



February 6th, 2001

Hydro Quebec
c/o : Sylvie Cadieux
7575 Henri-Bourassa ouest
Montreal, Quebec H4S 1Z2
Canada

COMPLAINT: Loss of power in CEPC's 3494 Ashby facility resulting from power surge.

Dear Mrs. Cadieux,

On Tuesday the 30th of January 2001 we experienced a Hydro service power surge that caused a premature shutdown of our production unit that was scheduled to produce nickel powder until Saturday the 3rd of February 2001.

Following 4 days of set-up and preparation that cost \$19,951.08* (see Exhibit 1), on Monday the 29th of January 2001, we started a planned week-long powder production campaign at our facility, located at 3494 rue Ashby in Saint Laurent, Quebec, Canada. Our production runs 24 hours a day for 6 days or longer. Our production process is not like other production facilities where a power fluctuation will impede production for at most an hour. Our manufacturing process requires temperatures in excess of 2000°C to produce our nickel product. To achieve these temperatures, we use exotic and fragile ceramic components that are both costly and timely to replace. A shutdown of the production unit requires a complete teardown and replacement of these exotic materials, re-lining of the production unit, since they cannot be reused. Cool-down, clean-out and build-up requires 6 shifts of 12 hrs, employing 4 operators per shift.

On Tuesday the 30th of January 2001 at about 8:10 am, we experienced a power surge that turned off all of the "mercury" lights in our facility, and loss of power to our production unit simultaneously. It took five minutes for these lights to come back on. At first we thought it was a complete loss of power, but we soon realized that the emergency lights were not functioning, therefore we must have experience a brief interruption in the power service. This interruption was severe enough to render the "PLC", which controls the production unit, to go into emergency shutdown mode. The only way to reset the PLC is to allow the unit to cool down, which is a minimum of 12 hours.

This premature shutdown not only added an unnecessary rebuild to our cost model, it also diminished our revenues from nickel product that would have been sold to

our clients. Attached in Exhibit 1 is a complete cost and lost revenue calculation that was prepared by our accounting department. We want to be reimbursed for a total of \$57,600.00, since it represents a significant portion of our monthly revenues.

Our production facility is located in Quebec in order to maintain its roots. We are growing company that plans to increase the number of production units, from 1 to 6 in this facility alone. Power interruptions like these, will diminish our competitiveness against Japanese manufacturers. 100% of our goods are destined for exportation to the electronics component market. We would like to see full cooperation from Hydro Quebec in taking all necessary measures to ensure that we will not receive additional interruptions like these in the future.

Regards,

Cesur Celik
President and CEO
CEPC

EXHIBIT 1

Cost Model for Production Unit at CEPC's 3494 Ashby Facility

05-Feb-01

Direct Costs		Qty	Units	Cost per	Total Cost Item
Consummables					
<i>Ceramics</i>					
	Funnel	1		\$ 1,286.25	\$ 1,286.25
	Dish	1		\$ 1,336.08	\$ 1,336.08
	12" Tube	2		\$ 301.30	\$ 602.60
	4x5x6" tube	0.67		\$ 473.68	\$ 315.79
	1.5x2.5x8" tube	1		\$ 249.90	\$ 249.90
	Torch Sleeve	1		\$ 392.05	\$ 392.05
	Alumina Insulation Tube	1		\$ 162.60	\$ 162.60
	Zirconia Cement	10	kg	\$ 8.00	\$ 80.00
<i>Graphite</i>					
	Funnel Holder Part A	1		\$ 1,069.30	\$ 1,069.30
	Funnel Holder Part B	1		\$ 192.03	\$ 192.03
	Graphite Rings	2		\$ 78.24	\$ 156.48
<i>Felt</i>					
	Zirconia Felt	1		\$ 30.00	\$ 30.00
	Graphite Felt	1		\$ 750.00	\$ 750.00
<i>Thermocouples</i>					
	Type C Exotic	2		\$ 204.50	\$ 409.00
	Type K	1		\$ 43.00	\$ 43.00
	Raw material (Nickel Feed)	250	kg	\$ 16.00	\$ 4,000.00
	Labour for rebuild (4 days x 4 technicians and supervisor)				\$ 8,628.00
	Utilities	1		\$ 136.00	\$ 136.00
	Gases (Ar, N2)	1		\$ 112.00	\$ 112.00
					Sub-Total \$ 19,951.08
	Total Overhead Costs			65%	\$ 12,968.20
					Total Cost \$ 32,919.28
Revenue Losses					
	4 days remaining x 24 hours x 2kg/hr	192	kg	\$ 300.00	\$ 57,600.00
TOTAL CLAIM					\$ 90,519.28

March 15th, 2001

Hydro Quebec
c/o : Sylvie Cadieux
7575 Henri-Bourassa ouest
Montreal, Quebec H4S 1Z2
Canada

COMPLAINT No. 2: Loss of power in CEPC's 3494 Ashby facility resulting from power surge.

On Sunday the 4th of March 2001 we experienced another Hydro service power surge/dip that caused unnecessary damage to our production equipment and created a potential fire hazard. As we spoke over the telephone Ms. Cadieux, this has been the second time that damage occurred as a result of electrical power interruption within the last two months. Our Production and Accounting departments have now completed tabulating the cost of the damages. Exhibit 1 itemizes these costs. We hereby request reimbursement from Hydro-Quebec for \$27,288.32 cost of damages that were incurred as a result of this latest, March 4th, 2001 incident.

As I outlined over our telephone discussion, CEPC closed shop around midnight on Sunday, March 04 2001 (midnight Saturday 03rd – morning Sunday 04th), and the production unit was left in cool-down mode (standard procedure). The following day at around 11:00 am, I came in to turn the cooling system of the unit off. I discovered that the production unit alarms were triggered and the mechanical room was full of smoke. I called in the Superintendent of the plant and the Maintenance technician to work to implement emergency response measures to stabilize the situation. The following is a list of items or events that occurred, resulting from this incident:

1. Multiple alarms on the production unit indicating a power disruption to the unit.
2. High carbon monoxide alarm in the facility:
 - a. Internal graphite felt lining and components were burnt, requiring re-lining of all internal components both ceramic and graphite.
 - b. Vacuum pump overheated and burned (source of smoke) due to running on 2 of the three phases. A fire hazard was avoided this time.
3. Ventilation was not working, due to blown fuses.
4. City water had to be used to cool-down the reactor instead of our cooling water recirculation system (second tier of our emergency system).
5. Some lights were dimmed and in other parts of the building they were completely off.

Upon inspecting the UPS logs on our computer network server, we were disturbed by the number of times these interruptions have occurred. A printout of the log is attached as Exhibit 2. Our facility in St-Laurent, cannot afford to operate with this type of erratic service. Fortunately, during most of those interruptions production was not operating. We are currently planning a capacity increase that will increase our energy demand in the near future. We will be requesting discussions with H.Q. on our energy requirement by mid-year. However, incidences such as these raise questions as to the validity of our plans to expand in this location. This time a fire hazard was avoided. Will we be that lucky next time?

We would like Hydro-Quebec to reimburse the damages and rectify this situation so that another incident like this will never occur. Let us know when an inspector will arrive to inspect the condition of the electrical service so that we can have our Production and Maintenance personnel available. Please, lets not wait until an incident of a graver nature occurs.

Thank you for your cooperation in advance,

Yours sincerely,



Cesur Celik
President and CEO
CEPC

EXHIBIT 1

Cost Model for Production Unit at CEPC's 3494 Ashby Facility

5-Feb-01

Direct Costs		Qty	Units	Cost per	Total Cost Item
Consummables					
<i>Ceramics</i>					
	Funnel	1		\$ 1,286.25	\$ 1,286.25
	Dish	1		\$ 1,336.08	\$ 1,336.08
	12" Tube	2		\$ 301.30	\$ 602.60
	4x5x6" tube	0.67		\$ 473.68	\$ 315.79
	1.5x2.5x8" tube	1		\$ 249.90	\$ 249.90
	Torch Sleeve	1		\$ 392.05	\$ 392.05
	Alumina Insulation Tube	1		\$ 162.60	\$ 162.60
	Zirconia Cement	10	kg	\$ 8.00	\$ 80.00
<i>Graphite</i>					
	Funnel Holder Part A	1		\$ 1,069.30	\$ 1,069.30
	Funnel Holder Part B	1		\$ 192.03	\$ 192.03
	Graphite Rings	2		\$ 78.24	\$ 156.48
<i>Felt</i>					
	Zirconia Felt	1		\$ 30.00	\$ 30.00
	Graphite Felt	1		\$ 750.00	\$ 750.00
<i>Thermocouples</i>					
	Type C Exotic	2		\$ 204.50	\$ 409.00
	Type K	1		\$ 43.00	\$ 43.00
Indirect Costs					
<i>Roots Blower 406J</i>					
	Complete re-build	1		\$ 5,449.00	\$ 5,449.00
<i>Premier fluid systems rotant model PVL-35/B</i>					
<i>Vacuum pump</i>					
	Electric Motor	1		\$ 411.00	\$ 411.00
	Paper Gaskets (Part No. 6)	2		\$ 4.82	\$ 9.64
	O-rings (Part No. 11)	2		\$ 2.42	\$ 4.84
	Viton oil seal ring (Part No. 14)	1		\$ 21.00	\$ 21.00
	Viton oil seal ring (Part No. 15)	1		\$ 18.90	\$ 18.90
	Pump tank gasket (Part No. 28)	1		\$ 6.02	\$ 6.02
	O-rings 4650 (Part No. 44)	2		\$ 4.82	\$ 9.64
	Oil separator (Part No. 45)	1		\$ 144.46	\$ 144.46
	Gasket (Part No. 49)	1		\$ 12.04	\$ 12.04
	One Liter of Vacuum oil (ISO68)	1		\$ 4.88	\$ 4.88
<i>Gould Shawmut fuses ferrule contact</i>					
	3A 600V AC (AJT3)	2		\$ 14.80	\$ 29.60
	15A 600V AC (AJT15)	1		\$ 14.80	\$ 14.80
Labour for cleaning on Sunday afternoon (1-2 day x president and supervisor)					\$ 350.04
Labour for rebuild (4 days x 4 technicians and supervisor)					\$ 2,977.44
					Sub-Total \$ 16,538.38
Total Overhead Costs				65%	\$ 10,749.94
					Total Cost \$ 27,288.32
TOTAL CLAIM					\$ 27,288.32



KRONSTRÖM DESJARDINS

SOCIÉTÉ EN NOM COLLECTIF
AVOCATS

Ligne directe: (418) 650-7034
Courriel: gdeblois@kd.qc.ca

Sainte-Foy, le 27 mars 2001

"Sous toutes réserves"

HYDRO-QUÉBEC

7575, Henri-Bourassa ouest
Montréal QC H4S 1Z2

À l'attention de Madame Sylvie Cadieux

Objet: Canadian Electronics Powders
Corporation
N/dossier: 26381.0002

Madame,

Nous recevons instructions de notre cliente, Canadian Electronic Powders Corporation (CEPC) de vous transmettre la présente mise en demeure.

Les 6 février et 15 mars derniers, notre cliente, CEPC, vous transmettait une lettre vous faisant état de deux problèmes (surcharge et/ou baisse) qu'elle a subis au niveau de l'alimentation en électricité de son usine, ce qui a eu comme conséquence de lui causer des dommages importants, lesquels sont plus amplement décrits auxdites lettres (copies jointes).

Depuis l'envoi de ces lettres, vous avez eu, suivant les informations que nous avons obtenues, plusieurs conversations téléphoniques avec des représentants de notre cliente afin, notamment, de discuter du contenu des lettres (perte de revenus, dommages, correctifs à apporter), ainsi que d'une visite prochaine d'un technicien d'Hydro-Québec qui aurait pour but de déterminer l'origine des problèmes rencontrés, des correctifs à apporter s'il y a lieu ainsi que des dommages subis par notre cliente.

Toutefois, bien que des représentants de CEPC téléphonent à tous les jours chez Hydro-Québec afin de requérir la visite d'un technicien, à ce jour, aucune telle visite n'a eu lieu et ce, bien que notre cliente vous ait fait part des multiples risques inhérents à

Iberville Deux
1175, Lavigne, bureau 300
Sainte-Foy, Québec
Canada G1V 4P1
Téléphone: (418) 650-7000
Télécopieur: (418) 650-7075

Complexe Maurice Tanguay
5790, boul. Étienne-Dallaire, bureau 205
Lévis, Québec
Canada G6V 8V6
Téléphone: (418) 650-7000
Télécopieur: (418) 838-5515

www.kronstromdesjardins.com



Hydro-Québec
(Sylvie Cadieux)

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de telles variations de courant, dont notamment le risque d'incendie (voir lettre du 15 mars 2001).

Dans les circonstances, vous êtes donc par les présentes mise en demeure de voir à prendre toutes les mesures nécessaires afin que les installations de notre cliente n'aient plus à subir de variations de courant semblables à celles des 30 janvier et 4 mars 2001 derniers et qu'à cette fin, un technicien d'Hydro-Québec et/ou toute autre personne ayant les connaissances appropriées soit dépêchée aux installations de notre cliente, tel que promis par vous-même il y a de ça plusieurs semaines.

Vous êtes également mise en demeure de voir à rembourser à notre cliente le montant des dommages qu'elle a subis lors des événements des 30 janvier et 4 mars 2001 derniers et à cet effet, de voir à faire parvenir à nos bureaux, par chèque visé ou mandat poste, sur réception des présentes, la somme de 84 888.32\$, plus 75.00\$ pour les frais de la présente mise en demeure, à défaut de quoi, nous avons instructions de notre cliente d'instituer contre Hydro-Québec toutes les procédures judiciaires qui s'imposent et ce, sans autre avis ni délai.

VEUILLEZ VOUS GOUVERNER EN CONSÉQUENCE.

KRONSTRÖM DESJARDINS

GUY de BLOIS, avocat
GdB/cbr
P.j.

Corporation canadienne de poudres électroniques
3494, rue Ashby, Saint-Laurent, Québec H4R 2C1
Téléphone: (514) 336-2888 Télécopieur: (514) 336-5059



April 10th, 2001

Hydro Quebec
c/o : Sylvie Cadieux
7575 Henri-Bourassa ouest
Montreal, Quebec H4S 1Z2
Canada

**COMPLAINT 3: Power dip in electrical grid causing loss of production at CEPC's
3494 rue Ashby facility.**

On Tuesday morning the 3rd of April, 2001 we experienced a power dip that stopped our production unit. This is the third time that such an incident has occurred. Fortunately, we were able to restart the production unit quickly and avoided freezing the metal and hence a premature rebuild. However, we have lost three hours of powder production due to the destabilization of the process by the electrical interruption that cost us loss of production at a cost of \$1,500. We would like to be reimbursed by Hydro-Quebec for this loss.

Inspection of our UPS logs on our server confirmed the power dip at around 7:26 am since our UPS had to function on battery mode for at least a second. As it was explained in the previous complaints, the survival of our company depends on the profitability of our operations according to our cost model. In addition, our survival depends on the ability to supply our products to our clients. These interruptions place us in difficult positions with our clients, ultimately leading to loss of sales to Japanese suppliers.

We are planning to expand our operations in our current location by 6 times. Our eventual power demand will reach 1500 kVA at this planned capacity. These interruptions are troubling as we believe not enough is being done by Hydro-Quebec in order to rectify the situation in the shortest time possible.

Regards,

A handwritten signature in black ink, appearing to read 'C. Celik', is written over a faint, illegible stamp.

Cesur Celik
President and CEO
CEPC

Copy to: Guy Deblois, Litigation Lawyer, Kronstrom Desjardins

Corporation canadienne de poudres électroniques
3494, rue Ashby, Saint-Laurent, Québec H4R 2C1
Téléphone: (514) 336-2888 Télécopieur: (514) 336-5059



June 4, 2001

Hydro Quebec
c/o : Sylvie Cadieux
7575 Henri-Bourassa ouest
Montreal, Quebec H4S 1Z2
Canada

COMPLAINT 4: Power interruption of May 28, 2001 in electrical grid causing loss of production at CEPC's 3494 rue Ashby facility.

On Monday morning the 28th May 2001 we experienced a power interruption that stopped our production unit causing extensive damages.

This came three days after receiving assurances from Mr. Alain Côté of Hydro Quebec that 'the transformer that was causing the previous dips was changed and there should not be any further problems' (telephone message of A.Cote to C.Celik on 25th May, 2001).

Following an investigation, Mr. Alain Côté of Hydro Quebec informed us on 30th May that this last incident was again caused by transformer failure and that the repairs would take at least one week to ten days to complete. In the meantime Hydro Quebec could not guarantee that the problem will not re-occur. Mr. A. Côté informed me that before necessary repairs are performed, the chance of this type of incidents occurrence would be 50%. Therefore, CEPC cannot assume the risk of a production run before the repairs are completed.

This 28th May incident is the fourth shutdown we experienced since January 30 this year. CEPC is falling into very difficult financial and marketing situation that is becoming impossible to manage. This last power cut resulted in catastrophic failures requiring several repairs in addition to replacement costs for the ceramic, graphite and consumable parts. We would like to be reimbursed by Hydro-Quebec the \$150,241 cost of this shutdown and an additional week of transformer repair period during which we will suffer revenue losses (see attached details).

Looking forward to your speedy response.

Regards,

A handwritten signature in black ink, appearing to read 'C. Celik', is written over a horizontal line.

Cesur Celik
President and CEO
CEPC

Copy to: Guy Deblois, Litigation Lawyer, Kronstrom Desjardins

Cost Model for Production Unit at CEPC's 3494 Ashby Facility

28-May-01

Direct Costs		Qty	Units	Cost per	Total Cost Item
Consummables					
<i>Ceramics</i>					
	Crucible	1		\$ 1,344.53	\$ 1,344.53
	Chamber	1		\$ 1,396.62	\$ 1,396.62
	Torch Sleeve	1		\$ 409.81	\$ 409.81
	Feed tube	1		\$ 261.22	\$ 261.22
	Castable Cement	15	lb	\$ 6.15	\$ 92.25
	Adhesive Cement	1		\$ 10.05	\$ 10.05
	Crucible Packing	40	lb	\$ 7.03	\$ 140.60
	Complete Nozzle	1		\$ 967.20	\$ 967.20
	Zirconia Insulation	0.2		\$ 145.20	\$ 29.04
<i>Graphite</i>					
	Crucible Support Part 1	1		\$ 1,104.97	\$ 1,104.97
	Crucible Support Part 2	1		\$ 214.72	\$ 214.72
	Crucible Support Part 3	1		\$ 53.03	\$ 53.03
	Graphite Tube 10" OD	1		\$ 844.33	\$ 844.33
	Graphite Door	1		\$ 221.86	\$ 221.86
	Graphite Felt 1/2 inch	100	inche	\$ 7.60	\$ 760.30
	Graphite Felt 1/4 inch	15	inche	\$ 2.69	\$ 40.29
	Feed Tube Insert	1		\$ 95.89	\$ 95.89
	Quench Tube Disk 8" OD	1		\$ 65.34	\$ 65.34
	Quench Tube Disk 10" OD	1		\$ 71.47	\$ 71.47
	Anode Connector Part 1	1		\$ 54.21	\$ 54.21
	Anode Connector Part 2	1		\$ 104.38	\$ 104.38
<i>Miscellaneous</i>					
	Anod	1		\$ 1,200.00	\$ 1,200.00
	Cathode	1		\$ 576.00	\$ 576.00
	Nickel Rot - 8"	1		\$ 21.00	\$ 21.00
	Raw Nickel	50	kg	\$ 17.22	\$ 861.00
	Welding Repair	1		\$ 200.00	\$ 200.00
	Torch Body Insulation (AL)	1		\$ 330.37	\$ 330.37
	Porous Tube	1		\$ 2,400.00	\$ 2,400.00
<i>Thermocouples</i>					
	Thermocouple-C 8"	1		\$ 224.00	\$ 224.00
	Thermocouple-K	3		\$ 43.00	\$ 129.00
<i>Computer</i>					
	Computer in the technician room	1		\$ 400.00	\$ 400.00
Labour for rebuild (4 days x 4 technicians and supervisor)					\$ 2,977.44
					Sub-Total \$ 17,600.92
Total Overhead Costs				65%	\$ 11,440.60
					Total Cost \$ 29,041.52
Revenue Losses					
	82 hours remaining x 2kg/hr	164	kg	\$ 300.00	\$ 49,200.00
Revenue Losses due to one week of interruption of production (Repair of the transformer by Hydro-Quebec)					
	24hx5x2kg/h	240	kg	\$ 300.00	\$ 72,000.00
TOTAL CLAIM					\$ 150,241.52

Here are the materials we have lost during power surge

CERAMIC MATERIALS

crucible	1,344.53
chamber	1,396.62
torch sleeve	409.81
feed tube	261.22
15LB castable cement	92.25
adhesive cement	10.05
20LB crucible packing	140.6
complete nozzle	967.2
1/5 zirconia insulation	29.04

GRAPHITE MATERIALS

crucible support part 1	1,104.97
crucible support part 2	214.72
crucible support part 3	53.03
graphite Tube 10"OD	844.33
graphite door	221.86
100 inches 1/2 graphite felt	760.3
15 inches 1/4 graphite felt	40.3
feed tube insert	95.89
quench tube disk 8"OD	65.34
quench tube disk 10"OD	71.47
anode connector part 1	54.21
anode connector part 2	104.38

OTHER MATERIALS

Anod	1,200.00
Cathode	576.00
thermocouple-C-8"	224.00
3 thermocouple-K	129.00
8" nickel rot	21.00
50kg raw nickel	861.00
welding repair	200.00
torch body insulation(AL)	330.37

TOTAL	11823.48
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July 16, 2001

Hydro Quebec
c/o: Sylvie Cadieux
7575 Henri-Bourassa ouest
Montreal, Quebec
H4S 1Z2
Canada

**COMPLAINT 5: Power interruptions of July 14, 2001 in electrical grid
causing loss of powder and damage to HVAC equipment
at CEPC's 3494 rue Ashby facility.**

On Saturday afternoon the 14th of July 2001 we have experienced power interruptions causing damage to the air conditioning unit in the production area of our facility resulting in humidity related damages to 115 kilograms of nickel powder from the production run of the week of the 9th of July 2001.

The July 14th incident is culminating CEPC's considerable financial suffrage and is ruining our image in this highly competitive market as a reliable supplier. Unreliable power supply is rapidly diminishing our ability to compete with overseas producers. The loss of this product prevented us from supplying our clients with their needs and hence it is lost revenue. We would like to be reimbursed by Hydro-Quebec for a total amount of \$45,279,64 for the loss of revenues (see attached details).

We received specific assurances on May 13, 2001 from Hydro Quebec that following installation and verification of the new transformers, power interruption issue was resolved and would not take place again.

Please note that six (6) days after obtaining these assurances from Hydro Quebec, on June 19, 2001, our electricity supply was interrupted in the middle of our production campaign, causing in repairs and lost revenues. We have not filed a claim for this loss since Mr. Alain Cote of Hydro Quebec informed us, following his investigations, that the cause of June 19, 2001 was due to weather system and affected thousands of residents and businesses, not just CEPC. Mr. A. Cote assured us, once again, that the transformers are good and the power issue for CEPC was resolved as of May 13, 2001.

Our maintenance personnel' investigations demonstrate clearly that, contrary to Hydro Quebec's assurances; the problem is far from over. As evidenced by the attached log of our UPS on CEPC's computer network, several power spikes, dips, and interruptions took place since May 13, 2001.

We have not been refunded yet for the first four claims and we would like to be reimbursed, for all of our claims, by Hydro Quebec, as soon as possible since these continual power failures and cuts is are creating a very difficult financial situation for CEPC.

Looking forward to your speedy response,

Yours very truly,



Cesur Celik
President and CEO
CEPC

cc: Guy Deblois, Litigation Lawyer, Kronstrom Desjardins

Cost Model for Production Unit at CEPC's 3494 Ashby Facility

July 14th, 2001

Cost of repair of the A/C unit						
	Labour (13 hours for the maintenance technician	13	hours	\$ 15.00		\$ 195.00
	13 hours for one technician and two hours	13	hours	10.58		\$ 137.54
	for the Engineer)	2	hours	\$ 27.41		\$ 54.82
	Parts					
	Motor			\$ 388.00		\$ 388.00
	Labour			\$ 93.00		\$ 93.00
	Fuses			\$ 89.00		\$ 89.00
					Sub-Total	\$ 957.36
	Total Overhead Costs			65%		\$ 622.28
					Total Cost	\$ 1,579.64 ✓
	Revenue Losses					
	115kg (storage)	115	kg	\$ 380.00		\$ 43,700.00
	TOTAL CLAIM					\$ 45,279.64