No. S-110439
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF 3S PRINTERS INC. and GAMMA INVESTMENTS LTD.

(the "Applicants")

MONITOR'S SECOND REPORT TO COURT

APRIL 4, 2011

Boale, Wood & Company Ltd.
Monitor appointed in the
Companies' Creditors Arrangement Act proceedings of
3S Printers Inc. & Gamma Investments Ltd.

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TABLE OF CONTENTS

I. CCAA PROCEEDINGS 1
II. PURPOSE AND LIMITATIONS OF MONITOR'S SECOND REPORT 2
III. MONITOR'S REPORT ON CASH FLOWS 3
IV. MONITOR'S REPORT ON THE RESTRUCTURING EFFORTS 5
V. CONCLUSIONS 7

APPENDICES

APPENDIX A

I. CCAA PROCEEDINGS

On January 24, 2011 3S Printers Inc. ("3S") and Gamma Investments Ltd. ("Gamma") (the "Applicants" or the "Companies") obtained an Order from the Supreme Court of British Columbia (the "CCAA Order") commencing proceedings under the Companies' Creditors Agreement Act (the "CCAA"). Pursuant to the CCAA Order, Boale Wood & Company Ltd. was appointed Monitor (the "Monitor") by the Court.

The CCAA Order provided for a Stay of Proceedings against the Companies until February 18, 2011.

At the comeback hearing on February 18, 2011 the Supreme Court of British Columbia granted a further 90 day extension of the Stay of Proceedings to allow time for the Companies to develop a restructuring plan for the stakeholders.

Certain documentation with respect to the CCAA Proceedings is available on the Monitor's website at http:www.boalewood.ca/corporate-matters/3S-printers-ltd.-January-2011.html (the "Website")

II. PURPOSE AND LIMITATIONS OF MONITOR'S SECOND REPORT

The purpose of the Monitor's Second Report is to provide the Court with information with respect to certain material adverse changes in the Companies projected cash-flow as required pursuant to Section 23(1)(d)(i) of the CCAA and to provide an update on the information the Monitor has received with respect to the Companies' restructuring efforts.

This Report has been prepared by the Monitor based on information obtained from the records of the Companies, discussions with management of the Companies, and other professional advisors retained in this matter.

The financial information received from the Companies has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness. As a result, readers are cautioned that this report has been prepared solely for the purposes of these proceedings and may not be suitable for any other purposes. The Monitor does not express an opinion or other form of assurance on the financial information presented in this report.

In addition, the Monitor assumes no responsibility or liability for, and disclaims any and all liability for any loss or damage incurred by any party as a result of the use of this report in any manner or as a result of the circulation, publication or reproduction of it. Any use which any party makes of this report or any reliance on any decisions made based on it are the responsibility of that party.

III. MONITOR'S REPORT ON CASH FLOWS

The Monitor has attached as Appendix A to this report a comparison of the actual cash inflows and outflows to the projected cash inflows and outflows for the 9 week period ending March 25, 2011.

The Monitor's comments on the actual cash flows versus the projected cash flows follow:

- Actual cash inflows from sales have been slightly better than projected;

- Material costs are approximately $64,000 higher than projected which is significantly higher than the original projection. The Monitor is advised by management that material costs have primarily been driven up by the pre-ordering requirements of certain suppliers, who have required payment for supplies prior to delivery. In the case of US supplier, the pre-payment period has been 2-4 weeks and for overseas supplier between 6 to 8 weeks.

- Actual payroll costs are very close to the projected payroll costs if you exclude the issued and outstanding pre-filing payroll cheques of approximately $30,000 that were not included in the initial projection. This issue was reported on by the Monitor in our initial report; and

- The cash outflows for payment of restructuring professional fees for are approximately $100,000 lower than projected. Actual fees (including billed & WIP) to date are estimated to be very close to the originally projected fees of $130,000. The difference is a direct result of the Companies not having paid these fees due to insufficient funds being available after payment of operating costs.

The Monitor considers the inability of the Companies to pay the restructuring professional fees that had been provided for in the original projection to be a material adverse change in its cash flow projections. The effect of the Companies not paying these fees is that the Monitor and Companies' legal counsel will be required to rely on the $100,000 administrative charge to cover these costs which negatively impacts on the Companies' creditors. Furthermore, given that the restructuring professional fees are now close to the cap on the administrative charge, the Monitor and the Companies' legal counsel have no security to cover further fees that will be incurred in this restructuring. This will necessitate a further increase in the administrative charge.

The Companies did advise the Monitor on March 17, 2011 that it anticipated a significant recovery of receivables with a one week period which would rectify the Monitor's cash flow concern. The Monitor allowed the Companies until March 25, 2011 to rectify its concerns which the Companies were unable to do.

On April 1, 2011 the Monitor received a $10,000 payment from the Companies towards the outstanding Monitor's fees. As well, the Companies' legal counsel has also received a $10,000 payment towards its' outstanding legal fees.

IV. MONITOR'S REPORT ON THE RESTRUCTURING EFFORTS

Since February 18, 2011 the Monitor has met with and corresponded with management of the Companies and their legal counsel to generally discuss restructuring options and to obtain details of the restructuring efforts being made by the Companies. The Monitor requested written particulars of the Companies' dealings with prospective financiers, investors, and strategic partners and all documentation in this regard. We requested that the documentation include financing packages provided to financiers, a list of parties contacted and any letters of interest received.

On March 22, 2011 the Companies' legal counsel provided the Monitor, on a confidential basis, a spreadsheet detailing the terms of 4 real estate refinancing options and 1 equipment refinancing option. The Companies have retained Mr. Sandeep Dayal, a commercial finance broker with City Mortgage Investment Corporation to pursue financing options on their behalf. Legal Counsel for the Companies also advised the Monitor that there were additional interested in purchase/leaseback arrangements. They also noted that it was their understanding that Mr. Dayal would be obtaining term sheets from most of financiers whose options were detailed on the spreadsheet and that these term sheets would be provided by the end of March.

The Monitor has since received an updated spreadsheet, and been advised by the Companies' Counsel that while these financiers remain interested in pursuing a loan with the Companies, they are not prepared to issue term sheets unless the Petitioners intend to accept those loans. The Monitor has been advised that the Companies are still considering whether or not the potential financing offers are workable to form the foundation of a broader restructuring plan.

On March 30, 2011 the Monitor received copies of financing proposals that pre-dated the Initial Order from Lanyard Financial Corporation dated October 2010 and from Liquid Capital dated December 2010. The Lanyard proposal was in respect of the property and the Liquid Capital proposal was for factoring of accounts receivable. Both of these proposals have expired in 2010.

Based on the terms outlined on the spreadsheet, the financing currently being pursued would allow for the refinancing of certain secured creditors, but it is not apparent that any of the finance options being pursued would provide additional working capital for the purposes of restructuring the Companies.

In addition to the refinancing efforts being made, the Monitor has been advised by management that efforts are continuing to develop and implement marketing strategies to increase sales and motivate the sales staff.

V. CONCLUSIONS

To date the Monitor has only been provided with a spreadsheet detailing the terms of several refinancing options being pursued by the Companies but has not received any letters of interest/term sheets from lenders. Given that the current Stay of Proceedings is scheduled to expire in less than 7 weeks, the Monitor is concerned that the Companies may not be in a position to submit a restructuring plan before the expiration date.

More importantly, however, the Monitor is concerned that the current cash flow being generated by the Companies is barely covering the operating costs (excluding any payments to the secured creditors), and therefore, cannot fund the ongoing restructuring professional fees nor can the current cash flow support any payments to service debt of the existing stakeholders or potential new financiers being pursued by the Companies.

The Monitor has expressed its concern to management that current sales levels do not result in sufficient cash flow to allow for any payments to the stakeholders. Accordingly, any restructuring plan must include new working capital that can be used to sustain its operations and make payments to stakeholders until breakeven sales levels are achieved.

Given that the Stay of Proceedings currently extends to May 20, 2011, the Monitor anticipates instructing its counsel to apply for an Order that the administration charge be increased to $200,000 to be split equally between the Monitor and its counsel, and the Petitioner's counsel, to secure payment of the ongoing legal and monitoring fees in this CCAA proceeding.

DATED At the City of Vancouver, British Columbia, this 4th day of April, 2011

Boale Wood and Company Ltd.
Monitor Appointed in the Companies' Creditors Arrangement Act Proceedings of 3S Printers Inc. & Gamma Investments Ltd.

Per: John D. McEown, CA, CIRP

APPENDIX A

MONITOR'S REPORT ON THE CASH FLOW STATEMENT

3S Printers Inc. & Gamma Investments Ltd.
Weekly Cash Flow Projection

	Actual Weeks 1-9	Projection Weeks 1-9	Variance Actual vs Projection
Sales - booked	739,864	720,000	19,864
Sales - billed	719,057	720,000	(943)
Cash Inflows			
Sales	$ 745,426	$ 730,000	$ 15,426
Cash Outflows			
Materials (35% of sales)	319,632	255,500	(64,132)
Payroll - Production Staff	110,512	162,000	51,488
Payroll - Admin. & Sales Staff	122,008	94,000	(28,008)
Payroll - Benefits	81,842	32,000	(49,842)
Advertising & Promotion	7,411	2,000	(5,411)
Utilities	10,657	20,000	9,343
Telephone	5,104	3,600	(1,504)
Lease Payments	8,504	-	(8,504)
Office Supplies	2,559	900	(1,659)
Worksafe B.C.	-	-	-
Repairs & Maintenance	5,847	2,250	(3,597)
Insurance	10,926	10,000	(926)
Computer Consulting Fees	479	9,000	8,521
Accounting Fees	2,240	1,000	(1,240)
Legal Fees	13,198	65,000	51,802
Monitor Fees	15,000	65,000	50,000
Interest and Bank Charges	19,951	20,000	49
	735,870	742,250	6,380
Net Cash Inflows (Outflows)	9,556	(12,250)	21,806
Opening Cash Position	(1,499,860)	(1,500,000)	
Closing Cash Position	$ (1,490,304)	$ (1,512,250)	$ 21,806