

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

B E T W E E N:

RESIN SYSTEMS INC.

Applicant

- and -

GLOBAL COMPOSITE MANUFACTURING INC.

Respondent

**SUPPLEMENTAL REPORT OF
BDO DUNWOODY LIMITED,
INTERIM RECEIVER AND RECEIVER AND MANAGER
OF GLOBAL COMPOSITE MANUFACTURING INC.**

DATED AUGUST 27, 2008

- 1.0 Further to the First Report dated August 22, 2008, the Interim Receiver has reviewed the affidavits of Mr. David Butler (the "Butler Affidavit") of Global Vehicle Systems Inc. ("GVS") and the affidavit of Mr. Michael Powis (the "Powis Affidavit") of Motor City Community Credit Union Limited ("MCCCU") and report as follows.
- 2.0 The priority of various security interest described in the Butler affidavit does not appear to take into account: (i) the subordination agreement between GVS and MCCCU attached as Exhibit J to the Powis Affidavit; and (ii) the intercreditor agreement among MCCCU, the Province, Resin and GCM. The Interim Receiver

will investigate the order of priority and the quantum of indebtedness in due course and report to the Court thereon.

- 3.0 The value of GCM's assets described in the Butler Affidavit includes \$8.7 million of capital assets. These appear to be the two machines and the costs of the improvements that are owned by Resin according to the MLA. The ownership of these assets appears to be the subject of the dispute between GVS, Resin and GCM.
- 4.0 The value of the net amount owing to Resin by GCM presented in the Butler Affidavit at \$900,000 does not appear to agree to the accounting information supplied to the Interim Receiver by the controller of GVS. As per paragraph 24 of the Interim Receiver's First Report this amount appears to be \$4,876,293 (excluding guarantee obligations to MCCCUC and the Province totaling over \$6 million). In the meeting with GVS representatives on August 21, 2008 the Interim Receiver requested a historical reconciliation of the receivables due from Resin that would be netted against the payables and the advance of \$3,500,000 USD.
- 5.0 Resin has provided additional information concerning the order back log which has created the urgency to restart production in the affidavit of Howard Elliott.
- 6.0 The recommendation of a timeframe for the Interim Operating Agreement made by both Mr. Butler and Mr. Powis is agreeable to the Interim Receiver. We will seek the Court's direction but recommend initially October 31, 2008. Prior to that date, the Interim Receiver will report to the Court on the various outstanding and disputed matters facing GCM and its stakeholders. The Interim Receiver has been advised by the Trustee that GCM intends to seek a 45 day extension to file a Proposal under the Bankruptcy and Insolvency Act to October 15, 2008.

ALL OF WHICH is respectfully submitted this 27th day of August 2008.

BDO DUNWOODY LIMITED,
Court-Appointed Interim Receiver and
Receiver and Manager of Global
Composite Manufacturing Inc.
Per:

A handwritten signature in black ink, appearing to read 'BFD', is written over a horizontal line.

Blair F. Davidson, CA, CIRP, CBV
Senior Vice President