

No. S081520

Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, as amended**

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.B.C 2002 c. 57

AND

**IN THE MATTER OF ASCALADE COMMUNICATIONS INC. and
ASCALADE TECHNOLOGIES INC.**

FOURTH REPORT OF DELOITTE & TOUCHE INC., MONITOR

JUNE 19, 2008

Deloitte.

**Ascalade Communications Inc.
Ascalade Technologies Inc.**

Fourth report of Deloitte & Touche Inc., Monitor

June 19, 2008

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1. Background

1.1 Introduction

On March 3, 2008, Ascalade Communications Inc. ("ACI") and Ascalade Technologies Inc. ("ATI"), both corporate entities (collectively, the "Petitioners" or the "Company") filed for and obtained protection from its creditors under the Companies' Creditors Arrangement Act R.S.C. 1985, c. C-36, as amended ("CCAA") pursuant to the Order of this Honourable Court ("Initial Order"). Pursuant to paragraph 33 of the Initial Order, Deloitte & Touche Inc. was appointed as Monitor of the Petitioners ("Monitor") during this CCAA proceeding. On April 2, 2008 a further order ("Extension Order") was granted which extended the Company's Stay of Proceeding to June 4, 2008.

On May 20, 2008 a further order ("Procedural Order") was granted which extended the Company's Stay of Proceeding to June 17, 2008. The Procedural Order also authorized the Petitioners to file their Plan of Arrangement ("Plan") with their creditors, to receive proof of claims and to hold a meeting of each class of creditors to consider and vote on the Plan.

As directed under paragraph 48 of the Initial Order, the Monitor and the Petitioners have posted all filings with respect to the CCAA proceedings on their websites at www.deloitte.com/ca/ascalade and www.ascalade.com.

1.2 Background

ACI is a company incorporated under the laws of British Columbia and is a public company listed on the Toronto Stock Exchange. ACI is responsible for the corporate head office functions and is the holding company for the shares of both ATI and Ascalade Communications Holding Limited ("ACHL"), (collectively, ACI, ATI, ACHL and all subsidiaries referred to as the "Group").

ATI is a company incorporated under the federal laws of Canada, and was responsible for the design and development activities of the Group.

ACHL is a company incorporated in the British Virgin Islands. Its subsidiaries were the manufacturing and sales entities of the Group. The Group manufactured and distributed digital wireless and communication products for branded distributors and telecommunications companies.

Ascalade Communications Limited ("ACL"), a Hong Kong subsidiary of ACHL, was responsible for the sales and distribution of the Groups' products. ACL filed a Scheme of Arrangement ("Scheme"), under section 166 of the Companies Ordinance (Cap. 32) of Hong Kong as amended from time to time, on March 14, 2008. A copy of the Scheme was attached to the affidavit of Jervis Rodrigues which was filed with this Court on March 18, 2008. On May 2, 2008, a meeting of ACL's creditors was held to consider and vote on ACL's Scheme; the creditors accepted the Scheme as filed.

The Groups' manufacturing was completed in the People's Republic of China ("PRC"). As indicated in the Second Report, when the Group had determined that it was unlikely that a purchaser would be located for its business it proceeded with commencing an orderly windup of its operations. The factory operations in PRC were substantially concluded by the end of April 2008.

The day to day management of the Group has continued to be led by Mr. Greg Allen who is the President of ACI. The executive project team continues to manage the restructuring and wind up process. The team consists of Mr. Allen, Mr. Troy Bullock who is the Chief Financial Officer and Corporate Secretary, Mr. Eric Ho who is the Vice President of Product Development and Mr. Fred Li who is the Chief Operating Officer. All of the Petitioners' employees will conclude their employment with the Petitioners on June 30, 2008. Directors of the Petitioners will remain in place to oversee the ongoing liquidation of the Petitioners and the Hong Kong and China entities.

2. Plan of Arrangement

Pursuant to paragraph 7 of the Procedural Order, the Monitor was directed to send to each creditor currently known to the Petitioners the following forms:

- o blank Proof of Claim form (as annexed as Schedule B of the Procedural Order);
- o notice to Creditors (as annexed as Schedule C of the Procedural Order);
- o blank Notice of Disallowance (as annexed as Schedule D of the Procedural Order);
- o blank Notice of Dispute (as annexed as Schedule E of the Procedural Order);
- o the Procedural Order; and
- o the Plan.

As indicated in Affidavit #1 of Melinda McKie, the above documents which are collectively the "Proof of Claim Package" were mailed by the Monitor on May 23, 2008. The Monitor's office has sent Proof of Claim Packages to any creditors who have requested them, whether they were part of the directed mailing or not.

3. Voting Results

On June 17, 2008 the Creditor's Meeting was held at the office of the Monitor. The creditors that were either present or represented by proxy, voted to accept the Plan as filed. The vote was as follows:

	<u>For</u>		<u>Against</u>	
<u>Preferred</u>				
Value of Votes	\$ 159,202.45	100%	\$ -	0%
Number of Votes	89	100%	-	0%
				0%
<u>Unsecured</u>				
Value of Votes	\$8,990,317.17	100%	\$ -	0%
Number of Votes	104	100%	-	0%

Based on the above voting statistics, the Petitioners Plan was approved by the creditors as the votes in favour of the Petitioners Plan for each class exceeded the statutory requirement of a majority in number of each class of creditor representing in excess of 2/3rds in value of those voting on the Plan. Therefore, the Petitioners achieved the requirement that each class of creditor approve the Plan.

As a result, the Petitioners are now seeking an Order of this Court sanctioning the acceptance of the Plan.

4. Recommendation

The Monitor supports the Petitioners motion for sanctioning the Petitioners Plan on the basis that:

- o Notice of the Petitioners Creditors' Meeting, held to approve the Plan, was duly given and the Creditors' Meeting was duly constituted;
- o The Plan was fair and equitable for all classes of creditors;
- o The Petitioners preferred and unsecured creditors in each class voting in person or by proxy at the Creditors' Meeting, approved the Petitioners Plan; and
- o To the best of the Monitor's knowledge, the Petitioners have complied with all statutory requirements of the CCAA and all previous orders of this Honourable Court and have not done or purported to do anything which is not authorized by the CCAA.

In the opinion of the Monitor, the Petitioners have acted and continue to act in good faith and with due diligence. The Petitioners have continued to operate while fulfilling the restructuring that was contemplated in the Petition. The Monitor believes the Petitioners Plan is in the best interest of all of the Petitioners stakeholders and recommends to this Honourable Court that the Plan be approved.

All of which is respectfully submitted this 19th day of June, 2008.

Deloitte & Touche Inc.

In its capacity as Court-Appointed Monitor of
Ascalade Communications Inc. and
Ascalade Technologies Inc.
and not in its personal capacity.



Jervis Rodrigues, CA-CIRP
Senior Vice-President

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