

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF AN APPLICATION BY WASANDA ENTERPRISES INC.
UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED AND BUSINESS CORPORATIONS ACT,
R.S.O. 1990, c.B-16, AS AMENDED**

**AND IN THE MATTER OF A PLAN OR PLANS OF COMPROMISE
OR ARRANGEMENT TO BE PROPOSED IN RESPECT OF
D'ANGELO BRANDS LTD. AND 1540633 ONTARIO INC.
O/A STEELBACK BREWERIES**

Applicants

**RESPONDING MOTION RECORD
OF THE MONITOR**

**(Second Stay Extension and Approval of Agreement of Purchase and Sale)
(Returnable February 13, 2008)**

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RESPONDENTS

**SECOND COURT REPORT OF MINTZ & PARTNERS LIMITED
IN ITS CAPACITY AS MONITOR OF THE RESPONDENTS
FEBRUARY 8, 2008**

Court File No. 07-CL-7283

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FEBRUARY 8, 2008**

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**SECOND COURT REPORT OF MINTZ & PARTNERS LIMITED
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FEBRUARY 8, 2008**

BACKGROUND

1. Mintz & Partners Limited was appointed monitor (the "Monitor") under the *Companies' Creditors Arrangement Act* ("CCAA") of D'Angelo Brands Ltd. and 1540633 Ontario Inc. o/a Steelback Breweries (collectively, the "Debtors") pursuant to an order (the "Initial CCAA Order") dated November 15, 2007 of the Honourable Madam Justice Pepall of the Ontario Superior Court of Justice, Commercial List (the "Court"). A copy of the Initial Order is attached as **Appendix "A"**.
2. The application for the Initial CCAA Order was made by Wasanda Enterprises Inc. ("Wasanda" or the "Applicant"), the Debtors' primary secured and largest creditor, and consented to by the Debtors.

3. The Debtors operate one or more distinct businesses within the food and beverage industry in Ontario and are owned, directly or indirectly, by D'Angelo Brands, Inc., a Nevada corporation.
4. Further to motion materials filed by the Applicant on December 5, 2007, an Order was made by the Honourable Mr. Justice Siegel on December 10, 2007 (the "December 10, 2007 Order"), *inter alia*, (i) extending the Stay Period to February 13, 2008, (ii) approving the terms of the Key Employee Retention Program ("KERP") and authorizing the Debtors to enter into and perform their obligations under the KERP, and (iii) requiring that York Warehousing & Distribution Worldwide Inc., SJM Logistics and Confederation Freezers release all D'Angelo Brands Ltd. product (excluding Arizona Brand product) and that any proceeds from the sale of said products be held by the Monitor until further order of the Court. A copy of the December 10, 2007 Order is attached as "Appendix B".
5. The Monitor's first report dated December 5, 2007 (the "First Report") was filed in connection with the Applicant's December 5, 2007 motion materials.

PURPOSE OF REPORT

6. This Monitor's second report (the "Second Report") is being filed with the Court in connection with the Applicant's motion for an order, *inter alia*,
 - i. extending the stay of proceedings to and including May 16, 2008 to enable the Debtors to continue their operational review and restructuring of their businesses and to prepare a plan or plans of compromise or arrangement,
 - ii. authorizing the Monitor to pay to D'Angelo Brands Ltd. certain funds held by the Monitor pursuant to the December 10, 2007 Order, arising out of the sale of certain product owned by D'Angelo Brands Ltd., and requiring D'Angelo Brands Ltd. to pay certain settlement funds, in accordance with the settlement arrangements entered into by D'Angelo Brands Ltd. and the Warehouse (as that term is defined in the December 10, 2007 Order),
 - iii. approving the transactions contemplated by the Agreement of Purchase and Sale dated as of January 31, 2008 (the "Purchase Agreement") between D'Angelo

Brands Ltd. and 2156775 Ontario Inc. (the "Purchaser") with respect to the disposition of certain assets of D'Angelo Brands Ltd. and authorizing and directing the Monitor to pay over to D'Angelo Brands Ltd. the deposit monies being held by the Monitor under the terms of the Purchase Agreement on the Closing Date, as that term is defined in the Purchase Agreement,

- iv. vesting in the Purchaser all of the rights, title and interest, if any, of D'Angelo Brands Ltd. in and to the purchased assets, upon the delivery by the Monitor of a Certificate confirming that all amounts payable by the Purchaser pursuant to the terms of the Purchase Agreement have been paid, all covenants to be performed by the Purchaser pursuant to the terms of the Purchase Agreement have been performed and all conditions of closing have been satisfied or waived, and
 - v. sealing the Purchase Agreement pending completion of the purchase transaction contemplated therein.
7. In developing this Second Report, the Monitor has relied upon unaudited Debtor prepared financial information, Debtor records and discussions with management of the Debtors. The Monitor has not performed an audit or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future oriented financial information relied upon in this Second Report is based on management's assumptions regarding future events and actual results achieved will vary from this information and such variations may be material.
8. This Second Report discusses the following matters:
- A. Operational Review and Restructuring
 - B. Sale of Certain Assets of D'Angelo Brands
 - C. Third Party Warehouseurs
 - D. Receipts and Disbursements
 - E. Cash Flow Forecasts
 - F. Monitor's Activities
 - G. Recommendations

A. Operational Review and Restructuring

D'Angelo Brands Ltd. ("D'Angelo Brands")

9. As outlined in the Monitor's First Report, D'Angelo Brands has decided to downsize its operations to reflect the economic realities of its business, including ceasing contract packaging work for Ferolito, Vultaggio & Sons, a division of Hornell Brewing Co. ("Arizona") and other customers, closing the Mamma D's Restaurant which was also generating losses, and selling its excess inventory. The Monitor concurred with the decision of management and believes that the downsizing was necessary under the circumstances.
10. For a few more weeks, D'Angelo Brands Ltd. continued to bottle, can and pack Steelback product while it assessed its alternatives.
11. By the end of December 2007, management came to the conclusion that it could not economically continue to produce solely for Steelback Breweries and that its best alternative was to cease all operations at D'Angelo Brands and seek out potential buyers of the company's primary business assets. Further commentary on the D'Angelo Brands sale process is described in subsection B, below.
12. To date, D'Angelo Brands management have focused their efforts on reviewing the company's primary business operations and reducing costs wherever possible. Management requires additional time to assess D'Angelo Brands' remaining business assets and to formulate a plan of compromise or arrangement to creditors.

1540633 Ontario Inc. o/a Steelback Breweries ("Steelback")

13. Steelback's brewery operations are located in Tiverton, Ontario. A portion of the beer produced is also kegged at the Tiverton plant. Until recently, Steelback had shipped its remaining production to D'Angelo Brands' Mississauga plant for bottling/canning and packaging ("bottling").
14. In December 2007, Steelback conducted an analysis of its inventory and determined that its supply of beer was sufficient to meet orders anticipated over the winter season. As such, Steelback has temporarily ceased production at the Tiverton plant over the winter months. Based on current sales

and orders, management anticipates that beer production in Tiverton will resume by late March, 2008.

15. Given that D'Angelo Brands has ceased all bottling at its Mississauga plant and put its business assets up for sale, Steelback is in the process of negotiating an arrangement with a third party bottling company. These alternate bottling arrangements are expected to commence with the resumption of beer production at Tiverton in late March 2008.
16. As outlined in the February 7, 2008 affidavit of Glen A. Huber, Steelback has concluded that a manufacturing facility located in Rougemont, Quebec and owned by its wholly owned subsidiary, Brasserie Steelback Inc. ("BSI"), is redundant. Steelback has caused BSI to initiate a sale process which will include the listing and marketing of the property for sale by a real estate broker.
17. Other important developments include the following:
 - Ian MacDonald has been appointed as President of Steelback effective January 22, 2008. Mr. MacDonald has more than 18 years experience in the beer industry and is former vice-president, sales and customer service at Lakeport Breweries.
 - Jim Steele has been appointed as Vice President, Sales effective January 21, 2008. Mr. Steele has over 30 years experience in the beer industry and has held various senior positions with various beer producers, including Labatts, Moosehead and Lakeport Breweries.
 - Steelback has retained a marketing firm to assist with a repositioning and rebranding of its core product offerings.
 - A critical review of operations has resulted in the permanent downsizing of seventeen (17) employee positions at the Tiverton plant.
18. To date, Steelback management have focused their efforts on operational restructuring matters and on the repositioning and rebranding of the company's brewery assets. Management requires additional time to develop their business strategy and to formulate a plan of compromise or arrangement to creditors.

B. Sale of Certain Assets of D'Angelo Brands

19. As outlined above, D'Angelo Brands ceased operations in December 2007 and decided to seek out potential buyers of the company's primary business assets consisting of machinery and equipment, inventory and related trademarks. Other assets, which consist primarily of accounts receivable and real property, will not be sold at this time. It is anticipated that accounts receivable will be collected in the normal course. Management is currently considering its options with respect to real property located at 14 Brewster Road in Brampton, Ontario (head office and warehouse) and 148 Farrell Drive in Tiverton, Ontario (greenhouse).
20. In late December 2007 and early January 2008, D'Angelo Brands was in contact with twenty four (24) prospective purchasers including former management, a former customer, various competitors and liquidators. Prospective purchasers were asked to sign a confidentiality agreement to obtain an Information Package which provided background on the company, asset descriptions, terms and conditions of the sale process, detailed asset lists and an offer form. A copy of the Information Package (excluding detailed asset lists) is attached hereto as "Appendix C".
21. An offer deadline of January 16, 2008 was established and was considered by management to be an appropriate length of time for prospective purchasers to review the assets for sale and submit a bid, especially in light of the significant coverage that the CCAA proceedings have received in the press since mid-November 2007.
22. Of the twenty four (24) parties contacted, sixteen (16) signed confidentiality agreements and received an Information Package. There were ten (10) prospective purchasers who toured the facilities and D'Angelo Brands received six (6) offers.
23. Upon review of the offers, management decided to enter into a purchase and sale agreement (the "Purchase Agreement") with 2156775 Ontario Inc. (the "Purchaser") as the purchase price offered by the Purchaser represented the highest recovery potential and had the added benefit of avoiding a liquidation.
24. Finished goods inventory has been excluded from the Purchase Agreement as D'Angelo Brands management believes it can maximize recoveries through its normal sales channels.
25. A copy of the Purchase Agreement has been provided to the Court as part of the Applicant's motion materials. The Applicant has requested that the Purchase Agreement be sealed to protect the

integrity of the sale process in the event the Purchase Agreement is not completed and the assets have to be remarketed.

26. The Purchase Agreement requires assets to be purchased by the Purchaser over time with an interim monthly lease payment and standby charge. D'Angelo Brands will retain title to its assets until purchased by the Purchaser and will have a first ranking charge over all of the Purchaser's assets until all of its obligations under the Purchase Agreement are met.
27. The Monitor is advised that Mr. Frank D'Angelo, a director and former President of D'Angelo Brands, is President and CEO of the Purchaser and the Purchaser is owned by a member(s) of Mr. D'Angelo's family. As outlined in the February 7, 2008 affidavit of Glen A. Huber, Mr. D'Angelo did not participate in any of the discussions among D'Angelo Brands management regarding the sale process and was not privy to any information submitted by other prospective purchasers.
28. Wasanda, the Applicant in these CCAA proceedings and the Debtors' primary secured creditor and DIP Lender, supports the sale by D'Angelo Brands to the Purchaser on the terms set out in the Purchase Agreement. Wasanda is owed over \$100 million in pre-filing debt and has provided DIP financing to the Debtors of \$1.875 million as at February 1, 2008. The Monitor has obtained an opinion from its independent legal counsel, Kronis, Rotsztain, Margles, Cappel ("KRMC") with respect to the validity and enforceability of Wasanda's security over the assets of D'Angelo Brands. KRMC has concluded that the security held by Wasanda over the assets of D'Angelo Brands is valid and enforceable against the property of D'Angelo Brands, subject to the usual assumptions, exceptions and qualifications contained in such opinions. A copy of KRMC's legal opinion is attached hereto as "Appendix D".
29. The Monitor is of the view that the process undertaken by D'Angelo Brands was a fair and reasonable one and that it provided parties who may have had an interest in acquiring any or all of the assets of D'Angelo Brands that were offered for sale a reasonable opportunity to do so. Management has concluded that the transaction of purchase and sale as set out in the Purchase Agreement represented the best possible offer that could provide the largest possible return to the stakeholders of D'Angelo Brands. The Monitor therefore recommends that this Honourable Court approve the transaction of purchase and sale.
30. The Monitor is currently holding in its trust account deposit funds in the amount of \$297,000.00 from the transaction of purchase and sale. If this Honourable Court should approve the transaction

of purchase and sale herein, then it would be appropriate for the Monitor to pay those funds over to D'Angelo Brands upon what is termed the Closing Date in the Purchase Agreement. That date is to be the date upon which this Honourable Court provides its approval for the transaction, should it see fit to do so, and the expiry of the appeal period from any such order. If this Honourable Court is inclined to approve the transaction of purchase and sale, as recommended by the Monitor herein, then it would also be appropriate, in the Monitor's view, that this Honourable Court authorize and direct the Monitor to pay to D'Angelo Brands the deposit funds in the hands of the Monitor on the Closing Date, and the Monitor so recommends.

C. Third Party Warehouse

31. As outlined in the February 7, 2008 affidavit of Glen A. Huber, D'Angelo Brands stored certain of its product and fixed assets at offsite storage facilities including York Warehousing & Distribution Worldwide Inc. ("York Warehousing"), SJM Logistics and Confederation Freezers (collectively, the "Warehouse"). The Warehouse were all claiming a possessory lien over the property of D'Angelo Brands until all amounts owing by D'Angelo Brands on account of storage costs were paid in full. A formal motion for that relief was filed by York Warehousing and originally returnable December 10, 2007.
32. Pursuant to the December 10, 2007 Order, the Warehouse were required to release possession of all product owned by D'Angelo Brands on the condition that any proceeds of sale realized from the said products were required to be held by the Monitor until further Order of the Court.
33. All of the D'Angelo Brands product located at York Warehousing and SJM Logistics have been moved to the company's warehouse at 14 Brewster Road, Brampton. A portion of inventory previously held at SJM Logistics has been sold and in this regard the Monitor is holding onto approximately \$12,000 in trust pending further Order of this Court.
34. The product located at Confederation Freezers has not been moved as the product requires refrigeration and D'Angelo Brands does not have adequate freezer storage capacity.
35. D'Angelo Brands wishes to resolve the priorities claimed with respect to the proceeds of sale realized or to be realized from product held or previously held in the possession of the Warehouse. The Monitor is advised that terms of settlement have now been achieved which are acceptable to the Debtors, the Warehouse and Wasanda, as the primary economic stakeholder, (the "Settlements").

36. The Settlements require payment of the following amounts to the Warehouseurs in settlement of their claims for storage costs incurred in the period prior to November 15, 2007:
- i. SJM Logistics has agreed to accept \$2,500.00
 - ii. York Warehousing has agreed to accept \$24,000.00
 - iii. Confederation Freezers has agreed to accept \$ 19,047.68
37. Pursuant to the Settlements, and in exchange for the payment of the above amounts, the Warehouseurs will release all claims to the property of D'Angelo Brands and the proceeds thereof.
38. The value of the inventory stored at the Warehouseurs is expected to significantly exceed the amounts being claimed by the Warehouseurs. The Monitor concurs with the views of D'Angelo Brands management that the Settlements are a reasonable and practical resolution of the issues in dispute, given the complex legal arguments involved and the economics of the situation.

D. Receipts and Disbursements

39. The Monitor is reviewing the Debtors' disbursements on an on-going basis. On a weekly basis, the Monitor is reviewing the Debtors' summary of receipts and disbursements, cash flow variance analysis, bank reconciliations and working capital balances.

D'Angelo Brands

40. In its December 5, 2007 motion materials, D'Angelo Brands attached a cash flow forecast which indicated that it expected to generate a net cash deficiency of \$1.2 million, prior to any advances from its DIP Lender, for the period December 1, 2007 to February 1, 2008. The actual cash deficiency was only approximately \$858,000, resulting in a positive cash flow variance of approximately \$360,000. Actual receipts of approximately \$474,000 were lower than forecast by \$437,000 due to much lower than anticipated inventory sales and delays in accounts receivable collections. Actual cash disbursements of approximately \$1.3 million were lower than forecast disbursements by \$797,000, primarily due to the lower operating expenses and salaries as a result of the shut-down of operations in late December 2007. A summary schedule comparing actual results to forecast is attached hereto as Appendix "E".

41. On a cumulative basis from the CCAA filing date of November 15, 2007 to February 1, 2008, D'Angelo Brands has generated a net cash deficiency of approximately \$979,000, prior to any advances from its DIP Lender. As at February 1, 2008, D'Angelo Brands has received DIP financing from Wasanda in the amount of \$1.275 million, prior to ongoing interest and costs. A summary of receipts and disbursements for this period is attached hereto as **Appendix "F"**.

Steelback

42. In its December 5, 2007 motion materials, Steelback attached a cash flow forecast which indicated that it expected to generate a net cash deficiency of \$1.4 million, prior to any advances from its DIP Lender, for the period December 1, 2007 to February 1, 2008. The actual cash deficiency was only approximately \$597,000, resulting in a positive cash flow variance of approximately \$846,000. Actual receipts of approximately \$299,000 were higher than forecast by \$60,000 due to higher than forecast sales and earlier collection of accounts receivable than anticipated. Actual cash disbursements of approximately \$895,000 were lower than forecast disbursements by \$786,000, primarily due to lower operating expenses and salaries during the production plant shut-down. A summary schedule comparing actual results to forecast is attached hereto as **Appendix "G"**.
43. On a cumulative basis from the CCAA filing date of November 15, 2007 to February 1, 2008, Steelback has generated a net cash deficiency of approximately \$478,000, prior to any advances from its DIP Lender. As at February 1, 2008, Steelback has received DIP financing from Wasanda in the amount of \$600,000, prior to ongoing interest and costs. A summary of receipts and disbursements for this period is attached hereto as **Appendix "H"**.

E. Cash Flow Forecasts

44. The Debtors have prepared revised cash flow forecasts for the period February 4, 2008 to May 16, 2008 which are attached hereto as **Appendix "I"** (D'Angelo Brands) and **Appendix "J"** (Steelback). The forecasts are based on several key assumptions including (i) completion of the Purchase Agreement by D'Angelo Brands (ii) sale of D'Angelo Brands excess inventory at their expected selling prices, (iii) resumption of Steelback beer production in Tiverton by the end of March 2008, and (iv) finalizing an agreement with a 3rd party for the bottling of Steelback beer production by April 1, 2008.
45. The cash flow forecast indicates that the Debtors are expected to incur a net cash flow (before advances) of negative \$1.755 million for the period February 4, 2008 to May 16, 2008. D'Angelo

Brands is forecast to generate positive cash flow (before advances) of \$348,000, primarily due to asset sales, which will be utilized to pay down its DIP facility with Wasanda. Steelback is forecast to have negative cash flow (before advances) of \$2.1 million, primarily due to overheads incurred during the winter shut-down period and seasonally lower sales revenue. Wasanda, as DIP Lender, has approved the Debtors' cash flow forecast and is willing to fund the Debtors' operations pursuant to the cash flow.

F. Monitor's Activities

46. Since its First Report, the Monitor's activities have included, *inter alia*, the following:

- Attending in Court on December 10, 2007 regarding the Debtors' motion for a Stay extension, etc.;
- Reviewing the sale process initiated by D'Angelo Brands in December 2007, including the information package, timing, prospective purchasers, offers, etc.;
- Reviewing the Purchase Agreement and related documents and providing commentary thereon;
- Assisting the Debtors in discussions with its creditors and responded directly to creditor inquiries regarding the status of the restructuring process;
- Providing guidance to the Debtors regarding goods being held at third party warehouse providers;
- Reviewing the Debtors' progress regarding the sale of redundant assets and excess inventory;
- Reviewing receipts and disbursements and working capital balances and advising the Debtors' with respect to the creation of management reports;
- Providing guidance to the Debtors with respect to the revisions to its financial model and other reporting matters;
- Advising the Debtors' with respect to a CCAA Plan, operational restructuring and employee related matters; and

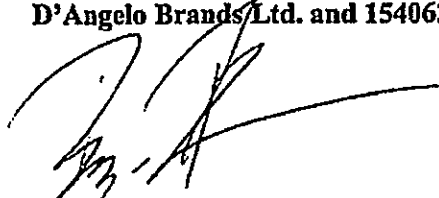
- Preparing this Second Report to Court advising of the status of the restructuring and providing recommendations with respect to the Order sought by the Applicant.

G. Recommendations

47. Recognizing the additional review and analysis that is required to effect a restructuring of the Debtors' businesses, and given that the Debtors appear to be (i) able to fund their operations through May 16, 2008 and (ii) making efforts in good faith and with due diligence to effect the restructuring of the Debtors, the Monitor recommends that this Honourable Court approve the Applicant's motion for an order extending, to and including May 16, 2008, the stay of proceedings granted pursuant to the Initial CCAA Order.
48. The Monitor also recommends that this Honourable Court approve the transaction of purchase and sale as described in the Purchase Agreement, and authorize the Monitor to pay to D'Angelo Brands the funds held by the Monitor in respect of such transaction on the Closing Date referred to in the Purchase Agreement.
49. As the Settlements between D'Angelo Brands and the Warehouseurs appear to be a reasonable and practical resolution of the issues in dispute given the complex legal arguments involved and the economics of the situation, the Monitor recommends that this Honourable Court approve the Applicant's motion for an order approving the Settlements and further recommends that the Monitor be authorized and directed to pay the funds in its hands arising out of the December 10, 2007 Order to D'Angelo Brands, provided that D'Angelo Brands be ordered to pay to the Warehouseurs the amounts owing to them under the Settlements.

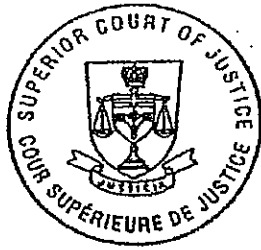
All of which is respectively submitted this 8th day of February, 2008 by:

Mintz & Partners Limited
In its capacity as Monitor of
D'Angelo Brands Ltd. and 1540633 Ontario Inc. o/a Steelback Breweries



Per: **Bryan A. Tannenbaum, FCA, FCIRP**
President

Appendix “A”



Court File No. 07-CL-7253

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE *Madam*) *Thursday*, THE *15th*
JUSTICE *Repall*) DAY OF NOVEMBER 2007

**IN THE MATTER OF AN APPLICATION BY WASANDA ENTERPRISES INC.
UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED AND BUSINESS CORPORATIONS ACT,
R.S.O. 1990, c.B-16, AS AMENDED**

**AND IN THE MATTER OF A PLAN OR PLANS OF COMPROMISE
OR ARRANGEMENT TO BE PROPOSED IN RESPECT OF
D'ANGELO BRANDS LTD. AND 1540633 ONTARIO INC.,
O/A AS STEELBACK BREWERIES**

Respondents

INITIAL ORDER

THIS APPLICATION, made by Wasanda Enterprises Inc. ("Wasanda"), a creditor, pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") and Business Corporations Act, R.S.O. 1990, c. B-16, as amended, with respect to a Plan or Plans of Arrangement to be proposed in respect of D'Angelo Brands Ltd. and 1540633 Ontario Inc. (collectively, the "Debtors"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Jonathon Sherman sworn November 14, 2007 and the Exhibits thereto and Manfred Sandler sworn November 15, 2007 on hearing the submissions of counsel for Wasanda, counsel for the Debtors and counsel for the proposed Monitor, and on reading the consent of Mintz & Partners Limited to act as the Monitor,

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SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Debtors are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicant, Wasanda, or the Debtors with the consent and approval of, Wasanda, shall have the authority to file and may, subject to further order of this Court, file with this Court, a plan of compromise or arrangement (hereinafter referred to as the "Plan") between, inter alia, the Debtors individually or separately, and one or more classes of their secured and/or unsecured creditors as appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Debtors shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Debtors shall continue to carry on business in a manner consistent with the preservation of their businesses (the "Businesses") and Property as they deem appropriate. The Debtors shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel, advisors and such other persons (collectively "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order, or the Restructuring (as hereinafter defined).

5. THIS COURT ORDERS that the Debtors shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

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- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable before or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Debtors in respect of these proceedings, at their standard rates and charges.

6. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Debtors shall be entitled but not required to pay all reasonable expenses incurred by the Debtors in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Businesses including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Debtors following the date of this Order;

provided that, unless specifically contemplated in subparagraph 6(a) to (b) listed above, the Debtors shall only be entitled (but not required) to pay costs and expenses that were incurred before the date of this Order to the extent that such costs and expenses are deemed necessary for the preservation of the Property or Businesses by the Debtors and the Monitor, and with the approval of the DIP Lender, or upon further Order in these proceedings.

7. THIS COURT ORDERS that the Debtors shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in

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respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Debtors in connection with the sale of goods and services by the Debtors, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Businesses by the Debtors.

8. THIS COURT ORDERS that until such time as the Debtors repudiate a real property lease in accordance with paragraph 10(c) of this Order, the Debtors shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated by the Debtors from time to time ("Rent"), for the period commencing from and including the date of this Order, bi-weekly, in advance (but not in arrears).

9. THIS COURT ORDERS that, except as specifically permitted herein, the Debtors are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Debtors to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Businesses.

RESTRUCTURING

10. THIS COURT ORDERS that the Debtors shall, subject to such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their businesses or operations and to dispose of redundant or non-material assets not exceeding \$500,000.00 in any one transaction or \$1,000,000.00 in the aggregate, subject to paragraph 10 (c), if applicable;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate on such terms as may be agreed upon between the Debtors and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) in accordance with paragraphs 12 and 13, vacate, abandon or quit any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days' notice in writing to the relevant landlord on such terms as may be agreed upon between the Debtors and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) repudiate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the Debtors deem appropriate on such terms as may be agreed upon between the Debtors and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (e) pursue all avenues of refinancing and offers for material parts of their Businesses or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a), above),

all of the foregoing to permit the Debtors to proceed with an orderly restructuring of the Businesses (the "Restructuring").

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11. THIS COURT ORDERS that the Debtors shall provide each of the relevant landlords with notice of the Debtors' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the respective Debtors' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Debtors, or by further Order of this Court upon application by the Debtors on at least two (2) days' notice to such landlord and any such secured creditors. If the Debtors repudiate the lease governing such leased premises in accordance with paragraph 10(c) of this Order, they shall not be required to pay Rent under such lease pending resolution of any such dispute, and the repudiation of the lease shall be without prejudice to the Debtors' claim to the fixtures in dispute.

12. THIS COURT ORDERS that if a lease is repudiated by the Debtors in accordance with paragraph 10(c) of this Order, then (a) during the notice period prior to the effective time of the repudiation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Debtors and the Monitor 24 hours' prior written notice, and (b) at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Debtors in respect of such lease or leased premises and such landlord shall be entitled to notify the Debtors of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

13. THIS COURT ORDERS that, subject to the other provisions of this Order (including the payment of Rent as herein provided) and any further Order of this Court, the Debtors shall be permitted to dispose of any or all of the Property located (or formerly located) at such leased premises without any interference of any kind from landlords (notwithstanding the terms of any leases) and, for greater certainty, the Debtors shall have the right to realize upon the Property and other assets in such manner and at such locations, including leased premises, as they deem suitable or desirable for the purpose of maximizing the proceeds and recovery therefrom.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

14. THIS COURT ORDERS that until and including December 15, 2007, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Debtors or the Monitor, or affecting the Businesses or the Property, except with the written consent of Wasanda, the Debtors and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of either of the Debtors or affecting any of the Businesses or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental, administrative or regulatory body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Debtors or the Monitor, or affecting the Businesses or the Property, are hereby stayed and suspended except with the written consent of Wasanda, the Debtors and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtors, except with the written consent of Wasanda, the Debtors and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or

services, including without limitation all suppliers of waste disposal services, equipment, packaging, raw materials, inventory, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Businesses or the Debtors, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Debtors, and that the Debtors shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Debtors in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and each of the Debtors and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the Debtors shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Debtors. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Debtors with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Debtors whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Debtors, if one is filed, is sanctioned by this Court or is refused by the creditors of the Debtors or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. THIS COURT ORDERS that the Debtors shall indemnify their directors and officers from all claims, costs, charges and expenses relating to the failure of the Debtors, after the date hereof, to make payments of the nature referred to in subparagraphs 5(a), 7(a), 7(b) and 7(c) of

this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Debtors except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

21. THIS COURT ORDERS that the directors and officers of the Debtors shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$^{500,000.} as security for the indemnity provided in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 41 and 43 herein.

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22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Debtors' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. THIS COURT ORDERS that Mintz & Partners Limited is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Debtors' conduct of the Businesses with the powers and obligations set out in the CCAA or set forth herein and that the Debtors and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Debtors pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

24. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Debtors' receipts and disbursements;

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- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Businesses, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Debtors, to the extent required by the Debtors, in their dissemination, to the DIP Lender and its counsel on a weekly basis of financial and other information as agreed to between the Debtors and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) assist and advise the Debtors in the development and preparation of the Debtors' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (e) assist and advise the Debtors in their development of the Plan and any amendments thereto, any restructuring steps taken pursuant to paragraphs 10 to 13 hereof, and the implementation of the Plan;
- (f) assist and advise the Debtors, to the extent required by the Debtors, with negotiations with creditors and the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the books, records and management, employees and advisors of the Debtors and to the Businesses and the Property to the extent required to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan;

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- (j) assist the Debtors with their continuing restructuring activities, including the assessment and analysis of any proposed sale of assets or closure of facilities; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE MONITOR

25. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Businesses, and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Businesses or the Property, or any part thereof. Upon the Monitor's Request, the Debtors, all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other Persons shall forthwith advise the Monitor of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Monitor, and shall deliver all such Property to the Monitor.

26. THIS COURT ORDERS that, upon the Monitor's request, all Persons shall forthwith advise the Monitor of the existence of any minute books, corporate records, other books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the Businesses or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Monitor or permit the Monitor to make, retain and take away copies thereof and grant to the Monitor unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Monitor due to the privilege attaching to the solicitor-client communication or due to statutory provisions prohibiting such disclosure.

27. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give

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unfettered access to the Monitor for the purpose of allowing the Monitor to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Monitor in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Monitor. Further, for the purposes of this paragraph, all Persons shall provide the Monitor with all such assistance in gaining immediate access to the information in the Records as the Monitor may in its discretion require including providing the Monitor with instructions on the use of any computer or other system and providing the Monitor with any and all access codes, account names and account numbers that may be required to gain access to the information.

28. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the Canadian Environmental Protection Act, the Ontario Environmental Protection Act, the Ontario Water Resources Act, or the Ontario Occupational Health and Safety Act and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

29. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Debtors and the DIP Lender with information provided by the Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Debtors is

confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Debtors may agree.

30. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilfull misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

31. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Debtors shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Debtors as part of the costs of these proceedings. The Debtors are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Debtors on a weekly basis.

32. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

33. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 39 and 41 hereof.

DIP FINANCING

34. THIS COURT ORDERS that the Debtors are hereby authorized and empowered to obtain and borrow under a credit facility from Wasanda Enterprises Inc. (the "DIP Lender") in order to finance the Debtors' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$10 Million in the aggregate unless permitted by further Order of this Court.

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35. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Debtors and the DIP Lender dated as of November 14, 2007 (the "Commitment Letter"), filed.

36. THIS COURT ORDERS that the Debtors are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Debtors are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

37. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a fixed and specific charge, mortgage, pledge, hypothec, lien, and security interest in favour of the DIP Lender (the "DIP Lender's Charge") on the Property as security for all of the obligations of the Debtors to the DIP Lender under the Commitment Letter, and Definitive Documents, which charge shall not exceed the aggregate amount owed to the DIP Lender under the Definitive Documents. The DIP Lender's Charge shall attach to all of the Property of the Debtors, including any lease, license, occupation permit, or other contract and notwithstanding any requirements for the consent of any lessor, licensor, or other party to any such contract, and the DIP Lender's Charge shall have the priority set out in paragraphs 40 and 42 hereof.

38. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon two business days notice to the

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Debtors and the Monitor, or such shorter notice period as this Court may approve, may exercise any and all of its rights and remedies against the Debtors or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Debtors and set off and/or consolidate any amounts owing by the DIP Lender to the Debtors against the obligations of the Debtors to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Debtors and for the appointment of a trustee in bankruptcy of the Debtors, and upon the occurrence of an event of default under the terms of the Definitive Documents, the DIP Lender shall be entitled to seize and retain proceeds from the sale of the Property and the cash flow of the Debtors to repay amounts owing to the DIP Lender in accordance with the Definitive Documents and the DIP Lender's Charge, but subject to the priorities as set out in paragraphs 40 and 42 of this Order; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Debtors or the Property.

39. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected by any stay created in these proceedings and as unaffected in any plan of arrangement or compromise filed by any of the Debtors under the CCAA, or any proposal filed by any of the Debtors under the Bankruptcy and Insolvency Act of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

40. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$500,000.00);

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Second – DIP Lender’s Charge; and

Third – Directors’ Charge.

41. THIS COURT ORDERS that the filing, registration or perfection of the Directors’ Charge, the Administration Charge or the DIP Lender’s Charge (collectively, the “CCAA Charges”) shall not be required, and that the CCAA Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the CCAA Charges coming into existence, notwithstanding any such failure to file, register, record or perfect. With respect to the DIP Lender’s Charge and security under the Definitive Documents, the DIP Lender will have the rights and remedies of a secured party under the Personal Property Security Act (Ontario).

42. THIS COURT ORDERS that each of the Directors’ Charge, the Administration Charge and the DIP Lender’s Charge (all as constituted and defined herein) shall constitute a charge on the Property and such CCAA Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, “Encumbrances”) in favour of any Person. The security granted by the Definitive Documents charging the Property shall have the same priority as the DIP Lender’s Charge granted herein.

43. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtors shall not grant any Encumbrances over any Property that rank in priority to, or pari passu with, any of the Directors’ Charge, the Administration Charge or the DIP Lender’s Charge, unless the Debtors also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors’ Charge and the Administration Charge, or further Order of this Court.

44. THIS COURT ORDERS that the Directors’ Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender’s Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “Chargees”) and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of

- 17 -

any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Debtors, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Debtors of any Agreement to which either of them is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Debtors entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Debtors pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

45. THIS COURT ORDERS that the Debtors shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to their known creditors, other than employees and creditors to which the Debtors owe less than \$1,000.00, at their addresses as they appear on the Debtors' records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of its obligations under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

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46. THIS COURT ORDERS that the Debtors and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

47. THIS COURT ORDERS that the Debtors, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at www.mintzca.com, under insolvency files.

GENERAL

48. THIS COURT ORDERS that the Debtors or the Monitor may from time to time apply to this Court, on notice to the DIP Lender, and other interested parties, for advice and directions in the discharge of their powers and duties hereunder.

49. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Debtors, the Businesses or the Property.

50. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist Wasanda, the Debtors, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtors and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to

IN THE MATTER OF AN APPLICATION BY WASANDA ENTERPRISES INC. UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND BUSINESS CORPORATIONS ACT, R.S.O. 1990, c.B-16, AS AMENDED

AND IN THE MATTER OF A PLAN OR PLANS OF COMPROMISE OR ARRANGEMENT TO BE PROPOSED IN RESPECT OF D'ANGELO BRANDS LTD. AND 1540633 ONTARIO INC., O/A STEELBACK BREWERIES

Debtors

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

AYLESWORTH LLP
Barristers & Solicitors
Ernst & Young Tower
Toronto-Dominion Centre
P.O. Box 124, 18th Floor, 222 Bay Street
Toronto, ON M5K 1H1

Richard B. Jones (LSUC No. 11575V)
Tel: 416-777-4022

Lisa S. Corne (LSUC 27974M)
Tel: 416-646-4608
Fax: 416-865-1398

Solicitors for the Debtors

Appendix “B”

Court File No. 07-CL-7283

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.
JUSTICE SIEGEL

)
)
)

MONDAY, THE 10TH
DAY OF DECEMBER, 2007

**IN THE MATTER OF AN APPLICATION BY WASANDA ENTERPRISES INC.
UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED AND BUSINESS CORPORATIONS ACT,
R.S.O. 1990, c.B-16, AS AMENDED**



**AND IN THE MATTER OF A PLAN OR PLANS OF COMPROMISE
OR ARRANGEMENT TO BE PROPOSED IN RESPECT OF
D'ANGELO BRANDS LTD. AND 1540633 ONTARIO INC.,
O/A AS STEELBACK BREWERIES**

Applicants

**ORDER
(First Stay Extension Motion)**

THIS MOTION, made by Wasanda Enterprises Inc. ("Wasanda"), for an Order extending the Stay Period as provided for and defined in the Order of the Honourable Madam Justice Pepall dated November 15, 2007 (the "Initial Order"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion of Wasanda, the affidavit of Jonathon Sherman sworn December 5, 2007 (the "Sherman Affidavit") and the First Report of the Monitor, Mintz & Partners Limited (the "Monitor"), and on hearing the submissions of counsel for Wasanda, the Monitor, D'Angelo Brands, Ltd. and 1540633 Ontario Inc. o/a Steelback Breweries (collectively the "Debtors"), and counsel for York Warehousing Distribution Inc.,

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged so that this Motion is properly returnable today and

- 2 -

requirement for service of the Notice of Motion and of the Motion Record upon any party not served is dispensed with.

2. **THIS COURT ORDERS** that the Stay Period provided for in the Initial Order is hereby extended for a period of 60 days to February 13, 2008.

3. **THIS COURT ORDERS** that the terms of the Key Employee Retention Program as described in the Sherman Affidavit are hereby approved and the Debtors are hereby authorized to enter into and perform their obligations under the KERP.

4. **THIS COURT ORDERS** that Exhibit "D" to the Sherman Affidavit shall be treated as confidential, shall be sealed and not form part of the public record pending further Order of this Court.

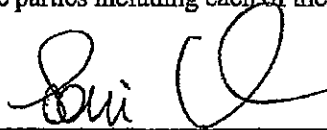
5. **THIS COURT ORDERS** that upon payment of any storage charges accrued in respect of any D'Angelo Brands Ltd. product since November 15, 2007 (and for greater certainty, such products shall not include any Arizona brand product), York Warehousing & Distribution Worldwide Inc., ("York") SJM Logistics and Confederation Freezers (collectively the "Warehouses") shall forthwith release all D'Angelo Brands Ltd. product (not including the Arizona Brand product), and any proceeds of sale from the said products shall be held by the Monitor until further order of this Court.

6. **THIS COURT FURTHER ORDERS** that the motion brought by York and previously filed with this Court shall be returnable February 7, 2008. York shall forthwith serve its Motion Record on all appropriate parties, including the Debtors, the Monitor, the DIP Lender, the directors of the Debtors and any applicable taxing authorities. Wasanda shall also bring its motion for distribution of all such proceeds of sale on the same date and, for such purpose, shall also serve its Motion Record on all appropriate parties including each of the Warehouses.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

DEC 12 2007

PER/PAR: 



Toni Vecchiola

Registrar Superior Court of Justice

IN THE MATTER OF AN APPLICATION BY WASANDA ENTERPRISES INC. UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND BUSINESS CORPORATIONS ACT, R.S.O. 1990, c.B-16, AS AMENDED

AND IN THE MATTER OF A PLAN OR PLANS OF COMPROMISE OR ARRANGEMENT TO BE PROPOSED IN RESPECT OF D'ANGELO BRANDS LTD. AND 1540633 ONTARIO INC., O/A STEELBACK BREWERIES

Applicants

Court File No. 07-CL-7283

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

ORDER
(First Stay Extension Motion)

AYLESWORTH LLP
Barristers & Solicitors
Ernst & Young Tower
Toronto-Dominion Centre
P.O. Box 124, 18th Floor, 222 Bay Street
Toronto, ON M5K 1H1

Richard B. Jones (LSUC No. 11575V)
Tel: 416-777-4022

Lisa S. Corne (LSUC 27974M)
Tel : 416-646-4608

Fax: 416-865-1398

Solicitors for the Applicants

Appendix “C”



January 2, 2008

To: Potential Purchasers of the Business and Assets of D'Angelo Brands Ltd.

Background

D'Angelo Brands Ltd. ("DBL" or the "Company") operates distinct lines of business within the food and beverage industry including:

- The manufacture, packaging and marketing of its propriety line of non-alcoholic beverages such as fruit juices, colas, energy drinks and flavoured bottled water drinks. Product brands include D'Angelo, Cheetah, Duh, Wacked, Waterfruit, PulpFusion, etc.;
- Contract packaging of non D'Angelo Brands products, such as Arizona Iced Tea for Ferolito, Vultaggio & Sons, a division of Hornell Brewing Co., vegetable oil for Loblaws, and juices/beverages for various other customers;
- The marketing and sale of produce under the D'Angelo Brands name, such as frozen fruit and canned tomatoes;
- An Italian themed Restaurant known as "Mamma D's Restaurant".

On November 15, 2007, DBL obtained creditor protection pursuant to the *Companies' Creditors Arrangement Act*. On or about November 30, 2007, the Company ceased production and now wishes to consider offers for its business and assets.

Asset Description

The Company's assets for sale consist of the following::

1. Fixed Assets (See Schedule "A", Lots 1 to 9, attached); and
2. Inventory (See Schedule "B", Lots 10 to 15, attached)
3. Trademarks (See Schedule "C", Lot 16, attached)

Corporate Office
 14 Brewster Road
 Brampton, ON
 L6T 5B7
 905-794-0355
 1-800-732-6872
 Fax: 905-794-0289

Mississauga Office
 4500 Eastgate Pkwy.
 Mississauga, ON
 L4W 3W6
 905-238-6300
 Fax: 905-238-1857

Mississauga Office
 4544 Eastgate Pkwy.
 Mississauga, ON
 L4W 3W6
 905-238-6300
 Fax: 905-238-1857

London Office
 88 Farrell Drive
 Tiverton, ON
 N0G 2T0
 1-800-879-0541
 Fax: 519-368-5676

January 2, 2008
Page 2

Fixed Assets are located primarily at leased premises at 4500 & 4544 Eastgate Parkway, Mississauga. Certain fixed assets (Lot 9) are located at a third party storage site in Brampton.

Inventory is located at both Mississauga sites, as well DBL's head office at 14 Brewster Road, Brampton. Certain inventory (Lot 12) is located at third party storage sites in Brampton.

The information attached hereto has been prepared to assist interested parties in making their own evaluation of DBL's business and assets and does not purport to contain all of the information that a prospective purchaser may require. Such information has been prepared or collected solely for the convenience of prospective purchasers and is not warranted to be complete or accurate. Therefore, prospective purchasers should conduct their own investigation and analysis of the Company's assets and business and the information attached hereto.

Terms and Conditions

The assets are to be sold on an "as is, where is" and "without recourse" basis with no representations or warranties as to title, encumbrances, description, fitness for use, condition (environmental or otherwise), defect (patent or latent), or any other matter or thing whatsoever, either stated or implied. The potential purchaser must rely on its own judgment, inspection and investigation of the assets.

The completion of a purchase agreement is subject to the approval of the Company's major secured creditor and DIP Lender, Wasanda Enterprises Inc., and the Court.

The highest or any offer shall not necessarily be accepted.

The Company reserves the right to amend or terminate the offer process, at any time, in its sole discretion. With respect to any withdrawal or amendment, the sole obligation of the Company to prospective purchasers shall be to inform them of the withdrawal of all or any portion of the assets outlined in Schedule "A" or Schedule "B" or of any amendment to the offer process.

The Company reserves the rights to negotiate with one or more prospective purchasers at any time, to permit any prospective purchaser at any time to modify, revise or supplement its proposal, or otherwise to enter into any arrangements for the sale of DBL's assets at any time without prior notice, obligation or liability to any other prospective purchaser.

All Offers must include a fully completed "Offer Form" (enclosed).

Offers for the assets including the Offer Form must be submitted via e-mail to Mr. Ari Huber ari@dangelobrand.ca at the Company with a copy sent to Mr. Tony Zaspalis tony_zaspalis@mintzca.com at Mintz & Partners Limited, the Court Appointed Monitor.

January 2, 2008

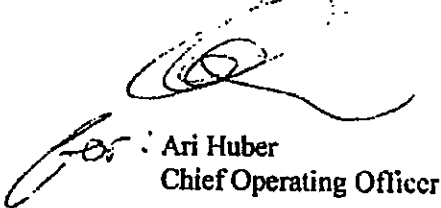
Page 3

Offers may be made for all or any asset lots. Offers submitted for more than one lot must specifically allocate a separate price for each lot and will be considered as a separate offer for each lot unless otherwise indicated as an En Bloc offer.

Offers must be received by no later than 5:00 p.m. (Eastern) on January 16, 2008. A definitive agreement of purchase must be signed by no later than January 31, 2008 and Court approval must be received by no later than February 11, 2008, or as the parties may agree.

If further information is required, or if you wish to inspect the assets, please contact Colin Kramer at (905) 238-6300 ext. 238 (office) or (647) 289-3079 (cell).

Yours truly,



Ari Huber
Chief Operating Officer

**D'ANGELO BRANDS LTD.
OFFER FORM**

Fixed Assets

Lot 1: _____

Lot 2: _____

Lot 3: _____

Lot 4: _____

Lot 5: _____

Lot 6: _____

Lot 7: _____

Lot 8: _____

Lot 9: _____

Total
Lots 1 to 9 _____

Inventory

Lot 10: _____

Lot 11: _____

Lot 12: _____

Lot 13: _____

Lot 14: _____

Lot 15: _____

Total
Lots 10 to 15: _____

Trademarks

Lot 16: _____

GRAND TOTAL LOTS 1 TO 16: _____

Appendix “D”

KRMC

Kronis, Rotsztain, Margles, Cappel
Barristers and Solicitors

25 Sheppard Avenue West (at Yonge)
Suite 700, Toronto, ON
Canada M2N 6S6

Telephone: (416) 225-8750
Facsimile: (416) 225-3910

January 31, 2008

Mintz & Partners Limited
1 Concorde Gate, Suite 200
Toronto, Ontario
M3C 4G4

Dear Sirs:

Re: Wasanda Enterprises Inc. - Security of D'Angelo Brands Ltd.

We confirm your advice that Mintz & Partners Limited has been appointed as monitor in the Companies' Creditors Arrangement Act (Canada) proceeding of D'Angelo Brands Ltd. (the "Borrower"). We understand that the Borrower granted Wasanda Enterprises Inc. (the "Lender") a Debenture dated May 5, 2004 (the "Debenture"), as amended by a Supplemental Debenture dated August 31, 2004 (the "Supplemental Debenture") (collectively the "Security").

You have asked this office to provide you with an opinion in connection with the Security granted to the Lender. Specifically, you have asked us to opine on the validity and enforceability of the Security as against the Borrower.

Assumptions and Fact Reliance

For the purposes of the opinions set out herein, we have examined:

- (a) A copy of the Debenture and the Supplemental Debenture;
- (b) An Ontario Personal Property Registration System Enquiry Response Certificate issued under the Personal Property Security Act (Ontario), R.S.O. 1990, as amended, (the "PPSA") with a File Currency date of January 29, 2008 with respect to the Borrower; and
- (c) Such statutes and public records, original or copies (certified or otherwise identified to our satisfaction) of corporate records, certificates and such other instruments as we have deemed necessary or appropriate for the purposes of this opinion.

We have also made such other searches, inquiries and investigations and considered such questions of law as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed.

Jules N. Kronis, Q.C. B.Comm., LL.B.
Bruce D. Cappel, LL.B.
Mervyn D. Abramowitz, LL.B.*
Grace Latini, B.A. (Hons), LL.B.
Mark J. Lieberman, B.A. & Sc., LL.B.
Brett M. Carr, B.A.(Hons.), B.C.L., LL.B.
Onofrio Ferlisi, B.A., LL.B.
Frank A. Comella, B.A.(Hons), LL.B.
Laura White, B.A.(Hons), LL.B.
Alana Konopny, B.A., LL.B.

Jack A. Rotsztain, B.A., B.C.L., LL.B.
Lawrence D. Adelberg, B.A., LL.B.
A. Mitchell Schachter, LL.B.
Stephanie Alexopoulos, B.A. (Hons), LL.B.
Paul Cancilla, B.A. (Hons), LL.B., M.B.A.
Ron Alsenberg, LL.B.
Ajay Kapur, B.A. (Hons), LL.B.
Frank Pignoli, B.A.(Hons), M.A., LL.B., B.C.L.
Ariel Niyazov, B.Sc., LL.B.

Andrea Margles, B.A., LL.B., M.A.
Allan D. Weiss, B.A., LL.B.
Barbara K. H. Damm, B.A., LL.B.
Paul F. Resnick, B.A., LL.B., M.B.A.
L. Viet Nguyen, B.A., LL.B.
Christian J. Guerette, B.A. (Hons), LL.B.
Abigail Romberg, B.A.(Hons), LL.B.
Sherry Weiss, B.A., LL.B.
Evan Cappe, B.A. (Hons), J.D.

* Certified by the Law Society as a Specialist In Civil Litigation

In expressing our opinions we have assumed, without independent verification by us:

- (a) The genuineness of all signatures on and the authenticity and completeness of all documents submitted to us as original documents, the conformity to the original documents of all documents submitted to us as true, certified, conformed or photostatic copies thereof, and the genuineness of all signatures on and the authenticity of the originals of such copies;
- (b) The completeness, truth, accuracy and currency of the indices and filing systems maintained by the public offices and registries where we have searched or enquired or have caused searches or enquiries to be made and upon the information and advice provided to us by appropriate government, regulatory or other like officials with respect to those matters referred to herein;
- (c) The accuracy of the description of the collateral as set out in the Security (the "Collateral");
- (d) That the Borrower had rights in the Collateral and that value (as that term is defined in the PPSA) has been given to the Borrower;
- (e) The Borrower and the Lender have not agreed to postpone the time of the attachment of any security interest constituted by the Security;
- (f) That the Collateral does not include Consumer Goods, as that term is defined in the PPSA;
- (g) That there is a legal, valid, enforceable and subsisting debt owing by the Borrower to the Lender;
- (h) That each of the Borrower and the Lender: (i) was at the time of authorization, execution and delivery of any of the Security, and is still constituted and existing under the laws pursuant to which it was constituted, (ii) had the corporate power and authority to execute, deliver and perform its obligations under the Security, (iii) took all necessary corporate action to authorize the execution, delivery and the performance of its obligations under the Security, and (iv) has duly executed and delivered all of the Security;
- (i) That none of the Security executed by the Borrower has been amended, restated or replaced, except by the Supplemental Debenture;
- (j) There are no agreements, judgments, rulings, instruments, facts or understandings affecting or concerning the Security and/or the various principal obligations with respect to which the Security is granted or statutory or regulatory prohibitions on the execution and delivery of the Security or the security interest granted thereunder and/or the various principal obligations with respect to which the Agreement is granted or the performance of the Security and/or the various principal obligations with respect to which the Security is granted by the Borrower which were not apparent from a review of the Security and which would or might affect the validity or enforceability of the Security;
- (k) The Lender did not know and did not have any reason to believe at the time that the creation of the security interests in the Collateral by the Security was in contravention of any agreement by which any of the Borrower or its property or assets were bound, if there was such a contravention;
- (l) That the execution, delivery and performance of obligations under the Security by the Borrower did not constitute a preference, fraudulent preference, conveyance, fraudulent conveyance, settlement or reviewable transaction under the Bankruptcy and Insolvency Act (Canada), the Fraudulent Conveyances Act (Ontario), the Assignment and Preferences Act (Ontario) or any other similar legislation;

- (m) The Lender has not by course of conduct, implicit or explicit waiver, release, discharge, cancellation, forbearance or other means, oral or written, taken any action or steps which could, would or have altered, diminished, suspended or otherwise affected the terms, conditions of enforceability of the Security or the indebtedness, liabilities and obligations secured thereby.

Laws Addressed

Except as stated below, the opinions expressed in this letter are limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein. In particular, without limiting the generality of the foregoing, where we express an opinion based on the laws of Ontario, we express no opinion with respect to:

- (a) the laws of any other jurisdiction to the extent such laws may govern any aspect of the Security or govern the validity, the perfection, the effect of perfection or non-perfection, or the enforcement of any security interest created thereunder as a result of the application of the conflict of laws rules of Ontario, as applicable; or
- (b) whether, pursuant to the conflict of laws rules of Ontario, as applicable, the laws of a particular province would govern the validity, the perfection, the effect of perfection or non-perfection, or enforcement of any security interest created by the Security.

Opinion

Based and relying upon the foregoing and subject to the qualifications, exceptions and limitations herein expressed, we are of the opinion that as of the date hereof under the laws of the Province of Ontario, each of the Debenture and the Supplemental Debenture constitutes the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms.

Qualifications

The foregoing opinions are subject to the following exceptions and qualifications:

- (a) The enforceability of the Security is subject to bankruptcy, insolvency, preference, winding-up, reorganization, arrangement, moratorium and other laws affecting creditors' rights generally;
- (b) The enforceability of the Security may be limited by general principles of law and equity relating to the conduct of the parties prior to execution of or in the administration or performance of the Security, including, without limitation (i) undue influence, unconscionability, duress, misrepresentation, and deceit, (ii) estoppel and waiver, (iii) laches, and (iv) reasonableness and good faith in the exercise of discretionary powers;
- (c) A court of competent jurisdiction may exercise its discretion in granting equitable remedies;
- (d) A secured creditor may be required to give (or to have given) a debtor a reasonable time to repay following a demand for payment prior to taking any action to enforce right of repayment or before exercising any of the rights and remedies expressed to be exercisable by the secured creditor;
- (e) No opinion is expressed as to the existence of, or the right, title or interest of the Borrower in and to any real property or personal property or as to the rank or priority of any security interest or other interest expressed to be created by the Security. There is no title registry system in the Province of Ontario with respect to personal property, nor any office of public record wherein the title to personal property situate in the Province of Ontario may be examined;

- (f) We express no opinion as to whether the provisions of Part VII of the Financial Administration Act (Canada) have been complied with. An assignment of federal Crown debts which does not comply with that Act (other than an assignment contemplated by section 220(6) of the Income Tax Act (Canada)) is ineffective as between the assignor and assignee and as against the Crown. Consequently, the Lender would not have valid security interest in any such federal Crown debts unless that Act is complied with;
- (g) The federal laws of Canada require or permit notices, filings or registrations to be made or other steps or actions to be taken in order to preserve, perfect or protect a security interest in certain types of property, including, without limitation, rolling stock, vessels registered under the Canada Shipping Act, patents, trade-marks, copyrights and property governed by the Plant Breeders' Rights Act (Canada) or the Integrated Circuit Topography Act (Canada). To the extent that a security interest is created by the Security in any such property, then notices, filings or registrations under such laws may be necessary or desirable in order to preserve, perfect or protect such Security interest;
- (h) The PPSA imposes certain obligations on secured creditors which cannot be varied by contract. Furthermore, the PPSA may also affect the enforcement of certain rights and remedies contained in the Security to the extent that those rights and remedies are inconsistent with or contrary to any applicable statutes;
- (i) We express no opinion as to the enforceability of any provision of the Security which requires the Borrower to pay, or to indemnify the Lender for the costs and expenses of the Lender in connection with judicial proceedings, since those provisions may derogate from a court's discretion to determine by whom and to what extent those costs should be paid;
- (j) A court may not allow or uphold an attempt to exercise rights to accelerate performance of obligations or otherwise seek the enforcement of the Security based upon the occurrence of a default deemed immaterial;
- (k) We express no opinion as to the enforceability of any provision of the Security:
 - (i) Which purports to waive any or all defences which might be available to, or constitute a discharge of liability;
 - (ii) Which states that modifications, amendments or waivers are not binding unless in writing;
 - (iii) To the extent it purports to exculpate a secured party or any receiver, manager or receiver and manager from liability in respect of acts or omissions which may be illegal, fraudulent, involve wilful misconduct or which may constitute an intentional tort;
 - (iv) Providing for the severance of illegal or unenforceable provisions from the remaining provisions of the Security;
 - (v) Which respects a selection by the parties of the jurisdiction whose laws are to apply or where a dispute is to be resolved as such selection may not be considered binding on the court;
 - (vi) Which respects the effectiveness of terms exculpating a party from a liability or duty otherwise owed by it to another party;
 - (vii) Which states that a certificate or some other thing will be treated as conclusive, final or binding;
 - (viii) Which provides for interest on overdue payments at a rate greater than the applicable payment not overdue as the provision for such greater rate may be construed as a penalty and not be enforceable; and

- (ix) Which provides for the payment of interests, fees and commissions at rates which in the aggregate are deemed to constitute a criminal rate of interest;
- (l) We express no opinion as to any licences, permits or approvals that may be required in connection with the enforcement of the Security by the Lender or by a person on its behalf, whether such enforcement involves the operation of the business of the Borrower or a sale, transfer or disposition of its property and assets;
- (m) We express no opinion as to any security interest created by the Security with respect to any property of the Borrower that is transformed in such a way that it is not identifiable or traceable or any proceeds of property of the Borrower that are not identifiable or traceable;
- (n) We express no opinion as to any security interest purported to be created by the Security in any of the circumstances described in Section 4(1) of the PPSA in respect of which the PPSA is stated to have no application;
- (o) We express no opinion as to whether a Security interest may be created in any Collateral consisting of a receivable, licence, approval, privilege, franchise, permit, lease or security ("Special Property") to the extent that the terms of the Special Property or any applicable law prohibits its assignment and requires a consent, approval or other authorization or registration which has not been made or given;
- (p) If the Security creates a security interest or charge in or against real property or leases of real property or in property which is now or may hereafter become a fixture, or in a right to payment under a lease, mortgage or charge of real property, the enforceability of the such security interest or charge may be adversely affected by the failure of the Lender to register the Security, such security interest or charge, a caveat or other notices in respect thereof against title to the property of the Borrower in the appropriate land registry, land titles, or land title office. Further, we have not done any searches against the real property charged by the Security and give no opinion on the perfection or enforceability of any security interest the Lender may have in any of the Borrower's real property;
- (q) The enforceability of the security interest created by the Security in accounts or chattel paper as against an account debtor of the Borrower is subject to notice of such security interest and a direction to pay to the Lender being given to such account debtor, the terms of the contract between such member and such account debtor and any defence or claim arising out of the contract or a closely connected contract and any other defence or claim of such account debtor against such member accruing before such account debtor has knowledge of such security interest. Further, such security interest will not be binding upon such account debtor to the extent that such debt or account is paid or otherwise discharged before notice of such security interest is given to such account debtor, together with a direction to pay the same to the Lender;
- (r) Notwithstanding that the security interests created by the Security may have been perfected by registration under the PPSA:
 - (i) Such security interests in securities, instruments, chattel paper, documents of title or money, as those terms are respectively defined in the PPSA, will be defeated by certain claimants obtaining possession of that property in the circumstances described in the PPSA or the Bills of Exchange Act (Canada); and
 - (ii) Such security interests in goods (as defined in the PPSA) will be defeated by certain claimants to whom the Borrower sells or leases those goods in the ordinary course of business in the circumstances described in the PPSA;

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- (s) The enforceability of the Security is subject to the limitations contained in the Limitations Act, 2002 (Ontario) and we express no opinion as to whether a court may find any provision of the Security to be unenforceable as an attempt to vary or exclude a limitation period under that Act.

Reliance

This opinion may be relied on by the addressee hereof and its respective successors and assigns. Without our prior written consent, this opinion letter, together with the opinions expressed herein, may not be:

- (a) Relied upon by any other party; or
- (b) Quoted from, used or circulated in whole or in part or otherwise referred to in any manner save and except for the purpose of reporting to the Ontario Superior Court of Justice.

We do not act for the Borrower or the Lender in this matter and did not act in the preparation of the Security or the registrations effected in respect thereof.

Yours very truly,

Kronis, Rotsztain, Margles, Cappel

Appendix “E”

D'Angelo Brands Ltd.
Summary of Receipts and Disbursements (\$000) - Actual to Forecast
For the period December 1, 2007 to February 1, 2008

	<u>Dec 1, 2007 to Feb 1, 2008</u>		
	<u>Actual</u>	<u>Forecast (1)</u>	<u>Variance Favourable (Unfavourable)</u>
Opening Cash Balance per Books	(2) 295.2	333.6	(38.4)
Sales Collections	445.8	911.7	(465.9)
Receipt of Deposit (P&S Agreement)	30.0	0.0	30.0
Receipt of Inventory Proceeds (Warehouse lien claim)	12.1	0.0	12.1
Other	(3) (13.8)	0.0	(13.8)
Total Inflows	<u>474.1</u>	<u>911.7</u>	<u>(437.6)</u>
Outflows			
Ingredients	86.2	0.0	(86.2)
Salaries, Wages & Benefits	602.1	852.9	250.8
Payment of P&S Agreement deposit to Trust	(4) 30.0	0.0	(30.0)
Payment of Trust Funds to Monitor (Warehouse lien claim)	(5) 12.1	0.0	(12.1)
Expenses	424.7	995.6	570.9
Professional Fees re CCAA	63.1	115.0	51.9
Consulting Restructuring re CCAA	26.1	72.0	45.9
Fixed assets	87.9	94.0	6.1
Total Outflow	<u>1,332.2</u>	<u>2,129.5</u>	<u>797.3</u>
Change in Net Cash Flow before Advances	(858.1)	(1,217.8)	359.7
Closing Cash Balance before Advances	(562.9)	(884.2)	321.3
DIP Advances	675.0	884.2	209.2
(Advances to) Repayment from Steelback	(6) (100.0)	0.0	100.0
Total Advances	<u>575.0</u>	<u>884.2</u>	<u>309.2</u>
Ending Cash Balance per Books	12.1	0.0	12.1
Add: Outstanding Cheques	132.6		
Less: Outstanding Receipts	<u>(1.0)</u>		
Ending Cash Balance per Bank	<u>143.7</u>		

Notes:

- (1) Forecast as per Applicant's December 5, 2007 motion materials.
(2) Opening balance on December 1, 2007 has been adjusted to reflect certain minor reconciliation adjustments.
(3) Represents reversal of previous period receipt.
(4) Trust funds are held in D'Angelo Brands Ltd. trust account pending closing of P&S Agreement.
(5) Trust funds are held by the Monitor with respect to warehouse lien claims and will be held until further Order of the Court.
(6) Advances were repaid by Steelback on February 4, 2008.

Appendix “F”

D'Angelo Brands Ltd.
Summary of Receipts and Disbursements (\$000)
For the period November 15, 2007 to February 1, 2008

	<u>Actual</u>	
Opening Cash Balance per Books	<u>(158.7)</u>	(1)
Sales Collections	787.7	
Receipt of Deposit (P&S Agreement)	30.0	
Receipt of Inventory Proceeds (Warehouse lien claim)	12.1	
Other	<u>13.5</u>	
Total Inflows	<u>843.3</u>	
Outflows		
Ingredients	185.8	
Salaries , Wages & Benefits	891.6	
Payment of P&S Agreement deposit to Trust	30.0	(2)
Payment of Trust Funds to Monitor (Warehouse lien claim)	12.1	(3)
Expenses	499.8	
Professional Fees re CCAA	69.8	
Consulting Restructuring re CCAA	33.7	
Fixed assets	<u>99.7</u>	
Total Outflow	<u>1,822.6</u>	
Change in Net Cash Flow before Advances	(979.2)	
Closing Cash Balance before Advances	(1,137.9)	
DIP Advances	1,275.0	
(Advances to) Repayment from Steelback	<u>(125.0)</u>	(4)
Total Advances	1,150.0	
Ending Cash Balance per Books	12.1	
Add: Outstanding Cheques	132.6	
Less: Outstanding Receipts	<u>(1.0)</u>	
Ending Cash Balance per Bank	<u><u>143.7</u></u>	

Notes:

- (1) Opening balance on November 15, 2007 has been adjusted to reflect certain minor reconciliation adjustments.
(2) Trust funds are held in D'Angelo Brands Ltd. trust account pending closing of P&S Agreement.
(3) Trust funds are held by the Monitor with respect to warehouse lien claims and will be held until further Order of the Court.
(4) Advances were repaid by Steelback on February 4, 2008.

Appendix “G”

Steelback Breweries
Summary of Receipts and Disbursements (\$000) - Actual to Forecast
For the period December 1, 2007 to February 1, 2008

	<u>Dec 1, 2007 to Feb 1, 2008</u>		
	Actual	Forecast (1)	Variance Favourable (Unfavourable)
Opening Cash Balance per Books	(2) (30.0)	(29.8)	(0.2)
Sales Collections	294.6	238.9	55.7
Other	4.2	0.0	4.2
Total Inflows	<u>298.8</u>	<u>238.9</u>	<u>59.9</u>
Outflows			
Ingredients	4.4	61.0	56.6
Packaging	17.7	161.0	143.3
Salaries , Wages & Benefits	329.4	403.8	74.4
Expenses	263.1	541.8	278.7
Professional Fees re CCAA	63.1	115.0	51.9
Consulting Restructuring re CCAA	84.3	131.4	47.1
Advances to Brasserie Steelback Inc	43.9	0.0	(43.9)
Fixed assets	2.7	80.0	77.3
Taxes AGCO & Excise	86.7	187.6	100.9
Total Outflow	<u>895.3</u>	<u>1,681.6</u>	<u>786.3</u>
Change in Net Cash Flow before Advances	(596.5)	(1,442.7)	846.2
Closing Cash Balance before Advances	(626.5)	(1,472.5)	846.0
DIP Advances	600.0	1,472.5	872.5
Advances from (Repayments to) DBL	(3) 100.0	0.0	(100.0)
Total Advances	<u>700.0</u>	<u>1,472.5</u>	<u>772.5</u>
Ending Cash Balance per Books	73.5	0.0	73.5
Add: Outstanding Cheques	96.3		
Less: Outstanding Receipts	(1.3)		
Ending Cash Balance per Bank	<u>168.5</u>		

Notes:

- (1) Forecast as per Applicant's December 5, 2007 motion materials.
(2) Opening balance on December 1, 2007 has been adjusted to reflect certain minor reconciliation adjustments.
(3) Advances were repaid by Steelback on February 4, 2008.

Appendix “H”

Steelback Breweries
Summary of Receipts and Disbursements (\$000)
For the period November 15, 2007 to February 1, 2008

	<u>Actual</u>	
Opening Cash Balance per Books	<u>(173.5)</u>	(1)
Sales Collections	588.7	
Other	20.8	
Total Inflows	<u>609.4</u>	
Outflows		
Ingredients	5.1	
Packaging	80.2	
Salaries , Wages & Benefits	399.4	
Expenses	282.8	
Professional Fees re CCAA	69.8	
Consulting Restructuring re CCAA	116.9	
Advances to Brasserie Steelback Inc	43.9	
Fixed assets	2.7	
Taxes AGCO & Excise	86.7	
Total Outflow	<u>1,087.4</u>	
Change in Net Cash Flow before Advances	(478.0)	
Closing Cash Balance before Advances	(651.5)	
DIP Advances	600.0	
Advances from (Repayment to) DBL	125.0	(2)
Total Advances	<u>725.0</u>	
Ending Cash Balance per Books	73.5	
Add: Outstanding Cheques	96.3	
Less: Outstanding Receipts	<u>(1.3)</u>	
Ending Cash Balance per Bank	<u><u>168.5</u></u>	

Notes:

(1) Opening balance on November 15, 2007 has been adjusted to reflect certain minor reconciliation adjustments.

(2) Advances were repaid to D'Angelo Brands Ltd. on February 4, 2008.

Appendix “I”

D'Angelo Brands Ltd
 CCAA Cash Flow Forecast (\$'000)
 For the period from Feb 4 - May 16, 2008

	Feb. 8	Feb. 15	Feb. 22	Feb. 29	Mar. 7	Mar. 14	Mar. 21	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25	May 2	May 9	May 16
TOTAL	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Opening Cash Balance	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Inflow	0.0	0.0	0.0	0.0	0.0	159.5	0.0	185.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ac Receivables Collections	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receipt of Monitor Trust Funds (Warehousing)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finished Goods Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.8	0.0	49.8	0.0	361.8	0.0
Receipts from P&S Agreement	0.0	0.0	0.0	324.5	0.0	5.0	0.0	0.8	0.0	5.0	0.0	0.0	0.0	0.0	5.0
Return of Security Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0
Total Inflow	0.0	14.5	0.0	324.5	0.0	164.5	0.0	185.5	0.0	54.7	0.0	49.3	0.0	361.8	30.0
Cash Outflow	1.7	35.6	12.3	12.3	1.1	2.3	1.1	3.6	1.1	4.5	3.6	3.6	3.6	1.1	2.3
Salaries, Wages & Benefits	88.6	19.1	1.0	112.3	7.8	18.1	1.0	47.9	6.9	18.1	1.0	47.9	6.0	18.1	1.0
Operating Expenses	77.7	53.9	0.0	65.2	32.9	0.0	29.4	0.0	32.9	0.0	25.8	0.0	32.9	0.0	29.4
Professional Fees re CCAA	58.8	0.0	0.0	8.4	0.0	8.4	0.0	8.4	0.0	8.4	0.0	8.4	0.0	8.4	0.0
Consulting Restructuring re CCAA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Outflow	133.3	64.1	78.5	133.3	41.8	29.8	31.5	59.9	40.9	32.0	30.5	59.9	40.0	29.8	31.5
Net weekly cash change	(133.3)	(49.5)	(78.5)	(11.3)	(41.8)	(13.3)	(31.5)	(125.5)	(40.9)	(22.7)	(30.5)	(10.2)	(40.0)	(331.8)	(1.5)
Cumulative weekly cash change	(133.3)	(182.9)	(261.4)	(270.1)	(311.9)	(325.2)	(356.7)	(482.2)	(523.1)	(545.8)	(576.3)	(586.1)	(626.1)	(659.9)	(661.4)
Closing Cash Balance before Advances	(121.2)	(49.5)	(78.5)	(11.3)	(41.8)	(13.3)	(31.5)	(125.5)	(40.9)	(22.7)	(30.5)	(10.2)	(40.0)	(331.8)	(1.5)
Advances from (Repayment to) DIP Lender	(8.8)	48.5	78.5	(181.2)	41.8	(194.7)	31.5	(125.5)	40.9	(22.7)	30.5	10.2	40.0	(331.8)	1.5
(Advances to) Repayment from Steelback	125.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Advances	121.2	48.5	78.5	(181.2)	41.8	(134.7)	31.5	(125.5)	40.9	(22.7)	30.5	10.2	40.0	(331.8)	1.5
Forecast Ending Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Summary of Advances from (Repayment to) DIP Lender

Opening Balance	1,275.0
Advances from (Repayment to) DIP Lender	(485.4)
Ending Balance	789.6

Summary of (Advances to) Repayment from Steelback

Opening Balance	(125.0)
(Advances to) Repayment from Steelback	125.0
Ending Balance	0.0

Appendix “J”

IN THE MATTER OF AN APPLICATION BY WASANDA ENTERPRISES INC. UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND BUSINESS CORPORATIONS ACT, R.S.O. 1990, c.B-16, AS AMENDED

AND IN THE MATTER OF A PLAN OR PLANS OF COMPROMISE OR ARRANGEMENT TO BE PROPOSED IN RESPECT OF D'ANGELO BRANDS LTD. AND 1540633 ONTARIO INC. O/A STEELBACK BREWERIES

Applicants

Court File No.: 07-CL-7283

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**RESPONDING MOTION RECORD
OF THE MONITOR**

(Second Stay Extension and

Approval of Agreement of Purchase and Sale)
(Returnable February 13, 2008)

**KRONIS, ROTSZTAIN,
MARGLES, CAPPEL**
Barristers and Solicitors
700-25 Sheppard Avenue West
Toronto, Ontario, M2N 6S6

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