

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

SUPERIOR COURT
(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 SECOND REPORT

This is the second report prepared by RSM Richter Inc. (“Richter”) in its capacity as Interim Receiver pursuant to the Initial 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 Initial Order was extended pursuant to the Order entered on December 2, 2005 by the Honorable Daniel H. Tingley, J.S.C. The following undertaking was provided by the Debtors in respect of the Interim Receiver: “The Interim Receiver shall provide a preliminary report on the status of the signed offers to purchase and a detailed breakdown of funds disbursed or committed under the DIP Facility by December 31, 2005.” This report deals with the aforementioned undertaking as well as other pertinent matters.

This Report is presented as follows:

- I. Breakdown of Funds Disbursed/Committed
- II. Status of the Signed Offers
- III. Other

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

1. Breakdown of Funds Committed/Disbursed

1.1 Overview

Under the terms of its DIP Term Sheet, the Companies' have drawn down the full amount of \$2.5MM which has been deposited into a segregated trust account maintained by Richter. As of December 15, 2005, approximately \$2MM has been used to fund operations or guarantees to various suppliers, as follows:

\$ in 000's	
DIP Financing drawdown	\$ 2,500
Other ¹	101
	2,601
Less:	
Checks issued to date	770
Guarantees Issued	1,266
Funds Available	\$ 565
¹ Includes \$92k relating to a GST refund	

1.2 Checks Issued to Date

\$770,000 of disbursements to date can be summarized as follows:

\$ in 000's	Nature	Amount
Payroll and Contract Services	Head Office & Site	\$ 203
CIBC	DIP Fee/Interest	166
Goldstein Flanz & Fishman	Debtor Counsel	90
Insurance	Phase 1	79
Construction Costs	Various Suppliers	66
Other Operating Costs	Advertising, Rent, etc.	43
Litwin Boyadjian	Monitor	41
Sales Taxes Paid	GST/QST	82
		\$ 770

Our comments on the various disbursement categories are as follows:

- **Payroll & Contract Services:** Reflects a weekly cost of approximately \$31,000 for administration, sales, site management and security;
- **CIBC:** Represents the payment of a \$100,000 fee and interest for the months of October and November 2005 as provided in the DIP Term Sheet;
- **Goldstein Flanz & Fishman:** Represents the payment of the Debtor's legal fees to November 23, 2005;
- **Insurance:** Consists primarily of the cost to extend property and liability insurance on Phase I to May 11, 2006;

- **Construction Costs:** Consists primarily of amounts paid to ensure the winterization of the building as well as amounts paid to the Companies' architect and engineers for assessments of the cost to complete;
- **Other Operating Costs:** Includes rent for the months of November and December, advertising in the Gazette and La Presse, telephone, etc.;
- **Litwin Boyadjian:** Represents the payment of the Monitors fees to November 24, 2005.

1.3 Interim Receiver Guarantees

At the present time, the Interim Receiver has reserved \$1.2MM to provide for guarantees issued to sub-contractors, and reserved \$0.1MM of GST refunds received, summarized as follows:

\$ in 000's	Nature	Amount
Lu-Ard	Electrician	\$ 317
Ventilation GR	HVAC	212
F Paquette	Plumbing	169
St. Denis Thompson	Masonry	133
Dupras Ledoux Inc.	Engineer	70
Cardinal Hardy	Architect	65
Payroll	Payroll	61
Gaz Metropolitain	Utility	44
Gaudet Laurin	Gyproc	35
General Accrual	Reserve	25
Construction M. Thifault	Concrete	16
Martoni Cyr	Engineer	15
C. L'Ecuyer Excavation	Backfill	7
Rogers	Cell Service	5
		\$ 1,174
GST refund		92
		\$ 1,266

- The guarantees provided to Lu-Ard, Ventilation GR and F. Paquette consist of both the estimated cost for each sub-trade to complete their original contract, as well as various extras;
- The guarantee provided to St. Denis Thompson relates to repair work on the exterior of the building;
- The guarantees provided to Dupras Ledoux, Cardinal Hardy and Martoni Cyr relate to site supervision as well as to cover additional services that may be provided by these professionals;
- The payroll reserve includes a provision for payroll arrears as well as deductions at source and payments to the Commission du Construction du Quebec which are only paid monthly;
- The balance of the guarantees consist of service providers as well as guarantees to various sub-contractors who are assisting in the winterization of the building;
- According to the terms of the DIP Term Sheet, any tax refunds are to be applied as a permanent reduction of the DIP facility. It is intended that the GST refund collected (for August 2005) will be remitted to the CIBC.

2. Status of the Signed Offers

2.1 Sold Units

As noted in our November 28, 2005 report, Sleb reported that it had 71 units along with 55 parking spaces under contract as of the CCAA filing. The net amounts owing (prior to sales taxes) was estimated to be \$16.3MM for the condo units and \$1.6MM for the parking.

In the week of November 28, 2005, at our request, the Company issued letters to all purchasers along with statements of account requesting that they communicate with the Interim Receiver to confirm the details of their accounts as well as identify any issues that may affect closing on each unit. As of the date of this Report, the Interim Receiver has conducted 62 interviews (in person and by phone) representing 87% of the purchasers and \$14.1MM of net proceeds. We are continuing to follow-up with the remaining 9 unit holders representing 13% of the purchasers and \$2.2MM of net proceeds.

Based on our interviews, no material discrepancies were noted with the statements prepared by the Company. The following table summarizes our current assessment of the responses received from the purchasers:

	#	%	\$ (in 000's)
Likely to close	42	68%	\$ 8,903
Uncertain	13	21%	3,692
Advised will not close	7	11%	1,460
	62	100%	\$ 14,056

We caution that our assessment of the likelihood of those existing sales that will proceed to closing is based on current information and could change based on the timing of the completion of Phase I as well as the issues relating to the Companies' ability to provide alternate parking arrangements satisfactory to the purchasers, ability to honor lease guarantees and other issues, if any. In addition, those categorized as uncertain or who have stated they will not close may agree to proceed to a closing as the Companies are able to provide more definitive information.

2.2 New Unit Sales

The Companies have continued their efforts to sell the remaining 30 units in Phase I. To date, 4 offers to sell have been presented to Richter and the Monitor for approval. One of the sales represents a replacement purchaser for a unit that is already sold with the remaining 3 representing offers for unsold units.

Both Richter and the Monitor have approved these sales conditional upon certain issues being clarified including the terms of the sale of any future parking units and proof of financing. If completed, the sale of the three new units should generate net proceeds of approximately \$1.0MM (two of the new unit sales include parking to be provided in the future).

3. Other Matters

3.1 Status of Construction

Most of the principal sub-contractors as well as the various professionals have recommenced work on site. The professionals are currently determining the priorities to be completed over the next few months. Due to the upcoming holidays, work on the site will cease on December 23, 2005 and recommence on January 9, 2006.

3.2 Claims Process

On December 14, 2005, the Companies obtained an order setting a claims process. The Monitor is directed to send claims forms to all known creditors requesting that they file a claim by January 20, 2006, which is the claims bar date. A copy of the order approving the claims process can be found on our website (www.RSMRichter.com). The notice to creditors including the necessary claims documentation was sent by the Monitor to all known creditors on December 20, 2005.

The Monitor with our assistance will provide a preliminary assessment of the claims filed by January 31, 2006.

3.3 Company Reporting Obligations

Under the terms of the Order granted on December 2, 2005 extending the stay of protection under the CCAA Filing to January 31, 2006, the Companies are required to provide the following:

- By January 16, 2006, “. . . a status of its negotiations with the DIP Lender as to additional DIP financing”;
- By January 31, 2006, “. . . a preliminary outline of the consolidated plan of arrangement that they intend to submit to creditors”.

Montreal, this 21st day of December, 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, sales transactions 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 do 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.

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.