

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N:

RETURN ON INNOVATION CAPITAL LTD., as agent for ROI FUND INC., ROI SCEPTRE
CANADIAN RETIREMENT FUND, ROI GLOBAL RETIREMENT FUND and ROI YIELD
PRIVATE PLACEMENT FUND and
ANY OTHER FUND MANAGED BY ROI from time to time

Applicants

- and -

GANDI INNOVATIONS LIMITED
GANDI INNOVATIONS HOLDINGS LLC
GANDI INNOVATIONS LLC
GANDI INNOVATIONS HOLD CO. and
GANDI SPECIAL HOLDINGS LLC

Respondents

TWELFTH REPORT OF THE MONITOR

December 3, 2010

Table of Contents

1.	Introduction and Background	3
1.1	Introduction.....	3
1.2	Purpose	6
2.	Monitor’s Activities.....	6
2.1	Finalizing the Closing Date Statements and Proceeds of Sale	6
2.2	Statement of Receipts and Disbursements	7
3.	Claims Procedure	8
3.1	Updated Results of the Claims Procedure	8
3.2	Disputed Claims	9
4.	Plan of Compromise and Arrangement	12
4.1	Gandi Group Background.....	12
4.2	Consolidated Plan.....	13
4.3	Plan Overview	16
4.4	Creditors’ Meeting.....	17
5.	Stay Extension.....	18
6.	Fees and Expenses of the Monitor	18
7.	Summary and Recommendations	19
Appendix A	Initial Order dated May 8, 2008	
Appendix B	Expanded Powers Order dated March 9, 2010	
Appendix C	Claims Procedure Order dated March 9, 2010	
Appendix D	U.S. Court Recognition Order dated March 31, 2010	
Appendix E	Statement of Receipts and Disbursements	
Appendix F	Eloi Ferreira Claim Disallowance and Dispute Notices	
Appendix G	Ferreira - Spanish Court Documents	
Appendix H	Proposed Plan of Arrangement and Compromise	
Appendix I	Analysis of Potential Distribution Methods	

1. Introduction and Background

1.1 Introduction

- 1.1.0 Gandhi Innovations Limited (“Gandi Canada”), Gandhi Innovations Holdings LLC, (“Gandi Holdings”), and Gandhi Innovations LLC (“Gandi San Antonio”) (collectively referred to herein as “Gandi”) obtained protection under the *Companies’ Creditors Arrangement Act* (“CCAA”) pursuant to an Order of this Honourable Court dated May 8, 2009 (the “Initial Order”). A copy of the Initial Order is attached as Appendix A.
- 1.1.1 The CCAA application was commenced by Return on Innovation Capital Ltd., as agent (“ROI”), a term lender of Gandi, owed approximately \$15.0 million, and was supported by State Bank of India (Canada) (“SBI”), the operating lender to Gandi, owed approximately \$17.0 million, and by TA Associates, Inc. as general partner for TA Associates X, L.P., TA Atlantic and Pacific V, L.P., TA Strategic Partners Fund II, L.P., TA Strategic Partners Fund II-A, L.P., TA Investors II, L.P. and TA Subordinated Debt Fund II, L.P. (“TA Associates”).
- 1.1.2 The Initial Order appointed BDO Dunwoody Limited as the Monitor of Gandi (the “Monitor”). Pursuant to Articles of Amendment effective November 12, 2009, the corporate name of BDO Dunwoody Limited was changed to BDO Canada Limited.
- 1.1.3 Gandi also obtained protection from their creditors in the United States (“U.S.”) by applying for and obtaining recognition of the within proceeding as a foreign main proceeding pursuant to Chapter 15 (“Chapter 15”) of the United States Bankruptcy Code (the “Chapter 15 Proceeding”). An Order of the United States Bankruptcy Court for the Western District of Texas San Antonio Division (the “U.S. Court”) recognizing this proceeding as a foreign main proceeding pursuant to Chapter 15 was issued June 5, 2009.

- 1.1.4 On August 10, 2009, this Court approved an interim distribution to SBI in the amount of \$4,000,000 CAD subject to SBI entering into a reimbursement agreement (the "Interim Distribution Reimbursement Agreement").
- 1.1.5 On November 25, 2009, this Court approved the sale of substantially all of the business and assets of Gandi, Gandi Innovations Hold Co. ("Gandi Holdco") and Gandi Special Holdings LLC ("Gandi Special", and together with Gandi and Gandi Holdco, the "Gandi Group") to Agfa Corporation and Agfa Inc. (collectively referred to as "Agfa") pursuant to the terms of an Agreement of Purchase and Sale made as of November 15, 2009 among Gandi and Agfa ("the Sale Agreement") and granted an Order vesting title to the purchased assets in and to Agfa (the "Approval and Vesting Order").
- 1.1.6 On November 25, 2009, this Honourable Court also added Gandi Holdco and Gandi Special as debtors to the Gandi CCAA proceeding.
- 1.1.7 Shortly thereafter, the Sale Agreement was amended to include Gandi Holdco and Gandi Special as parties to such agreement and the Monitor sought revisions to the Approval and Vesting Order to reflect such amendments. On December 10, 2009 this Court issued an Amended and Restated Approval and Vesting Order.
- 1.1.8 On January 8, 2010 the U.S. Court granted an order recognizing the Amended and Restated Approval and Vesting Order.
- 1.1.9 On January 15, 2010 (the "Closing Date"), the Monitor closed the sale of substantially all of the business and assets of the Gandi Group to Agfa (the "Sale Transaction").
- 1.1.10 On January 28, 2010, this Court approved the interim distribution of funds (the "Interim Distribution Order") to SBI and ROI in the amounts of \$12,273,879.21 and \$16,723,724, respectively, in connection with Gandi's indebtedness to SBI and ROI, subject to SBI and ROI entering into

reimbursement agreements (the “Final Reimbursement Agreements”). On September 13, 2010 Justice Cumming granted an order terminating the Interim Distribution Reimbursement Agreement and the Final Reimbursement Agreements releasing ROI and SBI from their obligations thereunder.

- 1.1.11 The total estimated purchase price (the “Purchase Price”) from the sale to Agfa is approximately \$40.4 million USD and is comprised of both a contingent and a non-contingent portion. Sale proceeds totaling \$25.0 million USD were received by the Monitor on closing. Pursuant to the Sale Agreement, the balance of the Purchase Price is payable over a period of two years.
- 1.1.12 On March 9, 2010, this Honourable Court granted an order which, *inter alia*, expanded the Monitor’s powers to allow the Monitor to: (i) execute documents in furtherance of the Sale Transaction, (ii) effect filings or registrations with governmental and regulatory agencies and (iii) file, on behalf of the Gandi Group, a plan of compromise or arrangement under the CCAA or a proposal under the *Bankruptcy and Insolvency Act* (the “Expanded Powers Order”). A copy of the Expanded Powers Order is attached as **Appendix B**.
- 1.1.13 On March 9, 2010, this Honourable Court issued an order (the “Claims Procedure Order”) authorizing the Monitor conduct a process for calling and determining claims of the Gandi Group’s creditors (the “Claims Procedure”). Among other things, the Claims Procedure Order established June 30, 2010 as the Claims Bar Date. A copy of the Claims Procedure Order is attached as **Appendix C**.
- 1.1.14 On March 31, 2010, the U.S. Court granted an order recognizing the Claims Procedure Order, the Interim Distribution Order and the Expanded Powers Order, a copy of which is attached hereto as **Appendix D**.

1.2 Purpose

1.2.0 The purpose of this Twelfth Report of the Monitor is to provide this Honourable Court with information in respect of:

- the activities of the Monitor since the filing of the Eleventh Report;
- the results of the Claims Procedure;
- the progress made in preparing a Plan of Compromise and Arrangement on behalf of the Gandhi Group (the "Plan");
- the request for an order approving the filing of the Plan and authorizing the Monitor to call a meeting of creditors of the Gandhi Group to consider and vote on the Plan (the "Plan Filing and Meeting Order");
- the request for an order approving the Monitor's fees for the period from August 16, 2010 to November 19, 2010;
- the request for an order approving the Monitor's Canadian counsel's fees for the period from August 1, 2010 to October 31, 2010; and
- the Gandhi Group's request for an extension of the stay of proceedings to February 25, 2011.

2. Monitor's Activities

2.1 Finalizing the Closing Date Statements and Proceeds of Sale

2.1.0 As discussed in greater detail in the Monitor's Eleventh Report, on April 9, 2010 Agfa prepared and provided the Monitor with the Closing Date Statements (as defined in the Sale Agreement). The Purchase Price presented in these Closing Date Statements was \$35.6 million USD. On June 18, 2010, the Monitor delivered to Agfa particulars of objections to the Closing Date Statements, which totaled over \$8 million USD.

2.1.1 After further analysis and discussions with Agfa, the Monitor and Agfa agreed on revised Closing Date Statements which contained a Purchase Price of \$40.4 million USD.

2.1.2 Partial payment of the Purchase Price in the amount of \$25.0 million USD was made by Agfa on closing. The balance of the Purchase Price is payable over a period of 2 years on a quarterly basis, commencing on May 31, 2010. As provided for in the Sale Agreement, the Purchase Price consists of a non-contingent component which totals \$31.5 million USD and a contingent component which totals \$13.1 million USD. There are also various deductions for assumed liabilities and other costs which total approximately \$4.0 million USD. The Monitor anticipates the balance of the non-contingent portion of the Purchase Price will be paid in the quarters ending November 30, 2010 and February 28, 2011. The contingent consideration, if any, is expected in the subsequent four quarters; the timing and amount of such is dependent on the collections of accounts receivable.

2.1.3 To date Agfa has reported receivable collections of \$17,985,000 USD. The Monitor along with Agfa have developed a system for tracking actual account receivable collections by quarter. This will allow the Monitor to determine the timing and amount of payment due under the Sale Agreement. The Monitor will report to the Court any material deviations from the estimated \$15.4 million USD remaining Purchase Price.

2.1.4 The Sale Agreement excluded cash balances at the Closing Date. Subsequent to closing, the Monitor reconciled Gandi's bank accounts and arranged for transfer of the available cash, net of outstanding cheques, to the Monitor's bank account. In total, \$10,897,000 USD, \$206,000 Euro and \$721,000 CDN were transferred.

2.2 Statement of Receipts and Disbursements

2.2.0 A Statement of Receipts and Disbursements is included as **Appendix E**. Receipts include \$25.0 million USD of the Purchase Price paid by Agfa and the bank accounts sweeps described above. The major disbursements are summarized as follows:

- (a) Distribution to secured creditors - CDN\$28,849,000

- (b) Legal and Monitor's fees - CDN\$1,870,000
- (c) GCA Savvian transaction fee - CDN\$500,000
- (d) Pre-closing payroll expenses - CDN\$458,000
- (e) Dualite settlement - USD\$350,000

* US dollar denominated expenses were converted at the average rate of \$1USD = \$1.01647CDN.

2.2.1 The Monitor has paid certain post-closing costs on behalf of Agfa. These post-closing disbursements will be included as purchase price adjustments. To date post-closing costs paid by the Monitor amount to approximately \$120,000.

2.2.2 The Monitor currently holds approximately \$5,297,000 USD and \$1,171,000 CDN in its trust accounts.

3. Claims Procedure

3.1 Updated Results of the Claims Procedure

3.1.0 On March 9, 2009, this Honourable Court approved the Claims Procedure, pursuant to which, the Monitor solicited claims against the Gandi Group. A fulsome discussion of the Monitor's activities surrounding the Claims Procedure is set out in the Monitor's Eleventh Report dated September 2, 2010. Any defined term referenced in this section of the report but not otherwise defined shall have the meaning ascribed to such term in the Claims Procedure Order.

3.1.1 The Monitor sent in excess of 1,500 Claim Packages to potential Known Creditors. In total, 213 Claims were received.

3.1.2 The Claims Procedure is now substantially complete with the exception of a few unresolved claims which are discussed herein. The following summarizes the number and value of Claims received by the Monitor:

	CDN Creditors (\$CDN)		U.S. Creditors (\$CDN)		Total Creditors (\$CDN)	
	Number	Dollars	Number	Dollars	Number	Dollars
<i>Total Claims Filed</i>	134	\$13,657,344	79	\$63,933,293	213	\$77,590,637
Claims Accepted	130	\$11,402,489	72	\$61,752,170	202	\$73,154,659
Claims Under Review	2	\$2,007,516	3	\$1,677,971	5	\$3,685,487
Claims Disallowed ¹	2	\$247,349	4	\$503,152	6	\$750,491

In total nine claims were disputed by the Creditors who filed Claims in the Claims Procedure. Five of these claims have now been resolved. The remaining disputed claims are discussed in greater detail below.

3.2 Disputed Claims

3.2.1 The following summarizes the remaining unresolved claims:

Employment Claims

3.2.2 Two of Gandhi's former officers submitted claims in respect of unpaid pre filing and post filing wages and bonuses, termination and severance pay in the total amount of \$1,667,000 which claims have been disallowed in full by the Monitor. The Monitor is awaiting a response from the Creditors or the expiration of the dispute period in order to resolve these Claims.

Contract Repudiation Claim

3.2.3 The Creditors are the Canadian and U.S. subsidiaries of the same entity. These subsidiaries filed two separate Claims relating to losses for underperforming receivables purchased from Gandhi prior to the CCAA filing in the amount of \$1.9 million. The Monitor reviewed the Claims

¹ Including claims submitted after the Claims Bar Date which have been disallowed by the Monitor and amounts compromised by Creditors during negotiations with the Monitor.

and determined that: a) The U.S. entity's Claim also included amounts claimed by the Canadian entity, thereby duplicating their Claim; b) proof was not provided to substantiate that the portfolio was underperforming (details of such were requested of the Creditor); and c) certain amounts claimed related to a Gandi entity which was not a party to the CCAA filing.

- 3.2.4 The Monitor issued a Disallowance Notice and the Creditor did not dispute the disallowance within the timeframe permitted within the Claims Procedure Order. The Creditor has indicated its intention to bring a motion before this court to obtain an Order allowing their Notice of Dispute be considered by the Monitor. As at the date of this Report, no action had been taken by the Creditor.

Eloi Ferreira

CCAA Proceeding

- 3.2.5 On June 21, 2010, Eloi Ferreira, a former employee of Gandi Innovations BVBA ("Gandi Belgium"), filed a Proof of Claim against Gandi Belgium for 2,000,000 shares of Gandi Innovations Holdings LLC. In the letter accompanying the Proof of Claim, Mr. Ferreira advised the Monitor that he has initiated a proceeding against Gandi Belgium and Agfa in the Spain in Juzgado Social No. 25, Madrid, Spain (the "Spanish Court") for damages arising from the termination of his employment with Gandi Belgium.
- 3.2.6 On August 23, 2010, the Monitor disallowed Mr. Ferreira's Proof of Claim on the basis that Mr. Ferreira's claim is against a Gandi entity which is not a party to the CCAA proceeding. Furthermore, the Monitor advised Mr. Ferreira that the shares for which he is asserting a claim were issued to Mr. Ferreira. Copies of Mr. Ferreira's Proof of Claim, Notice of Disallowance and Notice of Dispute are attached hereto as **Appendix F**.
- 3.2.7 On September 16, 2010, Mr. Ferreira filed with the Monitor a Notice of Dispute and advised the Monitor of his intention to bring a motion before

the Ontario Superior Court of Justice (Commercial List) (the "Court") for the resolution of his claim against the Gandhi Group.

3.2.8 In numerous emails between the Monitor, its counsel and Mr. Ferreira from September 27, 2010 to present, the Monitor repeatedly requested that, in accordance with the Claims Procedure Order, Mr. Ferreira retain counsel in the Province of Ontario and set a date for scheduling of the motion for the resolution of his claims. Copies of these emails are attached hereto also as **Appendix F**.

3.2.9 To date, Mr. Ferreira has not brought this matter for resolution before the Court. Accordingly, the Monitor seeks an order of this Honourable Court declaring that Mr. Ferreira's claim is not a claim against the Gandhi Group and that Mr. Ferreira is not entitled to vote or participate in any distribution under the Plan. By letter dated December 1, 2010, counsel for the Monitor advised Mr. Ferreira of the relief the Monitor intends to seek on December 10, 2010.

Spanish Proceeding

3.2.10 The Monitor received certain documents from the Spanish Court in connection with a labour proceeding commenced in Madrid, Spain by Mr. Ferreira attached hereto as **Appendix G**. The documents name Gandhi Belgium, Agfa Gevaert, Gandhi Innovations Holdings LLC and Auditores BDO (Blair Davidson) as parties to the proceeding. Hearing of Mr. Ferreira's claim was scheduled in Madrid for November 11, 2010.

3.2.11 The Monitor, with the assistance of counsel to Agfa, wrote a letter to the Spanish Court advising of the CCAA proceeding of Gandhi Innovations Holdings LLC and of the stay of proceedings against the Gandhi Group. A copy of the letter is attached hereto also in **Appendix G**.

3.2.12 On November 11, 2010, the Monitor was advised by counsel to Agfa that the Spanish Court has adjourned the hearing of Mr. Ferreira's claim to March 3, 2011. The Monitor was further advised by counsel to Agfa that

the Spanish Court will request the Monitor's attendance at this hearing. As at the date of this Report, the Monitor has not received further correspondence from the Spanish Court.

4. Plan of Compromise and Arrangement

4.0.0 The Monitor, on behalf of the Gandhi Group, has prepared the Plan on a substantively consolidated basis. A copy of the Plan is attached as **Appendix H**.

4.0.1 The Plan provides for the creation of a Distribution Pool which shall include the net proceeds from the sale of the Gandhi Group's assets to Agfa and all other cash in the Monitor's possession. The purpose of the Plan is to distribute the Distribution Pool to the unsecured creditors of the Gandhi Group on a pro-rata basis and to provide for compromise and settlement of all Claims against the Gandhi Group.

4.1 Gandhi Group Background

4.1.0 The Gandhi Group was a manufacturer and distributor of high performance wide format digital printers and grand format printers. Gandhi Group was headquartered in Mississauga, Ontario. The Gandhi group of companies was comprised of numerous related companies around the world. Details of the Gandhi Group's operations prior to the CCAA filing were set out in the Affidavit of Erle Anderson sworn May 5, 2008, filed in support of the CCAA application.

4.1.1 All of the printers manufactured by the Gandhi Group were manufactured in Canada at the Mississauga premises. The remaining operating Gandhi entities world-wide acted as sales and distribution entities for the products of Gandhi Canada and were entirely dependent upon Gandhi Canada for their production requirements.

- 4.1.2 The Gandhi Group and related entities include the following: Gandhi Canada, Gandhi Holdings, Gandhi San Antonio, Gandhi Innovations FZCO (“Gandhi Dubai”), Gandhi Belgium and SuperWide Connection S.A. de C.V.
- 4.1.3 Gandhi Holdings was incorporated pursuant to the laws of the State of Delaware on August 24, 2007. On September 12, 2007, Gandhi Group re-organized their business structure so that Gandhi Holdings would be the parent of the various entities comprising the Gandhi group of companies world-wide, but Gandhi Canada remained the manufacturing entity and the world-wide headquarters.
- 4.1.4 The majority of the managerial functions of the world-wide entities, with the exception of certain managerial functions such as management of accounts receivable, were performed by Gandhi Canada. The remainder of managerial functions were performed at the premises of Gandhi San Antonio as it held some intellectual property interests related to the Gandhi business. All financial statements and reporting of the Gandhi Group were done on a consolidated basis.
- 4.1.5 As discussed above, the CCAA application was commenced by ROI and was supported by SBI and by TA Associates, an investor of Gandhi and its largest unsecured creditor. ROI and SBI were the primary secured creditors of Gandhi Canada whose debts were guaranteed by the remaining members of Gandhi.

4.2 Consolidated Plan

- 4.2.0 The Monitor evaluated distributions to creditors on a consolidated basis and on the corporate entity basis. The consolidated method of distribution pools all Unsecured Creditors Claims together and provides a pro-rata distribution based on the total cash on hand and expected additional sale proceeds without consideration as to which Gandhi entity the Claim relates to (i.e. against the Canadian entity or the U.S. entity). This method is referred to herein as the Consolidated Method.

4.2.1 In contrast, the Corporate Entity Method involves a distribution weighted based upon the assets held by the Canadian entity relative to the U.S. entities at the date of sale based on the allocation of the Purchase Price for the assets between the Canadian and the U.S. entities prepared by Agfa as part of the Sale Agreement. This method is referred to herein as the Corporate Entity Method. The following provides a summary of the estimated distribution based upon either method (refer to Appendix I for supporting calculations):

Method	Dividend to Canadian Creditors	Dividend to U.S. Creditors
Consolidated Method	26.8¢	26.8¢
Corporate Entity Method	30.7¢	23.7¢

4.2.2 Having regard to the foregoing, and for reasons listed below, it is the Monitor's position that the Consolidated Method represents the most equitable distribution to all creditors of the Gandi Group:

- (a) it would be extremely difficult to segregate the assets as the Canadian and U.S. entities operated essentially as one integrated company and while many of the creditors resided in the U.S. and submitted claims against the U.S. entity, their goods were used to manufacture products in Canada which were sold by the Canadian entity. This resulted in a receivable or inventory being recorded in the Canadian entity's books and records while the trade debt was recorded in the U.S. entities. For accounting purposes, exchanges between the Gandi companies were recorded in separate intercompany receivable and payable accounts;
- (b) A distribution based on the relative allocation of the net purchase price of the assets prepared by Agfa between the Canadian and the U.S. entities is not equitable. The asset allocation was done with a view to tax consequences and without any consideration for the intercompany balances;

- (c) financial reporting was done on consolidated basis;
- (d) none of the Gandhi entities could operate independently of Gandhi Canada;
- (e) as described above, the assets and business functions were commingled with all manufacturing done in Canada and distributions managed at the U.S. location;
- (f) the Canadian and the U.S. entities are indirectly owned by the same shareholders;
- (g) assets were transferred between corporate entities without observance of corporate formalities in terms of ensuring intercompany transactions were settled on a timely basis. As all accounts receivable were collected in the U.S., funds were transferred to the bank account of Gandhi Canada as needed to meet operating expenses and obligations to suppliers; and
- (h) a substantial amount of cash swept by the Monitor on closing was held in bank accounts in the U.S.; these funds were recorded as assets on the books and records of the U.S. entity. However, it should be noted the funds do not relate solely to the operating activities of the U.S. entity. The funds also relate to the collection of receivables of the Canadian entity, the U.S. entity and/or the foreign subsidiaries. The funds were deposited in the U.S. entity's bank account as a result of the individual responsible for receivables collections residing in the U.S. Cash due to other Gandhi entities was accounted for within the intercompany accounts which, as previously stated, were not considered in the Sale Agreement.

4.2.3 It is the Monitor's intention to obtain recognition of the Plan and the Canadian Sanction Order in the U.S. Court under the Chapter 15 Proceeding prior to calling the meeting of creditors.

4.3 Plan Overview

4.3.0 Below is the summary of the key provisions of the Plan. Any defined term referenced in this section of the Report but not otherwise defined shall have the meaning ascribed to such term in the Plan:

- (a) the Plan provides for a single class of unsecured creditors both for purposes of voting on the Plan and for distribution;
- (b) distributions to creditors holding Unsecured Proven Claims will be made in 2 or more installments commencing on the initial Distribution Date;
- (c) distributions to creditors holding Secured Proven Claims will be made in the amount equal to the full amount of the Creditor's Secured Proven Claim;
- (d) all distributions to Creditors on account of their Proven Claims shall be made in Canadian Dollars. Claims originally denominated in U.S. dollars will be distributed to those creditors in U.S. dollars based on the noon spot rate for exchange quoted by the Bank of Canada for exchange such currency to Canadian dollars as at the distribution date; and
- (e) the Plan provides that the Administration Charge shall continue to attach to the property of the Gandhi Group, including the Distribution Pool until the discharge of the Monitor and the termination of the CCAA proceeding. All professional fees, costs, expenses and disbursements of the Monitor and counsel to the Monitor shall be paid from the Distribution Pool in priority to any Claim.

4.3.1 The Plan is conditional on: (i) the approval of the Plan by the creditors of the Gandhi Group; (ii) the Monitor obtaining an order of this Honourable Court sanctioning the Plan (the "Sanction Order"); and (iii) the Monitor

obtaining an order of the U.S. Court recognizing the Sanction Order in the Chapter 15 proceeding.

4.4 Creditors' Meeting

- 4.4.0 The proposed Plan Filing and Meeting Order authorizes the Monitor to call, hold and conduct a meeting of creditors of the Gandi Group (the "Creditors' Meeting") to consider and vote on the Plan on February 14, 2011. The Creditors' Meeting is proposed to be held at the offices of the Monitor at 123 Front St. W., Ste. 1200, Toronto, Ontario.
- 4.4.1 The Plan Filing and Meeting Order provides that the Monitor shall send the following documents (collectively, the "Meeting Materials") to all Creditors entitled to vote at the Creditors' Meeting on or before January 14, 2011:
- The Form of Proxy and Voting Letter for use at the Creditors' Meeting
 - A Notice of Creditors' Meeting;
 - A copy of the Plan; and
 - A copy of the Plan Filing and Meeting Order.
- 4.4.2 The Monitor will also post electronic copies of the Meeting Materials on its website at bdo.ca/gandi.
- 4.4.3 Each Creditor with a Proven Claim will be entitled to vote at the Creditors' Meeting. A creditor holding a claim that has not finally been resolved as at the date of the Creditors' Meeting shall be entitled to vote at the Creditors' Meeting, but the vote relating to the unresolved portion of the Creditor's Claim shall be recorded and tabulated by the Monitor separately.
- 4.4.4 An officer of the Monitor will act as the chair of the Creditors' Meeting and decide all matters relating to the rules, procedures and conduct of the Creditors' Meeting and the validity of proxies.

4.4.5 If the Plan is approved by the Required Majority, the Monitor will bring a motion before this Court for an order sanctioning the Plan on February 18, 2011.

5. Stay Extension

5.1.0 The stay period currently expires on December 15, 2010. The Monitor is working diligently and in good faith to effect a distribution of the assets of the estate to Gandhi's creditors. An extension of the Stay of Proceedings is necessary in order to permit the Monitor the necessary time to:

- a) deal with various post closing issues;
- b) resolve the outstanding disputed claims;
- c) finalize the Plan;
- d) obtain the approval of the U.S. Court of the filing of the Plan;
- e) call and hold a meeting of creditors; and
- f) obtain an order sanctioning the Plan.

Accordingly, the Monitor seeks an extension of the stay of proceeding to February 25, 2010.

6. Fees and Expenses of the Monitor

6.1.0 The Monitor seeks the approval of its professional fees and disbursements and the fees and disbursements of its Canadian and U.S. counsel.

6.1.1 The professional fees and disbursements of BDO Canada Limited total \$85,529.50 (which includes GST and/or HST) for the period from August 16, 2010 to November 19, 2010. An affidavit regarding the Monitor's professional fees and disbursements is included in the Motion Record of the Monitor.

6.1.2 The legal fees of the Monitor's Canadian legal counsel, Chaitons LLP, total \$49,028.18 (which includes miscellaneous disbursements and GST and/or

HST) for the period from August 1, 2010 to October 31, 2010. An affidavit regarding Chaitons LLP's professional fees and disbursements is included in the Motion Record of the Monitor. The Monitor has reviewed the time entries submitted by Chaitons LLP and finds the work performed and charges incurred to be appropriate and reasonable.

7. Summary and Recommendations

7.1.0 The Monitor respectfully requests the Court approve the Monitor's request for:

- (a) an order approving the filing of the Plan and call a meeting of creditors;
- (b) an order approving the professional fees and disbursements of the Monitor and its counsel as set out in this report;
- (c) an order approving the Monitor's conduct and activities to date as set out in this Report; and
- (d) an order granting the extension of the stay period to February 18, 2010.

All of which is respectfully submitted this 3rd day of December, 2010.

BDO CANADA LIMITED
Monitor in the CCAA proceeding of
Gandi Innovations Limited,
Gandi Innovations Holdings LLC,
Gandi Innovations LLC,
Gandi Innovations Hold Co., and
Gandi Special Holdings LLC

Per:



Blair F. Davidson, CA•CIRP, CBV, CMC
President