

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

AND

IN THE MATTER OF THE CANADA BUSINESS CORPORATIONS ACT
R.S.C. 1985, c. C-44

AND

IN THE MATTER OF THE BRITISH COLUMBIA BUSINESS CORPORATIONS ACT
R.S.B.C. 2002 c. 57

AND

IN THE MATTER OF ASCALADE COMMUNICATIONS INC.
AND ASCALADE TECHNOLOGIES INC.

PETITIONERS

AFFIDAVIT #7 OF GREG ALLEN

I, Greg Allen, Businessman, of 12051 Riverside Way, Richmond, British Columbia, V6W 1K7,
MAKE OATH AND SAY AS FOLLOWS:

1. I am a Director of Ascalade Communications Inc. ("ACI"), the parent company of Ascalade Technologies Inc. ("ATI", collectively with ACI, the "Petitioners") and as such have personal knowledge of the facts hereinafter deposed to except where the same are stated to be based upon information and belief, which facts I verily believe to be true.
2. I am authorized to make this Affidavit on behalf of the Petitioners.
3. Since the Plan of Arrangement was approved by this Court herein on June 24, 2008, my efforts and those of the Monitor appointed herein have been directed towards winding up the affairs of the Petitioners in an orderly manner in order to make a distribution to the Creditors and, if possible, the shareholders.

4. On or about December 1, 2008 ACI applied to the Toronto Stock Exchange to have its common shares voluntarily delisted from the TSX. These shares were delisted on December 3, 2008. Attached and marked as Exhibit "A" to this Affidavit is a true copy of a Press Release which was issued by ACI with respect to this matter.

5. Attached and marked as Exhibit "B" to this Affidavit is a true copy of the Monitor's Second Report to the Creditors setting out the status of the realization of the Petitioners' assets. In essence, all of the Petitioners' assets have been realized except for its entitlement to a further dividend from the Scheme of Administration filed by ACL in Hong Kong (the "Scheme"). Once the Factory in the PRC is sold, ACI expects to receive a further distribution under the terms of the Scheme.

6. On or about November 25, 2008, the Monitor distributed an interim dividend to the Creditors equivalent to 80% for each proven dollar. Depending upon the outcome of the Scheme, I anticipate that there will be a further distribution as contemplated in the Plan for each proven dollar to the Creditors.

7. As the timing for the final wind up of the Petitioners depends in a large measure on the timing of the sale of the factory in the PRC, and the successful resolution of various claims made in the PRC, the timing and distribution of the final wind up is outside my control.

8. While I have used my best efforts to date in order to maximize the return to Creditors and shareholders of the Petitioners, it is now time for me to move on to the next phase of my life. I have a young family and wish to take up employment with another company. Consequently, I intend to resign as a director of the Petitioners effective December 31, 2008. I have been informed by Troy Bullock and Edmund Ho, the other two directors of the Petitioners, that they also intend to resign as directors of the Petitioners on December 31, 2008.

9. I believe it is appropriate that we step down as a director of the Petitioners. All of the Petitioners' assets have been liquidated and all important decisions have been taken. All that remains to be done is to distribute any monies that accrue to the Petitioners as a result of receiving a dividend from the Scheme. I believe the Monitor is best able to effect this distribution in a timely and economical fashion. I believe it would be time consuming and

expensive, and therefore detrimental to stakeholders, to appoint another party as an Interim Receiver or Receiver in order to effect this distribution.

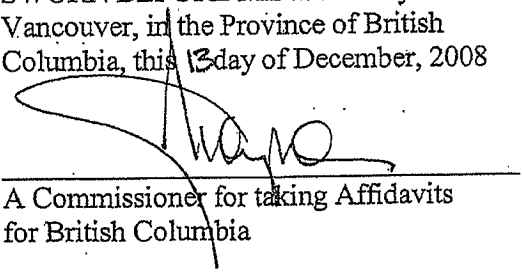
10. I have spoke to Mr. Jervis Rodrigues, a Senior Vice-President of Deloitte & Touche Inc., the Monitor appointed under the terms of the Initial Order, and Mr. Rodrigues has informed me that Deloitte & Touche Inc. is prepared to remain as Monitor and to continue to take all steps necessary to wind up the business of the Petitioners and to make final distributions to the Creditors and, if possible, to their shareholders. I believe that having the Monitor wind up the business of the Petitioners is the most efficient method of ensuring further dividends for creditors and, potentially, shareholders of the Petitioners.

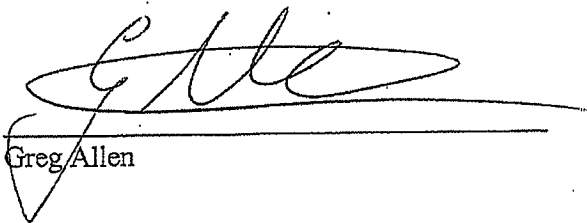
11. I am informed by Mr. Rodrigues that Deloitte & Touche Inc. will only perform the additional powers necessary to wind-up the Business and the Petitioners if such is authorized by this Court and Deloitte & Touche Inc. is protected by an Order of this Court while performing these duties in good faith.

12. I have worked with counsel for the Petitioners and counsel for the Monitor and have had prepared a form of draft Order which I believe will allow the Monitor to complete the winding up of the Business and the Petitioners but which will also protect Deloitte & Touche Inc. from unforeseen liability in acting in this regard.

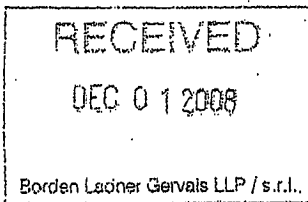
13. I respectfully request that this Court pronounce a form of Order substantially in the terms of the Order attached to the Notice of Motion filed herewith in order that the Business and the Petitioners may be wound up and their assets distributed as appropriate.

SWORN BEFORE ME at the City of
Vancouver, in the Province of British
Columbia, this 13 day of December, 2008


A Commissioner for taking Affidavits
for British Columbia


Greg Allen

GEOFFREY THOMPSON
BARRISTER & SOLICITOR
900 Waterfront Centre, 200 Burrard Street
P.O. Box 48600, Vancouver, Canada V7X 1T2
(604) 640-4151



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.

MONITOR'S 2nd REPORT TO THE CREDITORS

Introduction

Ascalade Communications Inc. ("ACI") and Ascalade Technologies Inc. ("ATI"), both corporate entities (collectively the "Petitioners") filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* ("CCAA") on March 3, 2008. A Court Order was granted on that same day staying creditors from taking or continuing any proceedings against the Petitioners, thus permitting the Petitioners to remain in control of their assets and to continue carrying on business during the restructuring period.

On April 2, 2008, a further Court Order was granted which continued to stay creditors from taking or continuing any proceedings against the Petitioners until June 4, 2008. This further Court Order was to allow the Petitioners sufficient time to prepare its Plan of Arrangement ("Plan") to its creditors. During this period the Petitioners were in discussions with a limited group of purchasers who had expressed an interest in parts of the business of ACI. However, these discussions did not materialize into a sale of the business. On May 14, 2008, the Petitioners filed its Plan with the Court. The Plan called for an orderly windup of Petitioners operations and realization on all of its assets.

On June 17, 2008 a meeting of the Petitioners' creditors was held to vote on the Petitioners Plan. At the meeting, the creditors voted unanimously in favour of the Plan and the Monitor proceeded to obtain Court approval of the Plan on June 24, 2008. A copy of the sanctioning order can be obtained from the Monitors website at <http://www.deloitte.com/ca/ascalade>.

This is Exhibit "A" referred to in the affidavit of Greg Allen made before me on DEC 13 2008

[Signature]
A Commissioner for taking Affidavits for British Columbia

This report is to provide the Petitioners' creditors with an update on the restructuring progress since the meeting of creditors. The areas which will be addressed are:

1. asset realization process;
2. claims filed with the Monitor;
3. the Petitioners' Statement of Receipts and Disbursements; and
4. distribution to the creditors.

Asset Realization Process

The asset realization process for the Petitioners continues with the most significant asset of the Petitioners being a HK\$377.2 million account receivable from Ascalade Communications Limited ("ACL") in Hong Kong. Certain miscellaneous assets remain, patent applications and an interest that the Petitioners held in a Spanish entity, however limited interest has been expressed for these assets on terms which are acceptable to the Petitioners. The Petitioners do not anticipate any sizable realization to occur for these assets.

As previously advised the Petitioners Plan is similar to the Scheme of Arrangement ("Scheme") which was filed by ACL in Hong Kong. Both the Petitioners' and ACL's Plan call for an orderly winding-up of their operations. The Petitioners have filed their claims with the Scheme Administrator in Hong Kong and their claims have been accepted at HK\$377.2 million.

When the Scheme was filed it was estimated that the return to the creditors of ACL would be approximately 37¢ for each dollar filed. This estimate was subject to change and was dependent on ACL's ability to realize upon its assets, including the factory, equipment and inventory in People's Republic of China ("PRC"). The estimate was also dependent on the number and dollar amount of creditors claims filed and accepted under the Scheme.

ACL's assets in PRC and Hong Kong have been realized upon under the review of the Scheme Administrator and a creditors' committee which were appointed at the Scheme meeting. The majority of ACL's movable assets have been realized; however the factory in PRC has yet to sell. We understand that there are ongoing discussions with two interested parties and one of those parties has now executed a Letter of Intent ("LOI") with respect to the purchase of the factory. The factory is the largest asset of the Ascalade group ("Group") and accordingly the amount ultimately realized from the sale of the factory will determine the funds available for the various creditors of the Group.

While an LOI has been received the proposed purchase price is significantly lower than ACL and the Scheme Administrator had anticipated as a result of the economic downturn which is occurring in PRC and in fact globally. A broad marketing campaign was undertaken by CB Richard Ellis, an international real estate marketing firm, over a three month period to advertise the availability of the factory and to determine interest. The response received from the marketing of the property was that demand for this type of property in this location is low as a result of shrinking demand from major importers, price increases for raw materials, rising labour costs, the appreciation of the RMB and increased difficulty in obtaining debt financing. It has been reported that approximately 14,000 factories have closed in Guangdong this year, which is where the factory is located.

Given it is anticipated that the realization from the factory will be significantly lower than anticipated, the distribution from ACL to its creditors will not be 37¢ for each dollar filed. However, the Petitioners still anticipate that the creditors of the Petitioners will receive full payment for the claims which have been filed.

Based upon the realizations to date in Hong Kong and PRC, the Scheme Administrator proposed to the Scheme's creditors' committee that an interim distribution be made to the proven creditors of ACL. This distribution was approved by the Scheme's creditors' committee and has resulted in the proven creditors of ACL receiving an interim dividend of 5.8% of their proven claims. This has resulted in the Petitioners receiving approximately HK\$22.5 million which converts to approximately Cdn\$3.4 million. We have been advised that an additional distribution will be made to the proven creditors upon ACL and the Scheme Administrator completing the realization on the remaining assets of ACL. However, the timing and amount of this distribution is unknown at this time and accordingly the timing for a further distribution from the Petitioners is also unknown.

Claims Filed with the Monitor

The Petitioners' Plan contemplated two classes of creditors; Preferred (Class 1) and Unsecured (Class 2). Class 1 was created to provide the Petitioners' employees with a priority over the unsecured creditors up to the sum of \$2,000, which is the amount which would be provable in bankruptcy as a preferred claim under the *Bankruptcy and Insolvency Act*, S.136(1)(d). Any remaining amounts owed to the employees would be provable as an Unsecured, Class 2, claim.

Pursuant to the terms of the Plan, upon Court approval being obtained on June 26, 2008, a distribution was made to the proven Class 1 creditors. This distribution occurred on July 9, 2008. The Monitor, on behalf of the Petitioners, paid a total of \$176,034.35 on behalf of the Class 1 creditors.

The following table provides a summary of the claims filed, disallowed and proven in the Petitioners' CCAA proceedings.

	Class 1	Class 2
Total Claims Filed	94	107
Total Value of Claims Filed	\$ 176,034	\$14,487,896
Number of Claims Disallowed in Whole or In Part	n/a	23
Value of Claims Disallowed in Whole or In Part	\$ -	\$ 5,308,394
Total Proven Claims	94	98
Total Value of Proven Claims	\$ 176,034	\$ 8,605,311

Interim Statement of Receipts and Disbursements

The following table provides a summary of the Petitioners receipts and disbursements since the commencement of the CCAA proceedings.

Interim Statement of Receipts and Disbursements	
As at November 3, 2008	
<i>('000's)</i>	
Opening Cash	\$ 4,647
Receipts	
Sale of Assets	\$ 8,170
Interest Earned	102
Miscellaneous Income	60
Foreign Currency Gain	31
Distribution from ACL Scheme	3,380
Funds Held in Trust for ACL	<u>246</u>
Total Receipts	\$ 11,989
Disbursements	
Payroll/Director Fees	\$ 1,318
Key Employee Retention Plan	1,461
Operating Costs	312
Professional Fees	
CCAA Professional Fee Retainers	\$ 250
CCAA Monitor	737
Fees Allocated to Hong Kong Scheme	(295)
Accountants	179
Legal Counsel (Company & Monitor)	<u>450</u>
Total	\$ 1,321
Banking Facilities Repayments	3,675
Building Closing Costs	121
Dividend to Class 1 Creditors	<u>176</u>
Total Disbursements	\$ 8,383
Total Funds on Hand	\$ 8,252

Distribution to the Creditors

As previously indicated a distribution occurred on July 9, 2008 to the Petitioners proven Class 1 creditors. The Plan did not provide a time for a distribution to the proven Class 2 creditors, as it was to be dependent upon the Petitioners realizing full proceeds of its pro-rata distribution under the Scheme.

Including the receipt of the 5.8% interim dividend distribution from the Scheme Administrator, the Petitioners currently have approximately \$8.2 million. The CCAA administration has not yet been completed and funds need to be held to cover ongoing administration, directors' fees and costs, entitlements under the key employee retention plan (KERP), director's charge and administration charge pursuant to the Initial Court Order and applicable tax filings. The Monitor is at this time distributing an interim dividend to the proven Class 2 creditor's equivalent to 80% for each proven dollar.

There are two creditors that have filed claims against ACL, and which are currently being adjudicated in Hong Kong, who also have a guarantee for their outstanding debt from ACL. The proven claims of these two creditors, when admitted, must first be paid from proceeds generated from the sale of assets in ACL. Any shortfall on their claim would be claimable under the guarantee they hold from ACL. The Monitor has held the pro-rata distribution amount under this interim distribution pending the final realization and payments made by ACL to its creditors.

In addition, there is one creditor who has a contingent claim against ACL in Canada. The claim needs to be proven to be allowed for distribution purposes. In order to permit this interim dividend to be completed, the Petitioners and the Monitor entered into a settlement agreement that calls for a holdback of a certain sum of money in a segregated trust account pending final assessment of their claim, if any.

The final distribution will be made upon the conclusion of the asset realization in ACL. This distribution will be made subsequent to the final distribution from the Scheme Administrator of ACL in Hong Kong.

Dated at Vancouver, BC this 25th day of November, 2008

Deloitte & Touche Inc.

DELOITTE & TOUCHE INC.

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

Ascalade

This is Exhibit " B " referred to in the
affidavit of Glynn Allen
made before me on Dec 13 2008

[Signature]
A Commissioner for taking Affidavits
for British Columbia

News Release

For Immediate Release

Ascalade Announces Payment to Creditors and Application to Delist Shares from TSX

VANCOUVER, BC – November 26, 2008 - Ascalade Communications Inc. ("Ascalade") (TSX: ACG) today announced that in connection with the on-going legal proceedings filed by Ascalade and Ascalade Technologies Inc. (collectively, the "Companies") in Canada under the *Companies' Creditors Arrangement Act* (the "CCAA"), the Monitor has issued its second report to creditors (the "Monitor's 2nd Creditors Report"), which notifies creditors that the Monitor will distribute an interim dividend to proven Class 2 creditors in an amount equal to 80% for each proven dollar. Any final distribution will depend on the completion of the realization of the remaining assets of the Ascalade group of companies.

Update on CCAA proceedings and the Scheme of Arrangement

As previously announced, the Supreme Court of British Columbia (the "Court") ordered a stay of proceedings with respect to any actions which have or might be brought against the Companies and the stay of proceeds will remain in effect until all of the assets of the Companies are sold and the net proceeds are distributed to the stakeholders of the Companies. The Companies have focused their resources on an orderly winding up of the Ascalade group of companies.

The Monitor's 2nd Creditors Report provides creditors with an update on the Companies' realization process. Included in this report is an update on the Hong Kong Scheme of Arrangement proceedings involving Ascalade Communications Limited ("ACL"). The Companies' claim of HK\$377.2 million was filed and accepted under the Scheme. It was initially estimated that the Companies would receive approximately 37¢ for each dollar filed. This estimate was subject to change and was dependent on ACL's ability to realize upon its assets, including the factory, equipment and inventory. The estimate was also dependent upon the number and dollar amount of creditors claims filed and accepted under the Scheme.

The majority of ACL's movable assets have been realized; however, the factory has yet to be sold. The factory is the largest asset of the Ascalade group of companies and accordingly the amount ultimately realized from the sale of the factory will determine the funds available for the various creditors of the Ascalade group of companies. ACL has been in discussions with two parties interested in the factory and one of those parties has executed a non-binding letter of intent with respect to the purchase of the factory.

The proposed purchase price set out in the letter of intent is significantly lower than ACL and the Scheme Administrator had anticipated, as a result of the economic downturn which is occurring in the Peoples' Republic of China (the "PRC") and world-wide. Given that it is anticipated that the realization from the factory will be significantly lower than anticipated, the distribution from ACL to its creditors is not expected to be 37¢ for each dollar filed. However, the Companies anticipate that the creditors of the Companies will receive full payment of the proven claims, which have been filed under the CCAA proceedings. That being said, the amount available for future payments to creditors is highly dependent on realization of ACL's assets, including the sale of the factory.

Based upon the realizations to date, the Scheme Administrator approved an interim distribution to Scheme creditors of 5.8% of their proven claims. As a result, the Companies received a payment of approximately HK\$22.5 million (approximately CDN\$3.4 million). The Monitor has been advised that an additional distribution will be made (if at all) to the proven creditors upon ACL and the Scheme Administrator completing the realization of the remaining assets of ACL. However,

Ascalade

6

the timing and amount of this distribution (if any) is unknown at this time and accordingly the timing for any further distributions to creditors of the Companies under the CCAA proceedings is also unknown.

Any other recovery in the CCAA proceedings for creditors and any recovery for other stakeholders of the Company, including shareholders, is uncertain and is highly dependent upon a number of factors, including the recovery from the sale of the factory, equipment and inventory in the PRC and the outcome of the Scheme in Hong Kong.

Application to Delist Shares from the TSX

As previously announced, the Court's order, dated June 24, 2008, authorized Ascalade, at anytime after July 25, 2008, to apply to the Toronto Stock Exchange (the "TSX") to have the trading of the Common Shares of Ascalade suspended from trading and delisted. Ascalade's Board of Directors has determined to apply to the TSX for a voluntary delisting of Ascalade's Common Shares and Ascalade plans to make the delisting application on or about December 1, 2008 and that such delisting will occur on or about December 3, 2008.

For more information about the Company or the CCAA proceedings, see: <http://www.ascalade.com> or <http://www.deloitte.com/ca/ascalade>.

Forward Looking Information:

The discussion and analysis in this news release contains forward-looking statements under securities laws that involve risks and uncertainties. When used in this news release the words such as "will", "expects" and "plans" and similar words and expressions generally identify forward-looking statements.

These statements are not historical facts, but reflect our current expectations. The results or events predicted in such forward-looking information may differ materially from actual results or events. When relying on the Company's forward-looking information to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

The Company has assumed a certain progression, which may not be realized. Additionally, the Company made a number of assumptions about the market, operations, finances and transactions. Certain factors that could cause results or events to differ materially from our current expectations include, among others, our ability to realize on our assets and pay creditors.

It has also assumed that the material factors referred to in the previous paragraph will not result in such forward-looking information differing materially from actual results or events. However, the factors set out above are not exhaustive and are subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from current expectations:

These risks and uncertainties also include, among other things, risks related to: uncertainty involved in Court proceedings and the implementation of a plan under the CCAA restructuring or the Scheme of Arrangement, inability to find a buyer for business assets, economic downturn in the PRC and world-wide, government and regulatory challenges in the PRC, and ability to recover assets in the PRC. There can be no assurance that our expectations will prove to be correct. Consequently, all forward-looking statements made are qualified by these cautionary statements and other cautionary statements and factors contained herein.

Except as required by law, Ascalade disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT* R.S.C., 1985, c.
C-44

AND

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

AND

IN THE MATTER OF ASCALADE COMMUNICATIONS INC.
AND ASCALADE TECHNOLOGIES INC.

PETITIONERS

AFFIDAVIT #7 OF GREG ALLEN

GT/ (551155/000018)

BORDEN LADNER GERVAIS LLP
1200 Waterfront Centre
200 Burrard Street
P.O. Box 48600
Vancouver, British Columbia
V7X 1T2
Telephone: (604) 687-5744
Attn: Geoff Thompson