership held by two (2) general partners (hereinafter referred to as the "Partners") and one limited partner, as shown below:



III. BACKGROUND OF THE DEBTOR

Avestor was established in 2001 to improve and commercialize the lithium-metal-polymer battery technology, especially for the telecommunications industry. The Debtor operates two (2) production facilities located at 1560 and 1600, de Coulomb, in Boucherville, Quebec. As at the date of this report, the Debtor employed about 260 individuals.

The Company's capital has been used to support operating deficits incurred. Additionally, amounts had to be invested into Avestor in order to maintain research and development activities. During the past year, and as described later in this report, the Debtor tried without success to find other investors or a buyer willing to purchase Avestor.

In September 2006, the Debtor asked the Partners to invest additional amounts for a total of $20 million in order to continue its operations during the last quarter of 2006. In addition, other investments totaling about $40 million were deemed necessary to the continuation of Avestor's operations for 2007. The Partners had decided to stop supporting the operating losses. Accordingly, Avestor's inability to continue as a going concern forced the Debtor to file a Notice of Intention.

Since the filing of the Notice of Intention, the operations have been suspended.

IV. CAUSES OF INSOLVENCY

Battery development took much longer than expected and required significant financial contributions.

Despite its sales increase, the Debtor was not able to breakeven and generate the funds required to support its current cost structure. In fact, the batteries' production cost is higher than their selling price. The lack of market readiness for lithium-metal-polymer batteries is one of the reasons given by management to explain Avestor's inability to sell its product at a price high enough to cover production costs and eventually attain some degree of profitability.

Moreover, the manufacturing of batteries presented technical problems that delayed product delivery and exacerbated Avestor's financial problems.

V. FINANCIAL INFORMATION

The following financial data was extracted either from the Statement of Affairs filed with the Official Receiver on December 6, 2006, the internal books and records of the Debtor, the audited financial statements or from discussions held with Management. This information is submitted solely to assist the reader in assessing the current financial position of the Debtor.

The Trustee makes no representations or warranty as to the accuracy of said financial information.

A) Cumulative results and deficit

Cumulative results and deficit

(in thousands of dollars)	***10 months ended October 31, 2006 (unaudited)***	***Year ended*** December 31, 2005 (audited)	December 31, 2004 (audited)	December 31, 2003 (audited)
Revenue	34,513	16,200	3,850	32
Cost of sales	50,342	36,592	14,504	-
Gross margin	(15,829)	(20,392)	(10,654)	32
Operating expenses	33,809	64,713	79,947	73,441
Net loss	(49,638)	(85,105)	(90,601)	(73,409)
Deficit - beginning	(344,681)	(259,576)	(168,975)	(95,566)
Deficit - end	**(394,319)**	**(344,681)**	**(259,576)**	**(168,975)**

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B) Assets

The Debtor's Statement of Affairs as at December 6, 2006 reflects the following:

Statement of Affairs as at December 6, 2006 Assets *(in thousands of dollars)*	***Net carrying amount***	***Estimated gross realization amount***
Cash in bank	7,000	7,000
Accounts receivable	2,597	1,000
Inventory	13,724	Unknown
Equipment, office furniture, computer equipment, etc.	85,852	1,500
Buildings	19,251	6,000
Intellectual property	44,792	Unknown
Total assets	**173,216**	**15,500**

Cash in bank is net of obligations contracted by the Debtor after the filing of the Notice of Intention.

"Gross realization" indicated in the Statement of Affairs is based upon independent appraisals and do not include costs, expenses and professional fees that will be incurred during an orderly liquidation and administration of the file.

The projected statement of cash flow prepared and filed by the Debtor with its Proposal reflects the course of action the Debtor plans to take during the liquidation period, estimated expenses and professional fees for this period, and gross realization amounts, as reflected in the Statement of Affairs. Based on this statement, the net realization value of assets is estimated at $8.5 million, i.e. in a range of $7.5 to $10 million. Based on our analysis of these projections and our experience, in a bankruptcy scenario, we believe the funds available to Creditors following the realization of the assets would be in the same range of $7.5 to $10 million.

We refer you to Section VI below for information about the process the Trustee has put in place regarding the solicitation of offers from buyers to purchase assets.

C) Liabilities

The Debtor has provided us with a list of its Creditors. Notices have been sent to the known Creditors and, to date, we are unable to determine if the Debtor's records agree with those of its Creditors. As Proofs of Claim are received, we shall enter the specific amounts claimed by the Creditors and, prior to paying any dividend, we shall perform a variance analysis.

Liabilities indicated below are based on management's representation, estimated as follows:

Statement of Affairs as at December 6, 2006
Debt breakdown
(in thousands of dollars)

Secured Creditors		1,573
Preferred Creditors		415
Unsecured Creditors		
Due to Partners (or their shareholders)		32,057
Other Creditors		
- Liquidated claims	14,157	
- Contingencies	10,000	24,157
Employees		6,800
Total		**65,002**

i) Secured Creditors

The secured claims relate to amounts due in connection with work on buildings and could be subject to construction liens. The proof of claims of these creditors will have to be examined to establish, amongst other things, if appropriate legal steps were taken to preserve their rights and to validate that the value added to the realty is equal or superior to the claimed amount.

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ii) Preferred Creditors

Preferred claims which were identified relate to the estimated portion of salaries and vacation pay which should be paid in priority in the distribution of the Debtor's assets in accordance with the provisions of the BIA.

iii) Unsecured Creditors

- **Amounts due to other creditors**

  According to the books and records of the Debtor, the amounts due to other creditors total $24,157,000.

  The Debtor has estimated $10 million as the amount that could eventually be due with respect to ongoing legal proceedings and damages which may be claimed for breach of contract and failure to comply with various commitments.

- **Amounts due to Partners**

  When the Notice of Intention was filed, the Debtor declared owing $32 million to US Avestor LLC, a company affiliated with the Debtor. Subsequently, this debt was assigned and is now due to Gestion Industech HQ Inc. and Kerr-McGee Stored Power Corporation, the latter being the shareholder of Kerr-McGee Québec ULC ($16 million each).

  According to the books and records of the Debtor, the amount initially due to US Avestor LLC is explained as follows:

Avestor Limited Partnership
Intercompany accounts
(Payables) Receivables

(in thousands of dollars)	***US Avestor***	***Partners (or their shareholders)***
Amount receivable as at December 31, 2005 (audited financial statements)	11,422	0
Transactions summary / (Advances)		
January	643	
February	(3,003)	
March	(327)	(5,462)
April	649	(11,073)
May	544	(6,201)
June	(599)	
July	(367)	(4,295)
August	(14,028)	
September	602	
October	(434)	
Entry following the debt repayment (August 2006) (Note 1)	(27,031)	27,031
Balance as at October 28, 2006 (payable)	**(31,929)**	**0**
Foreign exchange rate variation	(128)	
Assignment of debt to Gestion Industech HQ Inc. and Kerr McGee Stored Power Corporation	32,057	(32,057)
Balance as at December 6, 2006	**0**	**(32,057)**

Note 1: In August 2006, US Avestor LLC, as guarantor, has repaid the loans that Avestor had incurred with the Partners. Following this repayment, US Avestor LLC became a creditor of Avestor.

- **Employees**

The Debtor has estimated that $6.8 million represents the total amounts which would be due to employees if their employment was terminated.

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VI. INVESTORS AND/OR AUCTIONEERS SEARCH PROCESS

A) Search for investors and/or auctioneers by the Debtor

The following information comes from discussions we have had with representatives of the Partners and the Debtor.

In June 2005, Scotia Capital was retained in order to assist the Debtor in the search of a third partner who might be interested in investing in exchange for an interest in Avestor.

As early as September 2005, 48 potential investors had been contacted; that is 23 strategic investors and 25 institutional investors. No definitive investor was found and in January 2006, the Partners and Scotia Capital undertook the search for potential buyers for Avestor as a whole. Management made presentations to potential buyers in the United States, Europe, Japan and Korea.

Interested parties who had entered into a confidentiality agreement were then given access to a virtual data room containing the information necessary to the preparation of a potential offer.

In June 2006, five (5) offers were received after which discussions and negotiations with the highest bidder were intensified but, as at the date of the filing of the Notice of Intention, no transaction had been entered into.

Further to the filing of the Notice of Intention, the mandate with Scotia Capital was terminated and Avestor's management undertook discussions directly with the representatives of the potential buyers who, they assessed, would most likely be interested in acquiring Avestor's business including representatives of the offerors referred to above. Unfortunately, no firm offer was received and, consequently, the Debtor mandated Richter to solicit offers for the disposal of all of the Debtor's assets on a piecemeal or "en bloc" basis.

B) Search for buyers for some or all of the Debtor's assets

Richter has set up a formal process to solicit offers for the disposal of some or all of the Debtor's assets on an "en bloc" or piecemeal basis. In this regard, we have drawn up a list of potential buyers likely to be interested in purchasing Avestor's assets in a going concern scenario. We have also identified commercial users, auctioneers, liquidators and resellers who could be interested in Avestor's assets.

We have prepared and sent out a summary information document to more than 260 identified potential buyers including the five (5) who had made an offer in June 2006 in order to enquire as to their interest regarding the business opportunity that Avestor represents. We have also made available to potential buyers who have signed a confidentiality agreement, the relevant information including a virtual data room.

Under the process, we have stipulated that offers must be submitted to our office no later than noon, Eastern Time on December 18, 2006, i.e. subsequent to the date of this report. This deadline was considered necessary in order to provide for the possibility to conclude a transaction on a going-concern basis with minimal impact on the business from the suspension of operations, and to mitigate further losses.

VII. PROPOSAL

A) Summary

The Trustee is aware that the Partners have agreed to finance the amounts to be paid to employees in the event that there would be no purchaser of the Avestor enterprise and that their employment relationship with Avestor would be terminated. The claims of employees appearing on the Statement of Affairs total $7.2 million ($6.8 million + $415,000).

The Partners will also advance an amount of $15 million ("Contribution") to be used as part of the Proposal. The Proposal also provides for the major part of the Contribution to be paid to creditors within the thirty (30) days following the approval of the Proposal.

According to the Proposal, the assets of the Debtor will be sold and the net proceeds as well as the Contribution (discussed hereinafter) will be paid in accordance with the terms of the Proposal.

In the event that the Proposal is accepted by the creditors and ratified by the Court, the Partners and their respective shareholders will waive their right to receive the dividends they or companies under their control would otherwise be entitled to receive in virtue of the following claims:

i. The amounts owing to the Partners (or their shareholders) totalling approximately $32 million; and

ii. The amount of $7.2 million resulting from the acquisition and payment of the employees' claims.

These waivers will, as such, improve the amount to be distributed to other creditors.

In summary, the financial consideration of the Partners and/or their shareholders total over $54 million considering the Contribution of $15 million and the value of the claims totalling $39.2 million, which will be waived.

B) Amounts to be paid as a priority

According to the terms of the Proposal, the following amounts must be paid in priority:

- The secured claims shall be paid in accordance with arrangements between the Debtor and the holders of secured claims or according to any agreement which might be reached between the Debtor and the holders of secured claims. For greater certainty, the Debtor acknowledges that the present document shall have no effect on the rights of the holders of secured claims;

- Amounts due to Her Majesty the Queen in right of Canada or of any province which are subject to a demand under subsection 224 (1.2) of the *Income Tax Act*, or of any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224 (1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts, or of any provision of provincial legislation essentially similar to the

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foregoing provisions as provided in paragraph 60(1.1)(c) of the Act and that were outstanding at the time of the filing of the Notice of intention, shall be paid in their entirety, without interest, within six (6) months after the approval of the Proposal;

- Amounts owing to employees (past and present) and that they would have been entitled to receive under Section 136(1)(d) of the Act if their employer had been declared bankrupt on the date of the approval of the Proposal, shall be paid in their entirety immediately after the approval of the Proposal. (Note: These amounts will be subject to a waiver once the claims are acquired by the Partners or by a company that they control);

- The Proposal costs shall be paid in priority to all priority claims and all unsecured claims;

- The priority claims, without interest or penalty, shall be paid in their entirety in priority to unsecured claims, within sixty (60) days of the approval of the Proposal;

- Post-filing obligations shall be paid in full in the ordinary course of business and according to usual commercial terms or according to agreements between the Debtor and the holders thereof.

C) Amounts to be Disbursed to Ordinary Creditors

The net proceeds available after payment of the above-mentioned amounts shall be distributed to ordinary creditors (excluding the Partners and their shareholders) as follows:

- Each of the ordinary creditors shall receive, in full and final payment of its unsecured claim, without interest or penalty:

    a) the lesser of $2,500 or the amount of its proof of claim, payable within thirty (30) days of the approval of the Proposal; and

b) with respect to the balance of its unsecured claim, if any, a pro rata share of the Net Amount, as follows:

   i. A first portion payable out of the First Disbursement payable within thirty (30) days of the approval of the Proposal; and

   ii. A second portion payable once all the assets of the Debtor have been sold.

D) Creditors' Committee

The Debtor consents to the creation of a committee which shall be comprised of, at most, three (3) individuals (the "Committee") designated by the creditors at the Proposal Meeting. The Committee shall have the following powers:

- to advise the Trustee with respect to the administration of the Proposal;
- to waive any default in the execution of the Proposal;
- to confirm that the Debtor has satisfied all of the terms and conditions of the Proposal; and
- to postpone the payment of any dividends to ordinary creditors provided for in the Proposal.

VIII. ESTIMATE AS TO DISTRIBUTION TO CREDITORS

In the event that the creditors reject the Proposal, the Debtor will automatically be bankrupt and the net proceeds of the sale of assets after the payment of the Trustee's fees and expenses will be distributed to the creditors in the order provided for under the Act. The following information is to inform the creditors on the estimate as to the distribution to creditors under the Proposal in comparison to the estimated distribution under a bankruptcy scenario.

A) Proposal

As the buyer solicitation process for Avestor's assets is still in progress at the time of this report, we are unable to determine the amount which will be available for distribution to creditors. At the creditors' meeting scheduled for December 20, 2006, we will have looked into the offers received and will be in a position to report to the creditors. However, the Projected Cash Flow which was prepared and filed by the Debtor presents the funds which would be available following an orderly liquidation under the liquidation value assumptions mentioned in the Statement of Affairs and based on assumptions which reflect the line of conduct that the Debtor plans to adopt during the period when all assets will be sold. According to these projections, an amount of approximately $8.5 million is expected for distribution to the creditors from the asset sale, i.e. in a range of $7.5 to $10 million.

In addition, the Proposal provides that the Partners will advance a sum of $15 million to be distributed to creditors. As such, the amount available to creditors could range from $22.5 to $25 million.

The distribution to creditors identified in the Debtor's Statement of Affairs could correspond to the following:

Proposal
Estimated distribution

(in thousands of dollars)		*Range* *Low*		*Range* *High*	
Net realization of assets (estimated)		7,500		10,000	
Contribution		15,000		15,000	
Total (estimated)		**22,500**		**25,000**	
	Claims (Note 1)	**Distribution**		**Distribution**	
Secured claims	1,573	1,573		1,573	
Preferred claims	(Note 2)	0		0	
Unsecured claims	24,157	20,927	*87%*	23,427	*97%*
Deferred claims (Note 3)	39,272	0		0	
Total	**65,002**	**22,500**		**25,000**	

Note 1: Based on the Statement of Affairs filed by the Debtor.
Note 2: Included in the deferred claims
Note 3: Amounts due to Partners or to a company under their control

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Other considerations

1) The certainty associated with the $15 million contribution pursuant to the commitment of the Partners' shareholders, is a key element in the evaluation of the Proposal;

2) The Proposal provides for the payment of the majority of this contribution within thirty (30) days of the approval of the Proposal;

3) Some of the Debtor's assets include contracts, agreements and other intangibles, such as intellectual property licenses. The realization of the assets under the Proposal could allow for the sale of rights, titles and interests related to these intangibles assets, whereas if a bankruptcy occurs, no realization would then be possible for these assets. The realization value for these assets has not been estimated.

B) Bankruptcy

In a bankruptcy scenario, it has been estimated that the net realization value of the assets could range from $7.5 million to $10 million.

The distribution of this amount which would be made to all the creditors upon completion of the realization of the assets could correspond to the following:

Bankruptcy
Estimated distribution

(in thousands of dollars)		*Range* Low		*Range* High	
Net realization of assets (estimated)		7,500		10,000	
	Claims (Note 1)	**Distribution**		**Distribution**	
Secured claims	1,573	1,573		1,573	
Preferred claims	415	415		415	
Unsecured claims	63,014	5,512	*9%*	8,012	*13%*
Total before other considerations	**65,002**	**7,500**		**10,000**	

Note 1: Based on the Statement of Affairs filed by the Debtor.

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Other considerations

The following are additional elements to be considered in the event of a bankruptcy.

1) Inopposability of some transactions

By the approval of the Proposal, all the creditors waive their remedies provided by sections 91 to 101 of the Act. These remedies relate to the recovery of certain amounts under reviewable transactions, preferential treatments and asset disposals.

Since these remedies would be available in the event of a bankruptcy of the Debtor, we have performed a summary analysis of various transactions involving the Debtor and its Partners during the last twelve months.

i) Transactions

The transactions that took place between the Debtor and its Partners are as follows:

a) Capital contributions

The financial statements and the books and records of the Debtor indicate that the Partners' contributions total approximately $516.7 million as at October 28, 2006 and that these contributions were made before December 31, 2005:

Partners' contributions *(in thousands of dollars)*	
Based on the December 31, 2004 audited financial statements	458,169
Contributions in 2005	58,555
Total as at December 31, 2005 and as at October 28, 2006	**516,724**

b) Loans from Partners

On February 24, 2006, Avestor, the Partners and US Avestor LLC entered into a loan agreement. Under this agreement, the Partners have provided Avestor with a term loan to be paid out progressively depending on Avestor's needs, and the repayment of which has been guaranteed by US Avestor LLC. To this end, US Avestor LLC has provided a first rank charge on a piece of land located in the U.S.

The following are the advances made to the Debtor by the Partners in 2006:

Loans from Partners		
(in thousands of dollars)	**USD**	**CAN**
March 2006	4,800	5,462
April 2006	9,600	11,073
May 2006	5,600	6,201
July 2006	4,000	4,295
Total	**24,000**	**27,031**

In August 2006, when US Avestor LLC sold this piece of land, the U.S. notary paid US$24 million to the Partners to obtain the discharge of the first rank charge.

It is following the repayment of the loans by US Avestor LLC, as guarantor, that the latter has been subrogated in the rights of the lenders and became a creditor of the Debtor for this amount (see Section V C) iii)).

ii) Analysis

Prima facie, the transactions presented above do not appear to be subject to remedies under sections 91 à 101 of the Act.

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2) General Partners' responsibility

We understand that, when a limited partnership's assets are insufficient, the general partners are solidarily liable for the Debtor's debt payable to third parties. The Proposal provides for a discharge in favor of the Debtor's Partners and their respective shareholders.

In order to evaluate the possible recovery from the Partners, their financial situation must be analyzed. We have therefore performed a summary evaluation of the Partners.

i. Partners' financial situation

1) Kerr-McGee Québec ULC

The Trustee has obtained the financial statements (unaudited) of Kerr McGee Québec ULC (hereinafter "KMG") as at August 31, 2006. The balance sheet as of that date is summarized as follows:

Kerr-McGee Québec ULC
Balance Sheet as at October 31, 2006 (unaudited)
(in thousands of dollars US)

Receivables	176
Investment in Avestor (net)	53 505
	53 681
Advances from related companies	86 902
Accounts payable-affiliated companies	243
Provision for accruals	5 000
Notes payable	
Parent company	16 073
Related companies	71 374
Deferred income taxes	8 929
Shareholder's Equity (Deficit)	(134 840)
	53 681

According to the information which we have gathered, KMG was created for the sole purpose to hold a participation in Avestor. The balance sheet reflects, as well, that KMG has one other asset, namely a receivable for $176,000. The balance sheet of KMG also reflects a liability in excess of $16 million US to its shareholder.

2) Gestion Industech HQ Inc.

The Trustee has obtained from Gestion Industech HQ Inc. (hereinafter called « Gestion ») its financial statements as at December 31, 2004 and 2005. The balance sheet as at these dates is summarized as follows:

Gestion Industech HQ Inc. **Balance sheet as at December 31 (unaudited)**		
(in thousands of dollars)	**2005**	**2004**
Cash and accounts receivable	4	8
Note receivable from shareholder	26,456	26,456
Investment in Avestor (net)	41,784	98,810
	68,244	**125,274**
Accounts payable	3,165	3,051
Shareholder's equity		
Common shares	290,957	261,844
Deficit	(225,878)	(139,621)
	68,244	**125,274**

Based on information gathered, Gestion was established solely for the purpose of holding an interest in Avestor. As indicated in balance sheet above, the only other asset is a $26 million note receivable from Hydro-Québec Industech Inc., Gestion's sole shareholder.

According to these financial statements (unaudited), Gestion's capital stock increased by about $29.1 million in 2005.

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ii. Collection of certain amounts

Following the liquidation of Avestor's assets, in the event that the assets are insufficient to fully repay the Creditors, proceedings might be instituted to collect the shortfall from the Partners.

iii. Analysis

We have not obtained any information regarding, among other things, the terms and conditions of the note receivable from Gestion's shareholder. Notwithstanding, should Gestion claim the payment of said amount of $26 million from its shareholder, it is plausible, among other things, to believe that the shareholder may take the position that part of the amounts advanced during 2005 was directed at paying this $26 million debt as opposed to a capital injection.

We were advised that the money collected by Gestion and KMG following Avestor's debt repayment ($24 million US) by US Avestor LLC was paid to the shareholders of Gestion and KMG.

The collection of money from the Partners involves several ambiguities and uncertainties regarding the obligation of the Partners' shareholders to pay the amounts discussed above. Notwithstanding the foregoing, our calculations and estimates indicate that, if the amounts indicated above became available, considering the amounts payable to the Partners by Avestor, the maximum amount generated would allow a dividend estimated at $0.88 per dollar to the Unsecured Creditors identified in the Statement of Affairs.

IX. CONCLUSION

After having estimated the amount that may be available for the creditors in the context of a bankruptcy and after considering the various risks and variables related to such scenario, we are of the opinion that the present Proposal is more advantageous to the creditors.

It is estimated that the Proposal would provide the creditors with a dividend ranging from $0.87 to $0.97 on the dollar to the Unsecured Creditors as presented in the Statement of Affairs, compared to an estimated dividend of $0.88 at best in the case of a bankruptcy.

In a bankruptcy scenario, the process could take up to 12 or 18 months after which it is not certain that the shortfall for which the Partners are jointly and severally liable, could be recovered from the Partners. The risks, delays and costs associated with the process of recovery make the bankruptcy scenario far more uncertain and, in our view, less attractive to the creditors.

The Partners' shareholders have committed to finance the $15 million contribution and the Proposal provides that an important portion of this amount will be paid in the thirty (30) days following the approval of the Proposal. The certainty and rapidity of the foregoing are important factors to our conclusion.

For these reasons, the Trustee recommends the approval of the Proposal.

Dated at Montreal, Province of Quebec, this 8th day of December 2006.

RSM Richter Inc.

Trustee

Benoit Gingues, CA, CIRP
Administrator

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