

No. S081520
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

AND

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

AND

IN THE MATTER OF ASCALADE COMMUNICATIONS INC.

AND ASCALADE TECHNOLOGIES INC.

PETITIONERS

AFFIDAVIT #6 OF GREG ALLEN

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

1. I am the President of Ascalade Communications Inc. ("ACI"), the parent company of Ascalade Technologies Inc. ("ATI", collectively with ACI, the "Petitioners") and as such have personal knowledge of the facts hereinafter deposed to except where the same are stated to be based upon information and belief, which facts I verily believe to be true.
2. I am authorized to make this Affidavit on behalf of the Petitioners.
3. The Petitioners' Plan of Arrangement (the "Plan") is deserving of the sanction of this Honourable Court because:

- (a) there has been strict compliance by the Petitioners with all statutory requirements under the CCAA;
- (b) the Plan was approved by the requisite majority of each class of Preferred and Unsecured Creditors voting on the Plan at the Meeting of Creditors on June 17, 2008; and
- (c) the Plan is fair and reasonable.

A. STRICT COMPLIANCE WITH THE CCAA AND ORDERS MADE IN THIS PROCEEDING

4. Since the commencement of this Proceeding by the making of the Initial Order of this Court on March 3, 2008, the Petitioners have complied with the provisions of the CCAA, the Initial Order, and all subsequent Orders made in this Proceeding.

B. REQUISITE APPROVAL BY CREDITORS

5. The Preferred and Unsecured Creditors met to vote on the Plan on June 17, 2008. The Plan was approved by the requisite majority of Creditors required by the CCAA. Further details of the voting results will be described in the Report of the Monitor. In summary, however, 89 or 100% in number and \$159,202.45 or 100% in value of the Preferred Creditors who cast votes voted in favour of the Plan and 104 or 100% in number and \$8,990,317.17 or 100% in value of the Unsecured Creditors who cast votes voted in favour of the Plan.

C. WINDING UP OPERATIONS

6. Since approximately mid May, the efforts of the Petitioners have been focused on supporting the winding up of operations in Hong Kong and the People's Republic of China ("PRC").

7. On June 10, 2008 I travelled to Hong Kong and the PRC with the Monitor to oversee the marketing of the Factory, machinery and equipment and the remaining Inventory in the PRC.

8. On June 12, 2008 the Monitor and I met with Dennis Choi and K.W. Leung of CB Richard Ellis ("CBRE") which has been retained to market the Factory. I was informed by Mr. Choi and Mr. Leung that CBRE is marketing the Factory by:

- (i) running a tender process over a defined period with deadlines for potential purchaser bid submission and decision making by Deloitte and the Petitioners;
- (ii) preparing a marketing literature which will be mailed to selected potential purchasers worldwide;
- (iii) advertising the Factory in local and regional newspapers or periodicals;
- (iv) advertising the Factory on its website and using CBRE's database to market directly to interested clients;
- (v) preparing an information package to be distributed to interested and qualified prospective purchasers; and
- (vi) directly showing the Factory to interested and qualified prospective purchasers.

9. CBRE will provide regular written updates to the Monitor and the Petitioners on the progress of marketing and on any potential offers for the Factory.

10. On June 12, 2008 I met with SocBeldah L.L. Poon and Bill K.H. Leung of Go Industry (Hong Kong) Limited ("Go Industry") which has been retained to market the machinery and equipment (the "Equipment") in the PRC. I am informed by Ms. Poon that Go Industry is marketing the Equipment by:

- (i) running a sealed bid tender process over a defined period of deadlines for submission of bids and decision making by Deloitte and the Petitioners;
- (ii) preparing a colour marketing brochure which will be mailed to approximately 3000 potential purchasers worldwide;
- (iii) advertising the Equipment in local and regional newspapers or periodicals;
- (iv) advertising the Equipment on the Go Industry website and using the Go Industry client database to target selected potential purchasers;

- (v) preparing an information package to be distributed to interested and qualified prospective purchasers; and
- (vi) directly showing the Equipment to interested and qualified prospective purchasers.

11. Go Industry will provide regular updates to the Monitor and the Petitioners on the progress of marketing and on any potential purchasers for the Equipment.

12. After conducting these interviews, I am comfortable that CBRE and Go Industry are making all reasonable efforts to market the Factory and Equipment and will continue these efforts under the oversight of the Monitor and the Board of Directors of ACI.

13. Ascalade's Hong Kong staff are driving activities to try and sell remaining raw material inventories. The Monitor's Hong Kong staff are overseeing these activities, which include marketing to global component distribution companies, local electronic manufacturers, brokers and selected competitors. We have retained our Hong Kong based Supply Chain Manager and a Purchasing Officer until the end of August to support this activity.

14. Ascalade has completed intellectual property asset sales on 5 product lines: ClearOne Conference Phone; Philips Baby Monitor; British Telecom Baby Monitor; D-Link DECT Module and Philips Lifeline Product (the "Intellectual Property"). The total proceeds received for these asset sales is \$1,038,679 USD. All product line transfers have been completed and proceeds received from the Purchasers.

15. On June 7, 2008, Mr. Edmund Ho, Chairman of the Board of Directors of ACI, met in person with the Qingyuan Government to discuss the sale of the Factory. Senior officers of the Qingyuan Government expressed their concern around the need to ensure the Petitioners and the Monitor find an expedient and effective solution to the sale of the Factory. The Petitioners and the Monitor are committed to supporting the Qingyuan Government's requests. Edmund Ho (in his capacity as lead representative for the Petitioners in the PRC), with the support of Edmund Yeung of the Monitor's Hong Kong office, will work closely with the Qingyuan Government as required to ensure the sale of the Factory on mutually beneficial terms.

16. Once the Factory Equipment and Inventory have been sold the net sale proceeds will be utilized to fund the Scheme of Arrangement in Hong Kong (the "Scheme"). Any surplus sale proceeds and any dividend received by the Petitioners as a result of the Scheme will be used by the Petitioners to make a distribution to Creditors under the terms of the Plan.

17. The sale of ACI's former business premises at 12051 Riverside Way, Richmond, British Columbia (the "Property") to PGR Holdings Inc. ("PGR") for the sum of \$8,400,000 closed on March 31, 2008. The Petitioners leased the Property for a period of 60 days at a cost of \$10 per month. From the sale price of \$8,400,000 there was a \$500,000 holdback pending PGR being satisfied with the condition of the Property on June 15, 2008.

18. The Petitioners have spent a considerable amount of time and effort preparing the Property for hand-over to PGR.

19. On June 16, 2008, the Monitor received the sum of \$401,823.57 from PGR on account of the holdback. These monies are available for distribution under the terms of the Plan. The status of the remaining \$100,000, which represents the alleged value of some missing software, is presently the subject of negotiation between the Petitioners and PGR.

20. In order to realize the maximum return for its Creditors, the Petitioners expect to terminate the remaining employees in Canada effective on or before June 30th.

21. ACI has approximately \$250,000 invested in a private toy manufacturer called CIDE located in Spain. The Monitor has spoken with Dr. Bravo, one of the owners of CIDE, to inquire about realizing ACI's investment in CIDE. Dr. Bravo has referred the Monitor to CIDE's legal advisors to discuss what is required under Spanish law to realize on this investment. The Monitor will continue with discussions to realize on this investment.

22. Under the provisions of the British Columbia *Business Corporations Act* (the "BCBCA"), ACI is required to hold an Annual General Meeting of Shareholders by August 22, 2008 (the "AGM"). In addition, under the provisions of the BCBCA, the directors of ACI are required to place before the AGM audited, consolidated annual financial statements of ACI. After speaking to the Monitor and the solicitors for the Petitioners, I believe the cost of holding the AGM and preparing the required consolidated financial statements will be approximately

\$250,000. I do not see a purpose of having AGM incurring the cost of preparing these financial statements until the Plan has been implemented and we know if there will be a recovery for the shareholders of ACI. In the meantime, I believe the time and resources of the Petitioners will be more usefully employed on implementing the Plan.

23. In order to avoid the time and costs involved with complying with securities regulation for a company that does not have an operating business, I request permission from the Court to apply to the Toronto Stock Exchange to have the trading of the common shares of ACI suspended from trading and to be delisted following the Effective Time, as defined in the Plan. I believe this is appropriate for two main reasons. First, I believe it is in the interest of the protection of the public. Anyone purchasing common shares of ACI will be purchasing without full knowledge of the state of ACI because it has not been and is unable to comply with its continuous disclosure obligations. Second, the legal and other costs associated with ACI's compliance with the listing requirements of the TSE and payment of annual listing fees, which are approximately \$35,000 per annum, will reduce the amount of money available to creditors and other stakeholders:

24. With the termination of virtually all of the employees of the Petitioners, and in order to reduce the time and costs required to maintain information on the Petitioner's website, from July 1, 2008 the Petitioners propose to only provide on its website a link directing interested parties to the website on the CCAA proceeding maintained by the Monitor. Information pertaining to the CCAA proceeding as well as Press Releases will be freely available on the Monitor's website. In addition, Press Releases will be available on SEDAR, the System for Electronic Analysis and Retrieval.

25. After speaking to the current Board of Directors and officers of the Petitioners, I can advise this Honourable Court that they are only prepared to continue as directors and officers of the Petitioners if they continue to receive adequate protection from the Court for performing these roles.

26. The current Board of Directors and officers of the Petitioners will continue to operate in good faith and with due diligence with respect to the implementation of the Plan. We

remain committed to fulfilling the terms of the Plan to ensure a maximum recovery for all Creditors and Stakeholders.

D. THE PLAN IS FAIR AND REASONABLE

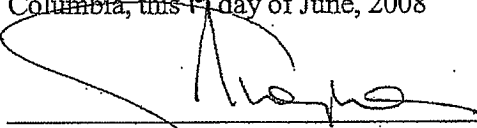
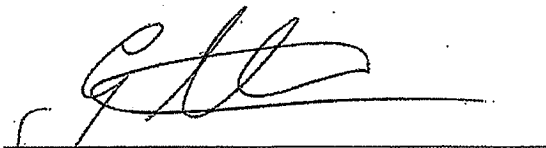
27. Since the Initial Order, the Petitioners have proceeded in good faith and with due diligence in facilitating an orderly liquidation of their assets, on a consolidated basis, with a view to maximizing the recovery for the benefit of their Creditors and other Stakeholders.

28. I believe that the Plan is fair, reasonable and in the best interests of Creditors and will result in a greater recovery to stakeholders than will result from the bankruptcy of the Petitioners.

29. I understand that the Monitor is of the opinion that the Plan is fair and reasonable and in the best interest of the Creditors as a whole.

30. For these reasons, the Petitioners respectfully request this Honourable Court sanction the Plan and grant the other ancillary relief requested by it.

SWORN BEFORE ME at the City of)
Vancouver, in the Province of British)
Columbia, this 19 day of June, 2008)
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A Commissioner for taking Affidavits)
for British Columbia)


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Greg Allen

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GT/ (551155/000018)

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