

**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 PLAN OF COMPROMISE OR
ARRANGEMENT OF FINCORE INDUSTRIES INC.**

**SUPPLEMENT TO THE SECOND REPORT TO THE COURT
SUBMITTED BY BDO DUNWOODY LIMITED
IN ITS CAPACITY AS MONITOR**

14 JANUARY 2005

INTRODUCTION

1. On September 15, 2004, Fincore Industries Inc. (hereinafter referred to as “Fincore” or the “Company”) made an application under the *Companies’ Creditors Arrangement Act* (the “CCAA”) and obtained an order (the “Initial Order”) of the Honourable Madam Justice Pepall of the Ontario Superior Court of Justice (Commercial List) (the “Court”) which granted, *inter alia*, a stay of proceedings against the Company until October 15, 2004 (the “Stay Period”) and appointed BDO Dunwoody Limited as monitor (the “Monitor”). Since that time period, the Company has sought, and received, extensions to the Initial Order, the latest being on December 14, 2004 granting an extension to February 15, 2005 (the “Second Extension Order”). A copy of the Second Extension Order is attached as Exhibit “A”.
2. The purpose of this, the Monitor’s Supplement to the Second Report, is to inform the Court regarding the Company’s cash flow for the month of December 2004 and the projected cash flow for the months of January and February 2005.
3. The information contained in this report has been obtained from the accounting records of the Company and is based on discussions with, and representations made by management of Fincore, including in particular Mr. Sheldon E. Gross, the Company’s principal, and Mr. Siri Sugirthalingam, the Company’s controller.
4. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, re-production or use of this report. Any use which any party, other than the Court, makes of this report, or any reliance on or decision made based on it, is the responsibility of such party.

5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Initial Order.

MONITOR'S COMMENTS ON CASH FLOW FORECAST TO 28 FEBRUARY

2005

6. Attached as Exhibit "B" to this report is a Statement of Cash Flow, comparing actual cash flow for the period from 15 September 2004 to 31 December 2004 to the initially budgeted cash flow for the period, and providing a budget cash flow forecast for the months of January and February 2005.
7. The Monitor's Second Report had commented on the cash flow to 30 November 2004. Comments on subsequent cash flow follow hereunder.
8. Cash collection of sales/accounts receivable was lower than forecasted in December 2004 by approximately \$65,000 due to the loss of a major customer, and lower than expected sales prior to the seasonal industry shut down. Cash collections for January and February 2005 are forecast at approximately \$608,000 and \$560,000, respectively. This is reduced from actual collections in October and November 2004 of over \$715,000 per month, due to the above noted loss of a major customer.
9. Cash disbursements in December 2004 were lower than forecasted, due mainly to unpaid rent and utility costs. The Company now forecasts to pay these costs during January 2005. Overall disbursements in January and February 2005 are less than October and November 2004 due to lower purchases and payroll costs.

10. As noted in the Monitor's Second Report to the Court, the secured creditors of Fincore, or, more precisely, Mr. Sheldon Gross as the first-ranking and primary secured creditor, has provided an undertaking to the Monitor to fund payments to the post-filing creditors up to a maximum amount of \$250,000, in the event Fincore's cash flows prove insufficient to meet all such obligations.

All of which is respectively submitted.

BDO DUNWOODY LIMITED

Per:

Uwe Manski, FCA, FCIRP
President

/bc

Encl.

FINCORE INDUSTRIES INC.

Cash Flow Statement (September 2004 to February 2005)

	Budget				Actual				Budget		Total
	15-Sep-04 to 30-Sep-04	Oct-04	Nov-04	Dec-04	15-Sep-04 to 30-Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	
Opening Cash Balance											
CDN Account	\$ 41,643				\$ 65,869	70,051	46,620	127,041			
US Account (CDN equivalent)	24,475				24,468	50,297	34,154	38,516			
Total Opening Cash Balance	\$ 66,118	\$ 120,348	\$ 123,330	\$ 165,557	\$ 90,338	\$ 120,348	\$ 80,774	\$ 165,557	\$ 3,670	\$ 3,501	\$ 90,338
Cash Collections											
Sales / Accounts Receivable	\$ 475,734	\$ 779,449	\$ 696,238	\$ 248,337	\$ 367,091	\$ 718,772	\$ 716,781	\$ 185,461	\$ 490,051	\$ 490,051	\$ 2,968,207
Other	-	-	-	-	-	-	-	-	118,000	70,000	188,000
Total Cash Collections	\$ 475,734	\$ 779,449	\$ 696,238	\$ 248,337	\$ 367,091	\$ 718,772	\$ 716,781	\$ 185,461	\$ 608,051	\$ 560,051	\$ 3,156,207
Cash Disbursements											
Inventory Purchases	104,661	111,521	111,521	48,715	115,039	143,531	107,071	30,021	75,397	75,397	546,456
Other Production Costs	33,348	35,000	35,000	24,358	26,573	41,636	23,716	32,345	50,265	50,265	224,800
Payroll (and related costs)	169,000	255,000	255,000	120,000	89,500	308,808	251,580	185,440	218,936	218,936	1,273,200
Rent	64,000	68,510	68,510	71,891	34,255	68,510	89,863	32,030	102,852	80,791	408,301
Utilities	91,000	156,000	81,500	62,500	-	82,904	78,915	19,224	115,755	89,604	386,402
Insurance	30,000	41,947	16,126	16,126	30,000	44,859	16,126	16,127	16,126	16,126	139,364
Equipment Leases	3,000	2,889	2,889	2,889	2,889	-	3,852	2,385	2,889	2,889	14,904
General and Administrative Expenses	21,914	65,000	55,000	40,000	35,955	52,890	55,457	17,389	20,000	20,000	201,691
Management Fee (\$US)	-	15,600	15,600	11,800	-	14,300	3,900	11,700	5,000	5,000	39,900
Miscellaneous	-	25,000	30,000	1,500	2,869	908	1,518	687	1,000	1,000	7,982
Total Cash Disbursements	516,923	776,467	671,146	399,779	337,080	758,346	631,998	347,348	608,220	560,008	3,243,000
Cash Surplus/(Shortfall) for Period	(41,189)	2,982	25,092	(151,442)	30,011	(39,574)	84,783	(161,887)	(169)	43	(86,793)
Closing Cash Balance	\$ 24,929	\$ 123,330	\$ 148,421	\$ 14,115	\$ 120,348	\$ 80,774	\$ 165,557	\$ 3,670	\$ 3,501	\$ 3,544	\$ 3,544

Notes

- (1) Any cash shortfalls are to be funded by the related party secured creditors.
- (2) \$US converted to \$CDN at 1.18