



BDO Canada Limited

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CANADA
PROVINCE OF NOVA SCOTIA
ESTATE NO: 51-1495222
COURT NO: 35485
DISTRICT NO: 01

IN THE MATTER OF THE BANKRUPTCY OF
VIDABODE GROUP INC.

TRUSTEE'S PRELIMINARY REPORT TO MEETING OF CREDITORS
MAY 24, 2011

SECTION A

On May 6, 2011, the above-noted company filed an assignment in bankruptcy and, pursuant to a Certificate of Appointment as issued by the Office of the Superintendent of Bankruptcy, BDO Canada Limited was appointed as Trustee in Bankruptcy of the estate of the debtor.

As noted in the Statement of Affairs, pursuant to Section 158 of the *Bankruptcy and Insolvency Act*, the following property vested with the Trustee:

- Real Property located at 1 Chandler Drive, Amherst, Nova Scotia.

Prior to the assignment in bankruptcy, on April 14, 2011, the above noted company was placed into Receivership pursuant to a General Security Agreement ("GSA") held by BWS Inc. BDO Canada Limited was appointed as Receiver. The remaining assets of the company are all encumbered by the GSA.

The debtor company was a manufacturer and licensor of an advanced concrete composite called Vidacrete™ that was used in the building of single storey structures.

Class I - Stocks of Merchandise

All inventories on hand as of May 6, 2011 were encumbered by the GSA held by BWS Inc.

Class II - Plant, Machinery and Equipment and Office Equipment

All plant, machinery and equipment and office equipment on hand as of May 6, 2011 were encumbered by the GSA held by BWS Inc.

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Appointments also held in other
locations in Nova Scotia

(Formerly BDO Dunwoody Goodman Rosen Inc.)

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Class III - Buildings and Real Estate

The debtor company owned real property at 1 Chandler Road, Amherst, Nova Scotia.

Class IV - Books and Records

The books and records have been made available to the Trustee.

Class V - Other Assets – Accounts Receivable

All accounts receivable on hand as of May 6, 2011 were encumbered by the GSA of BWS Inc.

Property of Bankrupt Not Divisible Amongst Creditors by Virtue of Section 67(b) of the Bankruptcy and Insolvency Act

The Trustee is currently reviewing the books and records of the company and at this time is not aware of any potential CRA property claim. A letter has been sent to CRA requesting they perform their audits. The Trustee has been advised that payroll was performed by a 3rd party provider, and as a result, there is no expectation of a property claim.

Property Placed Under the Guardianship of the Debtor

Not Applicable

SECTION B**1. Conservatory and Protective Measures**

The Trustee has written to the debtor company's insurance company requesting a copy of all insurance policies and confirmation that the policies remain in effect and that the Trustee be added as a Named Insured/Loss Payee on the policies.

The Trustee has arranged for an appraisal of the real property.

The Trustee has engaged an individual to provide security at the building.

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2. Carrying on Business

The debtor had ceased operations prior to the appointment of the Trustee. The Trustee has not carried on the operations of the debtor.

SECTION C - LEGAL PROCEEDINGS

There are no legal proceedings that have been commenced by or being carried on by the Trustee at this time.

SECTION D - PROVABLE CLAIMS

The Trustee believes there will be numerous claims filed that will differ materially from the books and records of the company. To date the Trustee has received one claim that showed a material discrepancy. Any significant differences in the proofs of claim filed as compared to the Statement of Affairs will be investigated by the Trustee.

SECTION E - SECURED CREDITORS

The Trustee is aware that the Town of Amherst has a secured claim of approximately \$80,000 for unpaid property taxes on the real property of the debtor company.

SECTION F - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

The Trustee anticipates that a distribution will be available to the unsecured creditors, but the amount cannot be predicted at this time due to the uncertainty of asset realization.

SECTION G - REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has not been provided with any information in this regard nor has our review revealed any transactions of this nature to date.

SECTION H - OTHER MATTERS

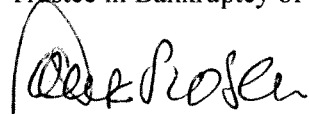
We confirm that prior to April 14, 2011, when we consented to act as Receiver of the debtor company under the GSA of BWS Inc., that BDO Canada LLP provided consulting advice to BWS Inc. and related entities.

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Prior to accepting our role as Trustee we had an independent legal review performed on the GSA held by BWS Inc. The opinion received was that the GSA was valid against all assets of the company save and excepting the land and building.

Dated at Halifax, Nova Scotia, this 20th day of May, 2011.

BDO CANADA LIMITED
Trustee in Bankruptcy of Vidabode Group Inc.



Mark S. Rosen, LLB, FCIRP
Senior Vice-President