

October 19, 2009

[REDACTED]
[REDACTED]
[REDACTED], ON [REDACTED]

Dear Sir:

RE: [REDACTED] (the Company) located at [REDACTED], Vancouver, BC

As requested by yourself and based on discussions with Mr. [REDACTED] of [REDACTED], we provide the following appraisal of the assets of the Company at the location mentioned above. The purpose of this appraisal is to provide a second opinion of value to be used for future lending purposes.

We were provided with a copy of an earlier appraisal prepared by [REDACTED] in January 2009 and have used this document only for the information pertaining to asset description in an effort to provide a cost effective report. We understand that you are currently working with the [REDACTED] and we expect to make amendments to this report as necessary over the coming days.

On October 14, 2009, I personally viewed the assets as indicated above and provide a detailed listing with appraised values attached with this letter as Appendix A. The assets of the Company consist of commercial [REDACTED] production equipment, packaging equipment, compressors/boiler, forklifts, racking, shelving, lab equipment, surplus production equipment, storage containers and office furnishings and equipment.

From our inspection and discussions with [REDACTED] (current CEO) and [REDACTED] (Production Manager), the installed equipment appears to be well maintained and in good to excellent working condition. We have not verified the operational condition of any pieces of equipment and assume that any information that has been provided to us is accurate. In cases where model numbers were not visible, we have relied on the information contained in the [REDACTED] appraisal. We did notice some small reporting errors in this appraisal and have reported our description of assets as accurately as possible based on the scope of our engagement. This scope was outlined to provide a cost effective second opinion of value by using the existing information contained in the [REDACTED] appraisal. Additionally, as per the scope of our engagement, we have provided aggregate values for certain secondary assets and parts inventories.

Stated Values

Timeline Asset Services states values as provided in the summary below and detailed in attached Appendix A. As requested, we have provided Orderly Liquidation Value 90 to 180 days (OLV) and Market Value in Place (MVIP).

<u>Description</u>	<u>OLV 90-180 days</u>	<u>MVIP</u>
Company-Owned Assets		
-Warehouse/ [REDACTED] Services/ [REDACTED]	61,675	93,600
- [REDACTED]	108,450	172,300
-Packaging/Assembly	174,750	335,375
-PD/QC/ [REDACTED] /Label Control/Offices	20,760	34,750
-Cardboard Storage/Yard/Storage	85,100	107,800
Company-Owned Assets Total	\$450,735	\$743,825

Terms of this Report

OLV 90-180 days represents an opinion of value to be realized for the assets at a properly advertised orderly wind down of the Company's operations. We have based our reporting of this value on a liquidation period of up to 180 days from time of possession. The major assets of the Company would be offered for sale en bloc or as part of a going concern operation to competitors within the industry and related industries through direct marketing and a negotiated sales process. Any remaining assets would be sold at auction at the conclusion of this targeted liquidation process. Given the high replacement value of this equipment, we believe that this timeframe would allow for a Liquidator to sell all the assets through this negotiated sales process and minimize the exposure often experienced with an auction.

MVIP represents an opinion of value to be realized for the assets as installed or in place for their intended use at the current location. This value, while reported on an individual basis, does take into consideration the assets as part of an operating entity as offered for sale en bloc. In reporting the MVIP for certain installed assets we have given consideration to the costs associated with the installation of these assets for their intended use.

In all values stated above, we take into account the quantity, quality and condition of product and the saleability and marketability of the assets. These values are stated in Canadian funds and do not consider costs associated with sales or removal. Please note that the isolation of any single element as the sole basis of comparison to the whole appraisal may be inaccurate. These values provided above can be strongly affected by fluctuations in market conditions, time available and method of sale.

Exclusions

For purposes of this report we did not value any employee-owned personal property. Nor did we value any inventory, finished goods, raw materials, consumables, packaging materials or leased/third party assets including photocopier and barcode equipment.

Restrictions

The contents of this report and any appendices are confidential and intended for use only by the addressee named above and other parties who are duly authorized.

Limitations

We did rely on the [REDACTED] appraisal conducted in January 2009 for description of assets and certain model and serial numbers where physical confirmation was not possible.

Appraiser's Qualification Statement

Since 1988 Michael Collins has been employed in the auction and liquidation industry and is an accredited Member in Good Standing of the Canadian Personal Property Appraisers Group (CPPAG).

Through employment with Jarvis Auctions, Timeline Sales and Timeline Asset Services, he has performed hundreds of appraisals across companies of all sizes. He has appraised a wide variety of assets and inventories (finished/unfinished goods and raw materials) across many industries including, but not limited to: metal and wood working; manufacturing and production; restaurant and food services; warehouse and material handling; rolling stock and vehicles; commercial printing and graphic design; logging and lumber; construction; mining and tunnelling; laboratory and research testing; office and computer products; and retail outlets.

These appraisals have been prepared for insolvency and restructuring professionals, major accounting firms, banks and lending institutions, lawyers, insurance companies, government institutions, private companies and individuals across Canada.

As a commercial auctioneer and appraiser, he constantly tracks market trends in all industries and has substantial research relationships and resources at his disposal; this enables him to prepare detailed, accurate appraisal reports.

Should you have any questions concerning the above, please contact our office.

Yours truly,

Timeline Asset Services Ltd.

Michael Collins, CPPA

Encl. -Appendix A

Appendix A

Asset Listing and Appraisal of:

██████████ (the Company)

Location of Assets:

- ██████████, Vancouver, BC

Notes:

This Appendix accompanies an appraisal report prepared for ██████████. The assets of the Company were viewed by Michael Collins, CPPA on October 14, 2009.

This Appendix should be read in conjunction with the appropriate appraisal report that explains specific definitions of values and details the scope of the reporting.

	Location and Description	Orderly Liquidation Unit Value	Orderly Liquidation Value	Market Value in Place Unit Value	Market Value in Place	Model	Serial No.
	Warehouse						
	<i>Warehouse</i>						
	- Komatsu electric forklift with charger	13,500	13,500	17,500	17,500		
2	- pallet jack	200	400	325	650		
	- Coldstream 2 dr. freezer	1,000	1,000	2,000	2,000	RFSC48AL	
	- Coldstream 2 dr. cooler	800	800	1,200	1,200	RSCP48GSAL	
	- Jenn-Air fridge	400	400	600	600		
	- Toledo 1,600 lb. capacity dial box scale	700	700	1,200	1,200	2181	
	- janitorial room/spill kit/first aid	500	500	1,000	1,000		
	- E-Z-Rect shelving consisting of 4-8 ft. free standing bays, 1-7 ft. 6 bay run, 2-8 ft. 2 bay runs, 1-7 ft. 2 bay run and 6-7 ft. free standing bays	1,750	1,750	3,000	3,000		
	- pallet racking consisting of 3-8 ft. 4 bay runs, 4-8 ft. free standing bays, 1-8 ft. 2 bay run, 1-12 ft. 3 bay run and 1-12 ft. free standing bay	3,300	3,300	7,000	7,000		
	- chain link fence	2,000	2,000	3,000	3,000		
	- assorted furnishings, light duty shelving, bug light and secondary assets	2,000	2,000	3,500	3,500		
	- Ohaus 3000 series digital scale, aaaweigh.com digital scale, Mettler Toledo Viper digital scale	1,000	1,000	1,500	1,500		
	- Fairview Conveyor 8 ft. conveyor	900	900	1,500	1,500		
	- contents of machine shop including drill press, grinder, tools and tooling	2,200	2,200	3,500	3,500		
	- Universal labeler	600	600	1,000	1,000		
	- stainless steel single deep sink	850	850	1,500	1,500		
	- assorted parts inventory and equipment for repair and maintenance	2,500	2,500	3,500	3,500		
	- 3-M Matic case sealer	1,000	1,000	1,500	1,500	200A	
4	- baker's rack with pans	200	800	250	1,000		
	- Sullair air compressor	11,500	11,500	18,500	18,500	ES-8	n/a
	- Hankison air dryer	850	850	1,500	1,500	HPRP75-115	
	- Delivbiss air dryer and various air line	1,250	1,250	2,500	2,500		
	- AO Smith commercial hot water tank	750	750	1,000	1,000		
	- barrel equipment and maintenance tooling	9,500	9,500	12,000	12,000	VGA-400-INT	
	- Ohaus 60 kg. x .01 kg digital scale	200	200	300	300		
	- Mettler Toledo digital scale	300	300	450	450	Viper SM30	
	- stainless steel prep table	400	400	500	500		
	- noticeboards and misc.	125	125	200	200		
	Sub total Warehouse		<u>61,675</u>		<u>93,600</u>		

	Location and Description	Orderly Liquidation Unit Value	Orderly Liquidation Value	Market Value in Place Unit Value	Market Value in Place	Model	Serial No.
	Location 2						
	- Assembly station (DESCRIPTION DELETED)	82,500	82,500	125,000	125,000		
	-	3,000	3,000	4,500	4,500		
	- water purification system with controls and lines (DESCRIPTION DELETED)	3,000	3,000	4,500	4,500		
	- 500 kg. open stainless steel jacketed tank with mixer	900	900	1,500	1,500		
	- 300 kg. open stainless steel jacketed tank with mixer	750	750	1,200	1,200		
2	-	375	750	600	1,200		
	-	3,000	3,000	5,500	5,500		
	- package of 5 washdown pumps and fluid transfer pumps	3,000	3,000	4,000	4,000		
	- 10 hp. portable homogeniser	2,000	2,000	3,000	3,000		
	-	1,000	1,000	1,500	1,500		
	- stainless steel shelving, 8 ft. stainless steel table, assorted stainless pots and supplies on mezzanine	2,250	2,250	3,500	3,500		
	- Heidolph stirrer/mixer with Caframo stand	300	300	400	400	RZR1	
	- stainless steel deep sink with sprayer	1,000	1,000	1,500	1,500		
	- water and air sanitization system for air, floor and door systems including controls, lines and applicators	1,500	1,500	2,500	2,500		
	- connecting lines for water, air and electrical	3,500	3,500	12,500	12,500		
	Sub total Location 2		<u>108,450</u>		<u>172,300</u>		
	Packaging/Assembly						
	<i>Packaging</i>						
	Simplex table top single head filler on stand	1,200	1,200	2,000	2,000	AS-1	
	- 8 step rolling warehouse ladder with material handling dollies and carts	1,000	1,000	1,500	1,500		
	-	2,000	2,000	2,750	2,750	CM01HP	
	- 3 Ohaus digital scales	900	900	1,400	1,400	various	
	- bottling line (DESCRIPTION DELETED)	95,000	95,000	155,000	155,000	various	retained
	-	2,000	2,000	4,500	4,500	WMT-80	
	- Carrier air conditioning system with venting and ducting	7,500	7,500	25,000	25,000		
	- electrical upgrades and lines	7,500	7,500	35,000	35,000		
	- 5 stainless steel tables, 2 racks and carts	2,250	2,250	3,000	3,000		
	- stainless overhead feed lines	7,500	7,500	22,500	22,500		
	-	4,000	4,000	6,500	6,500	5A	
	- AM Tech ultrasonic welder for crimping	1,250	1,250	2,000	2,000		
	- single head filler and misc. equipment not in use	800	800	1,000	1,000		

	Location and Description	Orderly Liquidation Unit Value	Orderly Liquidation Value	Market Value in Place Unit Value	Market Value in Place	Model	Serial No.
	<i>Assembly</i>						
	-	6,750	6,750	9,500	9,500	2000-R	
	- Fairview 6 ft. conveyor	800	800	1,200	1,200		
	- Simplex stainless steel rotary table	1,350	1,350	2,000	2,000		
	- Simplex 8 ft. conveyor	1,000	1,000	1,750	1,750		
	- 4 ft. stainless prep table	250	250	375	375		
	- Fairview 4 ft. conveyor	600	600	900	900		
	- Simplex stainless steel rotary table	1,350	1,350	2,000	2,000		
	-	6,250	6,250	8,500	8,500	A100	
	-	650	650	1,000	1,000		
	- Diagraph Linx inkjet printer	3,250	3,250	4,500	4,500	4200 series	
	- 500 kg. ribbon blender	2,250	2,250	3,000	3,000		
	-	5,000	5,000	6,000	6,000	B400	
	- Universal labeler	600	600	1,000	1,000		
	- Universal labeler	600	600	1,000	1,000		
	- 3M Case sealer with nestaflex runout conveyor	1,750	1,500	2,500	2,500	120A	
	- 3M Case sealer with nestaflex runout conveyor	750	750	1,000	1,000	200A	
	- pallet racking consisting of 1 free standing bay and 1 double bay run	700	700	1,000	1,000		
	- assorted racking, fans, a/c unit, bug light & misc.	700	700	1,000	1,000		
	- electrical upgrades	7,500	7,500	25,000	25,000		
	Sub total Packaging/Assembly		<u>174,750</u>		<u>335,375</u>		
	PD/QC/Label Control/Offices						
	<i>Product Development</i>						
	- Ika Works lab mixer	150	150	200	200	RW20	
	-	200	200	250	250		
2	- Corning stirrer/hotplate	75	150	125	250		
	- VWR Symphony pH meter	125	125	150	150	5B20	
	- Kitchenaid mixer	125	125	200	200		
	- Mettler electronic balance	300	300	400	400	PM4000	
	- vacuum pump	275	275	350	350		
	- computer equipment and office furnishings	1,250	1,250	2,000	2,000		
	- Maytag fridge	200	200	250	250		
	- cabinets and shelving	750	750	1,500	1,500		
	- Cent-o-gram balance and assorted lab supplies	400	400	700	700		
	- 4 ft. stainless steel table	225	225	300	300		
	- 4 ft. stainless steel table	250	250	350	350		
	- 8 ft. stainless steel table	600	600	900	900		
	<i>Quality Control</i>						
	- Brookfield viscometer	200	200	300	300	RVF	
	- VWR pH meter	100	100	125	125	2000	
	- Ohaus electronic balance	300	300	400	400	Adventurer SL AS153	
	-	1,000	1,000	2,500	2,500		
	- Chicago lab chamber	125	125	200	200		
	- Lab-Line incubator	125	125	200	200	Imperial II	
	- Thelco lab chamber	75	75	125	125		
	- Diplomat bar fridge	60	60	100	100		

	Location and Description	Orderly Liquidation Unit Value	Orderly Liquidation Value	Market Value in Place Unit Value	Market Value in Place	Model	Serial No.
	- Corning stirrer/hotplate	75	75	125	125		
		750	750	1,000	1,000		
	- Mettler scale	150	150	200	200	P162	
	- small balance scale and assorted lab supplies	150	150	200	200		
9	- 6 ft. storage rack	75	675	125	1,125		
3	- 2 bay run of 7 ft. E-Z-Rect shelving	225	675	300	900		
	- assorted wall mounted shelving	500	500	750	750		
	- assorted wall mounted glass display shelving	500	500	600	600		
	<i>Label Control</i>						
	- Abacus label counter	300	300	400	400	n/a	
	- label printer with computer system	500	500	700	700		
	<i>Offices</i>						
	- assorted office and lunchroom furnishings upstairs	4,500	4,500	8,000	8,000		
	- assorted office and computer equipment upstairs	5,000	5,000	9,000	9,000		
	Sub total PD/QC/Label Control/Offices		<u>20,760</u>		<u>34,750</u>		
	Cardboard Storage/Yard/Storage						
	<i>Cardboard Storage</i>						
	- triple bay run of pallet racking	600	600	1,000	1,000		
5	- single bay run of pallet racking	1,000	5,000	300	1,500		
	<i>Yard</i>						
2	- Devilbiss 5 hp compressor	1,500	3,000	2,000	4,000		
	- 5 hp vacuum pump	2,250	2,250	3,000	3,000		
	- Komatsu 4,000 lb. capacity propane forklift with sideshift	10,000	10,000	12,500	12,500		
	- 40 ft. seacan storage container	3,250	35,750	4,000	44,000		
	<i>Storage</i>						
		12,500	12,500	17,500	17,500		
		5,000	5,000	8,000	8,000		
3	- production conveyor	1,000	3,000	1,500	4,500		
	- Simplex stainless steel rotary table	1,350	1,350	2,000	2,000		
		300	300	400	400		
	- package of 5 assorted stainless steel tank and 1 poly tank	1,800	1,800	2,500	2,500		
	- 300 litre stainless steel jacketed tank with mixer	750	750	1,000	1,000		
		900	900	1,250	1,250		
	- box scale	150	150	250	250		
		850	850	1,500	1,500		
2	- Kalish bottle cleaner	450	900	700	1,400	6550	
	- misc. equipment and parts	1,000	1,000	1,500	1,500		
	Sub total Cardboard Storage/Yard/Storage		<u>85,100</u>		<u>107,800</u>		
	Asset Total		<u><u>450,735</u></u>		<u><u>743,825</u></u>		