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PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-026779-054

S U P E R I O R C O U R T
(Commercial Division)
(In Bankruptcy and Insolvency)

IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT OF:

MINCO-DIVISION CONSTRUCTION INC. (“Minco”)

– and –
SLEB 1 INC. (“Sleb”/“Company”)
Companies/Debtors

INTERIM RECEIVER’S REPORT

RSM Richter Inc. (“Richter”) was appointed as Interim Receiver pursuant to the Order granted on November 3, 2005, in conjunction with the Debtors seeking protection under the provisions of the *Companies’ Creditors Arrangement Act* (“CCAA Filing”).

Introduction

The business and affairs of Minco and Sleb are for the sole purpose of developing, building and selling a condominium project in three phases (“Project”). More specifically, Sleb is a sole purpose company set up to own and develop a real estate project on a 40,635 sq. ft. parcel of land located at the corner of Saint-Laurent Boulevard and Ontario, Montréal, Québec (the “Property”).

Minco is a construction company duly licensed with the *Office de la construction du Québec* to act as a general contractor.

As indicated in the Companies court filing, the development of the Project is as follows:

- Phase I of the Project is the retrofit of an existing 10-storey building located at 10 Ontario Street West, for conversion into residential condominiums with a pool and elevated deck on top of the building (“Phase I”);

- Phase II of the Project would first involve the excavation and construction of four levels of underground parking followed by the construction of:

  (a) a 15-storey aboveground condominium building on Clark Street, together with a pool on top of the building; and

  (b) three-storey buildings on Saint-Laurent Boulevard behind former office facades;

- Phase III of the Project would see the construction of a 17-storey aboveground condominium building on de Maisonneuve Boulevard;

- Commercial space will be located on the ground floor, throughout Phases I, II and III, and on some mezzanines.

At the present time, the development and construction of the Project has essentially stopped due to the lack of available financing to complete Phase I. On an interim basis, the Debtors have secured $2.5MM of initial DIP financing, as authorized by the Court on November 3, 2005 to fund the cost of interim work on Phase I.

Scope of Report

This Report summarizes salient facts concerning the required future construction costs to complete Phase I of the Project, including the Companies' immediate cash flow requirements and an overview of other pertinent information. Our review and analysis is based on the documentation, the financial information and the reports provided to us by the Companies, Dupras Ledoux Inc. ("Engineers"), Cardinal Hardy et Associés ("Architects"), Gestion Lehoux & Tremblay Inc. ("Cost Consultants") as well as discussions with their respective representatives.

This Report is presented as follows:

I. Executive Summary

II. DIP Financing Facility

III. Estimated Accounts Payable

IV. Estimated Costs to Complete Phase I

V. Preliminary Estimate of Cost Overruns

VI. Status of Sales Program

VII. Other Construction Matters

VIII. Insurance

IX. Conclusion

This Report is issued subject to the restrictions, qualifications and assumptions in Exhibit 1.

I Executive Summary

In summary, we highlight the following:

Management of Project

a) There is no third party professional responsible for the overall supervision and management of Phase I of the Project. To date this role was served by Minco. Each professional had a limited mandate with respect to the Project;

b) In the past, there has been a high turnover of Minco supervisory staff on the Project. It would appear that the Companies "construction files" are incomplete and not necessarily in order;

c) The Companies' Engineers have given notice that they must be supervising the completion of work, under their responsibility, on a full time basis. The Architects are also of the opinion that they should be asked to perform full time supervision and management of the Phase I work to ensure its proper completion (including correction of deficiencies) on a timely basis;

DIP Financing

d) Concurrent with the CCAA Filing, the Companies obtained a $2.5MM DIP financing facility from the CIBC. An initial $1.1MM of DIP financing has been funded into Richter's trust account, of which $0.7MM has been used to fund critical payments relating to the safeguarding of the Phase I as well as administrative expenses. A further $1.4MM is available under certain conditions in the Term Sheet;

e) The Companies cash flow projections reflect $2.4MM of planned disbursements over a thirteen week period. The projections reflect that the initial $1.1MM DIP Tranche will be exhausted by the week ending December 9, 2005 and the entire $2.5MM DIP financing facility will be exhausted by the middle of January 2006. The usage of funds may be accelerated should key sub-contractors require substantial guarantees before commencing work;

Accounts Payable

f) The Companies appear to have had lax cash management controls and the use of funds does not appear to have corresponded with details contained in the monthly financing requests. As a result, accounts payable, which were either not disclosed or not considered as part of the draw/funding requests, grew steadily over the construction period;

g) We estimate $7.0MM of accounts payable as of the CCAA Filing date, versus $6.1MM reported by Minco and Sleb. The $7.0MM estimate includes $0.3MM for tax on capital for F2005 and a $0.3MM general provision;

h) Approximately $0.8MM of liabilities as of the CCAA Filing date relate to Phase II of the Project, the majority of which pertains to demolition costs;

i) To date, we have been advised that $4.7MM of liens have been registered against the Phase I Property. We estimate that liens against the Phase I Property may reach $6MM (provided that all sub-contractors entitled to register a lien do so) of which, $0.8MM of claims can be attributed to work performed with respect to Phase II. No review has been performed to assess the validity of the liens;

Cost to Complete

j) Management's revised analysis assumes the completion of the Project by May 2006 and reflects costs to complete of $7.7MM, to deliver all units (sold and unsold), the common areas, the parking garage, the roof top terrace and masonry work, etc. Management has identified various urgent priority work, which work is planned with respect to the funding from the initial $2.5MM of DIP financing. This work is required to ensure the heating of Phase I, correction of the more important deficiencies as well as work relating to the required parking. Other uses of the initial $2.5MM include the ongoing work required to complete the sold units and various soft costs.

By comparison, the Cost Consultants retained to perform an independent assessment of the costs to complete, have confirmed that the amount will approximate $7.9MM. The Cost Consultants have advised that they agree with the priority work identified by the Company;

It is important to note that these estimates do not include all costs to be incurred relating to the construction and delivery of Phase I nor post-construction costs;

Cost Overruns

k) We estimate $10.5MM of costs overruns in relation to the original budget of $29.1MM to build Phase I of the Project. This calculation is based upon the following:

Estimated Costs Overruns
$ in MM

Estimated Costs:		
Expenditures to date		$ 23.4
Estimated Accounts Payable		6.7
		30.1
Cost to complete (per Management) (1)		7.7
		37.8
Original Budget	29.1	
Less: Budget for Phase II Parking	(1.8) (2)	
		27.3
Estimated Cost Overruns		$ 10.5

Note:
(1) Does not include Richter's estimate of the potential additional cost to complete the commercial space nor any provision for the Companies on-going cost/expenses relating to the post construction period as well as interest, fees, etc.
(2) $1.8MM of costs in the original budget relates to the parking space for Phase I buyers planned to be located in Phase II.

Sales

l) Sleb reports that it has accepted offers for the sale of 71 units representing estimated net proceeds of $16.3MM. It is likely that due to the delays encountered, parking issues and other problems noted, that Sleb will not be able to complete all of these anticipated sale transactions;

m) The Company has also sold 55 parking spaces along with the 71 units representing estimated net proceeds of $1.6MM. The Company had planned that the majority of the parking spaces would be located in Phase II as Phase I can only offer 24 to 30 parking spaces. The Company intends to sign amendments with purchasers whereby they will be provided with temporary exterior parking. In this respect, the Company plans to backfill the Phase II land to be used as a temporary exterior parking. However, approval has yet to be obtained from the City of Montreal and the existing purchasers;

n) There are outstanding significant issues that may affect the timing and ability to complete any sales:

   i) The Condo Declaration has not been finalized. It is our understanding that Sleb's notary is awaiting final comments from certain of the mortgage lenders;

   ii) The City of Montreal has not issued its ocupancy certificate. A recent cursary inspection was performed and various deficiencies were noted and have been addressed in the costs to complete estimates. However, the timing of a formal inspection and receipt of the official report has yet to be determined;

   iii) Sleb has not determined how it will deal with the eventual relocation of the water cooling tower, the sharing of costs until the building is fully occupied, as well as satisfy the purchasers that it has the capacity to correct all deficiencies as well as complete/deliver all of the common area amenities;

o) Sleb has not developed a marketing plan for the rental/sale of the commercial space;

Estimated Financial Deficiency of Phase I

p) Should Phase I of the Project be completed and sold, we estimate that based on our review and analysis of the information/reports provided to us, without adjusting the Company's estimated values to be generated from the sale of Phase I, there will be a Financial Deficiency of at least $11.9MM, as follows:

$ in MM Estimated Financial Deficiency of Phase I		
Estimated Gross Proceeds (per Company)		
Phase I		
Residential Units (Sold)		$ 16.3
Residential Units (Unsold)		10.0
Parking Units (in Phase I)		0.6
Parking Units (in Phase II)		1.0
Commercial Space		2.5
		30.4
Phase II land		TBD
		30.4
Liabilities/Costs to Complete		
Mortgage Lenders		
CIBC	12.1	
Tricon	14.0	
Mercury	0.7	26.8
Liabilities		
Lien Creditors	6.0	
Other Payables	1.0	7.0
Cost to Complete		
Phase I		8.0
Phase II parking		TBD
Commercial space		0.5
Financing Costs		TBD
		42.3
Estimated Financial Deficiency		**$ (11.9)**

It should be noted that actual results may vary as matters materialize.

II DIP Financing Facility

A. Utilization of the Initial Drawdown of $1.1MM

The initial $1.1MM of DIP financing was funded into Richter's trust account in our capacity as Interim Receiver. Since our appointment, we have controlled all disbursements which have been limited to critical payments relating to the safeguarding of the Property and administrative operating expenses as provided for under the terms of the DIP financing facility.

As of November 24, 2005, the utilization of the initial $1.1MM can be summarized as follows:

$ in 000's		
DIP Financing, initial drawdown	$	1,100
Less:		
Interim Receiver's Guarantees		259
Checks issued to date		416
Funds available	**$**	**425**

B. Planned Utilization of Remaining Cash and Second Tranche of the $2.5MM

As previously stated, the Companies made an initial drawdown of $1.1MM. An additional $1.4MM is available under certain conditions as provided for in the Term Sheet of the DIP financing facility.

In this regard, the Companies' cash flow projections ("Cash Flow") detail the planned utilization of the $2.5MM DIP facility which includes the cost of emergency/safeguard measures and priorities as well as administration/operating expenses as summarized below:

13-Week Cash Requirements - Critical Items Only ($ in 000's)	Week 1 25-Nov	Week 2 02-Dec	Week 3 09-Dec	Week 4 16-Dec	Week 5 23-Dec	Week 6 30-Dec	Week 7 06-Jan	Week 8 13-Jan	Week 9 20-Jan	Weeks 9-13	Total
Opening Cash Balance	$ 603	$ 537	$ 230	$ (128)	$ (467)	$ (747)	$ (819)	$ (869)	$ (1,115)	$ (1,285)	$ 603
Direct Costs	(3)	(256)	(292)	(317)	(290)	-	-	(186)	(163)	-	(1,507)
Soft costs	(38)	(52)	(29)	(24)	(24)	(48)	(32)	(24)	(24)	(136)	(429)
General Costs	(10)	(9)	(15)	(24)	(10)	(9)	(8)	(9)	(28)	(50)	(172)
Indirect Costs	-	(67)	(7)	(17)	(7)	-	-	(17)	(7)	(28)	(150)
Monitor & Debtor's Counsel	(15)	(15)	(15)	(15)	(15)	(15)	(10)	(10)	(10)	(20)	(140)
	(66)	**(399)**	**(357)**	**(397)**	**(346)**	**(72)**	**(50)**	**(246)**	**(231)**	**(234)**	**(2,398)**
	537	138	(128)	(524)	(813)	(819)	(869)	(1,115)	(1,347)	(1,519)	(1,796)
GST/QST Refunds	-	92	-	57	66	-	-	-	62	71	348
Closing Cash Balance	**$ 537**	**$ 230**	**$ (128)**	**$ (467)**	**$ (747)**	**$ (819)**	**$ (869)**	**$ (1,115)**	**$ (1,285)**	**$ (1,448)**	**$ (1,448)**

We comment on the Cash Flow as follows:

i) General

- the Cash Flow excludes requirements for Tranche 3 of the DIP financing to cover interest, fees of the Interim Receiver, of the Consultant and of legal counsel for CIBC;

- the $0.6MM Opening Cash balance represents the available funds held in Richter's account as at November 18, 2005;

- the Companies will exhaust the $1.1MM initial DIP Tranche during the week ending December 9, 2005, and the entire $2.5MM DIP facility is projected to be exhausted by the middle of January, 2006. In the event that certain of the key sub-contractors require substantial guarantees before commencing work, this will accelerate the usage of the initial $2.5MM DIP facility;

- the projection reflects that $0.3MM of GST/QST refunds will be used to finance construction costs (whereas the Term Sheet indicates that all deposits and tax refunds received are to be applied as a permanent reduction of the DIP Facility). Furthermore, there is no certainty that these funds will be collected from the tax authorities during the reference period.

ii) Direct Costs

- $1.5MM of forecasted disbursements relates to the urgent/priority work to be done on Phase I, which is summarized as follows:

13-Week Cash Requirements - Direct Costs
($ in 000's)

Contractual Work and Extras	Prinicipal Sub-Contractor	Amount
Electrical	Lu-ard	$ 328
Ventilation	Vent. GR	201
Plumbing	F. Paquette	173
Exterior restoration	St. Denis Thompson	92
Metal Cladding	Revmet	69
Dry wall system	Gaudet Laurin	69
Roofing	Truchon	52
Landscaping	Excavation Tremblay	46
Masonry	St. Denis Thompson	35
Rough Carpenter	FGP or Dufour	23
Other Amounts < $20,000		37
		1,124
To Correct Deficiencies Noted By Architects		
Wiring interrupts fireproofing	Lu-ard/Gaudet Laurin	155
Unprotected wires from fire	Gaudet Laurin	114
Headroom on Staircase	Acier St. Denis/Gaudet	59
Emergency Exit	St. Denis/Gaudet	55
		383
		$ 1,507

Note: Amounts include GST/QST.

iii) Soft Costs

- $0.4MM of soft costs represents approximately $30,000 per week for Minco head office expenses. The majority of which comprises of $19,000 per week for the following 5 contract services:

$ in 000's	Service		Amount
4307054 Cda Inc. (Lucianno Minicucci)	President	$	7
Mark Krakower Consultants	CFO		5
6004059 Cda. Inc (David Klugerman)	Controller		2
KNK Construction (Pascal Thouin)	Project Manager		3
Gestion Santco (Sergio Santaneglo)	Sales		2
		$	**19**
Note: Amounts include GST/QST			

iv) General Costs

- $0.2MM of general costs comprise ongoing costs (approximately $13,000 per week) for site personnel and related costs.

v) Indirect Costs

- $150,000 of indirect costs includes the following:

  i) $80,000 of insurance expense represents the cost of extending Phase I insurance for six months to May 11, 2006 ($60,000) and the estimated (monthly) cost for continued coverage on Phase II during the Period;

  ii) $70,000 of costs represents full time attendance of the Architects and Engineers on the site commencing during the week ending December 2, 2005.

vi) Monitor and Debtor Counsel Costs

- Costs for the Monitor and Debtor's counsel have been forecasted at $15,000 per week through December, 2005, $10,000 per week in January and $5,000 per week in February, based on the initial $250,000 budget contained in Tranche 2 of the DIP Facility.

III Estimated Accounts Payable

A. Overview

The Companies' records reflect accounts payable of $6.1MM as of October 31, 2005 (two business days after the filing date, during which virtually no work was being performed), which we have segregated between sub-contractors and other vendors as follows:

$ in 000's	Sub Contractors	Other	Total
Minco	$ 4,891	$ 956	$ 5,847
SLEB	-	263	263
	$ 4,891	**$ 1,219**	**$ 6,110**

$6.1MM of the reported payables represents a $0.4MM increase versus the creditor's listing provided to the Monitor. This increase is attributable to numerous invoices that were received and posted subsequent to the preparation of the initial listing.

B. Estimated Revised Accounts Payable

i) <u>Phase I Payables</u>

Pursuant to our review of Minco's reported accounts payable, we estimate that Minco and Sleb's accounts payable as of the CCAA Filing date may approximate $7.0MM as follows:

$ in 000's	Sub Contractors	Others	Total
Accounts Payable (as Per Company)	$ 4,891	$ 1,219	$ 6,110
Potential Adjustments Noted			
Reconciliation of Supplier Variances	390	(58)	332
Estimated Tax on Capital for 2005		275	275
Credit Balances in Accounts Payable		23	23
Interest Due to Mercury Realties	-	(35)	(35)
	390	205	595
Potential Revised A/P	**5,281**	**1,424**	**6,705**
General provision	-	300	300
Estimated A/P	**$ 5,281**	**$ 1,724**	**$ 7,005**

- At the present time, none of the suppliers/creditors have filed a formal proof of claim with the Monitor. Consequently, the actual amounts claimed may ultimately vary;

- The majority of the adjustments noted above were determined pursuant to a reconciliation of reported supplier balances. In order to substantiate Minco and Sleb's reported accounts payable balances, we reconciled all available supplier statements (comprising 80% of reported accounts payable) and payment notices received from suppliers (comprising 7% of reported accounts payable). In addition, we reviewed the contracts made available to us, noting invoices for extra services provided and Quittances received;

- In reviewing documentation contained in the supplier/creditor files, we did not see documentation authorizing extra work performed by suppliers. Minco's tacit approval of such extras is only evidenced by the recording of the underlying invoice in the books and records and payments made. Accordingly, it is difficult to assess the validity of amounts claimed as extras by sub-contractors;

- We have excluded $35,000 owing to Mercury Realties, representing one month's interest on the $700,000 loan owing by SLEB at a monthly interest rate of 5% (60% per annum). We noted that in July and August 2005 payments totaling $105,000, representing 3 months of interest that were made.

ii) Phase II Payables

The accounts payable balance includes $0.8MM which relates to Phase II, as detailed below:

$ in 000's			Estimated	Estimated
Phase II Costs Reported By Minco		Costs	Payments	Oct 31 A/P
Delsan Aim	Demolition	$ 807	$ (126)	$ 681
Ville De Montreal	Permits	256	(255)	1
Insurance (Paid by Post Dated Cheques)	Insurance	168	(154)	14
St Denis Thompson	Restoration	75	(67)	8
KNK Construction	Project Manager	63	(63)	-
The Butterfly That Stamped	Advertising	51	(51)	-
Colliers Jackson	Advertising	40	(40)	-
Dupras Ledoux	Electrical Engineer	33	-	33
Hylo	Design	31	(25)	6
Cardinal Hardy	Architect	27	(20)	7
Daniel Bergeron	Cost Consultant	18	(18)	-
Horwath Horizons	Market Study	16	(15)	1
Other		78	(65)	13
		$ 1,663	**$ (899)**	**$ 764**

Note: In addition to the above, we noted $0.2MM of architect fees relating to Phase II that were recorded in Phase I and paid by Minco. A more thorough analysis may reveal additional Phase II costs and payables recorded as Phase I payable amounts.

C. Construction Lien Claims

To date, we have been advised that $4.7MM of liens have been registered against the Phase I Property. We estimate that liens against the Property may reach $6MM (provided that all sub-contractors entitled to register a lien do so) of which, $0.8MM of claims can be attributed to work performed with respect to Phase II. No review has been performed to assess the validity of the liens.

IV Estimated Costs to Complete Phase I

A. Richter's Estimate

Based on the combination of the values provided in the various reports submitted by the Architects and Engineers, management's revised cost to complete estimate, the report submitted by the Consultant as well as discussions with the respective representatives, we estimate that the cost to complete Phase I is likely to approximate $8.0MM, before interest costs, fees and the cost of finishing the commercial space.

We also note that these costs relate solely to the completion of construction and do not take into account the post Phase I construction costs such as the ongoing administration, the sharing of property expenses and the rental guarantees provided to purchasers, among other costs.

B. Company's Estimate

The Company initially submitted a cost to complete budget of $5.7MM. This estimate was prepared without the input of the Architects and Engineers and was on a global basis as opposed to a unit by unit basis. On November 23, 2005, the Companies submitted a revised cost to complete budget of $7.1MM. This budget was subsequently revised by the Company to $7.7MM and is summarized as follows:

SLEB
Estimated Costs to Complete Phase I
$ in MM

	Revised	Initial	Change
Common Area	$ 4.7	n/a	
Complete Sold Units	0.7	n/a	
Complete Unsold Units	0.8	n/a	
	6.2	4.3	$ 2.0
Administration	0.6	0.6	-
Indirect Costs	0.5	0.5	0.0
General Costs	0.3	0.3	(0.0)
	$ 7.7	**$ 5.7**	**$ 2.0**

Note: The above does not include interest, fees of the Interim Receiver, of the consultant and of legal counsel for the mortgage lenders as well as post-construction costs.

The Companies' analysis assumes that the construction of Phase I is completed by May 2006. In preparing the revised estimate, management has advised us that they took into consideration the following:

- Status report dated November 17, 2005 and November 21, 2005 from the Architects (Management did not use the exact figures provided by the Architects and relied on some of their own estimates);
- Verbal feedback subsequently received from the Architects regarding the cost to correct additional deficiencies;
- Status report submitted by the Engineers dated November 22, 2005;
- The $2.0MM increase in direct costs can be summarized as follows:

SLEB 1
Cost to Complete Bridge Analysis
$ in MM

Management's Initial Estimate		$ 5.7
Principal Adjustments:		
Deficiencies Noted by the Architect (primarily masonry)	$ 0.9	
Additional Costs as per the Engineer	0.3	
Exterior Restoration - Parapet, Reinforce Roof, Earthquake Proofing	0.3	
Steel & Concrete Beam Repair	0.3	
Corridor Completion	0.2	
Finalize Commercial Space	0.2	
Increase in Contingency	0.1	
Hardwood Floors received immediately prior to filing	(0.1)	
Reduce Dry Wall Cost (in Corridor and Commercial Line Items)	(0.2)	
		2.0
		$ 7.7

C. Cost Consultants Estimate

An independent analysis of the costs to complete has been performed by the Cost Consultants. The Cost Consultants have performed numerous site visits, have had numerous communications with representatives of the Companies, the Engineers and the Architects and have been provided with various reports prepared by these parties. The Cost Consultants have estimated that the cost to complete Phase I is $7.9MM ($8.4MM including costs to complete leaseholds for the Commercial space).

V Preliminary Estimate of Cost Overruns

Incorporating estimated costs incurred to date, management's estimate of costs to complete Phase I and estimated accounts payable, costs overruns approximate $10.5MM in relation to the original budget of $29.1MM. Due to significant turnover at the companies, we have been unable to obtain detailed explanations for the causes of the estimated cost overruns. Subject to a more thorough analysis of the costs incurred in relation to budget, we estimate that the major components of the $10.5MM of estimated cost overruns can be summarized as follows:

Preliminary analysis of costs overruns

$ in MM Estimated Cost Overruns	Estimated Costs to Date	Estimated Costs to Complete		Current Estimated Project Costs	Original Budget	Estimated Costs Overruns
Site Administration & Profit	$ 2.2	$ 0.6		$ 2.8	$ 0.5	$ 2.4
Finishes	3.4	1.6		5.0	3.3	1.7
Masonry	0.7	1.0		1.7	0.6	1.1
Electrical	1.3	0.8		2.1	1.1	1.0
General	1.3	0.3		1.6	0.7	0.9
Indirect	3.7	0.6		4.3	3.4	0.9
Structural Steel	1.2	0.3		1.5	0.7	0.8
Concrete	1.0	-		1.0	0.4	0.7
Miscellaneous Metals	0.4	0.2		0.6	0.2	0.4
Plumbing & Drainage	1.8	0.3		2.1	1.8	0.4
HVAC	1.0	0.3		1.3	1.0	0.2
Excavation and Backfill	-	0.3		0.3	0.0	0.2
All Other re Phase I	12.1	1.4		13.5	13.6	(0.0)
Estimated Overruns	**30.1**	**7.7**	**(1) (2)**	**37.8**	**27.3**	**10.5**
Parking for Phase I to be located in Phase II	-	-		TBD	1.8	(1.8)
	$ 30.1	**$ 7.7**		**$ 37.8**	**$ 29.1**	**$ 8.7**

Note:

(1) Based on Companies estimate of costs to complete.

(2) Does not include Richter's estimate of the potential additional cost to complete the commercial space nor any provision for the Companies on-going cost/expenses relating to the post construction period as well as interest, fees, etc.

VI Status of Sale Program

A. Sold Units

We have completed our initial review of Sleb's records for the sale of 71 units, which are designated as sold along with 55 parking spaces. The net amounts owing (prior to any sales taxes) can be summarized as follows:

$ in 000's	Units	Parking
Gross Sales Price	$ 18,338	$ 1,625
Extras	243	-
Sub-total	18,581	1,625
Payments to Sleb[1]	(1,880)	
Credits[2]	(49)	
Other adjustments[3]	(173)	
Commissions[4]	(205)	
Net Due	**$ 16,274**	**$ 1,625**

[1] Does not include $1MM of deposits in trust with the Company's notary

[2] Represents credits given to customers for late delivery

[3] Consists of estimated adjustments at closing including balance of sales, damages claimed, and other

[4] Represents the balance of commissions owing to two agents

- For those sales where Sleb signed the sales contract directly with the purchaser, the majority of files contain the original sales contract and the various annexes. Approximately 13 contracts were signed before a Notary (we have asked Sleb to confirm with the Notary that they are indeed holding the originals of the sale contracts and annexes);

- The $16.3MM due upon closing includes $1MM of deposits with the Notary relating to 23 units for which an offer has been accepted;

- 55 parking spaces were sold in conjunction with the 71 units sold. The parking garage in Phase I (access to which is not yet available), contains sufficient space for only 24 spaces (30 if the water tower is relocated). The balance of the spaces are planned to be in Phase II, construction of which was to have started prior to the completion of Phase I. Certain purchasers have indicated they will not close on their units without the delivery of an interior parking space in Phase I. Sleb has entered into amendments with respect to 10 spaces whereby the purchasers have agreed to purchase their unit conditional upon being provided alternate parking at the Company's expense until interior parking is provided. It should be noted that included in the Companies' costs to complete estimate is the cost to backfill the Phase II land on which they intend to provide temporary parking to the purchasers (subject to City of Montreal approval);

- Minco has also agreed to be responsible for the leasing of 15 condo units (usually for a two year period) whereby they have agreed to manage the rental of the unit and have provided a rent guarantee of $2 per square foot per month to the purchaser. We estimate that the monthly cost to Minco is approximately $30,000 prior to any recovery of costs from actual rentals;

- Minco has confirmed that it has missed the targeted delivery dates for all units, some by as much as a year. The files contain evidence that Minco has repeatedly missed promised deadlines for the delivery of the units.

  - As an example, in May 2005, Minco sent letters to the purchasers advising of delays in the delivery of the units and that sales would not take place until August 2005. They further informed the purchasers that the parking spaces would be delivered at a later date;

  - This was followed by letters in August 2005 announcing that inspections would begin shortly and scheduling delivery dates throughout the remainder of 2005;

  While we have not seen any evidence of actual sale cancellations, it is our understanding numerous Purchasers have asked for damages and/or have threatened to cancel the sales if closings do not take place in 2005;

- As a result of the delays it is our understanding that the majority if not all of the mortgage commitments obtained by the purchasers (the majority from the Bank of Montreal) have lapsed. The Company advises that it has been in contact with the Bank of Montreal and advises that the bank is in the process of updating its files. However, until delivery dates are known with greater certainty, purchasers may not be in a position today to reconfirm to the Company their ability to obtain the necessary financing;

- We also noted numerous instances where the purchaser was unable to confirm its ability to obtain a mortgage for the full amount required as per the sales contract;

Comment

In order to assess the status of the 71 sales, commencing in the week of November 28, 2005, the Company will be contacting the purchasers to arrange meetings with the Interim Receiver to confirm the details of their purchase as well as identify issues that may impact the closing.

B. Unsold Residential Units

- While the project was conceived as 106 units, due to the combination of 10 units into 5, there remain 30 units for sale. The list price for the remaining 30 units is $11.1MM. We note that the asking price for the remaining units is approximately $305 per square foot vs. the average price achieved to date of $237 per square foot. This is due in part by the fact that the entire 10th floor is unsold and has an asking price of $343 square foot. Management acknowledges that it may be difficult to attain the list prices but believes that the results to date are also influenced by discounts provided to obtain the initial sales volume required to obtain financing to commence Phase I of the Project;

- Management advises that since November 3, 2005, the recommencement of its advertising program has helped to generate additional interest in the Project. Management believes that because interested parties have become aware of the current restructuring, they may decide to look at other projects rather than take a risk in trying to complete a transaction with the Company;

Comment

Sleb has not changed its marketing/sales strategy. They have not retained an independent sale office/brokerage firm nor have they sought advice as to the most appropriate manner to bring to market the remaining units.

The current lack of parking and uncertainty surrounding the construction of Phase II may impact the ability to sell the remaining units and/or achieve the desired selling prices.

C. Unsold Commercial Space

The Company's costs to complete Phase I only include costs to complete the base construction of the commercial space as such, and excludes any tenant improvements.

The Company believes that the sale of the commercial units should generate $2.5 million (i.e. $195 per sq. ft.), before consideration of the cost to build.

We understand that at the present time, the Company has not yet developed a master plan for this space, nor has it retained any external leasing consultants to assist it. We believe that the value of the commercial space will likely be lower than the Company's $2.5MM estimate for the following reasons:

- According to the Cost Consultants, the cost to develop the space and provide the appropriate leasehold improvements may cost an additional $0.5MM. The Company has not factored this element into its cost to complete;

- The water tower currently occupies a portion of the commercial space which fronts on St. Laurent Boulevard, which space may be the most commercially viable;

- While we have not been provided with the details, we understand that a restaurant owner which was a former tenant of the property has instituted litigation against the Company seeking to reoccupy its former space.

D. Capacity to Sell

We have noted two outstanding significant issues which most likely will have an impact on the timing of the closing of any sale transactions:

- The Condo Declaration has not been finalized. The Company is awaiting final comments from certain of the mortgage lenders. In addition, the Company will have to determine how it will deal with issues such as the eventual relocation of the water tower (who is responsible and who will pay for this), sharing of costs until the building is more fully occupied, the potential reserves pending completion of all the various common area amenities, as well as lease guarantees, etc;

- The City of Montreal has not issued the occupancy permit. A cursory inspection was recently performed. Various deficiencies were noted and have been addressed in the costs to complete. The timing of a formal inspection and receipt of the official report has yet to be determined.

E. Forecasted Proceeds

The Company believes that completion of Phase I will generate the following proceeds:

$ in MM	Company's Values	
Residential Units (Sold)	$	16.3
Residential Units (Unsold)[1]		10.0
Parking Units (in Phase I)		0.6
Parking Units (in Phase II) [2]		1.0
Commercial Space		2.5
Estimated Gross Value	$	30.4

[1] Represents a 10% discount from list prices of $11MM

[2] Prior to consideration of Phase II construction costs for the parking garage

Comment

Based on the information presently available, we believe the Company's estimates will not materialize for the following reasons:

- Due to the ongoing delays in the completion of Phase I, certain purchasers will not close or will likely want to negotiate their transaction;

- The current ambiguity of the Company's financial position, market conditions and the current asking prices for the unsold units are likely to have an impact on actual results;

- The uncertainty as to the availability of interior parking spaces to be located in Phase II;

- The lack of a development plan for the commercial space combined with the current location of the water tower will most likely have an impact on the value of this space.

VII Other Construction Matters

A. Water Leaks

We have been informed of two water leaks for which notice has been given that the Company is responsible:

- The first leak relates to a claim by transit authorities that water is leaking into a nearby subway facility. The Company, with the assistance of one of its sub contractors, is looking into the situation but does not believe it is responsible and apparently the situation has now been rectified. The demand letter has been referred to its attorneys to respond;

- The second leak relates to a verbal notification received on November 23, 2005 from the City of Montreal which advised that it is fixing leaks on Clark Street which it believes were caused by work on Phase II and that it intends to charge the Company for the repairs. The Company also intends to challenge the assertion that it is responsible until more definitive proof can be provided.

<u>Comment</u>

Neither the Companies' representatives, its professionals or the Cost Consultants have determined the cost, if any, that may be incurred for the repair of these leaks.

B. Relocation of Water Tower

- The original plans called for the water tower for Phase I to be permanently placed on the roof of Phase II once that phase was complete. On a temporary basis, the water tower was located in the basement of Phase I where it occupies parking spaces and impacts the commercial space on the ground floor;

- As a result of the uncertainty surrounding when and if Phase II will be constructed, we believe that Minco must examine its options:

    - The first option is to leave the water tower where it is located, assuming this will be accepted by the City of Montreal, but this will have an economic impact on the parking and commercial proceeds;

    - A second option is to relocate the water tower to the roof of Phase I. We have asked the Cost Consultants to examine the feasibility of this option, both from a space availability and from the structural point of view as the roof may have to be strengthened. The Companies' $7.7MM cost to complete budget includes a $0.1MM estimate to enhance the roof structure should the water tower eventually be relocated there. Prior to proceeding with a relocation of this nature, a formal report and cost estimate will be required from the structural engineer;

- A third option may be to relocate the water tower to a structure to be built on the vacant Phase II land. The cost of such a structure has not been determined, nor is it certain that if the City of Montreal would allow this modification.

VIII Insurance

- The Phase I insurance coverage which was to expire on November 11, 2005, has, with our assistance, been extended until May 11, 2006. The extension premiums are approximately $60,000 plus taxes. The Companies now have construction coverage of $27 million ($20 million in new construction costs and $7 million of existing building coverage along with $10 million of liability insurance). While the invoices have not yet been received, we have segregated the necessary funds to pay the invoices in the guarantee account. We are awaiting copies of the endorsements;

- The Company has requested that existing site coverage and liability coverage on Phase II of $58 million and $10 million, respectively, be reduced to $5 million and $5 million. We are awaiting confirmation of the revised premium amounts. The Company is also attempting to recover a portion of the approximately $160,000 of premiums paid for Phase II given the clearly excessive coverage in virtue of the lack of construction activity on Phase II.

IX Conclusion

Our review and analysis has revealed that there are important costs overruns which explain the Companies' current liquidity/financing shortfall.

The required work to be done to complete the construction of Phase I of the Project cannot restart unless additional financing is provided to fund the cost to complete, and thus assure the trade/suppliers that they will be paid for on-going work.

In addition, the manner in which the various liens and priority claims are settled remains to be determined.

Montreal, this 28th day of November, 2005

RSM Richter Inc.

RESTRICTIONS, QUALIFICATIONS AND ASSUMPTIONS

A. Restrictions and Qualifications

This Report is issued subject to the following restrictions and qualifications:

- This Report has been prepared for information purposes only. This Report does not constitute an audit of the construction costs incurred, estimated costs to complete, account payable or cash flow projection of the Company. In this regard, RSM Richter Inc. did not conduct an audit of any of the financial information contained in this Memorandum but relied on explanations and representations provided by Management and third parties. As the terms of our engagement did not require the external verification of information relied upon by us or a detailed analysis of same, we do not express an opinion as to the accuracy, reliability or completeness of same;

- In completing this engagement, we assume that the information and documentation supplied by Management and third parties is accurate and complete. We shall be entitled to rely on the opinion of Management and third parties;

- We reserve the right to revise our conclusions if any additional information affecting our conclusions becomes known to us or if any existing information has changed. Notwithstanding the foregoing, we shall not be obliged to update our Report as a result of subsequent events;

- RSM Richter Inc. does not make any representation or warranty as to the accuracy or completeness of this Report and shall have no liability, directly or indirectly, for any representations expressed or implied or for any omissions;

- As the financial projections and cash flows relate to future events which are indeterminable by nature, variances will occur, which may be material. Accordingly, we de not express an opinion regarding the likelihood of materialization of these financial projections and cash flows.

- As our preliminary analysis reflects cost overruns significantly in excess of estimates, additional analysis is likely required, which may reveal additional material findings.

- RSM Richter Inc. may have additional information that may be available upon request.

B. General Assumptions

Our Report is based upon the following general assumptions:

- All of the information and documentation supplied by the Company, the Architect, the Engineer, the Cost Consultant and other third parties are accurate and complete;

- Management and the Company’s consultants have informed us of all significant factors, undertakings and agreements affecting the current and projected financial position of the Company, and its viability and future prospects.