

**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 AND
ARRANGEMENT OF W.C. WOOD CORPORATION, LTD. and W.C. WOOD
CORPORATION INC. (together the "Applicants" or "W.C. Wood")

**TENTH REPORT OF BDO DUNWOODY LIMITED
IN ITS CAPACITY AS MONITOR**

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**TENTH REPORT OF BDO DUNWOODY LIMITED
IN ITS CAPACITY AS MONITOR**

Dated November 13, 2009

INTRODUCTION

1. By Order of this Honourable Court dated May 19, 2009 (the "Initial Order"), W.C. Wood Corporation Ltd., the Canadian operating company, and W.C. Wood Corporation, Inc., the United States operating company and parent of Wood Canada, ("Wood US") (together the "Companies"), obtained protection from their creditors under the *Companies' Creditors Arrangement Act*, (the "CCAA Proceedings").
2. On May 25, 2009, this Honourable Court issued an amendment to the Initial Order (the "Amended Initial Order") adding W.C. Wood Holdings, Inc., the parent of Wood US, to the CCAA Proceedings and approving a debtor in possession credit facility (the "DIP Facility") to be provided by the Applicants' current lenders (the "DIP Lenders") in order to finance the working capital requirements of the Companies.
3. On May 29, 2009, the Monitor filed petitions with the United States Bankruptcy Court (the "US Court") for each of the Applicants for the entry of an order recognizing the CCAA Proceedings as "foreign main proceedings," or in the alternative, "foreign non-main proceedings" pursuant to Chapter 15 of the United States Bankruptcy Code.
4. On June 18, 2009, the US Court entered an Order recognizing the CCAA Proceedings as foreign main proceedings, giving the Initial Order and the Amended Initial Order full force and effect in the US, including,
 - (i) approving of the DIP Facility; and

- (ii) extending the stay of proceedings against the Monitor, the Applicants and the Applicants' former, current or future officers and directors in the US.
- 5. By Order of this Honourable Court dated June 19, 2009, revisions to the DIP Facility were approved including a debtor in possession secured advance from Whirlpool Corporation to Wood US (the "Whirlpool DIP"), which is subordinate to the DIP Facility.
- 6. By Order dated July 28, 2009, this Honourable Court approved of a sale of the interest of Wood US of its Mexican Business (as defined in the Initial Order) and revisions to the DIP Facility.
- 7. By two Orders of this Honourable Court both dated August 28, 2009:
 - (a) the Initial Order was further amended to, among other things:
 - (i) halt the sale process of the Mexican Business;
 - (ii) increase the Monitor's powers to include, without limitation, the power to control the Companies' receipts and disbursements and deal with the sale of the Companies' assets;
 - (iii) create a fifth-ranking charge in favour of the Monitor; and
 - (iv) provide broader protection to the Companies' current and former officers and directors;
 - (b) the stay period was extended until September 30, 2009;
 - (c) the First Report of the Monitor dated May 24, 2009, the Second Report of the Monitor dated June 16, 2009, the Third Report of the Monitor dated July 22, 2009, the Fourth Report of the Monitor dated August 25, 2009, and the Monitor's activities set out therein, were approved; and
 - (d) the fees of the Monitor and its counsel through August 14, 2009 and August 15, 2009, respectively, were approved.
- 8. By Order of this Honourable Court dated September 28, 2009, the stay period was extended to October 30, 2009 so that the Companies could proceed with entering into an agreement of purchase and sale with one of the offerors involved in the Companies' Going Concern Sales Process, as defined in the sixth report of the Monitor dated September 25, 2009, which was to be completed no later than October 30, 2009.
- 9. By Order of this Honourable Court dated October 5, 2009, the sale and vesting of the Companies' Dehumidifier Business as described in the Seventh Report of the Monitor dated October 2, 2009 was approved.

10. By Order of this Honourable Court dated October 26, 2009 (the "October 26 Order"):
 - (a) the Applicants were authorized to enter into an asset purchase agreement with One Rock Capital Partners (the "One Rock APA"), without prejudice to the rights and remedies to the DIP Lenders and subject to the approval of the Monitor by October 28, 2009;
 - (b) the One Rock APA was to be firm, with no conditions and the deposit received by the Monitor by November 13, 2009;
 - (c) the Monitor was directed to solicit liquidation proposals by November 13, 2009;
 - (d) the parties were to attend before this Honourable Court on November 16, 2009, at which time subject to further order of this Honourable Court:
 - (i) if the One Rock APA was ready to close by November 27 without condition, a \$500,000 deposit was received and the One Rock APA is approved by the Monitor and provides for the payout in full of the DIP Lenders, it shall be approved; and
 - (ii) if the above conditions were not met, the Monitor shall be appointed as Receiver and seek approval of the liquidation proposal(s) at that time.
 - (e) If the liquidation proposal(s) are accepted because they offer greater value than the purchase price in the One Rock APA, and One Rock is ready and able to close, One Rock shall be entitled to a break fee of four percent (4%) of the purchase price in the One Rock APA.
11. As described in the Ninth Report of the Monitor dated November 4, 2009 (the "Ninth Report"), the Monitor had been contacted by Electrolux Major Appliances ("Electrolux"), the market leading North American manufacturer of freezers and a major competitor of the Companies regarding Electrolux's interest in the Companies' assets, and that due to confidentiality concerns expressed by the Companies, Electrolux had not been provided with certain financial and customer information that was provided to other participants during the Going Concern Sales Process. The Monitor was further advised that should the Going Concern Sales Process not succeed, Electrolux would be interested in participating in a liquidation sale of the assets, and that Electrolux had a particular interest in the intellectual property of the Companies.
12. Electrolux had contacted the Monitor to arrange for access to the Companies' facilities to inspect their equipment and inventory. The Monitor was aware of

concerns expressed by the Companies, One Rock, and Whirlpool, a customer, supplier and licensor of the Companies' products, that Electrolux should not be given access to the Companies' facilities due to confidentiality concerns and the impact to the going concern offer with One Rock.

13. The Monitor was unable to broker a compromise position among the parties and on November 5, 2009 sought advice and directions from this Honourable Court. An order was issued on November 9, 2009, which prevented Electrolux from inspecting the assets unless One Rock failed to make the One Rock APA firm by November 13, 2009.
14. Pursuant with the October 26 Order, the purpose of this Report is to provide this Honourable Court with information in respect of the:
 - (a) status of the One Rock APA;
 - (b) summary of the liquidation proposals received; and
 - (c) comparison of the sale to One Rock to the liquidation proposals.

ONE ROCK APA

15. As described in the Ninth Report, a revised version of the One Rock APA was executed on October 29, 2009.
16. The Revised One Rock APA was subject to a number of conditions including One Rock having obtained satisfactory financing, Wood US having entered into a definitive agreement for the sale and leaseback of the Companies' facility located at Ottawa, Ohio (the "Ohio Realty"), on terms and conditions satisfactory to One Rock, the Companies' license agreements with Whirlpool Properties Inc. having been renewed on terms satisfactory to One Rock, and that the form of a transition services agreement (the Transition Services Agreement") was to be settled by noon on November 13, 2009.
17. Pursuant with the October 26 Order, One Rock was to waive all conditions in the One Rock APA and pay a deposit to the Monitor of US\$500,000 by noon on November 13, 2009. **One Rock failed to waive all conditions and failed to provide any deposit by noon on November 13, 2009.** Shortly after noon on November 13, 2009 One Rock contacted the Monitor and indicated that One Rock did not have sufficient confidence that its financing had been arranged to commit deposit funds or waive conditions, but suggested that it would do so if the closing date in the One Rock APA was extended to December 15, 2009, without additional deposit.

LIQUIDATION SALES PROCESS

18. As described in the Ninth Report, pursuant to the October 26 Order the Monitor had concurrently commenced the Liquidation Sales Process.

19. The Monitor's Information Package invited liquidation proposals to purchase the assets of the Companies, with a deadline for receipt of liquidation proposals by noon Toronto time on November 11, 2009. Six liquidation proposals were received.
20. A summary of the liquidation proposals is appended to this Report as Confidential Appendix #1 for which a sealing order will be requested. The sealing order is to preserve the integrity of the liquidation process so as not to have expected realizations within the knowledge of potential bidders, until the One Rock sale has been completed.

THEORETICAL COMPARISON OF THE PROCEEDS FROM ONE ROCK AND THE LIQUIDATION PROPOSALS RECEIVED TO DATE HAD ONE ROCK FIRMED UP

21. The gross sales proceeds in the One Rock APA were subject to a working capital adjustment for changes in the Companies' accounts receivable and inventory balances between October 10 and the date of closing. The working capital adjustment was subject to a cap if necessary to ensure that the proceeds of sale net of charges in priority to the DIP Lenders, would be sufficient to pay out the amounts owing to the DIP Lenders.
22. Attached as Confidential Appendix #2 is an estimate of the net realization from the One Rock sale net of the working capital adjustment and payment of charges and priority to the amounts owing to the DIP Lenders. Had the One Rock sale firmed up and been completed the cap on the working capital adjustment would have come into effect such that the DIP Lenders would have been paid in full but there would have been no funds available for the Whirlpool DIP or for unsecured creditors.
23. Because the Companies are consuming cash and/or collateral a deferral of closing from November 27 to December 15, 2009 would have resulted in an estimate cash/collateral burn between \$1.5 million and \$2 million depending on the expenses that could be cut. This diminution of the DIP Lenders' security created a risk to their collateral position far in excess of the deposit of \$500,000 which was called for under the One Rock APA.
24. In order to determine whether the liquidation proposals may offer greater value than the One Rock APA, the Monitor prepared an estimated liquidation analysis of the Companies' assets in each of Canada and the US (the "Estimated Liquidation Analysis"), which shows a low and high range of estimated realization based on the best recoveries from the liquidation proposals received and based on the Monitor's experience for the remaining assets where no liquidation proposal was received, in each case, using the book value of assets and the amounts owed to the DIP Lenders as reported in the Companies' borrowing base certificates as at November 7, 2009. A copy of the Estimated Liquidation Analysis is attached as Confidential Appendix #3.

25. The liquidation proposals are being retained as confidential because, under the terms of the November 9, 2009 Order of this Court Electrolux is now to be permitted access to the Companies' premises to inspect the assets offered for purchase, and the deadline for submission of liquidation bids is accordingly to be extended for one week.

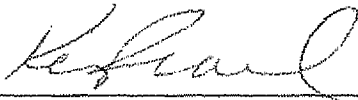
SUMMARY AND RECOMMENDATION

26. Based on the above, and the previous Court Orders, the Monitor recommends as follows:
- (a) That the Monitor be appointed as Receiver to complete the liquidation sale process anticipated by the October 26th Order and as modified by the November 9th Order;
 - (b) That the Monitor maintain all liquidation offers received to date in confidence (apart from DIP Lenders) pending receipt of any further bid from Electrolux, and that all offers be filed with the Receiver 12 noon on Monday, November 23, 2009;
 - (c) That any party having submitted an offer to date shall be at liberty to revise their liquidation bid provided the revised bid is submitted to the Receiver on or before 12 noon on November 23, 2009; and
 - (d) That the Monitor report back to this Court on or before November 27, 2009 with the recommendation of a successful bidder.

Dated November 13, 2009

BDO DUNWOODY LIMITED,
in its capacity as Court-Appointed Monitor of
W.C. WOOD CORPORATION, LTD.,
W.C. WOOD CORPORATION, INC. and
W.C. WOOD HOLDINGS, INC.
And not in its personal capacity

Per:



Ken Pearl
Vice President

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. c-36,
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Court File No.: CV-09-8194-00CL

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PROCEEDINGS COMMENCED AT TORONTO

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