



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.**

**TWELFTH REPORT OF THE MONITOR
Dated March 28, 2010**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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March 25, 2010

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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 were subsidiaries and/or related companies to Interwind.
3. Pursuant to the terms of the Initial Order, the Company was to apply to the 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 incentives 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 on September 25, 2009. 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 (the “Solar Transaction”).
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. and certain of its wind project assets (the “Emera Transaction”) as subsequently amended; 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;
 - (b) the subsequent sale to enXco Service Corporation ("enXco") of the shares of Acquisition Co. (together with (a), the "Non-Turbine Transaction");
 - (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. On December 23, 2009, KPMG Inc., as the Foreign Representative of Interwind, filed the First, Second, Third, Fourth, Fifth and Sixth Reports of the Monitor with the United States

Bankruptcy Court for the District of Delaware (the “U.S. Bankruptcy Court”) to make them available in the Chapter 15 proceedings with respect to Interwind.

19. On December 28, 2009, KPMG Inc., as the Foreign Representative of Interwind, filed its Seventh Report with the U.S. Bankruptcy Court.
20. On January 8, 2010, Interwind sought and obtained this Honourable Court’s approval of the following:
 - (a) the sale to Invenergy Turbine L.P. (“Invenergy”) of Interwind’s 134 units of GE 1.5 XLE wind turbine generating units together with towers on which such wind turbine generating units are mounted and all components thereof (collectively, the “XLE Turbines”) and, if and to the extent elected by Invenergy (i) the turbine supply agreement and operations and maintenance agreement between Interwind and General Electric Company and General Electric of Canada, Inc. and (ii) all arrangements by which Interwind obtains storage, maintenance and security of the XLE Turbines (the “Turbine Transaction”); and
 - (b) an interim distribution to HSH Nordbank AG, New York Branch, as administrative agent and collateral agent on behalf of itself, Bayerische Landesbank, New York Branch and Union Bank of California, Canada Branch (n/k/a Union Bank, Canada Branch) (the “HSH Bank Syndicate”) on the closing of the Turbine Transaction on account of turbine supply loans made by the HSH Bank Syndicate in favour of Invenergy.
21. On January 12, 2010, the Monitor sought and obtained a recognition order from the Quebec Superior Court (Commercial Division) in respect of the Turbine Transaction Approval and Vesting Order made by this Honourable Court on January 8, 2010 (the “Turbine Approval Order”).
22. On January 15, 2010, the Company sought and obtained approval of the following in connection with the sale to CPV Canada Development ULC (“CPV”):
 - (a) a declaration that enXco has no standing in the within proceedings and is not to be a party thereto, including in respect of Interwind’s motion for approval of the sale to CPV of the Company’s wind development business;
 - (b) an order that any affidavit or other material served or filed by enXco be struck; and
 - (c) an order that the materials filed by enXco and any materials filed by Interwind in response to the enXco materials be sealed pending further order of the Court.
23. On January 19, 2010, the Monitor sought and obtained the following from the U.S. Bankruptcy Court:
 - (a) a recognition order in respect of the Turbine Approval Order;
 - (b) an order to seal the confidential portions of the purchase agreement with Invenergy and the amount of the interim distribution to the HSH Bank Syndicate; and

(c) an order changing the name and caption under Chapter 15 proceedings to reflect Interwind's name change from SkyPower Corp.

24. On January 19, 2010, Interwind sought and obtained approval of the following:

- (a) the sale to CPV of Interwind's Wind Development Business (the "CPV Transaction");
- (b) the termination, discharge and release of the DIP Lender's Charge created pursuant to paragraph 34 of the Initial Order; and
- (c) an extension of the stay of proceedings in respect of Interwind to and including February 26, 2010.

25. On February 12, 2010, Interwind sought and obtained from this Honourable Court an Order Amending the Approval and Vesting Order that approved:

- (a) a Second Amendment to the Purchase Agreement (the "Second Amendment") to the CPV Purchase Agreement which allowed for a bifurcated closing of the transaction between Interwind and CPV; and
- (b) an amendment to the Approval and Vesting Order previously approved by this Honourable Court on January 19, 2010.

The first part of the amended Wind Development Business transaction closed on February 12, 2010.

26. On February 19, 2010, Interwind obtained court approval of the following:

- (a) an interim distribution in the amount of USD\$8.1 million to HSH Bank Syndicate, and such additional amounts from time to time as may be agreed between Interwind and the HSH Bank Syndicate, with the consent of the Monitor and Lehman, or pursuant to further Order of this Court;
- (b) an Order authorizing the Monitor to conduct a claims process that contemplated a call for certain claims against the directors and officers of the Company, certain post-filing claims against the Company, and the construction lien claims of Terrain Group, Jacques Whitford Stantec Limited and Golder Associates Ltd. (the "Claims Process Order"); and
- (c) an extension of the stay of proceedings to March 31, 2010.

Interwind also sought approval of a CAD\$4 million interim distribution to the HSH Bank Syndicate, which was adjourned to a future date.

27. On March 25, 2010, Interwind sought and obtained a Second Order Amending Approval and Vesting Order from this Honourable Court granting approval of a Third Amendment to the Purchase Agreement in the CPV Transaction, dated March 24, 2010 (the "Third Amendment"). The second aspect of the CPV Transaction closed on March 25, 2010. A copy of the Order approving the Third Amendment is attached hereto as **Appendix A**.

28. Interwind and the Ontario Power Authority (the "OPA") entered into a Termination and Release Agreement dated March 25, 2010 in respect of a Renewable Energy Supply III Contract dated January 14, 2009 (the "RES III Contract").
29. 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

30. The purpose of this Twelfth Report of the Monitor is to provide this Honourable Court with the following information:
 - (a) the Monitor's update on the status of the Claims Process pursuant to paragraph 19 of the Claims Process Order;
 - (b) an overview of Interwind's revised cash flow forecast for the ten-week period ending May 31, 2010;
 - (c) an overview of the Termination and Release Agreement between Interwind and the OPA dated March 25, 2010;
 - (d) a status update on the CPV and Non-Turbine transactions, and the applicability of the Secured Lenders' security to the assets conveyed in each transaction;
 - (e) the Monitor's comments with respect to its proposed substitution and the appointment of a Receiver over the assets, undertakings and properties of Interwind;
 - (f) the Company's request for an extension of the stay of proceedings to May 31, 2010;
 - (g) the Company's request for a release of the directors and officers of the Company; and
 - (h) the Monitor's recommendations to this Honourable Court.

TERMS OF REFERENCE

31. The information contained in this Twelfth 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 Twelfth Report.
32. Capitalized terms not defined in this Twelfth Report are as defined in the Eleventh Report of the Monitor and/or as defined in the Initial Order.

33. Unless otherwise noted, all dollar amounts referred to herein are expressed in Canadian dollars.

CLAIMS PROCESS

34. Pursuant to paragraph 19 of the Claims Process Order, the Monitor “...shall report to this Court regarding the outcome of the Claims Process particularizing, among other things, the number and value of the Proofs of Claim submitted, a summary of the D&O Claims, Post-Filing Claims and Construction Lien Claims that were accepted, revised and disallowed, the nature of the disputes that exist and whether, in the case of D&O Claims, such claims that were filed would appear to be or not to be Claims secured by the Directors’ Charge”.

35. As of March 26, 2010, a total of 36 claims were received by the Monitor, the particulars of which are summarized in the table below. Further details regarding the claims submitted, including the reasons for disallowance, are contained in **Appendix B**.

Claims Summary (rounded to nearest \$1)								
Type of Claim	Notes	Proofs of Claims Received		Proofs of Claim Accepted (Note 2)		Proofs of Claim Disallowed (Note 5)		Notices of Dispute Received
		#	\$	#	\$	#	\$	
Construction Lien Claims	1	5	1,615,086	-	-	5	1,615,086	4
Post-Filing Claims	2,3,4	25	1,341,119	4	28,218	25	1,312,901	-
D&O Claims	3,4	6	248,760	-	-	6	248,760	-
Total		36	3,204,965	4	28,218	36	3,176,747	4

Notes:

- As discussed in the Monitor’s Eleventh Report dated March 19, 2010, the Monitor has filed a motion to be heard on March 30, 2010 requesting that the definition of Construction Lien Claimant in paragraph 1(i) of the Claims Process Order be amended to include two unexpected claimants who submitted proofs of claim for construction liens in the claims process.
- The Monitor accepted portions of four Post-Filing claims. No claims were accepted in their entirety.
- Certain claimants submitted one Proof of Claim form asserting both a Post-Filing Claim and a D & O Claim for the same amount. For purposes of the above summary, these Proofs of Claim have been shown as if two separate Proofs of Claim were submitted, one for each type of claim.
- Includes a provisional claim in the amount of \$1.00. In addition, two of the claims have since been settled by the Company, in consultation with the Secured Lenders and the Monitor.
- Reflects claims disallowed in their entirety or portions of claims disallowed.

36. As contemplated in the Claims Process Order, to date the Monitor has undertaken the following up to and including March 26, 2010:

- the Monitor published notices of the Claims Process in *The Globe And Mail* and *La Presse* on February 26, 2010 and March 1, 2010 and on the Monitor’s Website;
- a Claims Package was sent to approximately 285 potential creditors or claimants of Interwind as at August 12, 2009 (as defined in the Claims Process Order) including, employees or independent contractors of Interwind as of August 12, 2009, certain governmental agencies, the Construction Lien Claimants and other persons asserting a potential D&O Claim or Post-Filing Claim or otherwise requesting a Claims Package. The Claims Package was also made available on the Monitor’s Website;
- the Monitor undertook a review process, with the assistance of Interwind, to determine the adequacy of compliance and the legal and evidentiary merits of each Proof of Claim submitted in order to either accept, revise or disallow the Proof of Claim. Where Proofs of Claim were in excess of \$5,000.00, the Monitor also consulted with the Secured Lenders;
- with respect to all D&O Claims received, the Monitor also consulted with any applicable Officer and/or Director of Interwind referenced in the Proof of Claim; and

(e) the Monitor sent Notices of Disallowance, Revision or Acceptance to all Construction Lien Claimants and to all other Claimants by March 12, 2010 and March 26, 2010, respectively, as provided for in the Claims Process Order.

37. Should this Honourable Court grant the Order sought by the HSH Bank Syndicate to have the Monitor substituted, effective March 30, 2010 (refer to paragraphs 55 to 58), the substitute monitor will be required to carry out the terms of the Claims Process Order including, but not limited to, reporting on which D & O Claims appear to be secured by the Directors' Charge, reporting on any disputes that exist and serving a motion by April 16, 2010, for the determination of all unresolved, disputed D&O Claims, Post-Filing Claims and Construction Lien Claims.

CASH FLOW FORECAST

38. Interwind has prepared a cash flow forecast for the ten-week period from March 22 to May 31, 2010 (the "Cash Flow Forecast"). A copy of the Cash Flow Forecast is attached hereto as **Appendix C**.

39. The table below summarizes the Cash Flow Forecast:

CASH FLOW FORECAST	Cash Flow Forecast (ten weeks) March 22, 2010 to May 31, 2010
Receipts	\$600,000
Disbursements	
Salaries, wages and benefits	(107,433)
Corporate Expenses (G&A, Rent, Travel)	(133,448)
GE_XLE Turbine Storage & Maintenance Costs	(15,000)
Professional Fees	(1,788,934)
Development Expenses	(5,000)
GST (Payable)/Receivable	(18,000)
Total Disbursements	(2,067,815)
Net Cash Flow	(1,467,815)
Rollforward of Cash Position	
Opening Balance – March 22, 2010	13,399,138
Total net cash flow	(1,467,815)
Cash Position prior to distribution to HSH Bank Syndicate	11,931,323
Distribution to HSH Bank Syndicate	(4,000,000)
Closing Cash Balance – May 31, 2010	\$7,931,323

40. Interwind anticipates that it will receive approximately \$600,000 in receipts and disbursements of approximately \$2.1 million for expenses during the forecast period, resulting in an expected net cash outflow of approximately \$1.5 million. Other observations with respect to the Cash Flow Forecast are as follows:

- (a) net sale proceeds related to the future closing of the Non-Turbine Transaction and any remaining assets are not included in the Cash Flow Forecast;
- (b) receipts of \$600,000 in the week ended March 28, 2010 relate to a refundable deposit from the Ontario Power Authority's Feed-In-Tariff program ("FIT") for the Company's Hardwood Hills project which was withdrawn from the FIT program;
- (c) the reduction of salaries and wages relative to prior levels reflects the termination of all employees of Interwind prior to March 31, 2010 and potential consulting arrangements in April and May, 2010. The Monitor understands that the last remaining officer and employee of Interwind will not be continuing his employment after March 30, 2010;
- (d) corporate expenses include normal general and administrative charges (telephone, rent, supplies, etc.) as well as miscellaneous professional fees relating to the preparation of tax returns and such other related filings;
- (e) the Cash Flow Forecast reflects the payment of portions of claims that have been accepted during the administration of the Claims Process to date; however, no provision has been made for any potential payments relating to disputed claims pending their determination. Pursuant to paragraph 20 of the Claims Process Order, the Monitor or the Company is to serve a motion by April 16, 2010 for the determination of all unresolved, disputed claims arising from the claims process;
- (f) professional fees totalling approximately \$1.8 million are forecast for the ten week period. This estimate is intended to be conservative and to include the arrears of the Company's legal fees and expenses and those of the Monitor and its counsel, incremental fees and expenses associated with completing the administration of the claims process and professional fees related to protracted sale transaction closings and post-closing matters (CPV and Non-Turbine). Management has not attempted to distinguish the professional fees for the substitute Monitor and Receiver subsequent to March 30, 2010 but given the uncertainty surrounding the post March 30, 2010 CCAA administration and potential receivership activities, this may not be an unreasonable approach. It is the Monitor's view that Management has conservatively estimated professional fees during the forecast period; and
- (g) On February 19, 2010, the Court approved the Company's request for an interim distribution of USD \$8.1 million to the HSH Bank Syndicate which the Company made shortly thereafter. The Company's request for a further interim distribution to the HSH Bank Syndicate in the amount \$4.0 million was adjourned pending further consideration of this matter by the Company and the Secured Lenders and their legal and financial advisors, in consultation with the Monitor.

OPA TERMINATION AND RELEASE AGREEMENT

- 41. Interwind and OPA entered into the RES III Contract wherein Interwind was required to post, and OPA was to hold, Completion and Performance Security.
- 42. Interwind and the OPA entered into a Termination and Release Agreement dated March 25, 2010 (the "Termination and Release Agreement") wherein the RES III Contract is to be terminated, mutual releases are to be granted to both OPA and Interwind and certain

payments are to be made in respect of the Completion and Performance Security. The Termination and Release Agreement is conditional upon the approval of this Honourable Court on or before March 30, 2010.

43. The payments made pursuant to the terms of the Termination and Release Agreement are subject to confidentiality restrictions contained in the RES III Contract and unless otherwise required by the Court, will not be disclosed by the Monitor and/or will be submitted to this Honourable Court under seal. The Monitor has been advised by legal counsel to Interwind that the Secured Lenders have approved and consented to the Termination and Release Agreement including the payments on account of the Completion and Performance Security contained therein.

CPV AND NON-TURBINE TRANSACTION

44. The CPV Transaction, as amended by the Third Amendment and the Second Order Amending Approval and Vesting Order (the "Second Order"), was completed on March 25, 2010. The Monitor executed and delivered the Monitor's Second Certificate on March 25, 2010 and filed it with the Court. The Court has previously been provided the particulars and terms of the CPV Transaction and the amendments thereto, including details of purchase price consideration, which remain subject to the sealing orders of this Honourable Court.
45. The Non-Turbine Transaction between Interwind and enXco which was originally approved by this Honourable Court on December 21, 2009 remains outstanding. The Second Amendment to the Share Purchase Agreement between enXco and Interwind was entered into on February 14, 2010 and included, among other things, an extension of the "Sunset Date" to March 15, 2010. Despite ongoing efforts to complete the Non-Turbine Transaction, there remain unresolved issues relating to certain acknowledgements required from the Province of Quebec and resolution of claims relating to the landowner of land on which Interwind's Main Power Transformer (230KV-34.5KV) is located. The Monitor is advised by Management that although no signed acknowledgement has been received by enXco, the "Sunset Date" of the Non-Turbine Transaction was extended by the parties to March 31, 2010. The Monitor is not able to estimate when and if the Non-Turbine Transaction will complete.

APPLICATION OF THE HSH SECURITY TO THE CPV TRANSACTION

46. In the Monitor's Sixth, Seventh and Tenth Reports to the Court, the Monitor reported on the advice provided to it by Borden Ladner Gervais LLP ("BLG") concerning the security held by the HSH Bank Syndicate upon the property of Interwind (the "HSH Security"). Based on the advice provided by BLG and information provided to the Monitor by the Company, the Monitor was advised and concluded that the assets that were the subject of the Turbine Transaction (which were located in Ontario, Quebec and Minnesota), the Elemental Transaction (which were located in Ontario and Newfoundland and Labrador) and the Emera Transaction (which were located in Ontario and Nova Scotia), and the assets that will be the subject of the Non-Turbine Transaction (which were located in Ontario and Quebec), were subject to the HSH Security and that the security was properly registered in respect of those jurisdictions.
47. The Monitor has obtained advice from counsel that appropriate registrations have been made in respect of the HSH Security in Ontario, Quebec, Nova Scotia, Newfoundland and Labrador, British Columbia, Alberta, Saskatchewan, Manitoba and New Brunswick.

48. The Monitor's counsel has advised that one of the key components of the collateral charged in favour of HSH is collateral referred to in the Third Amended and Restated Credit Agreement dated February 22, 2008 (the "HSH Security Agreement") as "Project Collateral". Project Collateral is defined as follows:

"Project Collateral" means all wind lease options, leases and other rights to real property, wind data, Chattel Paper, Contracts, Documents of Title, Equipment, Intangibles, Instruments, Inventory, Permits and any other personal property and all Proceeds thereof and/or Accounts Receivable due thereunder, together with all increases, additions and accessions to any of them, in each case now owned or hereafter acquired, that in each case comprises or is part of the Projects, including any Equity Interests held by the Borrower of any entity formed or established to hold or own any such property; provided, that the "Project Collateral" (x) shall not include the interests and assets described in Sections 2.1(a)(i) and (iii) and (y) shall exclude (i) any wind turbines, turbine supply agreements and associated equipment and, other than the amounts described in Section 2.1(a)(iii), all Proceeds thereof, which the Borrower may finance other than pursuant to the Advances under the Credit Agreement, (ii) any assets related to businesses such as the solar business, pump storage, or any non-wind business, or any assets related to businesses of the Borrower not located in Canada, (iii) general corporate assets and other assets that do not relate solely to the Projects or (iv) any assets that may have been Project Collateral but that have been released in accordance with the terms of this Agreement or the Credit Agreement;

The term Project Collateral is broad. It includes wind lease options, leases and other rights to real property, permits, licences and any other personal property that in each case "comprises or is part of the Projects". Projects are defined simply as "wind energy projects in Canada being developed by the Borrower or its Affiliates".

49. In the Monitor's Tenth Report to the Court, the Monitor also reported on the advice provided to it by BLG concerning the security held by Lehman upon the property of Interwind (the "Lehman Security"). Based on the advice provided by BLG and information provided to the Monitor by the Company, the Monitor was advised and concluded that, with the possible exception of certain real property interests, the assets that were the subject of the Solar Transaction (which were located in Ontario) were subject to the Lehman Security, and that Lehman's right to payment under the Lehman Security was subordinated to the HSH Bank Syndicate's right to payment pursuant to the Second Amended and Restated Subordination Agreement dated April 15, 2009, as between Interwind, the HSH Bank Syndicate and Lehman.
50. The Monitor has obtained advice from counsel that appropriate registrations have been made in respect of the Lehman Security in Ontario.

Proceeds of the CPV and the Non-Turbine Transactions

51. The assets sold in the CPV Transaction all relate to the Company's wind development business and consist of: shares, contractual rights, approvals and other intangible assets, real property (including leases and land options), permits, licenses, meteorological towers and

ancillary equipment. The assets are located in B.C., Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia.

52. The Monitor has been advised by counsel that the assets to be sold in the CPV Transaction are captured by the definition of "Project Collateral" and are subject to the HSH Security.
53. The Monitor is advised by BLG that the original HSH Bank Syndicate registrations under the Ontario *Personal Property Security Act* ("PPSA") and its equivalents in the other applicable jurisdictions are, in each case, the first in time. In addition to the HSH Bank Syndicate, the following persons have registrations under the PPSA or its equivalent in one of B.C., Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia: Lehman, RJS Mechanical Inc., NordDeutsche Landesbank Girozentrale, Fermeuse Wind Power Corp., CBSC Capital, Transportation Lease Systems Inc., Nissan Canada Inc., Nissan Canada Finance Inc., Xerox Canada Ltd., Wells Fargo Bank, N.A. and WestLB AG.

Notice

54. The Monitor understands that the Company has given notice of the CPV Transaction to all persons with registrations against Interwind or "SkyPower Corp." listed in the Ontario PPSA Registry and its equivalent in each applicable jurisdiction.

MONITOR'S DISCHARGE AND SUBSTITUTE MONITOR

55. To date, the CCAA proceedings have facilitated an orderly liquidation of most of the realizable assets, property and undertakings of Interwind. In total, six separate sale transactions were entered into between Interwind and third parties with all but one of the six transactions completed as of the date hereof. The Non-Turbine Transaction is the last remaining sale transaction outstanding. In addition, and as noted in the Monitor's Tenth and Eleventh reports, there are certain residual assets remaining which may prove to be more difficult and time-consuming to realize. Realization of those assets would form part of the proposed Receiver's mandate subsequent to March 30, 2010.
56. The HSH Bank Syndicate has brought a Motion returnable March 30, 2010 which seeks, among other things:
 - (a) permission to issue and enter a Fresh and Amended Initial CCAA Order;
 - (b) replacement of KPMG Inc. with PricewaterhouseCoopers Inc. as monitor and amendments to the Initial Order and the Claims Process Order to reflect the substitution of the Monitor; and
 - (c) Amendments to the Initial Order to harmonize it with the Order appointing PricewaterhouseCoopers Inc. as Receiver of the assets, undertakings and properties of Interwind.
57. The Monitor is of the view that the most cost effective and efficient manner in which to bring this CCAA proceeding to a conclusion, including but not limited to the completion of the realization of Interwind's assets and the administration of the Claims Process, is to have one professional firm act as both Receiver of Interwind and Monitor in these proceedings.

58. In addition to the Orders being sought in the CCAA proceedings for a substitute Monitor and Receiver, the Monitor will be seeking its discharge and/or substitution as Foreign Representative under the Chapter 15 Proceedings. It is anticipated that the substitute Monitor will bring the necessary application in the U.S. Bankruptcy Court to have itself named as replacement Foreign Representative in the Chapter 15 Proceedings.

EXTENSION OF THE STAY PERIOD

59. The Court Order dated February 19, 2010 provides for a stay of proceedings (the “Stay”) in respect of Interwind up to and including March 31, 2010.
60. The Company has brought a Motion returnable March 30, 2010 wherein they will be seeking the Court’s approval of:
- (a) an extension of the Stay to and including May 31, 2010;
 - (b) approval of the OPA Termination and Release Agreement; and
 - (c) a release for the directors and officers of Interwind.
61. The Monitor is of the view that the Company’s Management has acted, and is acting, in good faith and with due diligence. The Monitor is also of the view that the extension of the Stay to May 31, 2010 is appropriate and necessary in the circumstances to complete the sale of the Non-Turbine Assets and other remaining assets, to complete the Claims Process and to complete an assessment of the potential utilization of non-capital tax losses of Interwind.
62. The Company is requesting this Honourable Court to grant a release in favour of the Company’s directors and officers, which release is subject to, *inter alia*, any matters that cannot be released under Section 5.1(2) of the CCAA, without prejudice to any D&O Claims that have been filed in the Claims Process.
63. Since February 19, 2010, the Monitor has conducted a claims process in respect of those claims against directors and officers which are indemnified by the Director’s Charge ordered by this Court on August 12, 2009. With the exception of those claims submitted to the Monitor on or before 5:00pm on March 19, 2010 all of which have been disallowed or resolved, all such claims against directors and officers are now barred pursuant to paragraph 18 of the Claims Process Order. With two exceptions, the Monitor is not aware of any other claims or potential claims against the directors and officers of Interwind. The two exceptions relate to threatened litigation by two law firms in Quebec for unpaid legal fees for services provided by the law firms to Interwind. The representative for these two claimants is a Quebec lawyer who the Monitor understands has been served with the Company’s motion record in respect of the release being sought.
64. The Monitor is of the view that during the course of the CCAA proceedings, the directors and officers of Interwind have acted in good faith and in the interests of the stakeholders generally. Concluding sales of the various classes of assets since the commencement of the CCAA proceedings has proven at times to be complex and time-consuming and has most certainly been aided by the direct involvement of the directors and officers of Interwind since the date of the Initial Order. In addition, the directors and officers have cooperated fully with

the Monitor during the pendency of the CCAA proceedings which has facilitated the Monitor's oversight and other duties relating to the CCAA proceedings.

MONITOR'S RECOMMENDATIONS

65. Based on the foregoing, the Monitor recommends approval of the following:
- (a) the OPA Termination and Release Agreement; and
 - (b) Interwind's request for an extension of the Stay for Interwind to, and including, May 31, 2010;
66. The Monitor also respectfully requests that this Honourable Court approve the Monitor's Twelfth Report to this Honourable Court, dated March 28, 2010 and the activities of the Monitor set out therein.

All of which is respectfully submitted to this Honourable Court at Toronto, Ontario this 28th day of March, 2010.

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



Todd M. Martin
Chairman



Jenny Poulos
Vice-President

APPENDIX A

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

THE HONOURABLE MR.) THURSDAY, THE 25th
)
JUSTICE MORAWETZ) DAY OF MARCH, 2010



**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.**

SECOND ORDER AMENDING APPROVAL AND VESTING ORDER

THIS MOTION, made by Interwind Corp. (formerly known as SkyPower Corp.) (the "Debtor"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON HEARING the submissions of counsel for the Debtor, KPMG Inc., as monitor (the "Monitor"), and CPV Canada Development ULC and CPV Canada Energy LP, and reading the Affidavit of Derek Bulas sworn March 25, 2010 (the "**Bulas Affidavit**"),

- THIS COURT ORDERS** that, unless otherwise defined, all capitalized terms herein shall have the meaning given to such terms in the Approval and Vesting Order of this Court dated January 19, 2010, as amended by an Order Amending Approval and Vesting Order of this Court dated February 12, 2010.
- THIS COURT ORDERS AND DECLARES** that service of this motion is hereby declared to be good and sufficient and no other person is required to have been served with notice of this motion.

3. **THIS COURT ORDERS** that the Third Amendment to the Purchase Agreement attached as Exhibit "A" to the Bulas Affidavit (the "**Third Amendment**") and the Transaction, as amended by the Third Amendment, be and are hereby approved. The execution of the Third Amendment by the Debtor is hereby authorized and approved, and the Debtor is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction, as amended by Third Amendment, and for the conveyance of the Purchased Assets to the Purchaser as contemplated therein.


4. **THIS COURT ORDERS** that the following provisions of the Third Amendment be and they are hereby sealed pending further Order of the Court: (i) the amounts shown in 2(b); (ii) the amounts shown in 2(c); and (iii) the amounts shown in 2(d).


5. **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, including, without limitation, the United States Bankruptcy Court for the District of Delaware, to give effect to this Order and assist the Debtor, 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 Debtor 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 assist the Debtor and the Monitor and their respective agents in carrying out the terms of this Order.

6. **THIS COURT ORDERS** that each of the Debtor and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, including, without limitation, the United States Bankruptcy Court for the District of Delaware, for the recognition of this Order and for assistance in carrying out the terms of this Order.

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

MAR 25 2010

PER / PAR. 



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)**

Proceeding commenced at Toronto

ORDER

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Counsel to Interwind Corp.

APPENDIX B

INTERWIND CORP.
CLAIMS SUMMARY REPORT
As at March 26, 2010

#	Date Received	Claim Type as submitted	Amount of Claim	Accepted, Disallowed or Revised	Notice of Dispute
1	16-Feb-10	Construction Lien	\$ 42,950.58	Disallowed Notice of Revision or Disallowance issued March 12, 2010. Disallowed on a number of grounds, including insufficient evidence to determine the quantum and validity of asserted claim.	Notice of Dispute received March 16, 2010
2	3-Mar-10	Post-Filing	\$ 1,685.88	Disallowed Notice of Revision or Disallowance issued March 3, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
3	4-Mar-10	Construction Lien	\$242,296.58 plus GST	Disallowed Notice of Revision or Disallowance issued March 12, 2010. Disallowed on a number of grounds, including insufficient evidence to determine the quantum and validity of asserted claim.	Notice of Dispute received March 25, 2010
4	4-Mar-10	Post-Filing	\$ 16,017.96	Disallowed Notice of Revision or Disallowance issued March 10, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
5	4-Mar-10	Construction Lien	\$ 40,391.95	Disallowed Notice of Revision or Disallowance issued March 12, 2010. Disallowed on a number of grounds, including insufficient evidence to determine the quantum and validity of asserted claim.	
6	5-Mar-10	Construction Lien	\$ 1,079,243.13	Disallowed Notice of Revision or Disallowance issued March 12, 2010. Disallowed on a number of grounds, including insufficient evidence to determine the quantum and validity of asserted claim.	Notice of Dispute received March 26, 2010
7	5-Mar-10	Post-Filing	\$750 per year	Disallowed Notice of Revision or Disallowance issued March 18, 2010. Disallowed as no amount owing by Interwind Corp.	
8	5-Mar-10	Construction Lien	\$ 198,089.21	Disallowed Notice of Revision or Disallowance issued March 12, 2010. Disallowed on a number of grounds, including insufficient evidence to determine the quantum and validity of asserted claim.	Notice of Dispute received March 22, 2010
9	5-Mar-10	Post-Filing	\$ 939.75	Disallowed Notice of Revision or Disallowance issued March 8, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
10	8-Mar-10	Post-Filing	\$ 5,714.07	Disallowed Notice of Revision or Disallowance issued March 17, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
11	8-Mar-10	Post-Filing	\$451.50 per year	Disallowed Notice of Revision or Disallowance issued March 18, 2010. Disallowed as no amount owing by Interwind Corp.	
12	10-Mar-10	Post-Filing	\$ 30,154.05	Disallowed Notice of Revision or Disallowance issued March 17, 2010. Excluded Claim pursuant to paragraph 1(n)(d) of the Claims Process Order.	

#	Date Received	Claim Type as submitted	Amount of Claim	Accepted, Disallowed or Revised	Notice of Dispute
13	12-Mar-10	Post-Filing	\$ 2,500.00	Disallowed Notice of Revision or Disallowance issued March 15, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
14	13-Mar-10	Post-Filing AND D&O	\$ 576.30	Disallowed Notice of Revision or Disallowance issued March 18, 2010. Excluded Claim pursuant to paragraph 1(n)(a) and 1(n)(b) of the Claims Process Order.	
15	15-Mar-10	Post-Filing	\$ 500,000.00	Disallowed Notice of Revision or Disallowance issued March 26, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
16	15-Mar-10	Post-Filing	\$ 49,753.29	Disallowed Notice of Revision or Disallowance issued March 25, 2010. Excluded Claim pursuant to paragraph 1(n)(d) of the Claims Process Order.	
17	15-Mar-10	Post-Filing	\$ 395.81	Disallowed Notice of Revision or Disallowance issued March 17, 2010. Disallowed as no amount owing by Interwind Corp.	
18	16-Mar-10	Post-Filing	\$ 6,545.84	Disallowed Notice of Revision or Disallowance issued March 25, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
19	16-Mar-10	D&O	\$ 2,746.15	Disallowed Notice of Revision or Disallowance issued March 26, 2010. Excluded Claim pursuant to paragraph 1(l) of the Claims Process Order.	
20	18-Mar-10	Post-Filing	\$ 309,752.32	Revised Claim to \$3,057.34 Notice of Revision or Disallowance issued March 26, 2010. Portion disallowed is Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
21	18-Mar-10	Post-Filing	\$ 23,730.00	Disallowed Notice of Revision or Disallowance issued March 25, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
22	18-Mar-10	Post-Filing	\$ 8,430.63	Revised claim to \$3,959.62. Notice of Revision or Disallowance issued March 26, 2010. One portion disallowed as Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order, another portion disallowed as amount claimed is not owing by Interwind Corp.	
23	18-Mar-10	Post-Filing	\$ 5,000.00	Disallowed Notice of Revision or Disallowance issued March 19, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
24	18-Mar-10	Post-Filing	\$ 3,255.00	Disallowed Notice of Revision or Disallowance issued March 19, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
25	18-Mar-10	D&O AND Post-Filing	\$ 103,874.38	Revised Post-Filing Claim to \$8,969.33. D & O Claim Disallowed. Notice of Revision or Disallowance issued March 26, 2010. Portion of Post-Filing claim is disallowed as Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order. D & O Claim disallowed pursuant to paragraph 1(l) of the Claims Process Order.	

#	Date Received	Claim Type as submitted	Amount of Claim	Accepted, Disallowed or Revised	Notice of Dispute
26	19-Mar-10	D&O AND Post-Filing	\$ 18,643.24	Disallowed Notice of Revision or Disallowance issued March 26, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order. D & O Claim disallowed pursuant to paragraph 1(l) of the Claims Process Order.	
27	19-Mar-10	D&O	Two provisional claims: \$93,914.62 and \$29,003.79	Disallowed Notice of Revision or Disallowance issued March 26, 2010. The amount of this claim was consensually resolved and a notice of disallowance was issued accordingly.	
28	19-Mar-10	Post-Filing	\$ 182,000.00	Disallowed Notice of Revision or Disallowance issued March 26, 2010. Disallowed due to insufficient supporting documentation.	
29	19-Mar-10	Post-Filing	\$ 32,899.97	Revised Claim to \$12,232.59 Notice of Revision or Disallowance issued March 26, 2010. Portion disallowed is Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order and insufficient supporting documentation.	
30	19-Mar-10	Post-Filing	\$ 29,573.25	Disallowed Notice of Revision or Disallowance issued March 25, 2010. Excluded Claim pursuant to paragraph 1(n)(a) of the Claims Process Order.	
31	19-Mar-10	Post-Filing	\$ 8,475.00	Disallowed Notice of Revision or Disallowance issued March 26, 2010. Disallowed as no amount owing by Interwind Corp.	
32	19-Mar-10	D&O AND Post-Filing	\$1 provisional claims	Disallowed Notice of Revision or Disallowance issued March 26, 2010. Disallowed due to insufficient supporting documentation.	

APPENDIX C

Interwind Corp.

Weekly Cash Flow Projections (in CDN\$)

For the 10 Week Period Ending May 31, 2010

	Week 1 28-Mar-10	Week 2 4-Apr-10	Week 3 11-Apr-10	Week 4 18-Apr-10	Week 5 25-Apr-10	Week 6 2-May-10	Week 7 9-May-10	Week 8 16-May-10
Net Receipts	600,000	-	-	-	-	-	-	-
Disbursements								
Salaries, wages, and benefits	(55,133)	(5,000)	-	(14,950)	-	(14,950)	-	(9,950)
Corporate Expenses (G&A, Rent, Travel)	(18,247)	(9,117)	(2,525)	(5,025)	(59,967)	(7,525)	(2,525)	(5,025)
GE_XLE Turbine Storage & Maintenance Costs	-	(7,000)	-	-	(8,000)	-	-	-
Professional Fees	(238,934)	(430,000)	(140,000)	(140,000)	(140,000)	(140,000)	(140,000)	(140,000)
DJR Financing Interest & Fees	-	-	-	-	-	-	-	-
Development Expenses	(5,000)	-	-	-	-	-	-	-
KERP	-	-	-	-	-	-	-	-
GST (Payable)/Receivable	-	(18,000)	-	-	-	-	-	-
Pre-Filing Expenses	-	-	-	-	-	-	-	-
Total Disbursements	(317,314)	(469,117)	(142,525)	(159,975)	(207,967)	(162,475)	(142,525)	(164,975)
Net Cash Flow	282,686	(469,117)	(142,525)	(159,975)	(207,967)	(162,475)	(142,525)	(164,975)
Rollforward of Cash Position								
Opening balance	13,398,138	13,681,824	9,212,707	9,070,182	8,910,207	8,702,240	8,539,765	8,397,240
Total net cash flow	282,686	(469,117)	(142,525)	(159,975)	(207,967)	(162,475)	(142,525)	(154,975)
Distribution to Lenders	-	(4,000,000)	-	-	-	-	-	-
Closing Balance	13,681,824	9,212,707	9,070,182	8,910,207	8,702,240	8,539,765	8,397,240	8,242,265

Interwind Corp.

Weekly Cash Flow Projections (in CDN\$)

For the 10 Week Period Ending May 31, 2010

	Week 9 23-May-10	Week 10 31-May-10	Total Weeks 1-10
Net Receipts			600,000
Disbursements			
Salaries, wages, and benefits	-	(7,450)	(107,433)
Corporate Expenses (G&A, Rent, Travel)	(2,525)	(20,967)	(133,448)
GE_XLE Turbine Storage & Maintenance Costs	-	-	(15,000)
Professional Fees	(140,000)	(140,000)	(1,788,934)
DJP Financing Interest & Fees	-	-	-
Development Expenses	-	-	(5,000)
KERP	-	-	-
GST (Payable)/Receivable	-	-	(18,000)
Pre-Filing Expenses	-	-	-
Total Disbursements	(142,525)	(168,417)	(2,067,815)
Net Cash Flow	(142,525)	(168,417)	(1,467,815)
Rollforward of Cash Position			
Opening balance	8,242,265	8,099,740	13,399,138
Total net cash flow	(142,525)	(168,417)	(1,467,815)
Distribution to Lenders	-	-	(4,000,000)
Closing Balance	8,099,740	7,931,323	7,931,323

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

TWELFTH REPORT OF THE MONITOR
(March 28, 2010)

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