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**FISCAL 2009 | Third Quarter**  
Interim Consolidated Financial Statements

June 30, 2009



**Demand *Expert* Solutions®**

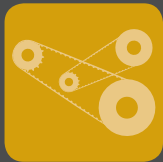
Commercial Solutions Inc.  
Fiscal 2009 Third Quarter Financial Statements

Chief Financial Officer: Rozina Kassam, CA

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# Interim Consolidated Balance Sheet

AS AT	June 30, 2009 (unaudited)	September 30, 2008 (audited)
<b>Assets</b>		
Accounts receivable	\$ 12,925,073	\$ 23,093,567
Income taxes receivable	459,337	-
Inventory	25,849,580	28,248,399
Prepays	853,299	756,779
	40,087,289	52,098,745
Future income tax asset	385,563	385,563
Property and equipment	4,953,168	5,210,762
Intangible assets	2,319,552	3,068,845
Goodwill (Note 3)	-	19,686,124
<b>TOTAL ASSETS</b>	<b>\$ 47,745,572</b>	<b>\$ 80,450,039</b>
<b>Liabilities</b>		
Bank indebtedness (Note 4)	\$ 13,506,903	\$ 18,200,221
Accounts payable and accrued liabilities	10,151,565	14,078,616
Income taxes payable	-	936,993
Current portion of deferred tenant inducement	20,000	20,000
Current portion of long term debt	982,118	356,397
Current portion of notes payable	-	1,246,023
	24,660,586	34,838,250
Future income tax liability	861,128	1,101,369
Deferred tenant inducement	103,333	118,333
Long term debt	167,172	984,382
Notes payable	1,229,972	594,684
	27,022,191	37,637,018
<b>Shareholders' Equity</b>		
Share capital (Note 5)	37,860,880	37,860,880
Contributed surplus	1,648,867	1,497,802
(Deficit) retained earnings	(18,786,366)	3,454,339
	20,723,381	42,813,021
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 47,745,572</b>	<b>\$ 80,450,039</b>

*See accompanying notes to the interim consolidated financial statements.*

# Interim Consolidated Statement of Loss, Comprehensive Loss, and (Deficit) Retained Earnings

(Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2009	2008	2009	2008
Revenue	\$ 20,749,108	\$ 33,921,608	\$ 85,870,721	\$ 105,110,318
Cost of goods distributed	15,033,709	24,231,704	62,502,951	74,799,749
<b>Gross margin \$</b>	<b>5,715,399</b>	<b>9,689,904</b>	<b>23,367,770</b>	<b>30,310,569</b>
<b>Gross margin %</b>	<b>27.5%</b>	<b>28.6%</b>	<b>27.2%</b>	<b>28.8%</b>
<b>Expenses</b>				
Impairment of goodwill (Note 3)	-	15,000,000	19,548,494	15,000,000
Salary and wages	4,584,226	5,911,099	15,672,859	17,848,245
Rent, occupancy costs and utilities	1,252,729	1,237,842	4,035,744	3,346,902
Selling, general and administration	979,317	1,414,249	3,823,323	4,077,871
Amortization on property and equipment	343,453	358,751	1,043,642	869,856
Professional fees	278,008	254,208	731,478	685,340
Amortization on intangible assets	238,495	217,921	715,484	769,953
Interest on bank indebtedness	185,584	265,190	700,037	845,766
Advertising and promotion	124,112	252,588	430,226	931,148
Interest on long term debt	33,504	86,193	97,793	272,612
Refinancing costs	75,000	-	75,000	-
Gain on disposal of property and equipment	(3,006)	(204,823)	(7,396)	(210,681)
	8,091,422	24,793,218	46,866,684	44,437,012
<b>Loss before income taxes</b>	<b>(2,376,023)</b>	<b>(15,103,314)</b>	<b>(23,498,914)</b>	<b>(14,126,443)</b>
Income tax (recovery) expense	(756,763)	(31,964)	(1,258,209)	277,461
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (1,619,260)</b>	<b>\$ (15,071,350)</b>	<b>\$ (22,240,705)</b>	<b>\$ (14,403,904)</b>
(Deficit) retained earnings, beginning of period	(17,167,106)	17,706,593	3,454,339	17,039,147
<b>(DEFICIT) RETAINED EARNINGS, END OF PERIOD</b>	<b>\$ (18,786,366)</b>	<b>\$ 2,635,243</b>	<b>\$ (18,786,366)</b>	<b>\$ 2,635,243</b>
Loss per share - basic	\$ (0.08)	\$ (0.75)	\$ (1.11)	\$ (0.72)
Weighted average number of shares - basic	20,100,806	20,100,806	20,100,806	20,072,523
Loss per share - diluted	\$ (0.08)	\$ (0.75)	\$ (1.11)	\$ (0.72)
Weighted average number of shares - diluted	20,100,806	20,100,806	20,100,806	20,072,523

See accompanying notes to the interim consolidated financial statements.

# Interim Consolidated Statement of Cash Flows

(Unaudited)	Three Months Ended June 30		Nine Months Ended June 30	
	2009	2008	2009	2008
Increase (decrease) in cash and cash equivalents				
<b>Operating</b>				
Net loss	\$ (1,619,260)	\$ (15,071,350)	\$ (22,240,705)	\$ (14,403,904)
Items not affecting cash:				
Impairment of goodwill (Note 3)	-	15,000,000	19,548,494	15,000,000
Amortization of property and equipment and intangibles	581,948	576,671	1,759,126	1,639,808
Stock based compensation	50,200	67,469	151,065	216,955
Gain on disposal of property and equipment	(3,006)	(204,823)	(7,396)	(210,681)
Tenant inducement	(5,000)	(5,000)	(15,000)	(15,000)
Amortization of note payable discount	22,838	30,560	(26,654)	95,382
Future income tax recovery	(75,961)	(62,812)	(227,882)	(225,484)
	(1,048,241)	330,715	(1,058,952)	2,097,076
Changes in non-cash operating working capital	6,301,389	106,912	7,272,160	1,222,010
Change in long term receivable (Note 6)	999,410	-	-	-
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>6,252,558</b>	<b>437,627</b>	<b>6,213,208</b>	<b>3,319,086</b>
<b>Financing</b>				
(Repayments) advances on bank indebtedness (Note 4)	(6,005,937)	766,087	(4,693,318)	(738,767)
Refinancing costs on credit facility	(124,750)	-	(124,750)	-
Issuances of common shares, net	-	-	-	189,000
Repayments of long term debt	(96,177)	(89,012)	(287,560)	(289,039)
Repayments of notes payable	-	(616,667)	(400,000)	(1,016,667)
<b>TOTAL CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(6,226,864)</b>	<b>60,408</b>	<b>(5,505,628)</b>	<b>(1,855,473)</b>
<b>Investing</b>				
Purchase of property and equipment	(31,973)	(862,832)	(701,760)	(1,625,602)
Acquisition / purchase price adjustment	-	-	(25,000)	(209,734)
Proceeds on disposal of property and equipment	6,279	364,797	19,180	371,723
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(25,694)</b>	<b>(498,035)</b>	<b>(707,580)</b>	<b>(1,463,613)</b>
Increase in cash and cash equivalents during the period	-	-	-	-
Cash and cash equivalents Beginning of period	-	-	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Cash taxes paid during the three month period is \$188,940 (2008 - \$460) and during the nine month period is \$368,264 (2008 - \$6,960).

Cash interest paid during the three month period is \$20,900 (2008 - \$58,617) and during the nine month period is \$25,246 (2008 - \$63,936).

Capital assets acquired through capital leases during the three month period are \$NIL (2008 - \$NIL) and during the nine month period are \$96,072 (2008 - \$NIL).

*See accompanying notes to the interim consolidated financial statements.*

# Notes to the Interim Consolidated Financial Statements

*(Unaudited)*

FOR NINE MONTHS ENDED JUNE 30, 2009 AND 2008

## 1. BASIS OF PRESENTATION

The Company's accounting policies and its standards of financial disclosure are in accordance with Canadian generally accepted accounting principles (GAAP) as prescribed by the Accounting Standards Board of Canada (AcSB). The unaudited interim consolidated financial statements have been prepared by management and include the accounts of Commercial Solutions Inc. (the "Company") and its wholly owned subsidiaries. These financial statements do not contain all disclosures required by Canadian GAAP for annual audited financial statements, and accordingly, the financial statements should be read in conjunction with the most recent annual audited financial statements.

A significant portion of the Company's revenue is exposed to the energy sector and therefore displays seasonality. Typically, the oil and gas industry slows down in April and May due to spring thaw. This generally causes the Company's third quarter to be its slowest from a revenue perspective.

These interim financial statements, in all material respects (except as disclosed in Note 2), follow the same accounting policies and methods of application as the annual audited financial statements of the preceding fiscal year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### New Accounting Policy

Effective October 1, 2008, the Company began to utilize forward exchange contracts to hedge against changes in the value of the U.S. dollar relative to the Canadian dollar. The Company uses this hedging instrument only in connection to its exposure on cash and liabilities denominated in U.S. dollars and does not use them for trading or speculative purposes. For accounting purposes, the Company has the option to formally designate eligible hedging relationships between hedging instruments (i.e. the forward exchange contract) and a hedged item (i.e. liability denominated in U.S. dollars). This exercise involves an assessment of whether the hedging instrument is highly effective in offsetting the changes in the fair value or cash flows associated with the hedged item. If assessed as highly effective at inception and on an ongoing basis, the Company may apply hedge accounting. For derivatives accounted for under cash flow hedge accounting, the effective portion of the gains and losses on the hedging item are recorded in other comprehensive income. The ineffective portion is immediately recognized in income. The gain or loss is released from accumulated other comprehensive income and recorded when the hedged item affects income. Hedges that are not formally designated as hedges for accounting purposes are designated as held-for-trading and gains and losses are recorded directly in net earnings. The Company has designated its forward exchange contracts as held-for-trading. The derivative instrument is measured at fair value and all adjustments to fair value are included in selling, general and administrative expenses with the liability recorded in accounts payable and accrued liabilities.

The notional value of the forward contract is USD 1,976,184 with a term to maturity of approximately seven weeks from the inception of the contract. The fair value adjustment related to this derivative instrument is a gain of \$33,600 for derivatives held as at June 30, 2009 (2008 - \$NIL) and is included in selling, general and administrative expenses.

### Changes in Accounting Policies

Effective October 1, 2008, the Company adopted the new CICA standard Section 3031, "Inventories". This new standard provides additional guidance concerning measurement, classification, and disclosure. The standard allows for the reversal of previous write-downs to net realizable value when there is a change in the circumstances giving rise to the impairment. There were no adjustments to inventories in the adoption of this section. The amount of inventory recognized as expense is the equivalent to the total costs of goods distributed as disclosed in the statement of earnings.

## Notes to the Interim Consolidated Financial Statements (cont'd)

Effective October 1, 2008, the Company adopted CICA Section 3064 "Goodwill and Intangible Assets". This standard supersedes Sections 3062, "Goodwill and Intangible Assets", and 3450, "Research and Development Costs". The new section establishes standards for the recognition, measurement, and disclosure of goodwill, intangible assets, and research and development costs. It also includes requirements for recognizing internally generated intangibles. There were no adjustments to goodwill and intangible assets in the adoption of this section.

### Future Accounting Pronouncements

In February 2008, the AcSB confirmed that the use of International Financial Reporting Standards (IFRS) will be required for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The Company anticipates implementation of this standard in its first quarter of the fiscal year 2012 and is currently evaluating the impact of their adoption on its consolidated financial statements.

## 3. GOODWILL

Goodwill was partially adjusted in the previous quarter due to the re-evaluation of contingent payments on the February 29, 2008 acquisition of Outillage B et G Cadieux Inc. ("Cadieux"). The contingent payment was accrued at the time of acquisition based on the Company's assessment of Cadieux achieving certain levels of annual pre-tax earnings over the following three years. As a result of the general economic downturn, the Company believes these targets will not be attained and hence has reversed the liability. The adjustment is a reduction to Goodwill of \$145,630 and a reduction to intangible assets for \$33,809 with a corresponding reduction to notes payable.

The Company conducted an interim goodwill impairment test in Q2 of fiscal 2009 due to the changes in the economic environment since its last impairment test in Q3 of fiscal 2008. As a result, an impairment charge of \$19,548,494 (2008 - \$15,000,000) was recorded to write off the entire value of its goodwill. The impairment is primarily the result of the general economic downturn, specifically the weakness in the energy sector which is the Company's major market sector, and the recent decline in the Company's market capitalization. Market capitalization represents the public consensus on the value of a company's equity.

## 4. BANK INDEBTEDNESS

The Company currently has consolidated credit facilities (the "facility") with the Canadian Imperial Bank of Commerce (the "Lender") which provides a \$17,500,000 operating line of credit and a \$1,260,000 acquisition line. As of June 30, 2009, \$13,506,903 (September 30, 2008 - \$18,200,221) was drawn on the operating line, which is classified as bank indebtedness on the balance sheet; and, \$886,667 (September 30, 2008 - \$1,096,667) was drawn on the acquisition line, which is classified as current portion of long term debt on the balance sheet.

The financial covenants include (i) margin requirements between loans and certain receivables and inventory balances, (ii) debt servicing, and (iii) senior funded debt to earnings before interest, tax, depreciation and amortization and impairment of goodwill ("EBITDA"). The credit facility is secured by a general security agreement covering all present and after acquired property and postponements of claims from related parties. The facility bears interest at prime plus 3.5%, with a sliding scale that increases based on financial covenants and a standby fee of 0.75% on unused amounts of the facility.

As at December 31, 2008, the Company was not in compliance with the debt servicing ratio. In February 2009, the Lender amended the lending agreement to reflect the interest rate at prime plus 3.5% from 1.0% and standby fee of 0.75% from 0.25% on the monthly undrawn facility. Additionally, the Lender required that principal payments on notes payables be deferred until after December 31, 2009. For both the second and the third quarters of fiscal 2009, the Company was not in compliance with both the debt servicing ratio and the senior funded debt to EBITDA. As at June 30, 2009, the debt servicing ratio was 0.16:1.00 which is below the minimum covenant ratio of 1.10:1.00 and the senior funded debt to EBITDA ratio was 15.49:1.00 which is above the maximum covenant ratio of 4.00:1.00. The Company is in compliance with its margin requirements between loans and certain receivables and inventory balances.

## Notes to the Interim Consolidated Financial Statements (cont'd)

The facility originally matured in April 2009, and an extension is provided by the Lender up to August 31, 2009. As well, the Lender has waived all covenant violations up to the current period and has reduced the operating line based on the Company's financing needs from \$25,000,000 to \$17,500,000. Over the nine months ended June 30, 2009, the Company has reduced its operating loan balance by 26% as a result of the reduction in its operating costs, inventory levels and collection of accounts receivable. As well, the Company has been evaluating other possible financing alternatives. As at June 30, the Company has completed its evaluation of financing alternatives and is working on a loan agreement with an asset based lender. This financing alternative is better suited for the Company as it supports companies that operate in a volatile industry where it can be difficult to maintain steady earnings or cash flow. The lending structure allows the Company to take advantage of its strong balance sheet. The asset based lender has provided the Company with a formal commitment to provide a credit facility that is dependent on the level of the Company's inventories and outstanding trade accounts receivables and is subject to the Company raising \$5,000,000 of subordinated debenture. The Company has parties interested in providing the subordinated debenture; however, no commitments have been made.

The Company continues to work closely with all lenders to ensure that an agreement is closed on a timely basis. Should the agreement not close before August 31, 2009, there is no guarantee the Lender will provide a further extension which may reduce the Company's financial flexibility.

### 5. SHARE CAPITAL

The following table summarizes information on share capital and related matters as at June 30, 2009:

	Outstanding	Exercisable
Common shares	20,100,806	n/a
Employee and director compensation options	1,225,267	220,667

The following table summarizes information on stock option transactions for the nine months ending June 30, 2009:

	Stock options	Weighted average exercise price
Outstanding, as at September 30, 2008	1,388,017	\$ 2.08
Granted	70,000	0.25
Forfeited and expired	(232,750)	2.27
<b>OUTSTANDING AS AT JUNE 30, 2009</b>	<b>1,225,267</b>	<b>\$ 1.93</b>

The significant assumptions made in the calculation of the weighted average fair value of the options granted during the period using the Black-Scholes options pricing model are as follows:

	June 30, 2009
Risk-free interest rate	2.86%
Expected life	5 years
Expected volatility	72.14%
Weighted average fair value per option	\$0.25

## Notes to the Interim Consolidated Financial Statements (cont'd)

### 6. LONG TERM RECEIVABLE

The Company had a long term receivable balance from a large international customer that was to be settled in full through agreed upon monthly periodic payments up to December 2010. During the current period, the customer's cash position improved and a significant portion of the outstanding balance was settled. The remaining outstanding balance from this customer as at June 30, 2009 is \$514,681 and has been reclassified to current assets under accounts receivable. A financing fee at prevailing lending rates is charged on the monthly outstanding balance effective February 1, 2009. Management has not made a provision for this receivable as they believe it to be fully collectible.

### 7. CAPITAL MANAGEMENT

The objectives of the Company's capital management program include:

- safeguarding the entity's ability to continue as a going concern; and
- increase shareholder value.

In the management of capital, the Company includes bank indebtedness, long term debt, notes payable, and share capital in the definition of capital.

The Company uses a combination of debt and equity financing to help achieve its objectives. The percentage levels of each capital component may change as the Company attempts to take advantage of prevailing market conditions.

The Company is not subjected to capital requirements imposed by a regulator.

As at June 30, 2009, the Company breached its externally imposed debt covenants requirement, specifically, the debt servicing and the senior debt to EBITDA ratio, as per Note 4. The Company monitors these requirements on a monthly basis. Changes in certain key ratios are as follows:

	June 30, 2009	September 30, 2008	Financial covenant
Working capital ratio*	1.62	1.50	n/a
Senior funded debt to adjusted EBITDA ratio **	15.49	3.34	maximum of 4.00
Debt servicing ratio***	0.16	1.16	minimum of 1.10

\* "Working capital ratio" is defined as current assets divided by current liabilities

\*\* "Senior funded debt to adjusted EBITDA ratio" is defined as the ratio of senior secured and interest bearing debt to adjusted EBITDA. "Adjusted EBITDA" is defined as EBITDA plus qualified acquired EBITDA. "Qualified acquired EBITDA" means normalized EBITDA for any company acquired during the period and is subject to the lender's approval. Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") is a measure that does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. EBITDA is a key measure used by management to evaluate the Company's performance and is used in measuring compliance with certain debt covenants.

\*\*\* "Debt servicing ratio" is the ratio of EBITDA less cash taxes to the sum of (i) debt service requirements; and, (ii) unfunded capital expenditures. "Debt service requirements" are defined as the scheduled principal and interest payments on senior funded debt and notes payable. "Unfunded capital expenditures" are capital expenditures that are not specifically financed with long term debt.

Both the senior funded debt to adjusted EBITDA and debt servicing ratios are calculated on a trailing twelve month basis.

### 8. STOCK BASED COMPENSATION

The Company recorded stock based compensation expense and a corresponding increase in contributed surplus in the amount of \$50,200 (2008 - \$67,469) for the three months ended June 30, 2009 and \$151,066 (2008 - \$216,955) for the nine months ended June 30, 2009.

### 9. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, short and long term borrowings, forward exchange contracts, and any other amounts that will result in future cash outlays.

#### a) Fair Value

The Company has determined that the fair value of its short-term financial assets, including accounts receivable, and financial liabilities, including accounts payable and accrued liabilities and financial derivatives, approximates their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments. The fair value of the Company's bank indebtedness also approximates its respective carrying amounts due to the floating rate nature of the debt.

The fair value of the notes payable and the long term debt obligations are estimated based on current rates available to the Company for similar debt of the same remaining maturities. The estimated fair value of the notes payable and long term debt as at June 30, 2009 is \$2,416,686 (September 30, 2008 - \$3,199,641). If the Company paid out the loans at June 30, 2009 a pretax loss of \$28,514 (2008- \$18,155) would occur. These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and accordingly, other fair value estimates are possible.

#### b) Credit Risk

The Company extends credit facilities to its customers which are unsecured. Although the Company has a system of credit management in place, there is a risk that some of the Company's customers may not be able to meet their obligations when they become due. The loss of a large receivable would have a substantial adverse effect on the Company's profitability. Provisions for uncollectible accounts are made in the allowance for doubtful accounts. Total provisions as at June 30, 2009 were \$415,761 (September 30, 2008 - \$493,388). Accounts receivables that are past their contractual terms of 30 days as at June 30, 2009 are \$5,813,662 (September 30, 2008 - \$9,718,602). However, given the customer base, customers typically pay in 45 days. Management does not consider the amount over 30 days, net of provisions for uncollectible accounts, as uncollectible as management is thorough in the process of reviewing credit limits and works closely with the customers to ensure collection. Historically, bad debts as a percentage of revenue is less than 1.0%.

A portion of accounts receivable that is past its contractual terms represents amount receivable from a large international customer who will be settling the full balance on an agreed upon deferred payment plan. The total amount of this receivable is approximately \$514,681 and will be settled in equal monthly payments up to March 2010. A financing fee at prevailing lending rates will be charged on the monthly outstanding balance as part of the payment plan. Management has not provided for this receivable as it believes the balance is fully collectible.

## Notes to the Interim Consolidated Financial Statements (cont'd)

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### c) Foreign Currency Risk

The Company has cash or bank overdrafts and accounts payable and accrued liabilities denominated in foreign currencies which exposes the Company to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. Effective fiscal 2009, the Company initiated a program of hedging this risk by purchasing U.S. dollar forward exchange contracts. The notional value of the forward contract not yet settled at June 30, 2009 is USD 1,976,184 with a term to maturity of approximately seven weeks from the inception of contract. The fair value adjustments related to this derivative instrument is a gain of \$33,600 for the current period (2008 - \$NIL) and is included in selling, general and administrative expenses. The liability related to this adjustment is included in accounts payable and accrued liabilities. Foreign exchange loss for the three months ended June 30, 2009 is \$160,533 (2008 - loss of \$52,751). For the nine months end June 30, 2009, the Company recorded foreign exchange loss of \$183,822 (2008 - \$248,097). If the foreign exchange rate had been 10% less favourable for the Canadian dollar during the nine months ended June 30, 2009, with all other variables held constant, net (loss) earnings would have (increased) decreased by approximately \$108,729 (2008 - \$357,372).

### d) Liquidity Risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company actively monitors its financing obligations, as well as its cash and cash equivalents to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost. Global financial markets and economic conditions have been disrupted and volatile. The debt and equity capital markets have been distressed. These factors, together with the repricing of credit and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain cost effective financing. In addition, the cost of obtaining money from the credit markets has generally increased as many lenders have increased interest rates, enacted tighter lending standards, and are not refinancing existing debt at maturity on terms similar to the Company's current debt and, in some cases, ceased to provide funding. Due to these factors, the Company cannot be certain funding will be available when needed and to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavourable terms, the Company may be unable to implement its business plans, or to take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on the Company's financial condition, results of operations, and cash flows.

The Company's current credit facility contains financial covenants that are based on the trailing twelve months of EBITDA. From the nine months ended June 30, 2009, the Company breached two of its externally imposed debt covenants, specifically the debt servicing ratio and the senior funded debt to EBITDA covenants. The Company is in compliance with its margin requirements between loans and certain receivables and inventory balances.

The facility originally matured in April 2009, and an extension is provided by the Lender up to August 31, 2009. As well, the Lender has waived all covenant violations up to the current period and has reduced the operating line based on the Company's financing needs from \$25,000,000 to \$17,500,000. Over the nine months ended June 30, 2009, the Company has reduced its operating loan balance by 26% as a result of the reduction in its operating costs, inventory levels and more timely collection of accounts receivable. As well, the Company has been evaluating other possible financing alternatives. As at June 30, the Company has completed its evaluation of financing alternatives and is working on a loan agreement with an asset based lender. This financing alternative is better suited for the Company as it supports companies that operate in a volatile industry where it can be difficult to maintain steady earnings or cash flow. The lending structure allows the Company to take advantage of its strong balance sheet. The asset based lender has provided the Company with a formal commitment to provide a credit facility that is dependent on the level of the Company's inventories and outstanding trade accounts receivables and is subject to the Company raising \$5,000,000 of subordinated debenture. The Company has parties interested in providing the subordinated loan; however, no commitments have been made.

The Company continues to work closely with all lenders to ensure that an agreement is closed on a timely basis. Should the agreement not close before August 31, 2009, there is no guarantee the Lender will provide a further extension which may reduce the Company's financial flexibility.

## **Notes to the Interim Consolidated Financial Statements (cont'd)**

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### **e) Interest Rate Risks**

The Company has floating rate debt, which is subject to interest rate cash flow risk. The required cash flow to service the debt will fluctuate as a result of the changes in market rates. If the interest rate on the Company's loan balance as at June 30, 2009 had increased by 1.0%, with all other variables held constant, net (loss) earnings would have (increased) decreased by approximately \$158,536 (2008 - \$183,057) for the year.

## **10. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

# 05 Corporate Information

## Officers and Directors

Jim Barker  
President, Chairman and Director  
Edmonton, Alberta

Rozina Kassam, CA  
Chief Financial Officer  
Edmonton, Alberta

Dr. Ken Harrison  
Director  
Edmonton, Alberta

Richard Smith  
Director  
Calgary, Alberta

Alan Martin, CA CBV  
Director  
St. Albert, Alberta

Bill Rosser  
Corporate Secretary and Director  
Edmonton, Alberta

Daryl Kruper  
Director  
Edmonton, Alberta

## Corporate Office

4203 - 95 Street  
Edmonton, Alberta T6E 5R6  
Ph.: (780) 432-1611  
Fax: (780) 462-0807

## Auditors

Grant Thornton LLP  
1401 Scotia Place 2  
10060 Jasper Avenue  
Edmonton, Alberta T5J 3R8

## Shares Listed

Toronto Stock Exchange  
Trading Symbol – “CSA”

## Transfer Agent

Computershare Trust Company of Canada  
600, 530 - 8th Avenue SW  
Calgary, AB  
T2P 3S8

## Bankers

Canadian Imperial Bank of Commerce  
10102 Jasper Avenue  
Edmonton, Alberta  
T5J 1W5

## Share Capital

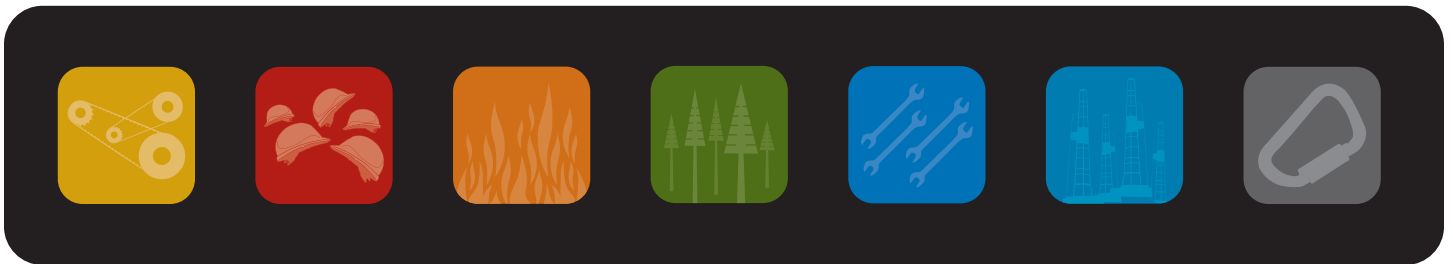
Issued: 20,100,806 common shares

## Website

[www.commercialsolutions.ca](http://www.commercialsolutions.ca)



**1 888 522 9822 | [www.commercialsolutions.ca](http://www.commercialsolutions.ca)**



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