District of British Columbia

Division No. 02 - Victoria

Court No.

Estate No.

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE PROPOSAL OF
CONTECH ENTERPRISES INC.**

TRUSTEE'S REPORT TO CREDITORS

December 23, 2014

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APPENDICES

1. INTRODUCTION

Contech Enterprises Inc. ("**Contech**" or the "**Company**") filed a proposal to its creditors ("**Proposal**") under Part III, Division I of the *Bankruptcy and Insolvency Act* ("**BIA**") with Deloitte Restructuring Inc. ("**Deloitte**" or "**Trustee**") on December 23, 2014. The Proposal was also filed with the Office of the Superintendent of Bankruptcy on December 23, 2014.

The purpose of this report ("**Report**") is to:

(i) Provide background information concerning the Company, its financial situation and the cause of the Company's financial difficulties;

(ii) Outline the key terms of the Proposal;

(iii) Provide a comparative analysis on the amounts available for distribution to Affected Creditors under the Proposal and in a bankruptcy or liquidation scenario;

(iv) Assist the Affected Creditors in evaluating the Proposal; and

(v) Provide a recommendation to creditors on whether to approve the Proposal.

A copy of the Proposal is enclosed with this Report. Capitalized terms used in this Report and not otherwise defined have the defined meanings as set forth in the Proposal.

2. TERMS OF REFERENCE

In preparing this Report we have relied upon financial information of the Company, financial projections prepared by management ("**Management**") and discussions with Management and its legal advisors.

The financial information of the Company has not been audited, reviewed or otherwise verified by us as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, we do not express an opinion or provide any other form of assurance on the financial or other information presented herein. We may refine or alter our observations as further information is obtained or brought to our attention after the date of this Report.

The financial projections attached to this Report were prepared by Management (except where noted). Although we have reviewed the assumptions underlying the projections for reasonableness, financial projections, by their nature, are dependent upon future events, which are not susceptible to verification. Actual results will vary from the information presented and the variations may be material.

We assume no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Report. Any use which any party makes of this Report, or any reliance or decisions to be made based on this Report is the sole responsibility of such party.

All currency amounts referenced in this Report are expressed in Canadian dollars, unless otherwise specified.

3. BACKGROUND

Contech was founded in 1987 and designs, manufactures and markets environmentally-friendly products for the pet and garden industries. The Company has approximately 30 employees in Canada. The head office of the Company is located at 115-19 Dallas Road, Victoria, British Columbia. The Company has production facilities, distribution centres and sales offices located in Delta, British Columbia; Perth-Andover, New Brunswick; Grand Rapids, Michigan, and Vista, California. The latter two locations are leased through the Company's wholly owned US subsidiary, Contech (U.S.) Inc. ("**Contech US**"). A copy of Contech's corporate structure is attached hereto as **Appendix A**.

Contech US acts as a contract agent for the Company and manufactures, ships and receives product in Grand Rapids, Michigan. Contech US has 35 employees, all residing in the United States. Contech US is not subject to these proceedings.

The Company has grown rapidly through acquisitions over the past several years as outlined below:

- ENB Science LLC (**"ENB"**)
  - The Company acquired the operating assets of ENB in January 2014 for $125,000 subject to an earn-out over a five year period based on future sales of ENB product.
  - ENB manufactures pet nutritional supplements under patented technology.
- VegHerb LLC dba Scenery Solutions, Inc. and Frame-It-All (**"FIA"**)
  - The Company acquired the operating assets of FIA in February 2013 for approximately $4.1 million paid in a combination of cash, shares and vendor financing.
  - FIA manufactures raised garden beds and sandboxes made of eco-friendly, durable composite timbers made of plastic and natural fibres.
- Christmas Mountains Mfg. Inc. (**"CMMI"**)
  - The Company acquired the operating assets of CMMI in September 2011 for approximately $2.1 million paid in a combination of cash, shares and vendor financing.
  - CMMI manufactures a variety of Christmas products including tree stands.
- Pacific Sprinklers Ltd. (**"Pacific"**)
  - The Company acquired the intellectual property and inventory of Pacific in November 2011 for approximately $330,000 paid in a combination of cash, shares and vendor financing.
- G&B Marketing Inc. (**"G&B"**)

- The Company acquired the assets of G&B in June 2011 for approximately $338,000 paid in a combination of cash, future based revenues and shares.
- G&B products include “ProCollar” and “ProCone” pet products.
- Contech US employs the key employees of the original G&B sales team in Vista, California.

- That Marketing Ltd. (**“TML”**)
  - The Company acquired the shares of TML in April 2009 for approximately $400,000 paid in a combination of cash and vendor financing.
  - TML was in the business of selling insect deterrents.

- The Tanglefoot Company (**“Tanglefoot”**)
  - The Company acquired the assets of Tanglefoot in October 2009 for approximately $972,000 paid in a combination of cash and vendor financing.
  - Tanglefoot products include a pest management line of insect traps, tree care and animal repellents.
  - The manufacturing and distribution facilities of Tanglefoot are located in Grand Rapids, Michigan.

- Phero Tech International Inc. (**“Phero Tech”**)
  - The Company completed a share exchange with Phero Tech in May 2008 and in November 2008 pursuant to which the Company and Phero Tech amalgamated as one company.
  - Phero Tech was founded in 1980 and developed and marketed high-technology, non-toxic pest management and pheromone-based products for home and garden, forestry, agriculture and other commercial applications.

4. CAUSES OF FINANCIAL DIFFICULTY

Through the course of the Company's various acquisitions, Contech has faced significant challenges to its traditional business model moving from a distribution model to also include direct-to-consumer sales. The Company also took on additional debt to finance the asset and share acquisitions, as detailed above in this Report, which it then struggled to service. Ultimately, the changes to its business model, operational and integration challenges, the highly seasonal nature of the business, debt-servicing challenges and unsuccessful attempts at refinancing and recapitalization have resulted in continued operating losses of over $4.5 million over the last three fiscal years in the Company's Canadian operations. A summary of the historical financial performance of the Company from fiscal 2011 to 2013 is attached hereto as **Appendix B**.

The Company unsuccessfully attempted to refinance the business during 2014 with several institutional lenders, including asset-based lenders and other speciality financiers. As a result, the Company can no longer continue viable operations absent a formal restructuring.

The Company's Statement of Affairs shows approximately $10.1 million in secured liabilities and $4.5 million in unsecured liabilities outstanding at the time of the filing of the Proposal.

5. ESTIMATED FINANCIAL POSITION AND ASSETS

The total assets and liabilities of the Company as reported in its Statement of Affairs dated December 23, 2014 are:

Assets	$2,369,000
Liabilities	$14,586,447

As disclosed in its Statement of Affairs, the Company's assets consist of accounts receivable and inventory, as well as patents, trademarks, computer software and intellectual property purchased in prior acquisitions. The Company also holds a 100% interest in Contech US. For the purposes of the Statement of Affairs, Management has estimated that the Company's investment in Contech US has no realizable value.

The Company pays its operational costs from a secured revolving line of credit with HSBC Bank Canada. The current principal draw-limit on the credit facility is $1,417,000. As at the date its Statement of Affairs was prepared, the Company had drawn approximately $1,222,000 on its line of credit. The Company has no cash or cash equivalents.

Management has prepared a cash flow forecast for the period December 19, 2014 through March 19, 2015, a copy of which is attached hereto as **Appendix C**. As reflected in the cash flow projection, the Company is expected to draw approximately $145,000 more by the end of that period. The projected expenses incurred during the period include general operating costs, rent and payroll.

The Company has provided to the Trustee a copy of a term sheet dated December 22, 2014 executed by the Company and the Funder setting out the material terms of the anticipated funding of the proposal process. The Trustee views this as a significant milestone in the refinancing process of the Company and is consistent with the Company's ongoing efforts to develop a viable proposal to its Affected Creditors.

6. SUMMARY OF PROPOSAL

Purpose of the Proposal

The purpose of the Proposal is to permit the Company to facilitate a refinancing that will enable the Company to settle payment of its liabilities and to compromise the indebtedness owed to Affected Creditors on a fair and equitable basis so as to enable the Company to carry on business in the ordinary course.

Treatment of creditors under the Proposal

The Affected Creditors are divided into two Classes under the Proposal, being the Affected Secured Creditor Class and the Unsecured Creditor Class.

Affected Secured Creditor Class

The Affected Secured Creditor Class includes all secured creditors of the Company that have a Security Interest in the Company's assets which ranks in priority subordinate to FWCU's

Security Interest in the Company's assets. This includes the Secured Debenture Holders and Vegherb. It does not include FWCU or any of the Company's secured creditors whose claims rank in priority to that of FWCU, including HSBC Bank Canada, Business Development Bank of Canada and the Equipment Lenders.

Under the Proposal, each Affected Secured Creditor will receive one Common Share of the Company for every eight cents ($0.08) of their Proven Claim. The Common Shares will be issued to the Affected Secured Creditors on the Conversion Date, which is to be within two weeks of the Effective Date (when all conditions precedent to the Proposal are satisfied).

Unsecured Creditor Class

The Unsecured Creditor Class comprises all creditors of the Company that do not have a Security Interest in the Company's assets as at the Filing Date. Depending on the amount of an Unsecured Creditor's Claim, certain elections are available to the Unsecured Creditors regarding how they will be treated and under the Proposal in terms of recovery.

Under the Proposal, Unsecured Creditors will be treated as follows:

- Unsecured Creditors with a Proven Claim of $1,500 or less, or who elect on their Proof of Claim to reduce their Proven Claim to $1,500 for distribution purposes (all such Unsecured Creditors are referred to as "**Convenience Creditors**"), will receive the full amount of their Proven Claim (as reduced, if applicable) on the First Distribution Date. Convenience Creditors are deemed to vote the full amount of their Proven Claim in favour of the Proposal.

- Unsecured Creditors with a Proven Claim greater than or equal to $30,000 may elect on their Proof of Claim to receive Common Shares of the Company at the rate of one Common Share for every 12 cents ($0.12) of their Proven Claim (those making this election are referred to as "**Equity Election Creditors**"). The Common Shares will be issued to the Equity Election Creditors on the Conversion Date. Equity Election Creditors are deemed to vote their Proven Claim in favour of the Proposal

- Unsecured Creditors that are not Convenience Creditors, Equity Election Creditors or the Key Supplier will receive 30 cents ($0.30) for every dollar of their Proven Claim. Distributions will be paid to these Unsecured Creditors *pro rata* and in equal installments on each of the three Distribution Dates, the first being no more than 10 days after the Effective Date, the second being no more than 90 days after the Effective Date and the third being no more than 180 days after the Effective Date.

- For clarity, any Unsecured Creditor with a Claim exceeding $1,500, who does not elect to reduce its claim to $1,500 for distribution purposes or elect to receive Common Shares (if eligible) shall receive 30 cents ($0.30) for every dollar of its Proven Claim on the Distribution Dates.

- The Key Supplier will receive 70 cents ($0.70) for every dollar of its Proven Claim provided it first agrees with the Company, in writing, to continue to supply product to the Company on terms acceptable to the Company, including with respect to terms of payment. Distributions to the Key Supplier will be made on the three Distribution Dates and on the Final Key Supplier Distribution Date which shall be no later than 365 days after the Effective Date. If the Key Supplier fails to agree to continue to supply product to the Company on terms acceptable to the Company, the Key Supplier will be treated the same as other Unsecured Creditors under the Proposal and will have the option of receiving 30 cents ($0.30) for every dollar of its Proven Claim on the Distribution Dates or electing to become a Convenience Creditor or an Equity Election Creditor.

- All distributions made by the Trustee pursuant to this Proposal shall be made net of all applicable levies in accordance with the BIA and regulations thereto, including the levy imposed by the Superintendent of Bankruptcy under the BIA.

The Trustee recognizes that under the Proposal certain Unsecured Creditors, being the Key Supplier, may recover a greater portion of its Proven Claim than those Unsecured Creditors who are not Convenience Creditors or Equity Election Creditors. As noted, the additional recovery for the Key Supplier is conditional upon it agreeing in writing to continue to supply product to the Company on terms acceptable to the Company, including with respect to terms of payment.

In the Trustee's view the additional recovery for the Key Supplier on the proposed condition is necessary and fair. The Key Supplier includes, together, Meixin Manufacturing Co. Ltd. ("**Meixin**") and its primary lender DBS Bank Ltd. ("**DBS**"). Meixin is a critical supplier to the Company as the product supplied by Meixin makes up approximately $4.5 million or 25% of the Company's total annual sales. DBS has taken an assignment of a significant portion of the amount owing by the Company to Meixin. The Company requires Meixin's ongoing support and, more specifically, its agreement to continue to supply product to the Company in order for the Company to continue in business, which will, in turn, enable it to meet its obligations to all Affected Creditors under the Proposal. If Meixin is unwilling to continue to supply product to the Company, the likely result is that the Company would be unable to carry on business and none of the Affected Creditors, including the Unsecured Creditors, would recover any part of their Claims.

Unaffected Creditors

Unaffected Creditors include FWCU and any of the Company's secured creditors that have a Security Interest ranking in priority to the Security Interest of FWCU, including HSBC Bank Canada, Business Development Bank of Canada and the Equipment Lenders. The Unaffected Creditors are not included or in any way affected by the Proposal and will be paid in accordance with existing agreements between such creditors and the Company or in accordance with alternative arrangements to be negotiated concurrently with the filing and implementation of the Proposal.

Funding of the Proposal

As noted above, the purpose of the Proposal, in part, is to facilitate a refinancing by the Funder pursuant to which the Funder will make up to USD $6 million available to the Company under a new revolving credit facility. Payments under the Proposal shall be made from funds made available to the Company by the Funder and from the Company's general revenue.

Implementation of the Proposal

The implementation of the Proposal is subject to the following conditions being satisfied:

- The Proposal is approved by the Classes in both a majority in number of the voting Affected Creditors and two-thirds in the value of the voting Affected Creditors' Proven Claims. For clarity, for the Proposal to be approved in each of the Classes, at least 51% of the Affected Creditors holding no less than two-thirds in value of the Proven Claims being voted must vote to approve the Proposal. All Convenience Creditors and Equity Election Creditors are deemed to vote the full amount of their Proven Claims in favour of the Proposal.

- The Approval Order is issued and is not stayed.

- All conditions precedent in the Loan Agreement are satisfied and the Loan Agreement has closed such that the new credit facility thereunder has been made available to the Company.

- All other actions, documents and agreements necessary to implement the Proposal are effected and executed.

7. FINANCIAL INFORMATION TO EVALUATE THE PROPOSAL

A Statement of Estimated Realizations comparing the estimated outcome for Affected Creditors in the event of a Bankruptcy scenario is enclosed as **Appendix D**.

<u>Recovery for Affected Creditors under the Proposal</u>

If the Proposal is accepted by the Affected Creditors:

- All Convenience Creditors will receive the full amount of their Proven Claim (as reduced, if applicable).

- All Equity Election Creditors will receive Common Shares of the Company at the rate of one Common Share for each 12 cents ($0.12) of their Proven Claim.

- All Unsecured Creditors who are not Convenience Creditors, Equity Election Creditors or the Key Supplier will receive 30 cents ($0.30) for each dollar of their Proven Claim.

- The Key Supplier will receive 70 cents ($0.70) for each dollar of its Proven Claim if it first agrees with the Company, in writing, to continue to supply product to the Company on terms acceptable to the Company, including with respect to terms of payment.
- All Affected Secured Creditors will receive Common Shares of the Company at the rate of one Common Share for each eight cents ($0.08) of their Proven Claim.

Neither the Company nor the Trustee has valued the Common Shares of Contech for the purposes of calculating an estimated realization for the Affected Secured Creditors and the Equity Election Creditors. Depending how many qualified Unsecured Creditors elect to become Equity Election Creditors, upon the Conversion Date, the Affected Secured Creditors and the Equity Election Creditors will receive between 30% and 40% of the Common Shares of the Company on a fully-diluted basis.

Recovery for Affected Creditors in a bankruptcy or liquidation scenario

The only likely alternative to the Proposal is the bankruptcy of the Company and the liquidation of its assets. Should that occur, it is anticipated that there would be no recovery available for the Affected Creditors.

In a bankruptcy or liquidation scenario the ability of a bankruptcy trustee to realize any significant proceeds from the sale of the Company's inventory, collection of accounts receivable, and sale of any other realizable assets will be significantly restricted. Moreover, any proceeds generated by the sale of the Company's assets would first be paid to the Company's secured creditors in order of priority.

After taking into account the costs of realization, the estimated amount available for distribution to the Company's creditors in a bankruptcy or liquidation scenario is approximately $1,449,000 to $2,369,000. Accordingly, it is not expected that any creditor of the Company ranking in priority subsequent to FWCU (which includes all of the Affected Creditors) would recover anything in a bankruptcy or liquidation scenario.

The Trustee is of the view that the return to Affected Creditors under the Proposal will significantly exceed any return they could hope to obtain in a bankruptcy or liquidation scenario.

8. CONDUCT OF THE COMPANY

Prior to the filing of the Proposal the Trustee has undertaken a limited financial review of the Company's operations and has had discussions with Management regarding financial matters. The Trustee has not undertaken any examinations to identify preference transactions, settlements or other reviewable transactions. The Proposal filed by the Company specifically waives the applicability of Sections 91 to 101 of the BIA.

9. PREVIOUS BUSINESS DEALINGS WITH THE COMPANY

Deloitte Restructuring Inc. has had no previous business dealings with the Company and has no known conflict of interest.

10. REMUNERATION OF THE TRUSTEE

The Trustee estimates that its fees will amount to approximately $60,000-$90,000 depending on the number and complexity of the creditor claims received in the Proposal and the timely progression of the Proposal process. A $60,000 retainer was paid by the Company to the Trustee prior to filing of the Proposal. The Trustee's fees and disbursements will be paid from the retainer and funds available in the Proposal based on the time and expenses incurred, subject to taxation by the Court. The Proposal contemplates that the Trustee will be authorized to draw fees as they are incurred subject to taxation by the Court upon the completion of the administration of the estate.

11. TIMING AND PROCESS

A formal meeting (the "**Meeting**") of Affected Creditors to consider and vote on the acceptance or rejection of the Proposal is scheduled for 2:00 p.m. PT on January 8, 2015 at the office of the Trustee which is located at 2800 - 1055 Dunsmuir Street, Vancouver, British Columbia.

At the Meeting the Affected Secured Creditor Class and the Unsecured Creditor Class will vote separately on the Proposal. The Proposal must be accepted by each of the Classes in both a majority in number of the voting creditors and two-thirds of the value of voting creditors' claims. Affected Creditors can vote at the Meeting in person or by proxy or otherwise voting by voting letter.

All Convenience Creditors and all Equity Election Creditors will be deemed to have voted in favour of the Proposal and are not entitled to vote at the Meeting.

Upon approval of the Proposal by the creditors, an application will be made to Court for an order approving the Proposal. The Court will set a date to hear the application and notice of the Court hearing will then be sent to every Affected Creditor with a Proven Claim. Given the Company's urgent need for funding so that it can place orders with its suppliers for product needed for the upcoming season, the Loan Agreement requires that it close before January 31, 2015. As a result, if the Proposal is approved by the Affected Creditors, the Company plans to bring its application for the Approval on short notice, to be heard on or around January 16, 2015.

Following Court approval of the Proposal all funds and Common Shares to be distributed and issued to Affected Creditors will be paid and issued in accordance with the Proposal.

If the Affected Creditors do not vote in favour of the Proposal by the required majorities, the Company will automatically be deemed to have made an assignment in bankruptcy. In such a scenario the creditors may elect to retain the Trustee to administer the estate or may substitute an alternate trustee in bankruptcy.

12. VOTING ON THE PROPOSAL

It is required that all Affected Creditors who wish to vote on the Proposal must, prior to the commencement of the Meeting, submit to the Trustee a completed Proof of Claim with a statement of account supporting the Claim. Those Affected Creditors who do not plan to attend the Meeting in person, or to be represented by proxy at the Meeting, may register their vote on the Proposal by use of the enclosed voting letter. Note that creditors voting by voting letter must also submit a completed Proof of Claim form with a statement of account attached.

In order for a vote and/or proxy to be valid, a Proof of Claim must be submitted to the Trustee before the scheduled Meeting of creditors. Electronic submission is acceptable. You can forward the above documents to the attention of Rayne Boutcher at Deloitte Restructuring Inc. (fax: (604) 534-7429 or rboutcher@deloitte.ca). It is not necessary to mail original copies to the Trustee.

If accepted and approved by the Court, the Proposal becomes binding on all Affected Creditors, whether they voted for or against the Proposal.

13. TRUSTEE'S RECOMMENDATION

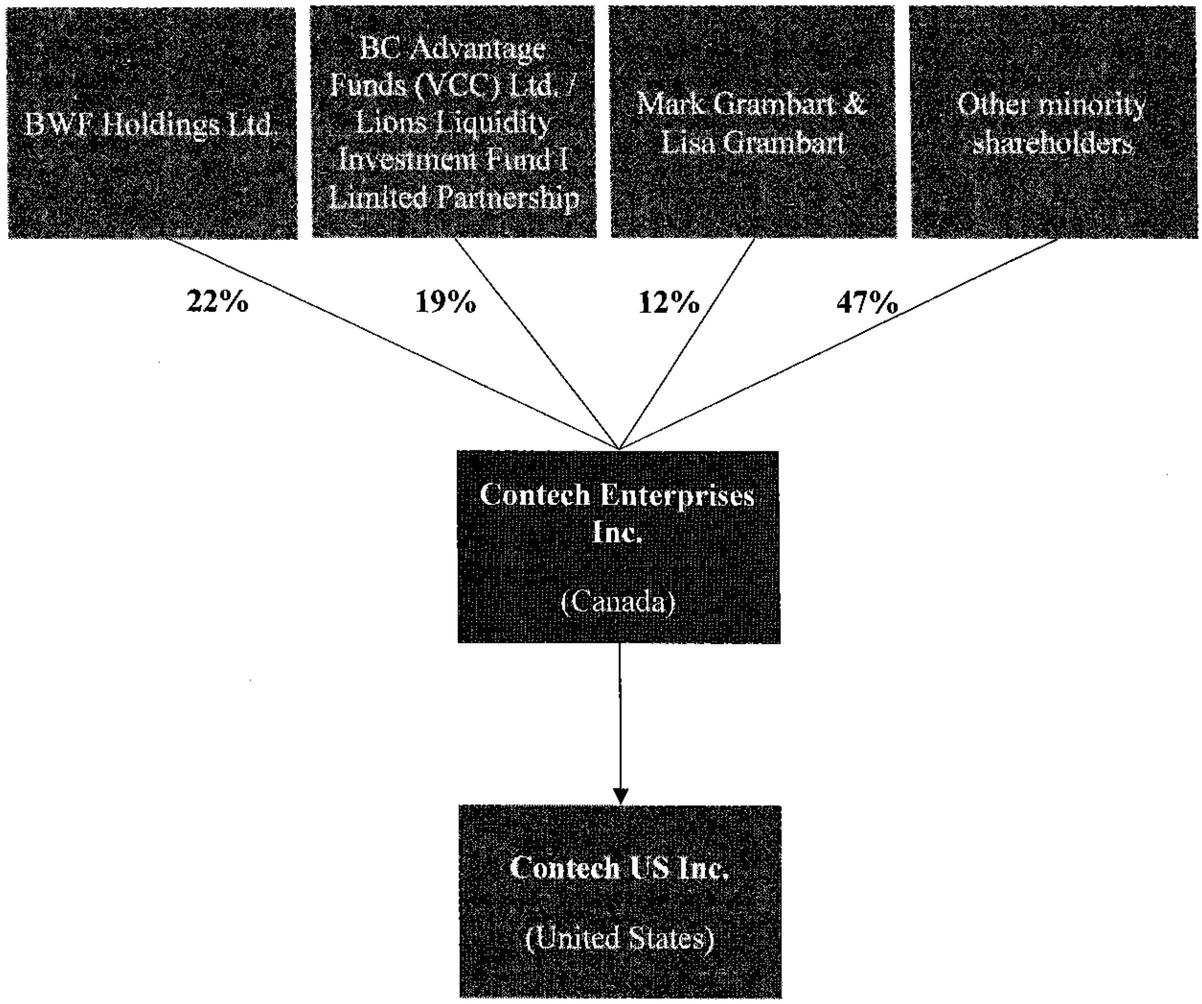
It is the Trustee's opinion that the Proposal is in the best interests of the Affected Creditors since it provides for a return to the Affected Creditors that significantly exceeds any recovery in a bankruptcy or liquidation scenario and it enables the Company to carry on business. The Trustee therefore recommends that the Affected Creditors vote to approve the Company's Proposal. The Trustee intends to vote any proxies naming the Trustee in favor of the Proposal.

DATED AT the City of Vancouver, in the Province of British Columbia, this 23rd day of December, 2014.

DELOITTE RESTRUCTURING INC.
In its capacity as the Trustee under the Proposal of
Contech Enterprises Inc.
and not in its personal capacity

Per: Huey Lee, MBA, CPA, CMA, CIRP
Senior Vice President

APPENDIX A
CONTECH ENTERPRISES INC. CORPORATE CHART



Source: Company Information
Note: Shareholdings shown represent undiluted amounts as at December 23, 2014

APPENDIX B
SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE OF THE COMPANY FROM FISCAL YEAR END AUGUST 31, 2011 TO AUGUST 31, 2013

CONTECH ENTERPRISES INC.
Income Statement

Unaudited (FYE) CDN$'000	31-Aug 2011	31-Aug 2012	31-Aug 2013
Sales	**8,398**	**12,648**	**17,065**
Other Revenue	606	444	36
Cost of Sales	(5,358)	(8,627)	(12,721)
Gross Profit	**3,645**	**4,465**	**4,380**
Operating expenses			
Advertising, promotions and public relations	(378)	(618)	(870)
Amortization	(710)	(714)	(1,105)
Bank Charges & Interest	(66)	(432)	(476)
Commissions	(226)	(507)	(300)
Foreign Exchange (losses) gains	11	(59)	(161)
Insurance	(118)	(160)	(199)
Information Technology	(119)	(136)	(246)
Licenses and Dues	(82)	(53)	(116)
Office and Supplies	(73)	(63)	(70)
Professional Fees	(330)	(539)	(533)
Rent and Property Taxes	(200)	(194)	(220)
Repairs and Maintenance	(9)	(10)	(10)
Salaries and Benefits	(2,065)	(1,389)	(1,915)
Telephone and Utilities	(109)	(103)	(81)
Meals and Entertainment	(38)	(25)	(44)
Interest on long-term debt	(239)	(137)	(317)
Travel	(197)	(176)	(152)
Other Expenses	(5)	(2)	(54)
Bad Debts	(12)	(9)	(2)
Research and Development	-	-	-
Total Operating Expenses	**(4,965)**	**(5,326)**	**(6,870)**
Loss Before Taxes	**(1,320)**	**(861)**	**(2,489)**

Source: Company tax return as provided by Management. For Canadian operations only.

Note: Company year end is August 31

APPENDIX C

CASH FLOW FORECAST FOR THE PERIOD ENDED MARCH 19, 2015

Contech Enterprises Inc.
Weekly Cash Flow Forecast
December 19, 2014 to March 19, 2015

CDN $'000	Week 1 Forecast 19-Dec-14 25-Dec-14	Week 2 Forecast 26-Dec-14 01-Jan-15	Week 3 Forecast 02-Jan-15 08-Jan-15	Week 4 Forecast 09-Jan-15 15-Jan-15	Week 5 Forecast 16-Jan-15 22-Jan-15	Week 6 Forecast 23-Jan-15 29-Jan-15	Week 7 Forecast 30-Jan-15 05-Feb-15	Week 8 Forecast 06-Feb-15 12-Feb-15	Week 9 Forecast 13-Feb-15 19-Feb-15	Week 10 Forecast 20-Feb-15 26-Feb-15	Week 11 Forecast 27-Feb-15 05-Mar-15	Week 12 Forecast 06-Mar-15 12-Mar-15	Week 13 Forecast 13-Mar-15 19-Mar-15
Opening cash	(1,222)	(1,143)	(1,167)	(1,167)	(1,203)	(1,249)	(1,218)	(1,164)	(1,128)	(1,336)	(1,198)	(1,277)	(1,332)
Receipts													
Collections	115	205	187	132	173	233	198	198	198	198	283	283	283
SRED refund received	-	-	-	-	-	-	-	-	-	234	-	-	-
Total Receipts	115	205	187	132	173	233	198	198	198	432	283	283	283
Disbursements													
Payroll	-	(158)	-	(158)	-	(158)	-	(158)	-	(158)	-	(158)	-
Payroll benefits	(23)	(4)	-	(4)	(25)	(4)	-	(4)	(25)	(4)	-	(4)	(25)
Rent	(14)	(25)	-	-	(13)	-	(25)	-	(13)	-	(21)	-	(13)
New purchase orders	-	-	(77)	-	(135)	-	(35)	-	(267)	(67)	(196)	(171)	(227)
Insurance	-	(10)	(13)	-	-	(0)	(10)	-	-	(0)	(10)	-	-
Bank charges and interest	-	(5)	-	-	-	-	(5)	-	-	-	(5)	-	-
Leases	-	(13)	-	(1)	(0)	(11)	(2)	-	(1)	(11)	(2)	-	(1)
Recurring vendor services	-	-	(72)	-	(41)	-	(68)	-	(100)	(38)	(129)	-	(42)
Trustee and Legal Fees	-	(5)	(5)	(5)	(5)	-	-	-	-	-	-	(5)	(10)
Sales and property taxes	-	(2)	-	-	-	(2)	-	-	-	-	-	-	-
Contractor fees	-	(26)	-	-	-	(26)	-	-	-	(17)	-	-	-
Total Disbursements	(36)	(248)	(167)	(168)	(219)	(201)	(144)	(162)	(406)	(294)	(362)	(337)	(318)
Net change in cash	79	(43)	20	(36)	(46)	31	54	36	(208)	138	(79)	(55)	(35)
Line of Credit Limit	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417
Availability	274	230	250	214	168	199	253	289	81	219	140	85	50

Assumptions

1) All post-filing obligations incurred after December 23, 2014 will be paid in the normal course.

2) All employee payroll obligations and benefits including source withholdings will be remitted and paid in full in the normal course.

3) Company will keep employee expense reimbursements current for all post-filing expenses.

4) Amounts included in the cash flow are shown in CDN equivalent. USD transactions are assumed to be at an exchange rate of USD 1:CDN 1.1639

5) Forecast includes payments to Contech US to ensure that payroll, rent, and other operating expenses are maintained which are critical to the Company's ongoing viability.

6) 2014 SRED claim in the amount of $234,000 (estimate) will be refunded by February 27, 2015, based on January 9, 2015 filing date

7) Recurring vendor services are those critical non-inventory, non-employee expenses required to keep the business operational (freight, supplies, 3rd party logistics, etc.)

8) Rent will continue to be paid at all of the Company's locations. The locations are as follows: Victoria, BC (head office), Delta, BC (Industrial division), Perth-Andover, NB (Canadian distribution centre), Grand Rapids, MI (US distribution centre and manufacturing facility), Vista, CA (satellite sales office). In March, 2015, the Delta facility lease will be reduced as operations will be consolidated from two buildings to one building.

9) Refinancing is expected to be complete by January 30, 2015

10) Assumes that operating line of credit advanced by HSBC will continue to be available during the Proposal period at $1.417 million.

Contech Enterprises Inc.

Deloitte Restructuring Inc. - Trustee

Dated: December 23, 2014

APPENDIX D

STATEMENT OF ESTIMATED REALIZATIONS IN THE EVENT OF A BANKRUPTCY

In The Matter of the Proposal of
Contech Enterprises Inc.
Statement of Estimated Realizations

CDNS'000*	Balance sheet 31-Oct-14	Bankruptcy High	Bankruptcy Low	Notes
Estimated Receipts				
Accounts Receivable	2,387	966	772	1
Inventories	5,401	1,080	540	2
Property and Equipment	993	73	37	3
Intangibles	5,784	250	100	4
	14,565	**2,369**	**1,449**	
Priority Creditors		(54)	(54)	5
		2,315	**1,395**	
Available to Unaffected Creditors		**2,315**	**1,395**	6
Business Development Bank of Canada		(85)	(85)	
HSBC Bank Canada		(1,412)	(1,412)	
K'(Prime) Technologies Inc.		(31)	(31)	
Dell Financial Services Canada Limited		(13)	(13)	
Roynat Inc.		(7)	(7)	
First West Credit Union		(1,450)	(1,450)	
(Shortfall)/Surplus		**(684)**	**(1,603)**	

Notes:

1) Assumes allowance for the potential difficulty in collecting balances from foreign customers, aged accounts, set-offs, contras, penalities, holdbacks, concentration, costs of collection and likely difficulty collecting accounts in a Bankruptcy scenario.

2) Assumes allowance for inventory held across multiple locations (including foreign locations), in-transit, highly seasonal products, aged items and realization costs. No realizations have been applied against work in progress.

3) Assumes allowance for equipment held across multiple locations (including foreign locations), trade and product specific nature of the equipment, age, decommissioning and realization costs.

4) Realization values have been estimated on a nominal basis given the uncertainty of valuing intellectual property and a limited secondary market. Under a Bankruptcy scenario, realizations from any sale of patents, trademarks, technology and intellectual property will be significantly reduced.

5) The Company has 27 employees at December 23, 2014. In the event that employees wages are in arrears, each employee may be entitled to a priority claim under the WEPPA.

6) Amounts owing to Christmas Mountains Mfg. Inc. has been ommited from this analysis given the security (land and building) is held by a third-party not involved in these proceedings.

* All amounts shown are in CDN dollars. USD balances are assumed to be at an exchange rate of USD 1: CDN 1.1639.

Estimates are indicative only. Realizations have been estimated based on discussions with Management and the Company's Statement of Affairs, in addition to the various assumptions as set-out in the notes above. Readers are cautioned that actual realizations will vary and variations could be material. Deloitte Restructuring Inc. has not audited, reviewed or otherwise verified this information.