

**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT WITH RESPECT TO
BRAKE PRO, LTD.**

MONITOR'S EIGHTH REPORT TO THE COURT

INTRODUCTION AND OVERVIEW

1. BDO Dunwoody Limited (the "Monitor") was appointed Monitor of Brake Pro, Ltd. (also referred to as "Brake Pro", the "Applicant" or the "Company") by an Initial Order of the Honourable Justice Stinson of the Ontario Superior Court of Justice on 24 July 2007 (the "Initial Order"), pursuant to the application (the "Application") to the Court by the Applicant for protection from its creditors under the *Companies' Creditors Arrangement Act* (the "CCAA").
2. The stay of proceedings contained in the Initial Order has been extended by a series of Orders, the most recent of which was granted on March 6, 2008 to Monday March 17, 2008, at which time it is expected that the Court will hear an application for a bankruptcy order against the Applicant. The Court has requested the Monitor to report on the Monitor's activities arising from this Honourable Court's endorsement of March 6, 2008 (the "March 6 Endorsement").
3. Brake Pro conducted business in Concord Ontario for many years. It manufactured brake friction material for buses and trucks. The assets of the Company have been sold and the Monitor presently holds about Cdn\$2.4 million, plus US\$200,000 representing most of the proceeds from the sale net of disbursements.
4. The Monitor obtained and put before the Court a legal opinion that the security of the Company's operating lender, Wachovia Capital Finance Corporation Canada

(“Wachovia”), would be valid as against a trustee in bankruptcy. This position has not been contested.

5. The amounts owing to Wachovia are significantly greater than the amounts it could recover in a best case scenario. As such, there is no hope of a recovery for unsecured creditors as Wachovia estimates suffering a significant shortfall of several million dollars, even assuming that it is held to have priority over Tenneco Inc. (“Tenneco”) in a dispute described below.
6. Tenneco is also a secured creditor. In or about November of 2007 a priority dispute arose between Tenneco and Wachovia. This issue is unresolved. While this dispute does not change the fact that unsecured creditors have no hope of recovery, it has delayed distribution of the funds in the hands of the Monitor.
7. The Monitor, its counsel and Company counsel were granted a first ranking administrative charge in the amount of \$100,000 for their fees. The directors of the Company were given a \$100,000 second ranking charge as protection for their liabilities.
8. The Monitor has advised the court that there are certain other expenses associated with completing the sale of the Company’s assets (hereinafter called the “Post Shut-Down Payables”) which remain to be paid. In the Monitor’s view there is a need to make these payments or else reserve funds to do so as part of any transition from the CCAA to a bankruptcy, should the court find a bankruptcy filing to be appropriate. On March 6, 2008, this Honourable Court authorized the Monitor to make payment of the Post Shut-Down Payables as listed by the Monitor in its Seventh Report.

STATUS OF THE LIQUIDATION OF THE COMPANY

9. As previously reported, although the Company operated for a period of time following the commencement of its CCAA proceedings, it ceased operations on September 25, 2007 and terminated virtually all of its employees. The shut-down occurred because the Company ran out of money, when a sudden and unexpected rise in the Canadian dollar reduced the Company’s borrowing availability under

its facility with Wachovia, leaving it in a position where it was unable to pay those post-filing creditors who had supplied the Company with credit.

10. From the start of the CCAA process, the Company had been conducting a sales process to find a purchaser. The purchaser, Affinia Canada Corp., has removed all the purchased assets from the rented premises in which the Company conducted business. The premises have now been vacated and surrendered to the landlord as of February 29, 2008.
11. The Company's accounts receivable have been collected by Wachovia utilizing either Company staff or collection agents and have been deposited into a lock box administered by Wachovia. Only a small amount of collections remain.
12. At the present time, the remaining activities that are necessary to finish the administration of the Company's affairs are to distribute funds, pay certain expenses and make certain administrative filings. Attached as Appendix "A" is a schedule showing the status of payment of Post Shut-Down Payables as at the time of writing. Also attached as Appendix "B" is the Monitor's Statement of Receipts and Disbursements as at March 12, 2008. As authorized in the March 6 Endorsement, the Monitor has dealt with the following matters:

GST

Pre-Filing GST

13. Given the position taken by CRA on March 6, 2008 with respect to pre-filing GST, that it did not have a "Deemed Trust" claim and that it would not be advancing its claim for pre-filing GST, the Monitor has taken no action, and intends to take no action, to further analyze the pre-filing balances claimed by CRA.

Post-Filing Pre-Shutdown GST

14. As authorized by this Honourable Court, the Monitor has reviewed the Company's filings and has remitted to CRA the post-filing GST, net of input tax credits, of \$95,018

15. As previously reported, of the unpaid post-filing pre-shutdown payables of \$453,000, some \$214,000 is subject to GST. It is estimated that GST input tax credits of approximately \$12,848 could be reversed. Accordingly, a reversal of such ITC's would increase the \$82,170, as filed, by an estimated \$12,848 to \$95,018.

Post-Shutdown GST

16. As authorized by this Honourable Court, the Monitor has remitted post-shutdown GST, net of the related ITC's, of \$170,140. This includes GST payable up to and including February 29, 2008, less the estimated GST ITC's of \$6,426 for the Post Shut-Down Payables payments approved by this Honourable Court.

VACATION PAY

17. As authorized by the Honourable Court, the Monitor has arranged for the payment of the outstanding Canadian vacation pay, for both pre- and post-filing periods. At the time of writing, vacation pay for the salaried employees of \$33,654.50 (the "Salaried Vacation Pay") has been remitted to the payroll service formerly used by the Company. The payroll service is expected to deposit the funds in the former employees' accounts on March 14, 2008.
18. Because a payroll for the hourly employees has not been run for several months, the hourly payroll information has been archived by the payroll service used by Brake Pro. There has been a delay in retrieving and restoring this information. As a result, the vacation pay for the hourly employees of an estimated \$43,345.50, inclusive of EI, CPP and processing fees, (the "Hourly Vacation Pay") has not yet been paid. This amount has been reserved in accordance with the March 6 Endorsement. The Monitor proposes to make this payment upon receiving the calculation from the payroll service and before April 7, 2008.
19. The Monitor has not made arrangements with the payroll service for the preparation of T-4's for the former employees. The Monitor assumes that this will be a task for the Trustee in Bankruptcy, if and when it is appointed.

POST SHUT-DOWN PAYABLES

20. At the time that the Company shut down its operations, it became clear that it would not be able to pay incurred post filing unsecured debts, of some \$453,000. These balances remain unpaid. However, there are expenses incurred in the process of selling inventory, the removal of the assets purchased by Affinia Canada Corp. (for which the Company received funds from Affinia Canada Corp.) and disposing of and retaining some of its books and records (collectively the "Post Shut-Down Payables").
21. As authorized by this Honourable Court, the Monitor has to date paid \$85,817.70 of the Post Shut-Down Payables, as set out in Schedule "A". A further \$67,600 are anticipated to be payable, when the invoices and required support documents are received. Substantially all of the Post Shut-Down Payables relate to expenses incurred in February. As a result, not all of the invoices from suppliers have yet been issued and received. In accordance with the draft order returnable on March 17, 2008, the Monitor proposes to retain sufficient funds its trust account to pay these outstanding payables.

PROFESSIONAL FEES

22. As authorized by this Honourable Court on March 6, 2008, the Monitor and its Counsel have drawn their fees for periods up to and including February 29, 2008 as set out in the Affidavits of Time attached as Schedules to the Monitor's Seventh Report.
23. The Monitor holds in its Trust account funds for the estimated fees payable, or to be incurred, by the Monitor, the Monitor's Counsel and Counsel to the Company. These amounts are as previously set out in an attachment to the Monitor's Seventh Report.
24. The Monitor has not held back any funds as a reserve for fees payable, or to be incurred, by counsel to the Company. The March 6 Endorsement states:

“The issue of whether the expenses of the Company’s counsel post February 25, 2008 are also payable is to be addressed at the hearing on March 17, 2008 if the parties cannot agree by that time.”

As of the date of this Report, the Monitor has not been advised of an agreement.

FURTHER ACTIONS OF THE MONITOR

25. In accordance with the motion returnable on March 17, 2008 the Monitor proposes to:
 - (i) Retain in its trust account the balance of the estimated funds required to pay the Post Shut-Down Payables;
 - (ii) Retain in its trust account, the \$43,345.50 that is anticipated to be payable for the Hourly Vacation Pay;
 - (iii) Hold in its trust account, \$100,000 for the Directors’ Charge until the expiry on April 19, 2008 of the claims “Comeback” period;
 - (iv) Hold in its trust account, \$100,000 for the Administrative Charge until the same expiry on April 19, 2008;
 - (v) Hold in its trust account such amounts as may be determined by the Court with respect to fees for the counsel to the Company; and
 - (vi) Remit the balance in its trust account to Bennett Jones LLP in trust.
26. The Monitor will make payment of outstanding Post Shut-Down Payables as the bills are received and will remit the remaining balance, if any, to Bennett Jones LLP in trust, when it is satisfied that all invoices have been received.
27. The Monitor plans to submit such filings as are required to complete the above.
28. The Monitor will assist the Trustee as required by transferring such books and records and company information as are in its possession, to the Trustee.
29. Subject to carrying out the activities outlined above, the Monitor anticipates being required to carry out no further functions.

CONCLUSION AND RECOMMENDATION

30. The Monitor, therefore, makes this Report in support of an Order:

- (i) Approving the Monitor's conduct and activities to date as set out in this and previous reports;
- (ii) Authorizing the Monitor to hold funds in Trust for the undisbursed balance of the Post Shut-Down Payables, the Hourly Vacation Pay, the agreed upon fees for Counsel to the Company, the Directors' Charge and the Administrative Charge and to disburse them as directed;
- (iii) Terminating the CCAA proceeding;
- (iv) Discharging the Monitor, conditional upon carrying out the activities outlined above.

31. All of which is respectfully submitted this 14th day of March, 2008.

BDO DUNWOODY LIMITED

Monitor

Per:



Uwe Manski, FCA, FCIRP

President

Brake Pro, Ltd.
Post Shut-Down Payables

Company	Invoice #	Invoice Date	Subtotal	GST	Total	Paid	Not yet Paid	Comments
Invoices Received								
Photech Environmental Solution	1014757	02-28-2008	6,374.00	318.70	6,692.70	6,692.70		Chemical waste disposal
Lloyd Williams	03-01-2008	03-01-2008	385.00	-	385.00	385.00		Accounting Consulting for Feb 25 to Mar 1/08
AGC Inc.	17761	02-29-2008	175.00	8.75	183.75	183.75		Video taping premises before return to landlord
Rogers Inc.	21438191	02-21-2008	22.44	1.04	23.48	23.48		Telephone
Rogers Inc.	21440174	02-21-2008	40.69	1.88	42.57	42.57		Telephone
Rogers Inc.	21440173	02-21-2008	403.18	18.59	421.77	421.77		Telephone
Bell Canada	02-19-2008	02-19-2008	164.25	7.31	171.56	171.56		Internet
Bell Canada	02-19-2008	02-19-2008	59.01	2.63	61.64	61.64		Internet
Bell Canada	02-19-2008	02-19-2008	55.12	2.45	57.57	57.57		Internet
Allstream	7222697	02-18-2008	108.82	4.55	113.37	113.37		Local telephone service
ADP	690195	02-15-2008	206.17	-	206.17	206.17		payroll processing
ADP	914797	02-22-2008	68.72	3.44	72.16	72.16		payroll processing
ADP	677008	02-14-2008	115.60	-	115.60	115.60		payroll processing
Russell Armer	Expenses	02-29-2008	488.14	-	488.14	488.14		expenses to 2/29/08
Russell Armer	Pay	02-29-2008	8,800.00	-	8,800.00		8,800.00	Pay Feb 15-29 2008 (Payment stopped Feb 29)
Tony Durante	03-02-2008	03-02-2008	1,755.00	-	1,755.00	1,755.00		IT consulting Feb 25 to Mar 2 2008
Rudy Proserpi	03-02-2008	03-02-2008	2,170.00	-	2,170.00	2,170.00		Managerial consulting Feb 25 to Mar 2, 2008
Tony Durante	03-09-2008	03-09-2008	990.00	-	990.00	990.00		Accrued IT consulting Mar 3 to 9, 2008
Rosendo Medina	02-29-2008	02-29-2008	957.72	-	957.72	957.72		Casual Labour Feb 25-29, 2008
Andrew Hu	02-29-2008	02-29-2008	732.52	-	732.52	732.52		Casual Labour Feb 25-29, 2008
Kelawti Singh	02-29-2008	02-29-2008	732.52	-	732.52	732.52		Casual Labour Feb 25-29, 2008
Bharat Sutram	02-29-2008	02-29-2008	817.44	-	817.44	817.44		Casual Labour Feb 25-29, 2008
Enbridge	03-03-2008	03-03-2008	7,015.56	344.98	7,360.54	7,360.54		Gas - January
Xerox	L2203978	2/22/08	1,040.04	48.15	1,088.19	1,088.19		copier rental
BFI	6-1591561	02-01-2008	2,782.00	139.10	2,921.10	2,921.10		Garbage disposal
BFI			5,362.37	268.12	5,630.49	5,630.49		Garbage disposal
MCI			604.80	28.00	632.80	632.80		Internet
			42,426.12	1,197.68	43,623.80	34,823.80	8,800.00	
Professional Fees								
Fraser Milner Casgrain	02-29-2008		11,374.63	568.74	11,943.37	11,943.37		Counsel to the Monitor - Jan 24 to Feb 29, 2008
BDO Dunwoody			37,190.98	1,859.55	39,050.53	39,050.53		Monitor - Jan 1 to Feb 29, 2008
			48,565.61	2,428.29	50,993.90	50,993.90	-	
Accruals								
Fraser Milner Casgrain	Accrual		8,000.00	400.00	8,400.00		8,400.00	Accrued fees to close of file.
BDO Dunwoody	Accrual		18,750.00	937.50	19,687.50		19,687.50	Accrued fees to close of file.
Enbridge	Accrual		7,000.00	350.00	7,350.00		7,350.00	Estimate for February
Powerstream	Accrual		11,250.00	562.50	11,812.50		11,812.50	Estimate for Jan 16 to Feb 29
Telecommunications	Accrual		1,000.00	50.00	1,050.00		1,050.00	Estimated to February invoices
Contingency			10,000.00	500.00	10,500.00		10,500.00	
			56,000.00	2,800.00	58,800.00	-	58,800.00	
Total Post Shut-Down Payables								
			146,991.73	6,425.97	153,417.70	85,817.70	67,600.00	
Holdbacks								
Balance of Canadian Vacation Pay							43,345.50	Estimated balance for hourly employees
Administrative Charge							100,000.00	To be held until expiry of claims bar period
Directors' Charge							100,000.00	To be held until expiry of claims bar period
Counsel to Company							Unknown	
Total Holdbacks							243,345.50	
TOTAL							\$ 310,945.50	

IN THE MONITORING OF
BRAKE PRO LIMITED
 OF THE CITY OF CONCORD,
 IN THE MUNICIPALITY OF YORK,
 IN THE PROVINCE OF ONTARIO.

MONITOR'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Period 9 November 2007 to 12 March 2008

Note 1

	BDO Dunwoody Limited		BDO Dunwoody		PROJECTED - Note 2		GRAND TOTAL
	CDN	USD	CDN	USD	Sub-total		
	TOTAL		TOTAL				
RECEIPTS							
Sale of Assets En Bloc	\$ 2,657,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,657,000
Collection of Accounts Rec.- Note 4							
Sale of Inventory	579,272	403,741	-	-	-	-	983,012
GST Collected	216,571	-	-	-	-	-	216,571
Transfer between Accts.	97,104	(76,098)	-	-	-	-	21,006
Refunds and Miscellaneous	9,435	-	-	-	-	-	9,435
Interest	30,877	1,199	-	-	-	-	32,076
Occupancy Fee (Affinia)	180,000	-	-	-	-	-	180,000
Sale of Furniture/Fixtures	-	1,700	-	-	-	-	1,700
Sub-Total	3,770,259	330,541	-	-	-	-	4,100,800

DISBURSEMENTS

Occupation Costs							
ADP Fees	\$ 4,434	\$ 1,721	\$ -	\$ -	\$ -	\$ -	\$ 6,155
Casual labour	32,393	-	-	-	-	-	32,393
Delivery/Courier	13,416	2,567	-	-	-	-	15,983
Warehouse and Shipping	-	-	-	-	-	-	-
Employee Expenses	-	887	-	-	-	-	887
Insurance	15,372	-	-	-	-	-	15,372
Office Expenses	5,228	-	-	-	-	-	5,228
Payroll	112,460	-	-	-	-	-	112,460
- Concord	-	90,969	-	-	-	-	90,969
- Georgia	154,710	-	-	-	8,800	-	154,710
- Concord	-	-	-	-	-	-	-
- Georgia	-	2,230	-	-	-	-	2,230
Repairs and Cleanup	55,456	-	-	-	-	-	55,456
Site Security	525	-	-	-	-	-	525
Telephone	14,320	-	1,000	-	-	-	15,320
Utilities	62,908	-	11,250	-	-	-	74,158
- Hydro	26,187	-	7,000	-	-	-	33,187
- Gas	33,655	-	-	-	-	-	33,655
Vacation Payable- Note 6	531,063	98,373	19,250	8,800	-	28,050	657,486

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For the Period 9 November 2007 to 12 March 2008

Note 1

	BDO Dunwoody Limited		TOTAL	PROJECTED - Note 2				GRAND TOTAL
	USD			BDO Dunwoody		Sub-total		
	CDN	USD		CDN	USD			
Administration Costs								
Bank Charges	175	50	225	-	-	-	225	
Courier & Postage	511	-	511	-	-	-	511	
Meals	39	-	39	-	-	-	39	
Photocopies	744	-	744	-	-	-	744	
PPSA Search	25	-	25	-	-	-	25	
Travel	2,828	-	2,828	-	-	-	2,828	
Contingency			-	10,000	10,000	10,000	10,000	
GST - Paid	19,545	-	19,545	1,463	1,463	1,463	21,008	
GST - Post-Filing Note 7	265,158	-	265,158	-	-	-	265,158	
	289,025	50	289,075	11,463	11,463	11,463	300,538	
Monitor's fees	287,659	-	287,659	18,750	18,750	18,750	306,409	
GST on Monitor's fees	16,710	-	16,710	938	938	938	17,647	
	304,369	-	304,369	19,688	19,688	19,688	324,056	
Solicitor's Costs								
Company's Solicitor	111,193	-	111,193	-	-	-	111,193	
Monitor's Solicitor	153,839	-	153,839	8,000	8,000	8,000	161,839	
GST on Solicitor's Costs	15,907	-	15,907	400	400	400	16,307	
	280,940	-	280,940	8,400	8,400	8,400	289,340	
Sub-total	1,405,396	98,424	1,503,820	58,800	8,800	67,600	1,571,420	
Excess of Receipts over Disbursements	2,364,863	232,118	2,596,980	(58,800)	(8,800)	(67,600)	2,529,380	
Holdbacks								
Administrative Charge - Note 8		-	-	100,000	100,000	100,000	100,000	
Directors' Charge - Note 8		-	-	100,000	100,000	100,000	100,000	
Company's Solicitor - Note 5				43,346	43,346	43,346	43,346	
Balance of Vacation Pay - Note 6				243,346	243,346	243,346	243,346	
Anticipated Total Holdback				\$ (302,146)	\$ (8,800)	\$ (310,946)	\$ 2,286,035	
Anticipated Funds to Bennett Jones LLP in Trust								

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MONITOR'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Period 9 November 2007 to 12 March 2008

Note 1

		PROJECTED - Note 2			
BDO Dunwoody Limited		BDO Dunwoody		GRAND	
CDN	USD	CDN	USD	Sub-total	TOTAL

NOTES:

1. Estimated Receipts and Disbursements incurred and/or paid subsequent to the sale of the Company's machinery, equipment and intellectual property to Affimia Canada Corp. on November 9, 2008, at which time the Monitor was mandated to control the funds of the Company.
2. Projected disbursements are based on estimates prepared in conjunction with the Company and may be subject to significant variation.
3. This projection assumes that a bankruptcy order is issued on March 17, 2008 and that the Monitor is discharged subject to dealing with the matters outlined in the Monitor's Eighth Report.
4. Proceeds from collection of the Accounts Receivable were remitted by customers to a lock box system for the benefit of Wachovia.
5. No holdback has been calculated for fees due to the Solicitor for the Company as matter has yet to be decided.
6. Vacation pay for salaried employees has been paid. Vacation pay for hourly employees will be paid when the payroll service can calculate the amounts.
7. Post Filing GST has been paid in accordance with the endorsement of Mr. Justice Siegel on March 6, 2008.
8. Funds to secure the Director's and the Administrative Charge are anticipated to be held until the expiry of the claims bar process scheduled to be completed by April 18, 2008.