



Court File No. 09-8321-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
INTERWIND CORP.**

**SEVENTH REPORT OF THE MONITOR
Dated December 23, 2009**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
INTERWIND CORP.**

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INTRODUCTION

1. By Order of this Honourable Court granted August 12, 2009 (the “Initial Order”), Interwind Corp. (formerly known as SkyPower Corp.) (“Interwind” or the “Company”) obtained relief under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the “CCAA”) which, among other things, provided for the appointment of KPMG Inc. as Monitor of Interwind (the “Monitor”).
2. The Initial Order provides for an initial stay of proceedings against Interwind until and including September 11, 2009, or such later date as ordered by this Honourable Court (the “Stay”). The Initial Order also provides that the Stay shall extend to proceedings in respect of Fermeuse Wind Power Corp. (“Fermeuse”), SunE Sky First Light LP (“SunE Sky”) and SkyPower Lite Corp. all of which are subsidiaries and/or related companies to Interwind.
3. Pursuant to the terms of the Initial Order, the Company was to apply to Court on or before August 20, 2009 for approval of an expedited sales process. On August 20, 2009, The Honourable Madam Justice Pepall made an endorsement amending the Initial Order and extending the date for approval of an expedited sales process to August 25, 2009.
4. On August 25, 2009, Interwind sought and obtained approval of the following:
 - (a) a key employee retention plan (“KERP”) designed to provide incentive to senior management and selected other key employees of Interwind to continue to serve Interwind during its restructuring under the CCAA;
 - (b) security for the KERP by way of a fourth charge on all Property, after the Administration Charge, the Director’s Charge and the DIP Lender’s Charge;
 - (c) a sealing order in connection with the KERP arrangements; and
 - (d) an amendment of paragraph 13 of the Initial Order to provide for a stay against Fermeuse, SunE Sky and SkyPower Lite Corp. These entities were included in paragraphs 14, 15, 16 and 17 of the Initial Order that provided that parties could not exercise rights or remedies against them but were inadvertently excluded from the paragraph providing for a stay of proceedings.
5. In light of the concerns raised by the Project Lenders, the stay of proceedings with respect to the Project Lenders was limited only so as to stay them from exercising their remedies that arise as a direct result of Interwind’s insolvency, Interwind’s proceedings under the CCAA, and the creation of the DIP Lender’s Charge. In addition, the DIP Lender’s Charge was made subordinate to the share pledges in favour of the Project Lenders with the consent of the DIP Lender.
6. On August 25, 2009, this Honourable Court also made an endorsement recognizing the reservation of the rights of the Project Lenders and SunEdison LLC to oppose any transfer of the equity interests held by Interwind in Fermeuse, SunESky and SunE Sky GP First Light Ltd.

7. On August 25, 2009, Interwind sought and obtained approval to commence a marketing and sales process ("Sales Process") and an Order ("Sales Process Order") which provided for, inter alia, approval of the following:
 - (a) a Sales Process Protocol for the purpose of offering the opportunity for potential interested parties to purchase the Company's Development Business and its XLE Turbines;
 - (b) the engagement of Marathon Capital, LLC ("Marathon") to assist in the Sales Process; and
 - (c) a charge in favour of Marathon to secure Marathon's transaction fees with such charge ranking fifth, after the Administration Charge, the Directors' Charge, the DIP Lender's Charge and the KERP Charge.
8. On September 3, 2009, Interwind sought and obtained approval of the following:
 - (a) an extension of the stay of proceedings against Interwind, Fermeuse, SunE Sky and SkyPower Lite Corp. until and including October 31, 2009; and
 - (b) authorization to draw up to a maximum of CAD \$11.4 million under its DIP Financing.
9. On September 25, 2009, Interwind moved to prevent the registration of liens by Golder Associates Ltd. ("Golder"). Interwind's motion was disposed of on consent. The Court ordered that Golder was deemed to have preserved and perfected claims for lien under any applicable construction lien statutes. This deemed preservation and perfection was without prejudice to any arguments that any party may advance regarding the validity, invalidity or enforceability of such liens, save and except for any arguments relating to their deemed preservation and perfection.
10. On October 27, 2009, Interwind sought and obtained approval of the following:
 - (a) an extension of the stay of proceedings to November 30, 2009; and
 - (b) the Solar Purchase Agreement with 1495359 Alberta ULC ("1495359") dated as of October 14, 2009 for the sale of Interwind's solar business to 1495359, a company related to the DIP Lender.
11. On November 5, 2009, Jacques Whitford Stantec Limited ("JW Stantec") sought and obtained an order to lift the stay of proceedings for the sole and limited purpose of permitting the perfection of the construction liens that were preserved by JW Stantec on September 25, 2009.
12. On November 18, 2009, Interwind sought approval of the following :
 - (a) the sale to 3240384 Nova Scotia Limited, a subsidiary of Emera Incorporated ("Emera") of Interwind's interest in the capital stock of Scotian Windfield Partners Corp. ("SWPC") and certain of its wind project assets (the "Emera Transaction"); and

- (b) the sale to Elemental Energy Inc. of all of the issued and outstanding shares in the capital of Fermeuse and all of Interwind's rights, title and interest under the administrative services agreement between Interwind and Fermeuse dated June 30, 2009 (the "Elemental Transaction").
13. Court approval of the Emera Transaction was obtained on November 18, 2009. The portion of the Company's motion seeking approval of the Elemental Transaction was adjourned to November 20, 2009.
14. On November 20, 2009, the Company obtained approval of the Elemental Transaction.
15. On November 27, 2009, the Company sought an order pursuant to the *Construction Lien Act*, R.S.O. 1990, c. C.30 to, among other things, vacate the registrations of Claim for Lien and Certificate of Action against certain lands and premises by JW Stantec. An order was issued and entered on November 30, 2009 granting the relief requested.
16. On November 30, 2009, Interwind sought and obtained approval of the following:
- (a) An extension of the stay of proceedings in respect of Interwind and Fermeuse to and including January 29, 2010;
 - (b) Certain amendments to the Company's debtor-in-possession facility with CIM Group;
 - (c) Certain amendments to a sales process in respect of Interwind's wind development business;
 - (d) Amended terms in respect of the engagement of Marathon; and
 - (e) An amendment to the KERP.
17. On December 21, 2009, Interwind sought and obtained approval of the following:
- (a) the sale to a newly incorporated, wholly-owned subsidiary of the Company ("Acquisition Co.") of: (i) certain non-turbine equipment; (ii) a lease agreement between Terrawinds Resources Corp. (currently Interwind) and Ferme Janoel S.E. N.C. dated October 13, 2006, relating to the land on which Interwind's Main Power Transformer 230 kV-34.5 kV is situated and (iii) certain warehouse arrangements relating to the non-turbine equipment (the "Asset Purchase Transaction");
 - (b) the subsequent sale to EnXco Service Corporation of the shares of Acquisition Co. (the "Share Purchase Agreement");
 - (c) an amendment to the Approval and Vesting Order dated November 18, 2009 in respect of the Emera Transaction; and
 - (d) an amendment to the Approval and Vesting Order dated November 20, 2009 in respect of the Elemental Transaction.
18. Other relevant information and documentation related to the Company's CCAA proceedings and its Chapter 15 Proceedings has been posted on the Monitor's website at www.kpmg.ca/interwind (the "Monitor's Website").

PURPOSE OF REPORT

19. The purpose of this Seventh Report of the Monitor is to provide this Honourable Court with the following information:
 - (a) A status update on the Company's DIP Financing;
 - (b) A status update on the Sales Process including the Amended Wind Development Sales Process, the Emera Transaction and the Elemental Transaction;
 - (c) The Company's request for approval of the Turbine Purchase Agreement;
 - (d) The Company's request for approval of an interim distribution to HSH Nordbank AG, New York Branch, as Collateral Agent (the "HSH Bank Syndicate") on the closing of the Turbine Purchase Agreement;
 - (e) The security opinions prepared by the Monitor's legal counsel, Borden Ladner Gervais LLP ("BLG"), in connection with the security held by the HSH Bank Syndicate and Lehman Brothers Holdings, Inc. ("Lehman"); and
 - (f) The Monitor's recommendations to this Honourable Court.

TERMS OF REFERENCE

20. The information contained in this Seventh Report has been obtained from the books and records and other financial information made available by the Company and is based upon discussions with, and representations made by, Interwind's management ("Management") and its legal counsel. The accuracy and completeness of the financial information contained herein has not been audited or otherwise verified by the Monitor or KPMG LLP nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Company. Accordingly, the Monitor does not express an opinion or any other form of assurance on the information presented herein. The Monitor reserves the right to refine or amend its comments and/or findings as further information is obtained or is brought to its attention subsequent to the date of its Seventh Report.
21. The Monitor's counsel, BLG, along with counsel from other jurisdictions, including Dorsey & Whitney LLP ("Dorsey"), provided opinions and advice to the Monitor in connection with the security granted by Interwind to the HSH Bank Syndicate and to Lehman. The security opinions given by these counsel are subject to the ordinary qualifications and assumptions typical of security opinions given in insolvency and restructuring matters. The security opinions are not appended to this Seventh Report. Copies will be available for the Court's review at the hearing on January 8, 2010.
22. Capitalized terms not defined in this Seventh Report are as defined in the Sixth Report of the Monitor and/or as defined in the Initial Order.
23. Unless otherwise noted, all dollar amounts referred to herein are expressed in Canadian dollars.

DIP FINANCING

24. As discussed in the Fifth Report, Interwind sought to extend its DIP Financing beyond the original maturity date of November 30, 2009. A DIP Financing Amendment Letter was entered into that provides, among other things, for the following:
- (a) the maturity date is changed from November 30, 2009 to January 8, 2010 with the ability to further extend the maturity date to January 29, 2010;
 - (b) Interwind must deliver written notice to the DIP Lender on or before December 18, 2009 (“Notification Date”) to extend the maturity date from January 8, 2010 to January 29, 2010; and
 - (c) an extension of the maturity date to January 29, 2010 is conditional upon Interwind reducing the principal amount of its indebtedness to the DIP Lender to US\$10 million on or before January 8, 2010 and paying an extension fee of US\$240,000.
25. Interwind obtained an extension of the Notification Date to December 21, 2009 from the DIP Lender as it expected the Elemental Transaction to close on December 21, 2009. In consideration for the extension of the Notification Date, Interwind paid a fee of US\$120,000, to be credited against the US\$240,000 extension fee if Interwind subsequently exercised the extension option. The extension of the Notification Date and the payment of the extension fee were agreed to by the Secured Lenders.
26. With the closing of the Elemental Transaction, the Company is of the view that it will have adequate cash proceeds to continue to fund its obligations to January 29, 2010 without DIP Financing. The Elemental Transaction closed on December 22, 2009 and Interwind did not seek a further extension to the maturity date of the DIP Financing. The Company also intends to pay the entire amount owing under its DIP Financing in the near term.

SALES PROCESS

Sales Process Protocol

27. As indicated in the Monitor’s Second Report, the Sales Process and Sales Process Protocol established by this Honourable Court, effective August 25, 2009, involved a dual sale strategy to be adopted by the Company for the sale of the Development Business and the XLE Turbines. Binding offers to purchase either class of assets were to be submitted by October 5, 2009 with completion of the sales of the XLE Turbines and the Development Business by October 30, 2009 and November 16, 2009, respectively.
28. Pursuant to the terms of the Sales Process Order, this Honourable Court also ordered that the Company be authorized and directed to engage Marathon to assist in the Sales Process in accordance with the Sales Process Protocol. Marathon’s engagement and the Sales Process commenced August 27, 2009 and was amended pursuant to Court Order dated November 30, 2009 to allow for a varied and expedited sales process which involves additional work required to market for sale the remaining Wind Development Assets (refer to paragraphs 33 to 35 below).

29. To date, four transactions involving the Solar Development and Operating Assets, the Digby Wind Project Assets, the Fermeuse Assets and the Non-Turbine Equipment Assets have been approved by the Court.
30. The transaction involving the Solar Development and Operating Assets closed on November 20, 2009. The Elemental Transaction involving the Fermeuse Assets closed on December 22, 2009.
31. The Emera Transaction and the Non-Turbine Equipment Transactions have not yet closed.
32. As advised in the Sixth Report, certain assets included in the Non-Turbine Equipment namely, a power transformer substation situate on the lands subject to the Lease, may be subject to a proprietary claim by ABB Inc. ("ABB") on account of unpaid amounts owing to ABB in relation to a dispute over late delivery penalties. The Monitor has since been advised by counsel for Interwind that a settlement has been reached between the Company, ABB and Terrawinds that is in the process of being documented.

Amended Wind Development Sales Process

33. By Order of this Honourable Court dated November 30, 2009, the Court ordered that the Sales Process Protocol approved pursuant to the Sales Process Order of August 25, 2009 be varied to provide for a separate, expedited process for the sale of the Wind Development Business (the "Amended Wind Development Sales Process"). The particulars of the Amended Wind Development Sales Process are summarized in the Monitor's Sixth Report
34. Interwind and Marathon, in consultation with the Monitor and the Secured Lenders, continue to negotiate the terms of a potential transaction involving the Wind Development Business with a select number of prospective purchasers. Notwithstanding a final bid date and execution date of December 21, 2009, a definitive agreement has not yet been entered into by Interwind. The Monitor understands that a number of interested parties have submitted expressions of interest and/or indicative offers for the purchase of the Wind Development Business.
35. The Monitor will provide this Honourable Court with a further update on the status of a potential transaction in respect of the Company's Wind Development Business in January 2010.

PROPOSED XLE TURBINE TRANSACTION

36. As part of the general Sales Process, the Company received 18 bids for its GE 1.5 XLE wind turbines, accompanying towers and related property (the "XLE Turbines"). As of November 16, 2009, which was the initial deadline under the general Sales Process for completion of a sale of the XLE Turbines, an acceptable purchase and sale agreement was not negotiated despite the Company's efforts in this regard. Subsequent to November 16, 2009, the Company entered into exclusive negotiations with one prospective buyer of the XLE Turbines, Invenergy Turbine L.P. ("Invenergy"), and has been working diligently to negotiate a purchase and sale agreement with Invenergy. After extensive consultation with the Monitor and the Secured Lenders, Interwind and Marathon concluded the negotiation of an XLE Wind Turbine Purchase Agreement as of December 16, 2009 with Invenergy (respectively, the "Turbine Purchase Agreement" and the "XLE Turbine Transaction").

37. The key terms of the Turbine Purchase Agreement include, *inter alia*:

- (a) the Purchased Assets, as defined in the Turbine Purchase Agreement, consist of:
 - (i) 134 GE 1.5 XLE wind turbine generating units together with towers and all components relating thereto;
 - (ii) Storage arrangements, leases and such other documentation and/or agreements in respect of storage, maintenance and security of the XLE Turbines (the “Storage Arrangements”), and
 - (iii) If and to the extent elected by Invenergy, an assignment of a turbine supply agreement and operations and maintenance agreement dated as of November 30, 2005 between Interwind and GE (the “GE TSA”).
- (b) The subject transaction is an “as is where is” transaction with limited representations and warranties;
- (c) The transaction is conditional upon, *inter alia*:
 - (i) An Approval and Vesting Order being granted by this Honourable Court and such Order becoming final and a Recognition Order by the United States Bankruptcy Court for the District of Delaware and the Superior Court of Quebec, recognizing the Approval and Vesting Order;
 - (ii) An Order being made, at the same time as the Approval and Vesting Order, that the proceeds of sale be paid or distributed to the HSH Bank Syndicate without condition;
 - (iii) All instruments of conveyance in respect of the Purchased Assets (as defined in the Turbine Purchase Agreement) having been received and satisfactory to Invenergy;
 - (iv) Approval under the *Competition Act*, R.S.C. 1985, c. C-34, as well as any other required governmental approvals, shall have been obtained; and
 - (v) Consent required of any storage providers to be assigned to Invenergy of any Storage Arrangements;
- (d) The Purchaser will assume all liabilities and obligations of any kind relating to the Purchased Assets or the Storage Arrangements arising on or after Closing (as defined in the Turbine Purchase Agreement), as well as any liabilities relating to the GE TSA, if assigned, arising before, on or after Closing.

38. The Monitor understands that in accordance with the terms of the Turbine Purchase Agreement, Invenergy has paid a deposit of 5% of the Purchase Price to CIBC Mellon Trust Company as Escrow Agent (the “Escrow Agent”) pursuant to a Cash Escrow Agency Agreement between Invenergy, Interwind and the Escrow Agent dated as of 16 December 2009 (the “Deposit Escrow Agreement”). The Deposit Escrow Agreement provides for the

release of the deposit two days following receipt by the Escrow Agent of the joint direction of Invenergy and Interwind.

39. It is a condition of the Turbine Purchase Agreement and of the support of the HSH Bank Syndicate to the XLE Turbine Transaction that a distribution be made to the HSH Bank Syndicate on the closing of the proposed transaction. The Monitor understands that such distribution will be included in the terms of the proposed Approval and Vesting Order being sought from this Honourable Court in respect of the XLE Turbine Transaction, as well as in a separate Order sought concurrently with approval of the XLE Turbine Transaction. Based on the affidavit of Kerry Adler, sworn in relation to the application for an Initial Order, the HSH Bank Syndicate was owed approximately \$214 million CDN by Interwind as of August 12, 2009 and Lehman was owed approximately \$36.9 million CDN by Interwind as of August 12, 2009.
40. If the Turbine Purchase Agreement is approved, the Monitor's U.S. counsel has made preparations to bring a motion in Delaware for a recognition order in respect of that approval, so that the Purchased Assets located in Minnesota may be sold and the proceeds distributed in accordance with the terms of the Turbine Purchase Agreement. The Monitor will seek a similar recognition order from the Superior Court of Quebec.
41. Based on the purchase offers or expressions of interest received by the Company and the Monitor in respect of the XLE Turbines, the Monitor undertook an independent review of all offers in respect of the Company's turbine related assets. The Monitor's comparative analysis of the competing bids or offers in respect of the subject transaction included an assessment of the following:
 - (a) the degree to which the bids or offers conformed to the bid instructions circulated to prospective purchasers;
 - (b) the degree to which bids or offers were non-binding in nature;
 - (c) the total purchase price, form of consideration (e.g. cash on closing, earn-out or participation) and the estimated net proceeds realized for the benefit of Interwind's stakeholders;
 - (d) the extent and nature of additional due diligence required to have interested parties to deliver a non-binding sales purchase agreement;
 - (e) the overall execution risk associated with closing as it relates to the ability to obtain certain required consents or conditions;
 - (f) the time required to complete the transaction; and
 - (g) the reputation and financial wherewithal of the respective purchasers.
42. The Monitor is of a view that:
 - (a) Interwind and Marathon have complied with the terms of the Sales Process Order and consistent with the objectives of the Sales Process Protocol, have undertaken a fair and

effective process in good faith with a view to maximizing realizations for the stakeholders of Interwind;

- (b) the Company and Marathon have adequately marketed the XLE Turbines that are included in and subject to the terms of the Turbine Purchase Agreement;
 - (c) the Company and Marathon have adequately consulted with the Secured Lenders, in respect of the proposed XLE Turbine Transaction and the Sales Process generally;
 - (d) the terms of the Turbine Purchase Agreement including the purchase price consideration are fair and commercially reasonable in the circumstances, are superior to all other offers in terms of the Monitor's assessment criteria and represent net realizations that would be equal to or more beneficial to creditors of Interwind than if the sale of the XLE Turbines was undertaken in a bankruptcy scenario;
 - (e) the assignments of the Storage Arrangements appear to be appropriate in the circumstances;
 - (f) the integrity of the Sales Process has been maintained and the Company has negotiated the Turbine Purchase Agreement in good faith and with regard to the interests of all stakeholders of Interwind and the directions of this Honourable Court.
43. At the request of Invenergy, Interwind has sought approval of the proposed XLE Turbine Transaction on the basis that the purchase price for the Purchased Assets not be disclosed. The Monitor supports this request and as such, has also not disclosed in this Report its analysis of the terms of competing bids, offers to purchase or expressions of interest for the XLE Turbines and/or other related assets. This information will be provided to this Honourable Court separately in advance of the hearing with a request that the summary be the subject of a sealing order.
44. Given that the purchase price has not been disclosed herein, the Monitor has not included an estimate of the net sales proceeds relating to this transaction.

SECURITY OPINIONS

45. The Monitor understands that all of the assets that will form part of the Purchased Assets in the Turbine Purchase Agreement are located in Ontario, Quebec or Minnesota. The Monitor understands that the acquisition of the Purchased Assets by Interwind was financed by the HSH Bank Syndicate. On this basis, the Monitor engaged BLG and Dorsey to review the security granted by Interwind to each of the HSH Bank Syndicate and Lehman. What follows is a summary of the advice provided in regard to each security by BLG, in respect of Ontario and Quebec law, and by Dorsey and BLG, in respect of Minnesota law.

HSH Bank Syndicate Security - Ontario

46. The Monitor is advised by BLG that the security granted by Interwind to the HSH Bank Syndicate in the Third Amended and Restated General Security Agreement dated February 22, 2008 (the "HSH Security Agreement") includes the following:

- (a) All of Interwind's right, title and interest in, to and under each TSA, a certain Equity Contribution Agreement dated February 22, 2008, the wind turbines purchased under any TSA, the other equipment purchased under the GE TSA and the other "Turbine Equipment" purchased under the Vestas TSA, and any proceeds thereof or accounts receivable due thereunder;
- (b) All of the "Project Collateral", which includes any wind lease options, leases and other rights to real property, wind data, chattel paper, contracts, documents of title, equipment, intangibles, instruments, inventory, permits and other personal property, and the proceeds thereof and accounts receivable due thereunder, owned or hereafter acquired, that comprised or formed part of one of the Company's wind energy projects in Canada; and
- (c) All dividends and distributions received by the Company, and all proceeds thereof, arising from the operating revenues of any wind energy projects in Canada that have been financed and which do not use or are only partially comprised of the wind turbines purchased under any TSA;

but does not include certain assets specifically enumerated in the HSH Security Agreement which are not relevant to the XLE Turbine Transaction. Based on the foregoing, and on information provided by the Company to the Monitor, the Monitor and BLG are satisfied that Interwind's interest in the Purchased Assets is charged by the HSH Security Agreement.

- 47. The Monitor is further advised by BLG that the HSH Bank Syndicate filed a registration under the Ontario *Personal Property Security Act*, R.S.O. 1990, c. P-10 ("PPSA") in respect of all the following categories of collateral: inventory, equipment, accounts, other and motor vehicles. The HSH Bank Syndicate's initial registration was made on July 13, 2006 and included a detailed general collateral description reflecting the scope of the HSH Security Agreement. The Monitor has been advised by BLG that the initial registration and the general collateral description contained therein under the Ontario PPSA included a sufficient description of the Purchased Assets.
- 48. Following Interwind's change of name (from "SkyPower Corp." to "Interwind Corp.") the HSH Bank Syndicate amended its registration to reflect the name change and to delete the detailed general collateral description, leaving a general registration in respect of inventory, equipment, accounts, other and motor vehicles. The Monitor has received further advice from BLG in respect of this amendment, confirming that the HSH Bank Syndicate security over the Purchased Assets is perfected by this amended registration.
- 49. The Monitor is advised by BLG that the original HSH Bank Syndicate registration against Interwind was the first in time of the existing Ontario PPSA registrations. Subsequently, other registrations were filed against Interwind in favour of: Nissan Canada Inc, Xerox Canada Ltd., Transportaction Lease Systems Inc., CBSC Capital, Fermeuse Wind Power Corp., WestLB AG, NordDeutsche Landesbank Girozentrale and Lehman Brothers Holdings Inc. With the exception of Lehman (discussed below), neither the Monitor nor BLG have reviewed the security of these other registrations, however, the Monitor has been advised by the Company's legal counsel that these latter registrations are in respect of collateral which does not include the Purchased Assets.

Lehman Security - Ontario

50. BLG has reviewed the General Security Agreement dated November 26, 2008 as between Lehman and Interwind, as amended (the "Lehman Security Agreement"), and is advised by BLG that it charges all of Interwind's interest in present and future-acquired personal property of all kinds, except property which is charged by the HSH Security Agreement. The Monitor is also advised that BLG has reviewed the Second Amended and Restated Subordination Agreement dated April 15, 2009, as between Interwind, the HSH Bank Syndicate and Lehman, in which Lehman subordinates any of its interests in Interwind property to the interests of the HSH Bank Syndicate.

HSH Bank Syndicate Security - Quebec

51. The Monitor is advised by BLG that the HSH Bank Syndicate filed a registration in the Register of Personal and Movable Real Rights ("RPMRR") in Quebec in respect of an Hypothec acquired in conjunction with the HSH Security Agreement. BLG further advises that the Hypothec is valid in respect of the movable property stated therein as being hypothecated, to the extent that such movable property constitutes corporeal movable property situated in Quebec that is not ordinarily used in more than one jurisdiction, or incorporeal movable property established in bearer form or that is published by the holding of the title exercised by a creditor that is situated in Quebec, and that the Hypothecs are validly registered.
52. The Monitor is also advised by BLG that the HSH Bank Syndicate registration in Quebec is first-in-time. Subsequently, one registration has been made in favour of Nissan Canada Inc. Although neither the Monitor nor BLG have reviewed the security agreement or Hypothec in respect of that later registration, it appears likely that it relates to specific and limited collateral.

HSH Bank Syndicate Security - Minnesota

53. BLG and Dorsey have together provided advice concerning the HSH Bank Syndicate security over those of the Purchased Assets that are located in Minnesota. What follows reflects the advice received by the Monitor from BLG and Dorsey.
54. The Monitor has been advised that as a matter of Minnesota law, subject to certain immaterial qualifications, the local law of the jurisdiction where the debtor (here Interwind) is located governs the perfection, the effect of perfection or non-perfection, and the priority of a security interest in collateral. The Monitor has been advised that for these purposes Interwind is located in Ontario. The Monitor has been advised that accordingly, the local law of the province of Ontario governs the perfection of the security interests granted by Interwind to the HSH Bank Syndicate in the property located in Minnesota. The Monitor has therefore been advised that as a matter of Minnesota law, a registration under the Minnesota Uniform Commercial Code ("MUCC") is neither necessary nor effective to perfect a security interest over those of the Purchased Assets located there. No registration was made against Interwind under the MUCC. The Monitor understands that out of an abundance of caution a registration was made against Interwind in Washington, D.C.
55. In the course of the advice provided to the Monitor by BLG, BLG noted the conflict of law rules in the Ontario PPSA provide that validity, perfection and effect of perfection or non-

perfection in a security interest in goods shall be governed by the laws of the jurisdiction where the collateral is situated at the time the security interest attaches. It is assumed that that was Minnesota. Accordingly, the Ontario conflict rules defer to Minnesota law. Minnesota law in turn provides that the local law (rather than the conflict of law rules contained in the Ontario PPSA) of the location of the debtor governs. BLG advises that, while there has been a debate amongst some commentators, the better view is that the conflict rules under the Ontario PPSA do not require the making of a UCC registration in Minnesota.

56. As already noted, the Monitor has been advised by BLG that there is a registration against Interwind in favour of the HSH Bank Syndicate in Ontario under the Ontario PPSA that applies to or covers Interwind's interest in the Purchased Assets. Again, the Monitor has been advised that Minnesota law provides that Ontario local law governs perfection and that a registration has been made against Interwind in Ontario in respect of the Purchased Assets.

Notice

57. The Monitor understands that the Company has or will give notice of the XLE Turbine Transaction and the distribution motion to all persons with registrations against Interwind or "SkyPower Corp." listed in the Ontario PPSA Registry and its equivalents in Quebec and Minnesota.

MONITOR'S RECOMMENDATIONS

58. The Monitor recommends approval of the following:
- (a) the Turbine Purchase Agreement; and
 - (b) the interim distribution to the HSH Bank Syndicate on the closing of the Turbine Purchase Agreement.

All of which is respectfully submitted to this Honourable Court at Toronto, Ontario this 23rd day of December, 2009.

KPMG INC., in its capacity as
Monitor of Interwind Corp.

A handwritten signature in black ink, appearing to read "Todd M. Martin". The signature is stylized and cursive, with a large initial "T" and "M".

Todd M. Martin
Chairman

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF INTERWIND CORP.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

SEVENTH REPORT OF THE MONITOR
(December 23, 2009)

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