

**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 PRODUCT EXCELLENCE INC.**

**MOTION RECORD  
OF PRODUCT EXCELLENCE INC.**  
(motion returnable November 12, 2009)

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# TAB 1

**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 PRODUCT EXCELLENCE INC.**

**NOTICE OF MOTION**

The Applicant, Product Excellence Inc. ("PEI") will make a motion to a Judge presiding over the Commercial List on Thursday, November 12, 2009, at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

- a) An Order substantially in the form of the draft Order attached as Schedule "A";  
and,
- b) Such further and other relief as counsel may request and to this Honourable Court may seem just.

THE GROUNDS FOR THE MOTION ARE:

- a) On August 4, 2009, PEI was granted an Initial Order pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") (the "Initial Order") by the Honourable

Justice Lederman granting PEI, among other things, protection from its creditors by way of a stay of proceedings (the “Stay Period”);

- b) Justice Lederman approved the payment by PEI of pre-filing debts owed to certain critical suppliers (the “Critical Suppliers”), being those creditors who were necessary for PEI to carry on its business during the Stay Period;
- c) PEI entered into a sale transaction (the “Transaction”) as set out in an Agreement of Purchase and Sale (the “Sale Agreement”) with ACI Brands Inc. (the “Purchaser”) with respect to the bulk of PEI’s assets, subject to court approval;
- d) On August 14, 2009, PEI was granted an approval and vesting order by the Honourable Justice Mesbur, approving the Transaction contemplated by the Sale Agreement;
- e) Justice Mesbur also ordered that PEI could distribute all necessary amounts from the proceeds of sale to pay the secured indebtedness of PEI’s first-ranking secured creditor, the Royal Bank of Canada, and that the Stay Period be extended to November 13, 2009;
- f) Since the granting of the approval and vesting order, PEI continued to operate its business, including collecting accounts receivable, paying employees, landlords, and critical suppliers, and assisting in the transfer of the purchased assets to ACI;

- g) PEI has also sold assets, including product inventory, that was not subject to the Sale Agreement, to further enhance recoveries for stakeholders;
- h) PEI has paid pre-filing amounts owed to certain creditors who were necessary for the continued operation of PEI's business (the "Additional Critical Suppliers"). These Additional Critical Suppliers, and their role in the continued operation of PEI's business, were discovered following the obtaining of the Initial Order and the Approval and Vesting Order. PEI is now seeking the approval of this Honourable Court for certain payments made to the Additional Critical Suppliers;
- i) RBC has now been paid in full, and the second-ranking secured creditor, PEI Investments Inc. ("Investments"), has indicated that it approves of the steps being taken by PEI to pay the Additional Critical Suppliers, sell its remaining assets and deal with its accounts receivable;
- j) PEI is up to date on its payments of statutory deductions, GST, and other amounts that would rank in priority to the secured indebtedness owed to Investments, and PEI has sufficient cash flow to pay these amounts going forward as necessary. PEI estimates these amounts to be minimal, given that PEI has reduced its workforce and is winding down its operations;
- k) PEI seeks the approval of this Honourable Court to distribute any amounts necessary to pay the secured indebtedness of Investments going forward as the remaining proceeds of sale, consisting of royalty payments from the Purchaser,

will be paid over time. PEI estimates that Investments will still suffer a significant shortfall after all payments under the Sale Agreement are made;

- l) PEI has acted in good faith and with due diligence throughout the CCAA proceedings;
- m) PEI has now reviewed its circumstances and has determined that, in light of the fact that Investments will still be owed significant amounts after all the assets of PEI are sold, and the fact that PEI will not be able to restructure its operations so as to be a viable company going forward, it is not feasible to prepare a plan of compromise and arrangement in favour of its unsecured creditors;
- n) PEI has reduced its workforce and sold all of its inventory, such that it is no longer selling products. PEI continues to operate for the purpose of collecting accounts receivable and receiving payments of the proceeds of sale so that it may make further payments to Investments;
- o) Accordingly, PEI seeks to terminate the CCAA proceedings and thus no further extension of the Stay Period is required;
- p) As the CCAA proceedings will be terminated shortly, PEI is seeking the approval of the activities and accounts of its counsel during the CCAA proceedings;
- q) Further, the Monitor is seeking approval of its activities and accounts, as well as the accounts of its counsel, during the CCAA proceedings;

- r) As the CCAA proceedings will be terminated shortly, it is appropriate that the Monitor be discharged at this time;
- s) Subsections 11(1), 11.4, 11.7(1), 11.7(4) and 36 of the CCAA;
- t) Rules 2.03, 3.02 and 37 of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194; and,
- u) Such additional grounds as counsel may advise and this Honourable Court deem just.

2. The following documentary evidence will be used at the hearing of the application:

- a) The affidavit of Norman Paul sworn November 5, 2009, and the exhibits attached thereto;
- b) The second report of the Monitor, to be filed; and,
- c) Such other evidence as counsel may advise and this Honourable Court permit.

Date: November 5, 2009

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Lawyers for the Applicant

**SCHEDULE “A”**

Court File No. 09-8306-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE	)	THURSDAY, THE 12 <sup>TH</sup>
	)	
JUSTICE	)	DAY OF NOVEMBER, 2009

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

AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF PRODUCT EXCELLENCE INC.

**ORDER**

**THIS MOTION**, made by the Applicant, PRODUCT EXCELLENCE INC. (“PEI”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order:

- (i) Approving the payments of pre-filing debts to certain critical suppliers (the “Additional Critical Suppliers”);
- (ii) Approving the activities of PEI since August 14, 2009, including the transfer of certain inventory and assets not subject to the Agreement of Purchase and Sale (the “Sale Agreement”) with ACI Brands Inc. (the “Purchaser”);
- (iii) authorizing and directing PEI to distribute from the net proceeds received going forward from the completion of the sale transaction (the “Transaction”) as contemplated in the Sale Agreement, such amounts as may be required to repay PEI’s secured indebtedness to the second-ranking secured creditor, PEI Investments Inc. (“Investments”);

- (iv) terminating the CCAA proceedings;
- (v) approving the accounts of Kronis, Rotsztain, Margles, Cappel, the lawyers for PEI, for the period August 4, 2009 to November 12, 2009;
- (vi) approving the activities and accounts of Deloitte & Touche Inc., the Monitor for PEI (the "Monitor") for the period August 4, 2009 to November 12, 2009;
- (vii) approving the accounts of Aylesworth LLP, the lawyers for the Monitor, for the period August 4, 2009 to November 12, 2009;
- (viii) discharging and releasing the Monitor; and.
- (ix) such further and other relief as to this Honourable Court may seem just,

was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record, the Second Report of the Monitor, and on hearing the submissions of counsel for PEI, counsel for the Monitor and such other counsel as were present, on being advised that Investments consents to the relief sought on this motion, and on being advised that the parties on the service list were properly served with the Notice of Motion and Motion Record herein, as appears from the affidavit of service of Kelly Barrett, sworn November 6, 2009, filed:

### **SERVICE**

1. **THIS COURT ORDERS AND DECLARES** that the Notice of Motion and the Motion Record are properly served on the service list such that the Motion is properly returnable today and the requirement for service of the Notice of Motion and of the Motion Record upon any party not served is hereby dispensed with.

### **ADDITIONAL CRITICAL SUPPLIERS**

2. **THIS COURT ORDERS** that notwithstanding paragraph 9 of the Initial Order of the Honourable Justice Lederman, dated August 4, 2009 (the "Initial Order"), PEI shall be permitted to pay any amounts currently owing, and that were owed, to the critical suppliers set out in paragraph 19 of the Affidavit of Norman Paul, sworn November 5, 2009, attached to the Motion Record, and that all previous payments to these critical suppliers are hereby approved.

### **APPROVAL OF ACTIVITIES**

3. **THIS COURT ORDERS AND DECLARES** that PEI is hereby authorized and directed to sell any and all assets that were not part of the Transaction, including certain inventory, and that all sales of such assets from August 4, 2009 through to the date of this Order, are hereby approved.

### **DISTRIBUTION OF SALE PROCEEDS TO INVESTMENTS**

4. **THIS COURT ORDERS AND DECLARES** that PEI is hereby authorized and directed to distribute from the net proceeds received from the completion of the Transaction contemplated in the Sale Agreement, such amounts as may be required to repay PEI's secured indebtedness to Investments.

### **TERMINATION OF THE CCAA PROCEEDINGS AND DISCHARGE OF THE MONITOR**

5. **THIS COURT ORDERS AND DECLARES** that the CCAA proceedings herein of PEI be and are hereby terminated.

6. **THIS COURT ORDERS AND DECLARES** that the Monitor is hereby released and discharged from any and all liability that the Monitor now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of the Monitor while acting in such capacity in these CCAA proceedings. Without limiting the generality of the foregoing, the Monitor is hereby forever released and discharged from any and all liability relating to matters that were raised or which could have been raised in the within CCAA proceedings, provided that nothing herein shall relieve the Monitor from any liability arising out of the gross negligence or wilful misconduct on the part of the Monitor.

### **APPROVAL OF PROFESSIONAL FEES**

7. **THIS COURT ORDERS** that the fees and disbursements of Kronis, Rotsztain, Margles, Cappel, lawyers for PEI, for the period August 4, 2009 to November 12, 2009, as set out in the Affidavit of Mervyn D. Abramowitz, affirmed November 5, 2009, are hereby approved.

**APPROVAL OF ACTIVITIES AND ACCOUNTS OF THE MONITOR**

8. **THIS COURT ORDERS** that the activities of the Monitor, as set out in the First Report and Second Report, are hereby approved.

9. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its counsel, Aylesworth LLP, as set out in the Second Report, are hereby approved.

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# TAB 2

Court File No. 09-8306-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
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ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF PRODUCT EXCELLENCE INC.**

**AFFIDAVIT OF NORMAN PAUL  
(sworn November 5, 2009)**

I, NORMAN PAUL, of the City of Toronto, in the Province of Ontario, MAKE  
OATH AND SAY:

1. I am the Chief Executive Officer of the Applicant, Product Excellence Inc. ("PEI"), and as such have personal knowledge of the facts to which I hereinafter depose. Where facts are based on information and belief, I state the source of such facts and I verily believe those facts to be true.

2. I swear this affidavit in support of a motion by PEI seeking an order pursuant to the *Companies Creditors' Arrangement Act* ("CCAA"):

- (a) approving the payment by PEI of pre-filing debts owed to certain creditors who are essential to the operation of PEI's business (the "Additional Critical Suppliers");

- (b) approving the activities of PEI since August 14, 2009, including the transfer of certain inventory and assets not subject to the Agreement of Purchase and Sale (the "Sale Agreement") with ACI Brands Inc. (the "Purchaser");
- (c) authorizing PEI to distribute from the net proceeds received going forward from the completion of the Transaction such amounts as may be required to repay PEI's secured indebtedness to the second-ranking secured creditor, PEI Investments Inc. ("Investments").
- (d) approving the accounts of PEI's counsel, Kronis, Rotsztain, Margles, Cappel;
- (e) approving the activities and accounts of the Monitor for PEI, Deloitte & Touche Inc. (the "Monitor") and the Monitor's counsel; and,
- (f) terminating the CCAA proceedings.

### **THE INITIAL ORDER**

3. On August 4, 2009, PEI sought and obtained the Initial Order of the Honourable Justice Lederman (the "Initial Order") which ordered a stay of proceedings pursuant to the CCAA, to September 3, 2009 (the "Stay Period"). Attached hereto and marked as **Exhibit "A"** to this my Affidavit is a true copy of the Initial Order.

4. Prior to the CCAA proceedings, PEI carried on business across Canada as a full-service distributor of cosmetics, health and beauty aids and over-the-counter pharmaceutical products. PEI sold products from both the United States and Canada.

5. PEI is a wholly owned subsidiary of PEI Holdings Inc. (“Holdings”). In turn, PEI Investments Inc. (“Investments”) owns 80% of the shares in Holdings and Next Paradigm Inc. (“Next”) owns 20% of the shares in Holdings, respectively.

6. At the time the Initial Order was obtained, PEI’s first-ranking secured creditor was the Royal Bank of Canada (“RBC”). PEI’s operations were primarily financed by Holdings, Investments and Next (collectively the “Shareholder Group”). Investments was the second-ranking secured creditor pursuant to its registration under the *Personal Property Security Act*.

7. When PEI began the CCAA proceedings, RBC was owed approximately \$1.8 million and the Shareholder Group was collectively owed the sum of \$11,106,422.00. PEI owed a further \$1,000,000.00 to unsecured trade creditors.

8. When the Initial Order was sought, PEI advised Justice Lederman that it had negotiated the Sale Agreement with the Purchaser and that PEI would be bringing a motion for court approval of the Transaction shortly. Justice Lederman specifically noted in his endorsement that the Initial Order was necessary to complete the Sale Agreement and to maximize recovery for PEI’s creditors. Attached hereto and marked as **Exhibit “B”** to this my Affidavit is a true copy of the Endorsement of the Honourable Justice Lederman, dated August 4, 2009.

#### **THE APPROVAL AND VESTING ORDER AND STAY EXTENSION ORDER**

9. On August 14, 2009, PEI obtained the Approval and Vesting Order of the Honourable Justice Mesbur (the Approval and Vesting Order”), authorizing PEI to complete the transaction of purchase and sale (the “Transaction”) contemplated by the Sale Agreement with

the Purchaser. Attached hereto and marked as **Exhibit “C”** to this my Affidavit is a true copy of the Approval and Vesting Order, dated August 14, 2009.

10. That same day, a further order of Justice Mesbur also extended the Stay Period to November 13, 2009, and approved the payment of all necessary amounts from the proceeds of sale necessary to repay the secured indebtedness of RBC. Attached hereto and marked as **Exhibit “D”** to this my Affidavit is a true copy of the further Order of the Honourable Justice Mesbur, dated August 14, 2009.

11. Based on its projected cash flow, PEI anticipated that it would have positive cash flow through the extension of the Stay Period, thus allowing it to continue operations while completing the Transaction, and continue to work with the Monitor, Deloitte & Touche Inc. (the “Monitor”) and PEI’s professional advisers to determine if a plan of compromise and arrangement to PEI’s unsecured creditors was feasible.

12. PEI has now completed the Transaction and transferred the purchased assets to the Purchaser.

13. Further, PEI has paid RBC in full, such that Holdings, Investments and Next are the only remaining secured creditors, with Investments being the top-ranking remaining secured creditor in priority.

#### **THE ADDITIONAL CRITICAL SUPPLIERS**

14. Pursuant to the Initial Order, PEI obtained court approval to pay amounts owing to certain critical suppliers to allow PEI to carry on its operations during the Stay Period. These

critical suppliers included product suppliers and sales representatives whose continued involvement was required for PEI to continue its operations.

15. After obtaining the Approval and Vesting Order, PEI determined that there were additional suppliers (the “Additional Critical Suppliers”) that were required to continue PEI’s operations, and specifically to allow PEI to transition the purchased assets to the Purchaser. The Additional Critical Suppliers include suppliers of product, providers of benefits for PEI’s employees, sales representatives of PEI who were included generally in the Initial Order but not identified specifically, and delivery companies used by PEI to ship products. The product and services of these Additional Critical Suppliers were necessary so that PEI could carry out its obligations under the Sale Agreement, including transitioning product lines to the Purchaser and selling products for the Purchaser during the transition period.

16. These Additional Critical Suppliers demanded payment of the amounts owed to them before they would sell additional products and provide services to PEI during the Stay Period.

17. The Additional Critical Suppliers ought to have been included in the original list of critical suppliers submitted to Justice Lederman, however, as PEI was still negotiating the terms of the Sale Agreement when the Application materials were being prepared, and it was unclear what product lines would be supported by PEI under the Transaction, PEI only became aware that these Additional Critical Suppliers were necessary after the Approval and Vesting Order was obtained and the Transaction was carried out.

18. PEI has paid the Additional Critical Suppliers during the Stay Period to allow PEI to complete the Transaction and support the Purchaser pursuant to PEI's obligations under the Sale Agreement.

19. PEI therefore seeks the approval of this Honourable Court with respect to the amounts paid to these Additional Critical Suppliers:

A Dynamic Broker	I.B. Innovative Brands Inc.
Accel	J&F Waste Systems
ADT Security Services	Jan Pro Cleaning Systems
Ali Ryan	Kathleen McCelland
Azar International	Little Guys
Beaumont Translation	Luna Fertility Clinic
Beauty Solutions	Miad Information Systems Ltd.
Bell Canada	Mallins & Associates
Cannon Canada Inc.	Megan McGinnis
Canpar	Next Paradigm Inc.
Chantia Sales	Olympic Dust Control
Claim Secure	Ralph Phillips
Colora	Planet Paper Box
Consolidated Fastfrate	Primary One
DHL Express	Purolator Courier
Edgar Graham Sales & Marketing	Rick Ayotte Sales
EDI Gateway	Rogers Wireless
EPM Business Products	Rosedale Livery
Federal Express	Shred-it International Inc.
Finger Printers	T.R. International
Frontline Carriers Systems Inc.	Wilson International Ltd.
The Great West Life Assurance Co.	Zynpack Packaging Products
GS1 Canada	
Head Blade Inc.	

## **THE SALE OF INVENTORY**

20. Pursuant to the Sale Agreement, not all of the assets and inventory of PEI was included in the Transaction. Thus, PEI continued to remain in possession of certain assets, consisting mainly of discontinued inventory that was not subject to the Sale Agreement (the "Inventory").

21. PEI sought to sell this Inventory to maximize recovery for its creditors.
22. The Monitor previously carried out a liquidation analysis of PEI's assets, and determined that the liquidation value of the Inventory was \$0.05 per dollar.
23. The Inventory was particularly difficult to sell on the open market, as the Inventory consists of products that are no longer being supported by their manufacturers, and have a limited shelf life.
24. Further, as the Inventory consists of pharmaceutical and chemical products, in the event that PEI had to scrap the Inventory, PEI would need to pay a disposal cost to ensure the Inventory was disposed of in a proper fashion.
25. Accordingly, PEI approached numerous liquidators and retail outlets to try and sell the Inventory. PEI had discussions with Elliott Trading, The Dollar Store, Pharmacy 2, Dollarama and Winners, and sold certain of the Inventory for \$0.15 per dollar; however PEI was unable to sell all of the Inventory, due to the factors previously set out.
26. PEI therefore approached its customers who were already selling the particular product lines in the Inventory. PEI was able to transfer the Inventory to these customers at a discounted price, and in satisfaction of the outstanding claims of these creditors against PEI. Further, these customers have agreed share any surplus proceeds of sale of the Inventory with PEI.

27. Accordingly, PEI stands to gain \$0.15 per dollar from the sale of this Inventory, which is in excess to the liquidation value determined by the Monitor.

28. Prior to proceeding with the payments to the Additional Critical Suppliers and the sale of Inventory, I approached the Shareholder Group, and Investments in particular, for approval of these transactions. I sought Investments' approval as it was clear that, even under the best case scenario envisioned by the Transaction and the sale of the remainder of all of PEI's assets, Investments, as the Applicant's second ranking secured creditor, would suffer a large shortfall, likely in the millions of dollars, and therefore the party who would be most affected by these transactions, was Investments.

29. Investments advised that it approved of the contemplated payments to the Additional Critical Suppliers and the sale of the Inventory. Attached hereto and marked as **Exhibit "E"** to this my Affidavit is a true copy of correspondence from Investments, dated August 20, 2009, providing me with sole authority to carry out the plans for the disposal of the Inventory and the payment of certain of the Additional Critical Suppliers as set out in the attached email correspondence and spreadsheet, which I reviewed with Investments.

30. Further, I recently spoke again to Investments regarding further payments to the Additional Critical Suppliers and the disposition of remaining assets, including furniture and computer equipment which has very little value. Investments has advised PEI that it approves of PEI's payments to all of the Additional Critical Suppliers, and PEI's plan to dispose of the remaining assets. Attached hereto and marked as **Exhibit "F"** to this my Affidavit is a true copy

of correspondence from Investments, confirming their support of PEI's payments to the Additional Critical Suppliers, the disposition of inventory, and the bringing of this motion.

31. PEI therefore seeks the approval of this Honourable Court for the activities of PEI since August 14, 2009, and in particular, the sale of the Inventory.

### **THE DISTRIBUTIONS TO PEI INVESTMENTS**

32. Pursuant to the Sale Agreement, the Purchaser will be making royalty payments to PEI for the following four years.

33. As RBC has been paid in full, Investments is the top-ranking remaining secured creditor and PEI seeks to pay all amounts received from the royalty payments, as well as any other amounts received from the continued collection of PEI's accounts receivable, towards the secured indebtedness owed to Investments as those payments are received.

34. PEI is up to date on all statutory remittances and payments to creditors who would have priority to Investments. PEI's operations are currently being wound down, such that going forward, the amounts owed by PEI for statutory remittances will be minimal. PEI anticipates that it will have sufficient funds to make any further payments as necessary.

35. PEI therefore seeks the approval of this Honourable Court to pay all amounts received from the proceeds of sale and any other amounts received towards the secured indebtedness owed to Investments.

## **THE COLLECTION OF ACCOUNTS RECEIVABLE**

36. PEI has continued to collect its accounts receivable during the Stay Period.

37. We have encountered difficulty, as, following service of the Initial Order and our customers learning that we were subject to CCAA proceedings, customers have paid their outstanding invoices late, only made partial payments, or refused to pay at all.

38. It appears that customers are withholding payment on the basis that they do not believe PEI will be able to seek remedies against them, due to PEI's insolvency.

39. We are continuing to follow up with customers to collect the accounts receivable owed to us. However, it appears that the amounts collected from accounts receivable may be lower than previously estimated in our cash flows.

40. As previously set out herein, we have consulted Investments with respect to the payments to the Additional Critical Suppliers, the difficulty in collecting accounts receivable, and the cost of trying to initiate litigation against our customers to collect these outstanding amounts. Investments supports our efforts to collect the accounts receivable and understands that PEI may not recover as much as originally estimated.

## **THE TERMINATION OF THE CCAA PROCEEDINGS**

41. PEI has reviewed its financial circumstances with the Monitor, and PEI's professional advisers. As there remains a large shortfall owed to Investments, Holdings and Next, there will be no assets remaining for PEI's unsecured creditors.

42. Further, PEI does not have the resources or financing to continue its operations going forward. PEI will continue to exist for the purpose of receiving its royalty payments, collecting its accounts receivable and paying amounts to Investments. However, PEI will have no active operations, will not sell product, will no longer occupy its leased premises, and will effectively no longer be carrying on business.

43. At the beginning of the CCAA proceedings, PEI had certain assets that were not subject to the Sale Agreement, consisting mainly of tax loss carry forwards, that could have formed the basis for a plan of compromise and arrangement. If PEI could sell these remaining assets in satisfaction of the remaining debt owed to Investments and to the Shareholder Group, there may have been proceeds of sale to use in a plan.

44. Neither Investments nor the Shareholder Group wishes to use the tax loss carry forwards and accordingly there is no viable scenario whereby PEI could satisfy the secured debt and still retain surplus funds with which to form a plan.

45. Accordingly, given these circumstances, PEI has determined that it is not feasible to prepare a plan of compromise and arrangement to present to its creditors. There are simply no assets remaining in PEI with which to prepare such a plan and there is no prospect for PEI to restructure its operations and emerge from the CCAA proceedings as a functional company.

46. PEI therefore will not be seeking a further extension of the Stay Period and it is appropriate in these circumstances that the CCAA proceedings be terminated.

47. As the CCAA proceedings are coming to an end, PEI seeks approval for the accounts of its counsel, Kronis, Rotsztain, Margles, Cappel ("KRMC").

48. The Monitor and Investments support our motion.

49. I understand that the Monitor will be seeking approval of its activities as well as its accounts and the accounts of its counsel, and will be filing a responding record setting out its activities, its accounts, and the account of its counsel.

50. I further am advised that the Monitor will be seeking to be discharged, and PEI supports this relief, as the CCAA proceedings are coming to an end and the Monitor is therefore no longer required.

SWORN BEFORE ME AT THE CITY  
OF TORONTO, IN THE PROVINCE  
OF ONTARIO, THIS 5<sup>th</sup>  
DAY OF NOVEMBER, 2009

  
A Commissioner, etc.  
L. Viet Nguyen

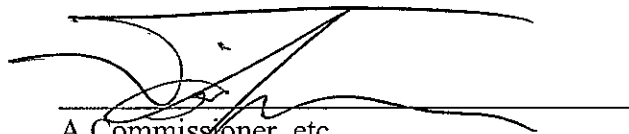
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NORMAN PAUL

# EXHIBIT A

THIS IS EXHIBIT "A" REFERRED TO IN  
THE AFFIDAVIT OF NORMAN PAUL,  
SWORN BEFORE ME

THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009



A Commissioner, etc.  
L. Viet Nguyen

Court File No. 09-806-0001

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR

JUSTICE LEDERMAN

)  
)  
)TUESDAY, THE 4<sup>th</sup>

DAY OF AUGUST, 2009



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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF PRODUCT EXCELLENCE INC.

**INITIAL ORDER**

THIS APPLICATION, made by the Applicant, PRODUCT EXCELLENCE INC. ("PEI") 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 READING the affidavit of NORMAN PAUL sworn July , 2009 and the Exhibits thereto and on hearing the submissions of counsel for PEI, and such other counsel as were present, and upon being advised that the Notice of Application and the Application Record herein were duly served on the service list, as appears from the affidavit of service of Kelly Barrett sworn July 31, 2009 and on reading the report of DELOITTE & TOUCHE INC. ("Deloitte") in its capacity as proposed Monitor, including the consent of Deloitte to act as the Monitor, if so appointed,

- 2 -

## **SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

## **APPLICATION**

2. THIS COURT ORDERS AND DECLARES that PEI is a company to which the CCAA applies.

## **PLAN OF ARRANGEMENT**

3. THIS COURT ORDERS that PEI shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan") between, *inter alia*, PEI and one or more classes of its secured and/or unsecured creditors as it deems appropriate.

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. THIS COURT ORDERS that PEI shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, PEI shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. PEI shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that PEI shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case

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incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

6. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, PEI shall be entitled but not required to pay all reasonable expenses incurred by PEI in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to PEI following the date of this Order.

7. THIS COURT ORDERS that PEI shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by PEI in connection with the sale of goods and services by PEI, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- 4 -

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by PEI.

8. THIS COURT ORDERS that until such time as PEI delivers a notice in writing to repudiate a real property lease in accordance with paragraph 11(c) of this Order (a "Notice of Repudiation"), PEI shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between PEI and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, monthly in equal payments on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any arrears relating to the period commencing from and including the date of this Order shall also be paid. Upon delivery of a Notice of Repudiation, PEI shall pay all Rent due for the notice period stipulated in paragraph 11(c) of this Order, to the extent that Rent for such period has not already been paid.

9. THIS COURT ORDERS that, except as specifically permitted herein, PEI is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by PEI to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

#### **CRITICAL SUPPLIERS**

10. THIS COURT ORDERS that notwithstanding paragraph 9 above, PEI shall be permitted to pay any amounts currently owing to the following critical suppliers:

ABGI Corporation  
Accurate Rolal Co. Limited

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American International Industries  
 Blossom Packaging Inc.  
 Body Care Manufacturing  
 Chicago Aerosol  
 Dicon Display Inc.  
 Interpak Systems Inc.  
 Marketing Impact Limited  
 M.E.F. Inc.  
 The New Milani Group Inc.  
 Quantum Management Services Ltd.  
 Tri-Quality Packaging Inc.  
 VDI Healthcare Logistics  
 Experchem Laboratories Inc.  
 Sales representatives for PEI

## **RESTRUCTURING**

11. THIS COURT ORDERS that PEI shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations and to dispose of redundant or non-material assets not exceeding \$500,000.00 in any one transaction or \$1,000,000.00 in the aggregate, subject to paragraph 11(c), if applicable;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate on such terms as may be agreed upon between PEI and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) in accordance with paragraphs 12 and 13, vacate, abandon or quit the whole but not part of any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than [seven (7) days notice in writing to the relevant landlord on such terms as may be agreed upon between PEI and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) repudiate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as PEI deems appropriate on such terms as may be agreed upon

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between PEI and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and

- (e) pursue all avenues of refinancing and offers for material parts of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a), above),

all of the foregoing to permit PEI to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that PEI shall provide each of the relevant landlords with notice of PEI's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes PEI's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and PEI, or by further Order of this Court upon application by PEI on at least two (2) days notice to such landlord and any such secured creditors. If PEI repudiates the lease governing such leased premises in accordance with paragraph 11(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in paragraph 11(c) of this Order), and the repudiation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a Notice of Repudiation is delivered, then (a) during the notice period prior to the effective time of the repudiation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving PEI and the Monitor 24 hours' prior written notice, and (b) at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against PEI in respect of such lease or leased premises and such landlord shall be entitled to notify PEI of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third

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party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

14. THIS COURT ORDERS that, subject to the other provisions of this Order (including the payment of Rent as herein provided) and any further Order of this Court, PEI shall be permitted to dispose of any and all of the Property located (or formerly located) at such leased premises without any interference of any kind from landlords, warehousemen, storers or bailees wherever situate, and, for greater certainty, PEI shall have the right to realize upon the Property and other assets in such manner and at such locations, including leased premises, as it deems suitable or desirable for the purpose of maximizing the proceeds and recovery therefrom.

15. THIS COURT ORDERS that notwithstanding anything to the contrary in any agreement providing for the liquidation of assets from any leased premises but subject to: (a) any written agreement between PEI, a liquidator and the landlord; or (b) further Order of this Court:

- (a) PEI shall at all times abide by and be subject to the terms of all real property leases (collectively the "Leases") and shall cause any liquidator to abide by the terms of the Leases, and PEI and the liquidator shall obtain the applicable landlord's approval for all signage and promotional advertising for sales to be conducted by the liquidator pursuant to the agreement with PEI in any of the leased premises to the extent otherwise not permitted by the applicable Lease; and,
- (b) neither PEI nor any liquidator shall augment the merchandise in any leased premises unless otherwise permitted by the applicable Lease or approved by the applicable Landlord.

16. THIS COURT ORDERS that notwithstanding anything herein but subject to the rights of a trustee in bankruptcy with respect to the assignment of leases: (a) except as expressly permitted by the terms of the Leases, none of the Leases shall be amended or varied, or deemed to be amended or varied, in any way without obtaining the prior written consent of the applicable Landlords; and (b) where any Leases are not, in accordance with their terms, transferrable or assignable to a purchaser without first obtaining the consent of the applicable Landlord, none of

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the Leases shall, absent further Order of the Court be transferred, conveyed, assigned or vested in a purchaser, save and except to the extent that respective consents have been, or are in the future, obtained from the respective Landlords.

#### **NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY**

17. THIS COURT ORDERS that until and including SEPTEMBER 3, 2009, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of PEI or the Monitor, or affecting the Business or the Property, except with the written consent of PEI and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of PEI or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

18. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of PEI or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of PEI and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower PEI to carry on any business which PEI is not lawfully entitled to carry on, (ii) exempt PEI from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

19. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by PEI, except with the written consent of PEI and the Monitor, or leave of this Court.

**CONTINUATION OF SERVICES**

20. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with PEI or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or PEI, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by PEI, and that PEI shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by PEI in accordance with normal payment practices of PEI or such other practices as may be agreed upon by the supplier or service provider and each of PEI and the Monitor, or as may be ordered by this Court.

**NON-DEROGATION OF RIGHTS**

21. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of PEI shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to PEI. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

**PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

22. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of PEI with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of PEI whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of PEI, if one is filed, is sanctioned by this Court or is refused by the creditors of PEI or this Court.

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### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

23. THIS COURT ORDERS that PEI shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of PEI, after the date hereof, to make payments of the nature referred to in subparagraphs 5(a), 7(a), 7(b) and 7(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of PEI except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

24. THIS COURT ORDERS that the directors and officers of PEI shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for the indemnity provided in paragraph 23 of this Order. The Directors' Charge shall have the priority set out in paragraphs 35 and 37 herein.

25. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) PEI's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 23 of this Order.

### **APPOINTMENT OF MONITOR**

26. THIS COURT ORDERS that DELOITTE & TOUCHE INC. is hereby appointed pursuant to the CCAA as the Monitor (the "Monitor"), an officer of this Court, to monitor the Property and PEI's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that PEI and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by PEI pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

27. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

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- (a) monitor PEI's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise PEI in its development of the Plan and any amendments to the Plan;
- (d) assist PEI, to the extent required by PEI, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (e) have full and complete access to the books, records and management, employees and advisors of PEI and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (f) assist PEI as necessary with a transaction of sale or transfer of PEI's assets, or any part thereof;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

28. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

29. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or

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collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

30. THIS COURT ORDERS that that the Monitor shall provide any creditor of PEI with information provided by PEI in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by PEI is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and PEI may agree.

31. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

32. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to PEI shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by PEI as part of the costs of these proceedings. PEI is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for PEI within seven

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days of the accounts being rendered, and, in addition, PEI is hereby authorized to pay to counsel to the Monitor, and counsel to PEI, retainers in the amount[s] of \$25,000.00 each to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

33. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

34. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and PEI's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

35. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$500,000.00);

and,

Second – Directors' Charge (to the maximum amount of \$500,000.00).

36. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge or the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

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37. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

38. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, PEI shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Directors' Charge or the Administration Charge, unless PEI also obtains the prior written consent of the Monitor and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

39. THIS COURT ORDERS that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds PEI, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by PEI of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from or the creation of the Charges; and
- (c) the payments made by PEI pursuant to this Order and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive

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conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

40. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in PEI's interest in such real property leases.

#### **SERVICE AND NOTICE**

41. THIS COURT ORDERS that PEI shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to its known creditors, other than employees and creditors to which PEI owes less than \$1,000.00, at their addresses as they appear on PEI's records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

42. THIS COURT ORDERS that PEI and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to PEI's creditors or other interested parties at their respective addresses as last shown on the records of PEI and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

43. THIS COURT ORDERS that PEI, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at [www.deloitte.com](http://www.deloitte.com).

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**GENERAL**

44. THIS COURT ORDERS that PEI or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

45. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of PEI, the Business or the Property.

46. 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, to give effect to this Order and to assist PEI, 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 PEI 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 PEI and the Monitor and their respective agents in carrying out the terms of this Order.

47. THIS COURT ORDERS that each of PEI and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

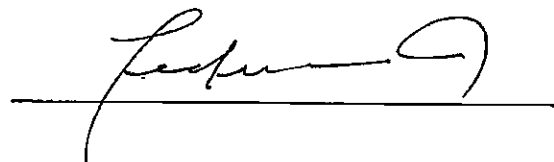
48. THIS COURT ORDERS that any interested party (including PEI and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

49. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Daylight Time on the date of this Order.

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

AUG 04 2009

PER / PAR: TV



Court File No. 09-8306-00CL

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 PRODUCT EXCELLENCE INC.

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

PROCEEDINGS COMMENCED AT TORONTO

**INITIAL ORDER**

**KRONIS, ROTSZTAIN, MARGLES, CAPPEL**

Barristers and Solicitors

700-25 Sheppard Avenue West

Toronto, Ontario M2N 6S6

Mervyn D. Abramowitz (#28325R)

L. Viet Nguyen (#46694K)

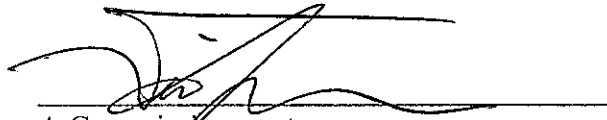
Tel: (416) 225-8750

Fax: (416) 225-3910

Lawyers for the Applicant, Product Excellence Inc.

# EXHIBIT B

THIS IS EXHIBIT "B" REFERRED TO IN  
THE AFFIDAVIT OF NORMAN PAUL,  
SWORN BEFORE ME  
THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009



A Commissioner, etc.  
L. Viet Nguyen

Court File No.

09-8306-00CL

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 PRODUCT EXCELLENCE INC.

Aug 4/09

Product Excellence is required to  
allow for completion of asset  
purchase agreement and to  
provide necessary for  
P.E.'s creditors. I have  
request to order.

*Lawrence J.*

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

APPLICATION RECORD  
(returnable August 4, 2009)

KRONIS, ROTSZTAIN, MARGLES, CAPPEL  
Barristers and Solicitors  
700-25 Sheppard Avenue West  
Toronto, Ontario M2N 6S6

Mervyn D. Abramowitz (#28325R)  
L. Viet Nguyen (#46694K)

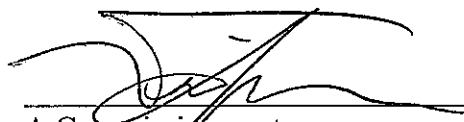
Tel: (416) 225-8750  
Fax: (416) 225-3910

Lawyers for the Applicant, Product Excellence Inc.

# EXHIBIT C

THIS IS EXHIBIT "C" REFERRED TO IN  
THE AFFIDAVIT OF NORMAN PAUL,  
SWORN BEFORE ME

THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009

  
A Commissioner, etc.  
L. Viet Nguyen

Court File No. 09-8306-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE

)

FRIDAY, THE 14<sup>TH</sup>

JUSTICE MESBUR

)

DAY OF AUGUST, 2009

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



AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF PRODUCT EXCELLENCE INC.

**APPROVAL AND VESTING ORDER**

THIS MOTION, made by the Applicant, PRODUCT EXCELLENCE INC. ("PEI"), for an Order approving the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale (the "Sale Agreement") between PEI and ACI Brands Inc. (the "Purchaser") made as of July 31, 2009 and appended to the Supplementary Report (the "Supplementary Report") to the First Report of Deloitte & Touche Inc. in its Capacity as Monitor (the "Monitor") dated August 11, 2009 (the "First Report"), and vesting in the Purchaser all of PEI's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record, the First Report, the Supplementary Report and on

✓ hearing the submissions of counsel for PEI, counsel for the Purchaser, counsel for the Monitor, ~~counsel for the Royal Bank of Canada, and counsel for VDI Healthcare Logistics,~~ ✓ *per*  
~~and such other counsel as were present;~~ those persons on the service list having been properly served with the Motion Record herein, as appears from the affidavit of Kelly Barrett sworn August 10, 2009 filed:

- 2 -

1. THIS COURT ORDERS AND DECLARES that the Motion Record is properly served on those persons on the service list and that such service is hereby validated, such that the Motion is properly returnable today and the requirement for service of the Motion Record herein upon any party not served is hereby dispensed with.
2. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved. The execution of the Sale Agreement by PEI is hereby authorized and approved as of the date of execution, and PEI 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 and for the conveyance of the Purchased Assets to the Purchaser.
3. THIS COURT ORDERS AND DECLARES that upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as Schedule "A" hereto (the "Monitor's Certificate"), all of PEI's right, title and interest in and to the Purchased Assets described in the Sale Agreement and listed on Schedule "B" hereto shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Lederman, dated August 4, 2009; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule "C" hereto (all of which are collectively referred to as the "Encumbrances"), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.
4. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the

- 3 -

sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. THIS COURT ORDERS AND DIRECTS the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

6. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, PEI is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in PEI's records pertaining to PEI's past and current employees, including personal information of those employees listed on Schedule "5.2(b)(i)" to the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by PEI.

7. THIS COURT ORDERS that notwithstanding paragraph 10.7 of the licence agreement between Selective Beauty Brands, LLC and PEI, dated December 12, 2007 (the "Licence Agreement"), the Licence Agreement be and is hereby assigned to the Purchaser, such that the Licence Agreement forms part of the Purchased Assets.

8. THIS COURT ORDERS that a copy of the Sale Agreement, along with all appraisals and valuations of the Purchased Assets, and the Supplementary Report shall be filed with the Court and shall remain sealed and not form part of the public record pending completion of the Transaction.

9. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of PEI and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of PEI;

- 4 -

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of PEI and shall not be void or voidable by creditors of PEI, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

10. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

11. 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 to give effect to this Order and to assist the Monitor and its 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 Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.



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

AUG 14 2009

PER / PAR: TV

**Schedule A – Form of Monitor's Certificate**

Court File No. 09-8306-00CL

**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 PRODUCT EXCELLENCE INC.**

**MONITOR'S CERTIFICATE**

**RECITALS**

A. Pursuant to an Order of the Honourable Justice Lederman of the Ontario Superior Court of Justice (the "Court") dated August 4, 2009, DELOITTE & TOUCHE INC. was appointed as the Monitor (the "Monitor") of PRODUCT EXCELLENCE INC. ("PEI").

B. Pursuant to an Order of the Court dated August 14, 2009, the Court approved the sale transaction (the "Transaction"), as contemplated by the agreement of purchase and sale made as of July 31, 2009 (the "Sale Agreement") between PEI and ACI Brands Inc. (the "Purchaser") and provided for the vesting in the Purchaser of all of PEI's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in Article 6 of the Sale Agreement have been satisfied or waived by PEI and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of PEI and of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and PEI has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in Article 6 of the Sale Agreement have been satisfied or waived by PEI and the Purchaser; and
3. The Transaction has been completed to the satisfaction of PEI and of the Monitor.
4. This Certificate was delivered by the Monitor at \_\_\_\_\_ [TIME] on \_\_\_\_\_ [DATE].

**DELOITTE & TOUCHE INC., in its capacity  
as Monitor of PRODUCT EXCELLENCE  
INC., and not in its personal capacity**

Per: \_\_\_\_\_

Name:

Title:

### Schedule B – Purchased Assets

The Purchased Assets of the Vendor consist of the following:

- (a) all contracts, agreements and commitments, whether written or unwritten, including without limitation those licensing, manufacturing, distribution agreements, and customer agreements relating to the product lines listed in Exhibit A hereto (the “**Product Lines**”), as well as customer purchase orders related to the Product Lines which require fulfillment after the closing of the proposed transaction, but excluding, for greater certainty, all agreements with independent contractors and brokers;
- (b) all rights of the Vendor against third parties relating to the Product Lines and other Purchased Assets, whether known or unknown, contingent or non-contingent, and the full benefit of all warranties, warranty rights, indemnities and similar covenants (implied, express or otherwise) against manufacturers or sellers which apply to the Product Lines and other Purchased Assets;
- (c) all intellectual property relating to the Product Lines, together with the benefit of all goodwill associated therewith;
- (d) the exclusive right to the Purchaser to represent itself as selling the Product Lines in succession to the Vendor and the right to use any words indicating that such business is so carried on, including the exclusive right to use the name “Product Excellence” or any variation thereof;
- (e) all inventory of the Vendor related to the Product Lines which, for greater certainty includes finished products, packaging and shipping materials and any work in progress relating to the Product Lines which are not damaged or defective;
- (f) all customer lists and other books and records relating to the Product Lines, including, without limitation, inventory records, records pertaining to customers’ requirements, supplier lists and records and correspondence files (including such data and information stored electronically, in digital form or on computer related media);
- (g) all other property, assets and rights, tangible or intangible, used by the Vendor or to which it is entitled specifically in relation to the Product Lines other than the excluded assets specifically set out at Exhibit B hereto;
- (h) those prepaid expenses and deposits paid by the Vendor relating exclusively to a Product Line and in respect of which the Purchaser has determined, acting reasonably, it will receive the full tangible benefit thereof after the proposed transaction has closed; and
- (i) unprocessed returns of finished products relating to the Product Lines which have been returned to the Vendor by customers but which have not yet been processed or reprocessed by the Vendor prior to the closing of the proposed transaction.

**Exhibit A****Product Lines**

1. Ardell artificial lashes and eyebrows
2. Milani Cosmetics
3. Bye Bye Blemish
4. Preven's
5. HeadBlade
6. Clubman
7. 5 Seconds
8. HennaLucent
9. Streaks'n'Tips
10. Youthair
11. European Secret
12. Stila
13. Say It With Scent
14. Salon Selectives
15. Andrea waxes (women's), depilatories, bleaches
16. Andrea Eye Q's

**Exhibit B****Excluded Assets**

The following shall be specifically excluded from the Purchased Assets:

- (a) all cash, bank balances, monies in the possession of banks and other depositories, term or time deposits, guaranteed investment certificates, treasury bills, other securities and other similar cash or cash-equivalent items owned by the Vendor as of the date of the closing of the proposed transaction;
- (b) tax loss carry forwards;
- (c) accounts receivable of the Vendor;
- (d) all equipment and leasehold interests in real property;
- (e) inventory, trademarks, trade or brand names and other intellectual property rights and contracts related exclusively to product lines of the Vendor other than the Product Lines; and
- (f) all other assets of the Vendor not related to the Product Lines or otherwise included in the Purchased Assets.

**Schedule C – Claims to be deleted and expunged from title to the Purchased Assets**

All security interests in favour of Royal Bank of Canada registered under the Ontario Personal Property Security Registration System against Product Excellence Inc., with File Numbers 613420911 and 893089908

All security interests in favour of Next Paradigm Inc. registered under the Ontario Personal Property Security Registration System against Product Excellence Inc., with File Numbers 614708289 and 603667368

All security interests in favour of PEI Investments Inc. registered under the Ontario Personal Property Security Registration System against Product Excellence Inc., with File Number 893195973

All security interests in favour of PEI Holdings Inc. registered under the Ontario Personal Property Security Registration System against Product Excellence Inc., with File Number 893196054

Court File No. 09-8306-00CL

**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 PRODUCT EXCELLENCE INC.**

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

PROCEEDINGS COMMENCED AT TORONTO

**APPROVAL AND VESTING ORDER**

**KRONIS, ROTSZTAIN, MARGLES, CAPPEL**

Barristers and Solicitors

700-25 Sheppard Avenue West

Toronto, Ontario M2N 6S6

Mervyn D. Abramowitz (#28325R)

L. Viet Nguyen (#46694K)

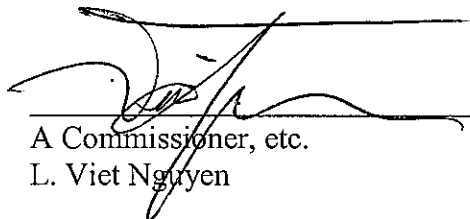
Tel: (416) 225-8750

Fax: (416) 225-3910

Lawyers for the Applicant, Product Excellence Inc.

# EXHIBIT D

THIS IS EXHIBIT "D" REFERRED TO IN  
THE AFFIDAVIT OF NORMAN PAUL,  
SWORN BEFORE ME  
THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009



A Commissioner, etc.  
L. Viet Nguyen

Court File No. 09-8306-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE

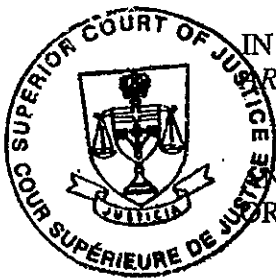
)

FRIDAY, THE 14<sup>TH</sup>

JUSTICE MESBUR

)

DAY OF AUGUST, 2009



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

AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF PRODUCT EXCELLENCE INC.

**ORDER**


(Re: Stay Extension and Distribution of Proceeds of Sale to the Royal Bank of Canada)

**THIS MOTION**, made by the Applicant, PRODUCT EXCELLENCE INC. ("PEI") for  
an Order:

- (i) extending the Stay Period, as that term is defined in the Order of the Honourable Justice Lederman, dated August 4, 2009 (the "Initial Order"); and,
- (ii) authorizing and directing PEI to distribute from the net proceeds received from the completion of the sale transaction (the "Transaction") as contemplated in the agreement of purchase and sale (the "Sale Agreement") between PEI and ACI Brands Inc. (the "Purchaser"), such amounts as may be required to repay PEI's secured indebtedness to the Royal Bank of Canada ("RBC"),

was heard this day at 330 University Avenue, Toronto, Ontario.

- 2 -

✓ ON READING the Motion Record, the First Report of the Monitor, and on hearing the ✓  
 ✓ submissions of counsel for PEI, counsel for the Monitor, counsel for RBC <sup>and counsel</sup> ~~and such other~~  
~~counsel as were present~~ for VDI Healthcare Logistics, and counsel for the Purchaser, ACT Brands Inc  
 those persons on the service list having been properly served with the  
 Motion Record herein, as appears from the affidavit of service of Kelly Barrett, sworn August  
 10, 2009, filed: 

### SERVICE

1. **THIS COURT ORDERS AND DECLARES** that the Motion Record is properly served on those persons listed on the service list such that the Motion is properly returnable today and the requirement for service of the Motion Record upon any party not served is hereby dispensed with.

### EXTENSION OF STAY PERIOD

2. **THIS COURT ORDERS** that the Stay Period is hereby extended until November 13, 2009.

### DISTRIBUTION OF SALE PROCEEDS TO RBC

3. **THIS COURT ORDERS AND DECLARES** that PEI is hereby authorized and directed to distribute from the net proceeds received from the completion of the Transaction contemplated in the Sale Agreement, any and all amounts as may be required to repay PEI's secured indebtedness to RBC.

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

AUG 14 2009

PER / PAR: TV 

**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 PRODUCT EXCELLENCE INC.**

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

PROCEEDINGS COMMENCED AT TORONTO

**ORDER**  
**(Re: Stay Extension and Distribution of Sale Proceeds to  
the Royal Bank of Canada)**

**KRONIS, ROTSZTAIN, MARGLES, CAPPEL**  
Barristers and Solicitors  
700-25 Sheppard Avenue West  
Toronto, Ontario M2N 6S6

Mervyn D. Abramowitz (#28325R)  
L. Viet Nguyen (#46694K)

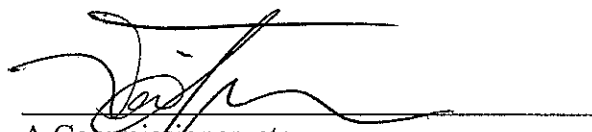
Tel: (416) 225-8750  
Fax: (416) 225-3910

Lawyers for the Applicant, Product Excellence Inc.

# EXHIBIT E

THIS IS EXHIBIT "E" REFERRED TO IN  
THE AFFIDAVIT OF NORMAN PAUL,  
SWORN BEFORE ME

THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009



A Commissioner, etc.  
L. Viet Nguyen

**PEI INVESTMENTS INC.****150 Signet Drive****Toronto, ON****M9L 1T9**

August 20, 2009

Norman Paul  
Chief Executive Officer  
Product Excellence Inc.  
156 Romina Drive  
Concord, Ontario  
L4K 4Z7

Dear Norman,

Please accept this letter as your sole authority to carry out the plans for the disposition of inventory that was not purchased by ACI Brands Inc. and to make the cash disbursements proposed after the effective date of the court approved CCAA protection for Product Excellence Inc., the details of which you provided to me and are attached to this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Florence". The signature is stylized with a large, looped "M" and a cursive "Florence".

Mike Florence

**Ralph Philipps**

---

**From:** Ralph Philipps  
**Sent:** Thursday, August 20, 2009 11:48 AM  
**To:** mflorenc@apotex.ca  
**Cc:** Norman Paul  
**Subject:** PEI disposition of assets not sold to ACI  
**Attachments:** Cash disb explanations 2 weeks ending 8 17 09.docx; Lett from PEI to PEI Aug 20 09.docx

Mike,

Below are PEI's plans for disposing of inventory that ACI did not purchase. Attached is a list of cash disbursements PEI is proposing post filing for court protection. Please review and if PEI Investments Inc. agrees with the plans and disbursements prepare and send to Norman by email or fax the letter in the form attached.

Thank you.

Ralph Philipps

---

**From:** Ralph Philipps  
**Sent:** Wednesday, August 19, 2009 10:27 AM  
**To:** Doug Hendler (dhendler@aylaw.com)  
**Cc:** Viet Nguyen; Norman Paul; 'Gerstein, Ira X (CA - Toronto)'  
**Subject:** PEI disposition of assets not sold to ACI

Doug,

Following are the asset dispositions that PEI is proposing, beginning with the sale of PURE inventory to Katz that we spoke about during the conference call yesterday. Please review as soon as possible and discuss any concerns you have with us so that PEI can proceed.

With respect to cash disbursements post filing, the fact is that inadvertently several suppliers were excluded from the list of "critical suppliers" in the initial order. If you believe that the court would have approved the complete list at the time, then PEI wants to proceed to make the disbursements as planned and to apply to the court at the appropriate time to apologize for the oversight and to seek the court's approval retroactively. Attached is a summary of the post filing cash disbursements PEI is proposing excluding the "critical suppliers" listed in the initial order. You will note that a number of the disbursements are to "critical suppliers" that were generically listed in the initial order as "PEI sales representative". You will also note that the last entry is the aggregate of all small dollar value payments for pre-filing debt that PEI wants to pay.

Ira, the list of cash disbursements was provided to Stefano last week and he advised me to seek advice from KRMC.

Regards,

Ralph Philipps

---

**From:** Ralph Philipps  
**Sent:** Friday, August 14, 2009 6:19 PM  
**To:** Viet Nguyen  
**Cc:** Norman Paul; Joe Reel (joereel@peinc.ca); Shiam Pasupathy (shiam@peinc.ca)  
**Subject:** PEI disposition of assets not sold to ACI

Viet,

Further to our discussions, here are the matter concerning PEI's planned disposition of assets not sold to ACI that you asked to review in order that PEI does not unjustly enrich any unsecured creditor.

1. PURE cosmetics to Katz Group

- PEI has been threatened with legal action by Katz Group with respect to the return of approx \$1 million at Katz's cost of PURE inventory. PEI is negotiating with Katz to have Katz drop all claims in return for PEI:
- shipping inventory to Katz with a value of approx \$365,000 at Katz's regular cost at an actual cost to Katz of \$91,000 (i.e. \$0.15 on the retail value of \$609,000) (approx \$164,000 at PEI's cost) in order that Katz can downward average its total cost and recover its \$1 million of cost.
- Requiring that Katz pay to PEI the current unpaid PEI invoices of \$230,000 plus the \$91,000 PURE inventory to be shipped to Katz only if Katz recovers its normal profit from upon liquidation of the PURE inventory.
- The liquidation value for the inventory determined by D&T valuator is \$0.17 on the cost dollar which equates to \$28,000 for the inventory that PEI is proposing to sell to Katz for \$91,000.
- See attached letter agreement PEI is negotiating with Katz.

PEI's assessment is that there is very limited to no opportunity to recover its cost of PURE inventory being offered to Katz because the brand owner has abandoned the brand in North America.

2. PURE cosmetics to the Bay

- PEI is owed approx \$50K of unpaid invoices by the Bay and is proposing to ship at no cost to the Bay PURE inventory with a value of approx \$90,000 at the Bay's regular cost (approx \$40,000 at PEI's cost) in order that the Bay pay the outstanding invoices.
- See comment above regarding any other opportunity for the PURE inventory.

3. PURE cosmetics to London Drugs

- PEI has offered to London Drugs and LD has accepted approx \$190,000 of PURE at LD's regular cost (approx \$85,000 at PEI's cost) for \$48,000, which equates to \$0.15 on the retail dollar value of \$317,000. LD has no interest in more inventory.
- See comment above regarding any other opportunity for the PURE inventory.

4. Luna Fertility Test Kits return to brand owner/supplier

- PEI owes the Luna brand owner \$5,500 for unpaid invoices and holds \$8,000 of inventory at PEI's cost. PEI wants to return the inventory to the brand owner at the brand owner's cost of freight. There is no distributor to take over distribution Canada. The product is a specialty fertility indicator and a medical device per Health Canada regs. PEI cannot liquidate. PEI would have to pay a disposal fee to throw the product out because of its specialize nature.

5. Lunasom sleep assist pills return to brand owner/supplier

- PEI owes the Luna brand owner US\$20,000 for unpaid invoices and holds \$20,000 of inventory at PEI's cost. PEI wants to return the inventory to the brand owner at the brand owner's cost of freight. There is no distributor to take over distribution in Canada. The product is a natural health product per Health Canada regs. PEI cannot liquidate. PEI would have to pay a disposal fee to throw the product out because of its specialize nature.

Please review and comment.

Regards,

Ralph Philipps  
C.O.O. & C.F.O.  
Product Excellence Inc.  
Tel: (905) 760-7676 x126  
email: ralphp@peinc.ca

Product Excellence Inc.

Cash Disbursements – Post CCAA Filing

Explanation of Disbursements that are NOT critical suppliers per the Initial Order section 10

Chq#	Chq date	Payor	Amount	Explanation
10677	8/1	Divisor Holdings	\$2854	August rent for 100 Haist Avenue
11726	8/1	Marotta Enterprises	\$16250	August rent for 156 Romina
11773	8/5	Cannon Canada	\$3039	Small amount of pre-filing debt. Leased photocopier payments for period 7/1-10/1. Required to operate during transition services period.
11776	8/10	Royal Bank Visa	\$1820	Pre-filing debt. Secured creditor.
11779	8/13	Cannon Canada Inc.	\$413	Pre-filing debt. Photocopier paper. Cheque to be cancelled as PEI could pay a new supplier COD for paper.
11783	8/13	ADT Security Services	\$287	Security system at 156 Romina Drive 8/1-10/1
11785	8/13	The Zenar Group Inc.	\$12607	Critical supplier – sales rep for PEI
11786	8/13	Bell Canada	\$347	August telephone service
11787	8/13	Claim Secure	\$6863	August 1-8 employee group medical benefit costs
11788	8/13	Chantia Sales	\$889	Critical supplier – sales rep for PEI
11789	8/13	A Dynamic Broker	\$596	Critical supplier – sales rep for PEI
11790	8/13	Mallins & Associates	\$741	Critical supplier – sales rep for PEI
11793	8/13	Edgar Graham Sales & Mkt'g	\$38	Critical supplier – sales rep for PEI
11795	8/13	Frontline Carriers Systems Inc.	\$8935	Pre-filing debt. Should have been on list of critical suppliers. Frontline Carriers is PEI's freight forwarding company that PEI relies to arrange all freight in from the US brand owner/suppliers including those brand owners the brands of which are being acquired by ACI. PEI must continue to bring product in from the US for the acquired brands during the transition services period and it is not practical for PEI to arrange another freight forwarder


				without jeopardizing its ability to perform its transition services responsibilities.
11796	8/13	The Great West Life Assurance Co.	\$3249	August employee group life insurance, LTD and AD&D benefit costs.
11797	8/13	I.B. Innoavative Brands Inc.	\$16535	Critical supplier – sales rep for PEI
11798	8/13	J&F Waste Systems	\$575	August waste disposal service for 156 Romina Drive
11799	8/13	Jan Pro Cleaning Systems	\$1155	August office cleaning service for 156 Romina Drive
11800	8/13	Kathleen McClland	\$3332	Critical supplier – sales rep for PEI
11801	8/13	Luna Fertility Clinic	\$5475	Pre-filing debt. Brand owner/supplier of inventory not being acquired by ACI. Cheque to be cancelled.
11805	8/13	Next Paradigm Inc.	\$4671	Pre-filing debt. Secured creditor. Reimbursement of business expenses paid by PEI's CEO. Next Paradigm Inc. is the company by which CEO, who is providing contracted services to PEI, invoices PEI for his services.
11806	8/13	Office Central	\$855	Pre-filing debt. Office supplies. Cheque to be cancelled.
11809	8/13	Power Stream	\$2006	Pre-filing debt. Electricity for 156 Romina. Cheque to be cancelled.
11810	8/13	Rick Ayotte Sales	\$439	Critical supplier – sales rep for PEI
11811	8/13	Royal Bank Visa	\$3845	Pre-filing debt. Secured creditor.
11815	8/13	Vision Sales & Marketing Inc.	\$7929	Critical supplier – sales rep for PEI
11817	8/13	Zynpack Packaging Products Inc.	\$736	Pre-filing debt. Should have been on list of critical suppliers. Zynpack is a supplier of components for the brands being acquired by ACI.
1213	8/13	Wilson International Inc.	\$525	Pre-filing debt. Should have been on list of critical suppliers. Wilson is PEI's customs broker that PEI relies to clear all

				shipments being imported into Canada including those brand owners the brands of which are being acquired by ACI. PEI must continue to bring product for the acquired brands during the transition services period and it is not practical for PEI to arrange another customs broker without jeopardizing its ability to perform its transition services responsibilities.
All others	8/13	Various	\$1,815	Pre-filing debt. Small pass.

# EXHIBIT F

THIS IS EXHIBIT "F" REFERRED TO IN  
THE AFFIDAVIT OF NORMAN PAUL,  
SWORN BEFORE ME

THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009



A Commissioner, etc.  
L. Viet Nguyen

**PEI INVESTMENTS INC.****150 Signet Drive****Toronto, ON****M9L 1T9**

November 5, 2009

Norman Paul  
Chief Executive Officer  
Product Excellence Inc.  
156 Romina Drive  
Concord, Ontario  
L4K 4Z7

Dear Norman,

Further to our recent meeting, please accept this letter as your sole authority to carry out the plans for the disposition of the remaining assets of Product Excellence Inc., and to bring a motion to the Court to terminate the CCAA protection for the company.

PEI Investments Inc., as secured creditor, approves of all payments made by Product Excellence Inc. prior to, and during the CCAA proceedings, including the payments set out in the attached list. We confirm your advice that going forward, Product Excellence Inc. will no longer be selling products, but will continue to attempt to collect its accounts receivable, and that there may be difficulty in recovering the full amount of the accounts receivable as a result of the insolvency of Product Excellence Inc. You have further advised that certain customers have already refused to pay their outstanding accounts receivable as a result of the insolvency. PEI Investments Inc. confirms that you will continue to collect accounts receivable and remit payments as possible from the collection of accounts receivable towards the secured debt owed to PEI Investments Inc.

We also confirm that Product Excellence Inc. will receive payments from the proceeds of sale of the assets of Product Excellence Inc. to ACI Brands Inc. over several years. We confirm that Product Excellence Inc. will remit further payments to PEI Investments Inc. as possible going forward, to pay down the secured debt owed to PEI Investments Inc.

As we previously stated in our August 20, 2009 letter, you have our authority to proceed to dispose of all remaining assets of Product Excellence Inc. that were not sold to ACI Brands Inc. We understand that, as the product inventory of Product Excellence Inc. has now been sold, the remaining assets include furniture and computer equipment and other assets that have little value as Product Excellence Inc. will no longer be carrying on business.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Florence", written in a cursive style.

Mike Florence

**Product Excellence Inc.**

**Payments of Pre-Filing Debt ("PFD") to Parties not listed in the Initial Order**

<b>VENDOR NAME</b>	<b>O/S Cheques @ 7/31/09 released in Post-Filing Period</b>	<b>Cheques issued in Post-Filing Period</b>	<b>Total Payments of PFD in Post- Filing Period</b>	<b>Explanation</b>
<b>CDN VENDORS</b>				
ADT		\$ 286.70	\$ 286.70	Security system at 156 Romina Drive 8/1-10/. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
BELL CANADA		\$ 346.93	\$ 346.93	August telephone service. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
CANNON CANADA		\$ 3,038.53	\$ 3,038.53	Pre-filing debt. Leased photocopier payments for period 7/1-10/1. Required to operate during transition services period. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
CLAIM SECURE		\$ 10,697.92	\$ 10,697.92	August 1-8 employee group medical benefit costs. Payment of \$6863 to this supplier was approved by Mike Florence on Aug. 20, 09
EPM BUSINESS PRODUCTS		\$ 63.28	\$ 63.28	Printer cartridge
FRONTLINE CARRIER SYSTEMS	\$ 15,190.65	\$ 21,436.70	\$ 36,627.35	Frontline Carriers is PEI's freight forwarding company that PEI relies to arrange all freight in from the US brand owner/suppliers including those brand owners the brands of which are being acquired by ACI. PEI must continue to bring product in from the US for the acquired brands during the transition services period and it is not practical for PEI to arrange another freight forwarder without jeopardizing its ability to perform its transition services responsibilities. Payment of \$8,935 to this supplier was approved by Mike Florence on Aug. 20, 09
THE GREAT WEST LIFE ASSURANCE CO.		\$ 3,248.80	\$ 3,248.80	Aug. employee group life ins., LTD and AD&D benefit costs. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
J & F WASTE SYSTEMS	\$ 1,398.62	\$ 575.17	\$ 1,973.79	August waste disposal service for 156 Romina Drive of \$575.17 was approved by Mike Florence on Aug. 20, 09 The cost of \$1398.62 was to clear both the warehouses
MIAD INFORMATION SYSTEMS LTD.		\$ 1,001.18	\$ 1,001.18	We use Miad to maintain our servers, workstations and filter the incoming and out going emails for spam.
NEXT PARADIGM INC.		\$ 4,670.75	\$ 4,670.75	Pre-filing debt. Secured creditor. Reimbursement of business expenses paid by PEI's CEO. Next Paradigm Inc. is the company by which CEO, who is providing contracted services to PEI, invoices PEI for his services. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
PRIMARY ONE	\$ 25,775.40	\$ 428.40	\$ 26,203.80	Critical supplier. Payments for inventory purchased for a brand acquired by ACI
WILSON INT'L LTD		\$ 138.70	\$ 138.70	Should have been on list of critical suppliers. Wilson is PEI's customs broker that PEI relies to clear all shipments being acquired by ACI. PEI must continue to bring product for the acquired brands during the transition services period and it is not practical for PEI to arrange another customs broker without jeopardizing its ability to perform its transition services responsibilities
ZYNPACK PACKAGING PRODUCTS		\$ 736.31	\$ 736.31	Pre-filing debt. Should have been on list of critical suppliers. Zynpack is a supplier of components for the brands being acquired by ACI. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
ACCEL		\$ 161.98	\$ 161.98	Utilities paid to the landlord of 100 Haist warehouse.
CANPAR		\$ 243.15	\$ 243.15	Should have been on list of critical suppliers. Courier and freight out
DPOC ACCT# 9004166746		\$ 157.50	\$ 157.50	Postage
RALPH PHILIPPS		\$ 27.00	\$ 27.00	Parking charges for meeting lawyers
CANADIAN CUSTOM PACKAGING	\$ 12,296.51	\$ -	\$ 12,296.51	Pre-filing debt. Should have been on list of critical supplier of components. Payment for inventory bought by ACI
CANPAR	\$ 3,115.68	\$ -	\$ 3,115.68	Should have been on list of critical suppliers. Courier and freight out
FINGER PRINTERS	\$ 323.40	\$ -	\$ 323.40	Charges for printing inventory tickets to do the inventory count for ACI.
GS1 CANADA	\$ 1,412.50	\$ -	\$ 1,412.50	Service to list and maintain the UPCs for the brands bought by ACI
KRMC	\$ 24,695.60	\$ -	\$ 24,695.60	Lawyers
LITTLE GUYS	\$ 2,615.48	\$ 3,744.64	\$ 6,360.12	Should have been on list of critical suppliers. Courier and freight out. We use this company to move inventory between warehouses.
PLANET PAPER BOX	\$ 1,592.55	\$ -	\$ 1,592.55	Pre-filing debt. Should have been on list of critical supplier of components. Payment for inventory bought by ACI
ROGERS WIRELESS	\$ 1,613.89	\$ -	\$ 1,613.89	Wireless charges
TORKIN MANES COHEN ARBUS	\$ 18,469.07	\$ -	\$ 18,469.07	Lawyers
ALI RYAN		\$ 118.75	\$ 118.75	Office help to do filing.
BEAUMONT TRNASLATION		\$ 1,554.00	\$ 1,554.00	Should have been on list of critical suppliers. Translation service for brands acquired by ACI.
CONSOLIDATED FASTFRATE		\$ 84.63	\$ 84.63	Should have been on list of critical suppliers. Courier and freight out
DHL EXPRESS		\$ 238.13	\$ 238.13	Should have been on list of critical suppliers. Courier.
EDI GATEWAY		\$ 81.71	\$ 81.71	Should have been on list of critical suppliers. EDI service to bring orders electronically from customers.
FEDERAL EXPRESS		\$ 256.46	\$ 256.46	Courier
GOVERNMENT DU QUEBEC		\$ 7,008.35	\$ 7,008.35	July QST Tax remittance
MEGAN MCGINNIS		\$ 6.99	\$ 6.99	Consumer return
OLYMPIC DUST CONTROL		\$ 27.65	\$ 27.65	July floor mat cleaning service

PUROLATOR	\$	139.38	\$	139.38	Should have been on list of critical suppliers. Courier.
ROSEDALE LIVERY	\$	343.32	\$	343.32	July cab charges
SHRED-IT INT'L INC.	\$	287.70	\$	287.70	Shredding service
TORKIN MANES COHEN ARBUS	\$	5,600.95	\$	5,600.95	Lawyers
WILSON INTL LTD	\$	580.99	\$	580.99	Pre-filing debt. Should have been on list of critical suppliers. Wilson is PEI's customs broker that PEI relies to clear all shipments being acquired by ACI. PEI must continue to bring product for the acquired brands during the transition services period and it is not practical for PEI to arrange another customs broker without jeopardizing its ability to perform its transition services responsibilities. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
WORKPLACE SAFETY & INSURANCE	\$	495.74	\$	495.74	Workman's Compensation remittance

<b>Total - Canadian Vendors</b>	<b>\$</b>	<b>108,499.35</b>	<b>\$</b>	<b>67,828.39</b>	<b>\$</b>	<b>176,327.74</b>
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#### US VENDORS

WILSON INTERNATIONAL INC.	\$	525.00	\$	525.00	Pre-filing debt. Should have been on list of critical suppliers. Wilson is PEI's customs broker that PEI relies to clear all shipments being acquired by ACI. PEI must continue to bring product for the acquired brands during the transition services period and it is not practical for PEI to arrange another customs broker without jeopardizing its ability to perform its transition services responsibilities. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
BEAUTY SOLUTIONS	\$	839.52	\$	839.52	Pre-filing debt. Had to pay these invoices to sell all the inventory they supply to a new vendor.
AZAR INT'L	1,702.50		\$	1,702.50	Pre-filing debt. Should have been on list of critical suppliers. Payment for inventory bought by ACI
BEAUTY SOLUTIONS	2,882.88		\$	2,882.88	Pre-filing debt. Had to pay these invoices to sell all the inventory they supply to a new vendor.
COLORA	9,036.21		\$	9,036.21	Pre-filing debt. Had to pay these invoices to sell all the inventory they supply to a new vendor.
HEAD BLADE INC	2,787.75		\$	2,787.75	Pre-filing debt. Should have been on list of critical suppliers. Payment for inventory bought by ACI
T.R. INT'L	17,056.15		\$	17,056.15	Pre-filing debt. Should have been on list of critical supplier of components. Payment for inventory bought by ACI
<b>Total - US Vendors</b>	<b>33,465.49</b>	<b>1,364.52</b>		<b>34,830.01</b>	
<b>Total - US Vendors (In CAD @ 1.07)</b>	<b>35,808.07</b>	<b>1,460.04</b>		<b>37,268.11</b>	

#### Overall Summary (in CAD):

	O/S Cheques @ 7/31/09 released in Post-Filing Period	Cheques issued in Post-Filing Period	Total Payments of PFD in Post- Filing Period
<b>Total - CDN Vendors</b>	108,499.35	67,828.39	176,327.74
<b>Total - US Vendors</b>	35,808.07	1,460.04	37,268.11
<b>Total - CDN and US Vendors</b>	<b>144,307.42</b>	<b>69,288.43</b>	<b>213,595.85</b>

# TAB 3

**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  
AND ARRANGEMENT OF PRODUCT EXCELLENCE INC.**

**AFFIDAVIT OF MERVYN D. ABRAMOWITZ  
affirmed November 5, 2009**

I, **MERVYN D. ABRAMOWITZ**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a partner in the law firm of Kronis, Rotsztain, Margles, Cappel ("**KRMC**"), lawyers for the Applicant, Product Excellence Inc. ("**PEI**"). I am the lawyer with carriage of this file and have been involved with the file from the outset, and as such, I have personal knowledge of the matters deposed to herein.

2. I have spoken with lawyers at KRMC who worked on the file to inform myself with respect to the matters deposed to in this Affidavit.

3. PEI retained our firm to act as counsel in bringing an Application for an Initial Order under the *Companies' Creditors Arrangement Act* ("**CCAA**") and to pursue CCAA proceedings.

4. Attached hereto and marked as **Exhibit "A"** to this my affidavit are true copies of the accounts rendered to PEI for work done by KRMC pursuant to PEI's instructions during the period from June 20, 2009 to October 30, 2009, together with the supporting dockets.

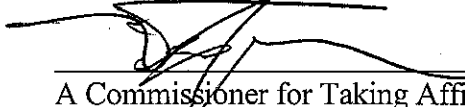
5. The work was, to the best of my knowledge, all performed and the billing rates are the normal billing rates for the individuals who performed the work.

6. Attached hereto and marked as **Exhibit "B"** to this my affidavit is a true copy of an estimate for work to be done through to the termination of the CCAA proceedings. The estimate includes KRMC's fees and disbursements for the remaining steps, such as bringing the motion for approval of certain activities of PEI, approval for distribution of sale proceeds to PEI's secured creditor, and terminating the CCAA proceedings.

7. As before, the amounts relate to work to be done at the normal billing rates for the individuals involved and represent accurate estimates, to the best of our knowledge, information and belief, at this point in time, of the work required to complete KRMC's involvement in this matter.

AFFIRMED before me  
at the City of Toronto,  
in the Province of Ontario,  
this 5<sup>th</sup> day of November 2009.

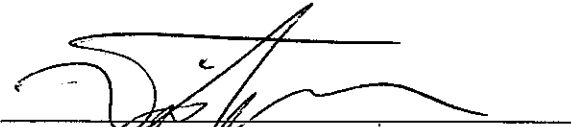
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A Commissioner for Taking Affidavits, etc.  
L. Viet Nguyen

  
MERVYN D. ABRAMOWITZ

# EXHIBIT A

THIS IS EXHIBIT "A" REFERRED TO IN  
THE AFFIDAVIT OF MERVYN D. ABRAMOWITZ,  
AFFIRMED BEFORE ME  
THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009

A handwritten signature in black ink, appearing to read 'L. Viet Nguyen', is written over a horizontal line.

A Commissioner, etc.  
L. Viet Nguyen

IN ACCOUNT WITH  
**KRMC**

**Kronis, Rotsztain, Margles, Cappel**  
 Barristers and Solicitors

Product Excellence Inc.  
 156 Romina Drive  
 Concord, Ontario  
 L4K 4Z7

25 Sheppard Avenue West (at Yonge)  
 Suite 700 Toronto, ON  
 Canada M2N 6S6  
 Telephone: (416) 225-8750  
 Facsimile: (416) 225-3910

Attention: Norman Paul

File No. 89847

August 31, 2009

**Re: Product Excellence Inc.: Proceeding under the Companies' Creditors Arrangement Act ("CCAA")**

FOR ALL PROFESSIONAL SERVICES RENDERED in connection with the above-noted matter for the period June 20, 2009 to August 20, 2009:

To being retained by Product Excellence Inc. ("PEI") with respect to the sale of PEI's assets to ACI Brands Inc. and the CCAA proceedings; to telephone discussions with and to correspondence to you and Ralph Phillips generally with respect to obtaining instructions; to inter office conferences to review file, preparation of application materials for CCAA Initial Order (the "CCAA Application"), motion materials for Approval and Vesting Order and Asset Purchase Agreement, discussions regarding payments to creditors and disposition of assets; to conducting research with respect to the CCAA and liquidating CCAA's; to drafting application materials and Initial Order; to forwarding application materials to you for your approval; to revising application materials accordingly; to drafting motion materials for Approval and Vesting Order; to forwarding motion materials to you for your approval; to revising motion materials accordingly; to email correspondence with Stephanie Grace of the law firm Aird & Berlis LLP, lawyers for ACI Brands Inc., enclosing our application materials and motion materials for her review; to email correspondence from and telephone consultations with Stephanie Grace regarding her proposed revisions to the materials; to email correspondence and telephone discussions with Bryan Tannenbaum, Ira Gerstein and Jim Cook of Deloitte & Touche Inc. ("Deloitte"), regarding Deloitte acting as the Monitor for PEI, the reports of Deloitte, and the role of Deloitte as Monitor; to telephone consultations with you regarding the required cash flow statements for PEI and the status of the company; to email correspondence to you and Ira Gerstein regarding revised application materials and motion materials; to telephone conference on July 28, 2009 between Norman Paul, Ralph Phillips, Ira Gerstein, Jim Cook, Paul Cancilla and L. Viet Nguyen regarding materials, cash flow statement and next steps to be taken; to telephone consultation with you regarding the issue of the unaffected creditor status for PEI; to telephone consultation with Mike Florence of PEI Investments Inc. regarding indemnities; to telephone conference on July 30, 2009 between Stephanie Grace, Steven Kelman, Lisa Moreau, Norman Paul, Ralph Phillips, Paul Cancilla and Viet Nguyen regarding unaffected creditor status for PEI; to meeting with Norman Paul on July 30, 2009 to review and have him swear his affidavit in support of the CCAA Application; to telephone consultation with Jeffrey Cohen of the law firm Torkin Manes Cohen Arbus LLP, lawyers for PEI Investments Inc., regarding service of the application materials and support of PEI Investments Inc. for the CCAA Application; to email exchange with you and Lisa Moreau regarding list of critical suppliers; to preparation for the hearing of the CCAA Application returnable August 4, 2009; to our attendance at the Ontario Superior Court of Justice on August 4, 2009 before the Honourable Justice Lederman for the hearing of the application; to having the Notice of Application issued by the Court; to being successful in our attendance before Justice Lederman and obtaining the Initial Order; to advising you throughout; to telephone consultation with Mark Korn of the law firm Devry,

Smith & Frank LLP, lawyers for the Royal Bank of Canada, Stephanie Grace and Jeffrey Cohen regarding scheduling the motion for the Approval and Vesting Order; to service of the Initial Order on PEI's creditors; to preparation of the affidavit of service; to email exchange with Stephanie Grace regarding motion materials and service list; to telephone consultation with the Commercial List regarding scheduling the motion for the approval and vesting order for August 14, 2009; to preparation and filing of Commercial List Request Form; to telephone consultations with Ira Gerstein and Jim Cook regarding motion materials and next steps; to meeting with Norman Paul on August 6, 2009 to review and swear his affidavit in support of the motion for the Approval and Vesting Order, stay extension and other relief; to email exchanges with Ira Gerstein regarding Monitor's Report; to preparation of the Motion Record for the Approval and Vesting Order, stay extension and other relief; to correspondence to service list enclosing Motion Record; to preparation of affidavit of service; to filing motion materials with the Ontario Superior Court of Justice; to telephone consultation with Douglas Hendler of the law firm Aylesworth LLP, lawyers for Deloitte & Touche Inc., regarding security opinion; to telephone conference on August 10, 2009 with Douglas Hendler, Lisa Corne, and Ira Gerstein regarding Monitor's Report; to inter office conference between Viet Nguyen and Paul Cancilla regarding security and changes to the Asset Purchase Agreement; to telephone consultations with Stephanie Grace regarding changes to the Asset Purchase Agreement and Monitor's Report; to email correspondence with Lisa Corne regarding changes to the Approval and Vesting Order, service list and to reviewing the Monitor's Report; to receipt and review of the Responding Motion Record of the Monitor; to inter office conferences between Mervyn Abramowitz, Viet Nguyen, and Paul Cancilla regarding the motion for the Approval and Vesting Order, stay extension and other relief; to attendance at the Ontario Superior Court of Justice on August 14, 2009 before the Honourable Justice Mesbur for the hearing of the motion for the Approval and Vesting Order; to being successful on the motion and to obtaining the Approval and Vesting Order, the Stay Extension Order and having them entered with the Court; to advising you throughout; to various email correspondence and telephone discussions with you, Ralph Phillips, Ira Gerstein, Douglas Hendler and Lisa Corne regarding payments to creditors and disposition of inventory; to preparation of our letter to you regarding the contemplated payments to creditors and disposition of inventory; to all other matters not specifically referred to above, including correspondence, facsimiles, attendances, memoranda, legal research, telephone conversations and to reporting to you herein.

OUR FEE	\$89,850.00
GST	<u>4,492.50</u>

<b>TOTAL FEES AND GST</b>	<b>\$94,342.50</b>
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**DISBURSEMENTS WITHOUT GST**

Court Fees (issue Notice of Application and file Motion Record)	\$ 308.00	
Ministry Fees (file Articles of Amendment)	150.00	
Paid to Teraview for searches	<u>16.00</u>	\$ 474.00

**DISBURSEMENTS WITH GST**

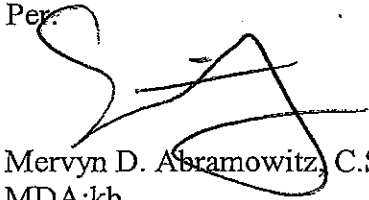
Litigation levy (issue notice of application)	\$ 50.00		
Teraview PPSA searches	24.00		
Facsimiles	5.99		
Courier	38.00		
Corporate Searches (including Profile Reports and Certificate of Status)	54.00		
Out-of-office copies	9.07		
Photocopies and laser printing	<u>1,912.00</u>		
Sub-total	\$2,093.06		
GST	<u>104.65</u>	<u>2,197.71</u>	<u>2,671.71</u>

**BALANCE NOW DUE AND OWING****\$97,014.21**

THIS IS OUR ACCOUNT

**KRONIS, ROTSZTAIN, MARGLES, CAPPEL**

Per:



Mervyn D. Abramowitz, C.S.

MDA:kb

E.&amp;O.E.

Our GST Registration No. R119428514

Accounts are due when rendered. In accordance with Section 33 of the *Solicitors Act*, interest will be charged at the rate of .5% per annum on all outstanding amounts calculated from October 1, 2009.

9/14/92	12	1	TRAVEL	EXCELLENCE	11/7	76
DATE	LAWYER'S INITIALS	CLIENT'S NAME	MATTER OR FILE NUMBER	CODE	HOURS 1/10 THS	AMOUNT
					CHARGEABLE TIME	

(6 MINUTES = 1/10 HOUR)

### CHARGEABLE TIME SLIP

REMARKS

*Ref w client a CCAP*

#### CODE OF CHARGES

A — COURT APPEARANCE  
C — CONFERENCE  
F — FACTS INVESTIGATION  
FG — FILING  
L — LETTER  
LL — LONG LETTER  
P — PREPARATION  
R — RESEARCH  
PC — PETTY CASH CHARGE  
TC — TELEPHONE CHARGE  
TL — TRAVEL  
NC — NON-CHARGEABLE

X

CODE

SAFEGUARD FORM CTS L-4

POSTED ☐ DATE BILLED

9/19/92	PE				11	
DATE	LAWYER'S INITIALS	CLIENT'S NAME	MATTER OR FILE NUMBER	CODE	HOURS 1/10 THS	AMOUNT
					CHARGEABLE TIME	

(6 MINUTES = 1/10 HOUR)

### CHARGEABLE TIME SLIP

REMARKS

*Ref w PE & Tele Conf Call with 4/18*

#### CODE OF CHARGES

A — COURT APPEARANCE  
C — CONFERENCE  
F — FACTS INVESTIGATION  
FG — FILING  
L — LETTER  
LL — LONG LETTER  
P — PREPARATION  
R — RESEARCH  
PC — PETTY CASH CHARGE  
TC — TELEPHONE CHARGE  
TL — TRAVEL  
NC — NON-CHARGEABLE

X

CODE

SAFEGUARD FORM CTS L-4

POSTED ☐ DATE BILLED

9/22	PE				11	
DATE	LAWYER'S INITIALS	CLIENT'S NAME	MATTER OR FILE NUMBER	CODE	HOURS 1/10 THS	AMOUNT
					CHARGEABLE TIME	

(6 MINUTES = 1/10 HOUR)

### CHARGEABLE TIME SLIP

REMARKS

*Varas E-Mail to Paul & 1/17/92 a Delat*

#### CODE OF CHARGES

A — COURT APPEARANCE  
C — CONFERENCE  
F — FACTS INVESTIGATION  
FG — FILING  
L — LETTER  
LL — LONG LETTER  
P — PREPARATION  
R — RESEARCH  
PC — PETTY CASH CHARGE  
TC — TELEPHONE CHARGE  
TL — TRAVEL  
NC — NON-CHARGEABLE

X

CODE

SAFEGUARD FORM CTS L-4

POSTED ☐ DATE BILLED

## KPMC

Mervyn D. Abramowitz's Time  
for Selected File:

## Product Excellence Inc.

Client ID: 35

Matter ID: 89847

June 13, 2009 to August 20, 2009

Date	Activity	Description	Time (hrs)
Mon. Jun 15, 2009		Mt w/ Paul Cancilla; prepare for meeting with company rep's and receiver	0.80
Tue. Jun 16, 2009		Mting w/ B. Tannenbaum, I. Gerstein, Mike Florence, Ralph Phillips, Norman Paul, Paul Cancilla re: options for PEI	3.00
Wed. Jun 17, 2009		Mt w/ Paul Cancilla re: memo to Aird & Berlis, process to be followed in proceeding re: sale of assets and CCAA	1.00
Thu. Jun 18, 2009		Preparation of and research re: ct materials re: application under CCAA; mt w/ P. Cancilla re: requirements;	0.80
Fri. Jun 19, 2009		conference call w/ Steve Kalman, Stephanie Grace of A&B; mtngs w/ P. Cancilla, J. Rotsztain re: insolvency, comm'l issues re: transaction	1.50
Mon. Jun 22, 2009		Tel calls w/ I. Gerstein re: engagement letter, consulting report, ct materials re: motion for initial order; mt w/ LVN re: prep of materials; mtngs w/ Paul Cancilla re: status, negotns w/ purchaser, employment issues; mt w/ J. Rotsztain re: agreement and purchaser; mt w/ LVN	2.30
Tue. Jun 23, 2009		Preparation of materials for CCAA application; mt w/ PC re: employment issues and memo to client; research re: form of draft CCAA order for this matter	2.10
Wed. Jun 24, 2009		Review LOI; Telephone call to Gerstein, Ira re: initial report, application; mtngs w/ P. Cancilla re: Royal Bank, initial report, timing of process; tel call w/ C. Hristow re: initial report	2.60
Thu. Jun 25, 2009		Mtngs w/ P. Cancilla; email exchanges re: conference calls; review LOI; review further emails re: RBC	1.40
Fri. Jun 26, 2009		Tel call w/ Norman Paul, Ralph Phillips re: status and proceeding toward CCAA; mt w/ P. Cancilla	0.50
Mon. Jun 29, 2009		Conference call w/ P. Cancilla, B. Tannenbaum, R. Phillips, S. Grace, S. Kelman, J. Goreib; tel call w/ B. Tannenbaum; mt w/ P. Cancilla	1.00
Mon. Jul 6, 2009		Telephone call from Gerstein, Ira re: report to the ct of proposed monitor	0.20

Date	Activity	Description	Time (hrs)
Tue. Jul 7, 2009		Tel conversations and emails w/ I. Gerstein re: form of engagement letter and request for information; mtngs w/ P. Cancilla re: form of agreement of purchase and sale and supplier payments	1.00
Wed. Jul 8, 2009		Telephone calls with Gerstein, Ira re: his email w/ Ralph Phillips; mtngs w/ PC re: landlord issue; conf calls w/ Gerstein and Phillips re: draft asset purchase agreement and various issues, including closing date, appeal period, critical suppliers, timing of signing of agreement and proceedings; mt w/ LVN re: motion for initial order under CCAA and discussion re: preparation of ct materials	2.80
Thu. Jul 9, 2009		Tel call w/ I. Gerstein re: his call w/ Phillips and report of proposed monitor	0.20
Sun. Jul 12, 2009		Review and comment on drafts of notice of appln, affidavit of Norman Paul and CCAA initial order	1.00
Mon. Jul 13, 2009		Mt w/ LVN re: draft notice of appln, affid of Norman Paul and CCAA order	0.20
Tue. Jul 14, 2009		Receipt and review financial statements of PEI; mt w/ LVN re: affidavit in support of CCAA application	0.40
Wed. Jul 15, 2009		Telephone call from Gerstein, Ira re: work being done re: proposed monitor's report; preparation of draft materials for CCAA application	0.80
Thu. Jul 16, 2009		Receipt and review corresp from R. Phillips with attached letter from Naturale Science re: their claim and Bulk Sales Act; mt w/ Paul Cancilla to discuss; mt w/ LVN re: draft CCAA initial order and approval and vesting order; further preparations re: draft CCAA initial order, notice of application, aff in support and approval and vesting order	1.30
Fri. Jul 17, 2009		Mt w/ LVN; further preparations and finalize draft CCAA initial order, notice of application, aff in support and approval and vesting order for review by others	0.80
Tue. Jul 21, 2009		Receipt and review emails from R. Phillips re: court materials and response; tel call w/ I Gerstein and Jim Cook re: report and proceeding to ct; mt w/ LVN re: motion materials for approval and vesting order, his conversations w/ S Grace	1.50

Date	Activity	Description	Time (hrs)
Wed. Jul 22, 2009		Rec and rev emails from R. Philipps with changes to draft affidavit and comments on draft Initial order; emails to group re: changes to be made; preparation of court materials re: sale transaction motion and extension of stay of proceedings, including notice of motion, affidavit of Norman Paul, draft orders; mtgs w/ LVN re: motion materials; review emails of S. Grace and proposed changes re: draft materials; mt w/ P. Cancilla re: conf call	2.00
Thu. Jul 23, 2009		Prepare for and participate in Conference call w/ transaction and insolvency counsel and principals; mtgs w/ Paul Cancilla, Viet Nguyen; tel call w/ Stephanie Grace of A&B; emails with various counsel; revisions to two records, for initial order and for sale approval and vesting order, including notice of appln, two aff's of Norman Paul, Initial order, notice of motion, approval and vesting order, secondary order re: stay extension and various other matters	4.80
Fri. Jul 24, 2009		Preparation of motion materials re: initial order and sale approval; mtgs w/ LVN, PC; receipt and review corresp from Gerstein re: cash flows; receipt and review draft proposed monitor's report; discussions re: DIP financing	3.50
Tue. Aug 11, 2009		Review motion record re: motion for sale approval, distribute proceeds to RBC and extend the stay of proceedings	0.80
Wed. Aug 12, 2009		Preparation for attendance at ct re: sale motion; review emails between counsel; mt w/ LVN	1.00
Thu. Aug 13, 2009		Review of motion materials re: sale approval; review second report of Monitor; Preparation of draft orders for attendance re: approval of sale transaction; tel calls w/ I. Gerstein and L. Come re: motion; mt w/ LVN re: preparation of orders, copies of agreement to be sealed; preparation of submissions to court	2.80
Fri. Aug 14, 2009		Prepare for and attend motion for approval and vesting order, stay extension before Mesbur J.; mtgs w/ Monitor, L. Come, LVN, P. Cancilla re: outcome, entry and service of orders, completion of Monitor's certificate, next steps	4.00
Mon. Aug 17, 2009		Receipt and review client emails re: questions re: intended payments to certain suppliers, creditors; Mtng w/ LVN re: payments and proceeding re: further asset sales, etc.; tel calls with I. Gerstein, L. Come	1.70

Date	Activity	Description	Time (hrs)
Tue. Aug 18, 2009		Mtings w/ LVN re: conf call, claims by Rexall and others and decns re: paying pre-filing debts; review docs from clients re: items and amts to be paid; tel con w/ Lisa Corne	0.80
Wed. Aug 19, 2009		Receipt and review corresp from R. Phillips; mt w/ LVN	0.40
Thu. Aug 20, 2009		Tel con w/ I. Gerstein re: paymts to creditors re: pre-filing debt; mt w/ Paul Cancilla	0.40

Total Time: 49.40

**KRMC**  
**L. Viet Nguyen's Time**  
**for Selected File:**

**Product Excellence Inc.**

Client ID: 35

Matter ID: 89847

June 13, 2009 to August 20, 2009

Date	Activity	Description	Time (hrs)
Mon. Jun 22, 2009		Mt w/ MDA re: CCAA Order, next steps	0.40
Wed. Jul 8, 2009		Online research on CCAA liquidation orders; mt w/ MDA re: prep of materials, schedule	1.50
Thu. Jul 9, 2009		Mt w/ PC re: financial information and status of client's business; prep of Application materials for CCAA Initial Order; mt w/ MDA	2.00
Fri. Jul 10, 2009		Revisions to motion materials; email to MDA encl. Motion materials	0.50
Mon. Jul 13, 2009		Mt w/ MDA re: revisions to motion materials; revisions to motion materials	2.00
Tue. Jul 14, 2009		Reviewing financial statements, revisions to CCAA materials; mt w/ MDA re: financial statements; mt w/ PC re: vesting Order	2.50
Wed. Jul 15, 2009		Application materials to MDA; mt w/ PC re: vesting Order	0.40
Thu. Jul 16, 2009		Mt w/ MDA re: application materials; telephone call w/ Bryan Tannenbaum re: retainer; draft Approval and Vesting Order	1.00
Thu. Jul 16, 2009		File review w/ MDA and KB	0.20
Fri. Jul 17, 2009		Mt w/ MDA re: materials, draft Orders; revisions to Application materials, draft Orders; Email corres to Monitor, client, encl. Draft materials and draft Orders; email to Lisa Moreau encl. Application materials, draft Orders	1.50
Mon. Jul 20, 2009		Telephone call from Stephanie Grace re: materials; revisions to Approval and Vesting Order materials; mt w/ PC re: comments on APS; mt w/ MDA re: comments on Application	2.00
Tue. Jul 21, 2009		Email corres from MDA to client re: CCAA materials; email corres from Ira Gerstein re: draft Order; mt w/ MDA re: approval and vesting order materials; revisions to approval and vesting order materials	1.50

Date	Activity	Description	Time (hrs)
Wed. Jul 22, 2009		Telephone call from Stephanie Grace re: changes to draft materials; email corres from Stephanie Grace re: changes to draft Orders; mt w/ MDA re: approval and vesting order materials; mt w/ PC re: agmt of purchase and sale; revisions to Application and motion materials; draft Stay Extension Order; email corres and telephone call w/ Ira Gerstein re: Initial Order	1.50
Thu. Jul 23, 2009		Email from Stephanie Grace to MDA re: discussion on materials; telephone call w/ PC re: conference call, next steps	0.40
Fri. Jul 24, 2009		Revisions to CCAA Application and Approval and Vesting Order materials; mt w/ MDA re: materials, cash flow and status of company; mt w/ PC re: agreement and process; telephone call and email corres w/ Ralph Philipps re: process, cash flow; Telephone calls with Ira Gerstein re: pre-Monitor Report, cash flows; email corres to client and Deloitte encl. Draft materials; email corres to Stephanie Grace encl. Draft materials	4.00
Mon. Jul 27, 2009		Telephone calls w/ Ira Gerstein and Jim Cook re: Pre-monitor's report, cash flows; telephone call and email corres w/ Ralph Philipps re: cash flows, next steps; mt w/ JR and PC re: request to waive retainer, payment of fees; email corres from Ralph Philipps re: changes to CCAA materials; email corres from Stephanie Grace re: changes to CCAA materials	2.00
Tue. Jul 28, 2009		Telephone call w/ Ira Gerstein and Jim Cook re: cash flow; telephone call w/ Ralph Phillips re: cash flow, CCAA process, conference call; mt w/ JR re: fee indemnity; mt w/ PC re: cash flow, conference call, requested changes to Agreement of Purchase and Sale; email corres w/ Ralph Philipps, PC, Jim Cook, Ira Gerstein confirming conference call; telephone call to Mike Florence re: CCAA process; telephone calls and email corres w/ Mark Korn, counsel for RBC; email corres w/ Stephanie Grace re: CCAA materials, timing	2.00

Date	Activity	Description	Time (hrs)
Wed. Jul 29, 2009		Mt w/ PC re: conference call delayed; Telephone call to Ira Gerstein re: conference call, process; revisions to CCAA Application materials; conference call w/ Norman Paul, Ralph Philipps, Ira Gerstein, Jim Cook, PC, re: materials, cash flow, next steps; email corres w/ Stephanie Grace re: changes to CCAA materials; mt w/ PC re: unaffected creditor issue; telephone call w/ Ralph Philipps re: unaffected creditor issue; mt w/ JR re: fees	3.00
Thu. Jul 30, 2009		Telephone call from Mike Florence re: indemnity; mt w/ JR re: fees; teleconference w/ Stephanie Grace, Steven Kelman, Lisa Moreau, PC, Norman Paul, Ralph Philipps re: unaffected creditor status; email corres w/ Stephanie Grace re: CCAA materials; revisions to CCAA materials and approval and vesting order materials; mt w/ Norman Paul to swear affidavit; telephone calls w/ Ira Gerstein re: cash flow, next steps; telephone calls w/ Ralph Philipps re: cash flow; telephone call w/ Jeff Cohen re: service	3.00
Fri. Jul 31, 2009		Email corres w/ Lisa Moreau re: list of critical suppliers; email corres to Ralph Philipps re: list of critical suppliers; telephone call w/ Ralph Philipps re: critical suppliers; finalizing Application Record; email corres from KB to service list encl. Application Record; email corres to Stephanie Grace encl. Application Record; email corres to Ira Gerstein encl. Application Record; telephone calls and email corres w/ Ira Gerstein re: pre-Monitor Report, timing	2.00
Mon. Aug 3, 2009		Prep for CCAA Application; email corres w/ Stephanie Grace re: Application hearing	2.00
Tue. Aug 4, 2009		Prep for and attend motion for CCAA Initial Order before Lederman, J., with Bryan Tannenbaum, Ira Gerstein, Stephanie Grace; having Notice of Application Issued, Order entered; telephone calls w/ Ira Gerstein re: next steps; telephone call w/ PC re: Initial Order; mt w/ JR re: Initial Order; Telephone call w/ Mark Korn re: scheduling approval and vesting Order motion; email corres w/ Stephanie Grace re: purchased assets, scheduling; telephone call w/ Jeff Cohen re: scheduling	4.50

Date	Activity	Description	Time (hrs)
Wed. Aug 5, 2009		Email corres w/ Stephanie Grace re: motion materials, service list; mt w/ PC re: next steps, Rexall claim; telephone calls and email corres w/ Ralph Philipps re: next steps, service list, service of Initial Order, Rexall claim; revisions to motion materials; telephone calls and email corres w/ counsel re: scheduling motion; telephone call w/ Commercial List re: scheduling motion; email corres and telephone call w/ Norman Paul re: meeting; telephone call and email corres w/ Ira Gerstein and Jim Cook re: next steps, motion materials; email corres from PC to Lisa Moreau and Steve Kelman re: Rexall claim	4.00
Thu. Aug 6, 2009		Mt w/ Norman Paul to swear affidavit; Email corres and telephone calls w/ Stephanie Grace re: motion record; email corres and telephone calls w/ Ira Gerstein re: Monitor's Report, motion record; email corres and telephone call w/ Douglas Hendler re: security opinion; mt w/ PC re: status, Katz Group; prep of Motion Record; email corres to service list encl. Initial Order; corr to service list encl. Initial Order	2.00
Fri. Aug 7, 2009		Email corres and telephone calls w/ Ralph Philipps and Jim Cook re: cash flow; email corres and telephone calls w/ Ira Gerstein re: Monitor's Report; Prep of Motion Record; corr to service list encl. Motion Record; email corres and telephone calls w/ Himelfarb re: service on Plaintiff; Email corres w/ Stephanie Grace re: motion record	3.00
Mon. Aug 10, 2009		Telephone call w/ Douglas Hendler, Lisa Come, Ira Gerstein re: report; telephone call w/ Ralph Philipps re: distribution to Shareholder Group; mt w/ PC re: security, changes to APA; email corres w/ Stephanie Grace re: change to APA, Monitor's Report; email corres and telephone call w/ Ira Gerstein re: Monitor's Report; Telephone call and email corres from Stephen Turk re: VDI; Telephone call and email corres w/ Lisa Come re: chngs to Approval and Vesting Order, service list; reviewing Monitor's Report	2.00
Tue. Aug 11, 2009		Mt w/ PC re: payout to RBC, receipt of funds, instr'n to ACI re: payout, payment of o/s acct; email to Mark Korn re: payout, motion; telephone call w/ Ira Gerstein re: Monitor's Report; vmm from Mark Korn	1.00
Wed. Aug 12, 2009		Telephone call with Mark Korn re: payout; mt w/ MDA re: status; mt w/ PC re: no chngs to APA; email from Lisa Come encl. Monitor's Responding Motion Record	0.60

Date	Activity	Description	Time (hrs)
Thu. Aug 13, 2009		Telephone call w/ Stephen Turk re: hearing; telephone calls w/ counsel for unsecured creditors re: CCAA, pending motion; telephone call and email corres w/ Jeff Cohen re: consent to motion; telephone calls and email corres w/ Mark Korn re: payout to RBC; mt w/ MDA and PC re: motion; revisions to draft orders; email corres w/ Stephanie Grace re: motion, draft orders	3.00
Fri. Aug 14, 2009		Prep for and attend Approval and Vesting Order motion w/ MDA, BT, IG, Lisa Come, Stephanie Grace, Stephen Turk, Mark Korn before Mesbur J.; email corres to counsel encl. issued and entered Order; mt w/ PC re: closing of transaction; email corres to Lisa Come re: closing	4.00
Mon. Aug 17, 2009		Email corres w/ Ralph Philipps re: payments to suppliers, creditors; mt w/ MDA re: payments to creditors; telephone calls w/ Norman Paul, Ralph Philipps and Ira Gerstein re: payments to creditors; reviewing Initial Order	1.50
Tue. Aug 18, 2009		Telephone call to Lisa Come re: conf call; telephone call w/ Ralph Philipps and Norman Paul re: payments to creditors; mt w/ MDA re: client issues re: payments to creditors; teleconf w/ MDA, PC, Doug Hendler, Lisa Come, Ira Gerstein, Ralph Philipps and Norman Paul re: payments to creditors, next steps; email corres from Ralph Philipps re: payments to creditors	1.20
Wed. Aug 19, 2009		Email corres from Ralph Philipps to Doug Hendler re: payment of claims, settlements w/ creditors; telephone calls w/ Ira Gerstein re: Monitor review of proposed steps; service of Approval and Vesting Order, Extension Order and Endorsement on service list	0.60
Thu. Aug 20, 2009		Email corres from Ralph Philipps to Doug Hendler re: distributions and disposition of inventory; Email corres from Dougals Hendler to Ralph Philipps re: Monitor's view on transactions; rec and rev corr from secured creditor approving contemplated transactions; email corres w/ MDA re: letter to client; draft letter to client	1.00

Total Time: 63.80

PRODUCT EXCELLENCE INC.

August 20, 2009

156 Romina Dr.  
Concord, Ontario L4K 4Z7

Attention: Ralph Phillips

File #: 89847

Inv #: Sample

RE: s/t ACCESSORY CONCEPTS INC.

DATE	DESCRIPTION	HOURS	AMOUNT	LAWYER
Jun-15-09	Meeting w/ MA re: planning receivership	1.10	0.00	PC
Jun-16-09	Meeting w/ clients and Deloitte to discuss insolvency proceedings.	2.80	0.00	PC
Jun-17-09	Draft memo re: insolvency process. Discuss w/ MA.	4.40	0.00	PC
Jun-18-09	Review and amend 3rd party consent. Finalize and send process memo.	2.10	0.00	PC
Jun-19-09	Conference call w/ Purch's counsel. Discussions w/ MA re process.	1.50	0.00	PC
Jun-22-09	T/c w/ N. Paul; o/c w/ MA re: employee termination.	0.90	0.00	PC
Jun-23-09	Prepare email to clients re: employee issues. Discuss employee issues w/ MA. Prepare email to client re: ACI requests.	2.20	0.00	PC
Jun-24-09	Long discussion w/ MA and I. Gerstein re: CCAA proceeding; receipt and review of due diligence list; exchange numerous emails w/ clients, Deloitte and ACI counsel.	2.80	0.00	PC
Jun-25-09	Emails and discussions w/ A&B, Deloitte and client.	0.70	0.00	PC
Jun-27-09	Conference call w/ MA and clients.	0.60	0.00	PC
Jun-29-09	Conference call w/ A&B and Deloitte to discuss CCAA proceeding.	0.70	0.00	PC
Jun-30-09	Reviewing due diligence list. Prepare list of outstanding issues. Emails and t/c w/ client.	0.70	0.00	PC

Jul-02-09	t/c w/ R. Philipps	0.10	0.00	PC
Jul-03-09	Reviewing and commenting on Asset Purchase Agreement	3.00	0.00	PC
Jul-06-09	Long t/c w/ R. Philipps to review Asset Purchase Agreement	2.10	0.00	PC
Jul-07-09	Revising Asset Purchase Agreement	3.50	0.00	PC
Jul-08-09	Revising Asset Purchase Agreement	5.10	0.00	PC
Jul-09-09	Discuss Asset Purch. Agr. w/ RP; Finalize revisions to APA. Exchange emails w/ A&B.	1.80	0.00	PC
Jul-10-09	Review emails from A&B and RP	0.20	0.00	PC
Jul-13-09	t/c w/ RP; review v3 of asset purchase agreement	1.10	0.00	PC
Jul-14-09	Reviewing Services and Non-Comp Agr.; Discuss APA w/ RP; prepare list of issues.	3.60	0.00	PC
Jul-15-09	Prepare comments on remaining APA issues; review and revise Service Agr and Non-Compete Agr. Exchange emails with A&B.	3.80	0.00	PC
Jul-16-09	Prepare list of schedules to APA; discuss claim by Naturale Science w/ MA and RP.	1.90	0.00	PC
Jul-17-09	Discussions w/ VN and MA re: CCAA proceeding	0.20	0.00	PC
Jul-20-09	Discussions w/ VN re: CCAA proceeding	0.30	0.00	PC
Jul-21-09	Discussions w/ VN re: CCAA materials	0.30	0.00	PC
Jul-22-09	Discussions w/ VN, MA and R. Philipps	0.80	0.00	PC
Jul-23-09	Conference call betw the parties and counsel; discussions w/ VN and MA re: CCAA materials	2.00	0.00	PC
Jul-24-09	Discussions w/ VN re: CCAA	0.30	0.00	PC
Jul-27-09	Discussions w/ VN, JR and R. Philipps; reviewing and responding to numerous emails.	1.40	0.00	PC

Jul-28-09	Reviewing and commenting on APA v4. Discuss w/ clients/	3.50	0.00	PC
Jul-29-09	Reviewing and commenting on Asset Purchase Agr; numerous discussions and emails w/ client, VN and S. Kelman re: agreements and CCAA proceeding.	5.80	0.00	PC
Jul-30-09	Finalizing APA and ancillary agreements; conference call w/ ACI counsel and clients; numerous discussions and emails w/ ACI counsel.	4.40	0.00	PC
Jul-31-09	Review and revise Escrow Agreement. Arrange for execution of Asset Purchase Agreement.	2.00	0.00	PC
Aug-04-09	discussions w/ VN and R. Philipps; review closing agenda	1.00	0.00	PC
Aug-05-09	Review and comment on Closing Agenda; extensive discussions w/ RP and VN re: Katz Group claim and email to S. Kelman; reviewing RP Employment Agreement.	2.80	0.00	PC
Aug-06-09	Review RP employment agreement and discuss w/ RP. Discussions w/ SK re: Katz claim	1.90	0.00	PC
Aug-07-09	Discussion w/ S. Kelman	0.20	0.00	PC
Aug-09-09	o/c w/ PC to discuss liability issues regarding return of Katz Group product.	0.40	0.00	PR
Aug-10-09	Discussion w/ RP re: Katz Group claim and changes to APA; email to S. Kelman.	0.80	0.00	PC
Aug-11-09	Discussion w/ S. Kelman and R. Philipps re: Katz Group claim; preparing ancillary receipts & directions; preparing for closing.	3.00	0.00	PC
Aug-12-09	Preparing for closing.	1.60	0.00	PC
Aug-13-09	Preparing for closing.	2.20	0.00	PC
Aug-14-09	Attend to closing	1.70	0.00	PC
Aug-17-09	Attend to post-closing matters. Prepare documents for closing books.	1.10	0.00	PC

Aug-18-09	Conference calls w/ MA, VN, client, monitor & monitor counsel	1.00	0.00	PC
	Totals	85.40	\$0.00	
	GST on Fees		\$0.00	

**FEE SUMMARY:**

Lawyer	Hours	Effective Rate	Amount
PAUL RESNICK	0.40	\$0.00	\$0.00
Paul Cancilla	85.00	\$0.00	\$0.00

IN ACCOUNT WITH  
**KRMC**

**Kronis, Rotsztain, Margles, Cappel**  
 Barristers and Solicitors

Product Excellence Inc.  
 156 Romina Drive  
 Concord, Ontario  
 L4K 4Z7

25 Sheppard Avenue West (at Yonge)  
 Suite 700 Toronto, ON  
 Canada M2N 6S6  
 Telephone: (416) 225-8750  
 Facsimile: (416) 225-3910

Attention: Norman Paul

File No. 89847

September 30, 2009

**Re: Product Excellence Inc.: Proceeding under the Companies' Creditors Arrangement Act ("CCAA")**

FOR ALL PROFESSIONAL SERVICES RENDERED in connection with the above-noted matter for the period August 21 to September 25, 2009:

To continuing to act for Product Excellence Inc. ("PEI") with respect to the CCAA proceedings and the sale of PEI's assets to ACI Brands Inc. ("ACI"); to telephone discussions with and to correspondence to you and Ralph Phillips generally with respect to obtaining instructions; to teleconference with the Monitor, counsel for the Monitor and you with respect to the sale of assets and payments to suppliers; to correspondence to PEI regarding seeking approval of the Court for certain transactions; to telephone conference with Ira Gerstein regarding motion for approval and distribution; to receipt and review of email correspondence from Lawrie Jacques, lawyer for the landlord, regarding PEI vacating the premises; to email correspondence from Norman Paul regarding status of occupancy of the property; to email correspondence from Ralph Philipps regarding disbursements to critical suppliers, advice letter and liquidation cost of inventory; to email correspondence from Stefano Damiani of Deloitte & Touche Inc. regarding various issues including cash flow statements, status of accounts receivable and sale of inventory; to telephone consultations with Norman Paul regarding the liquidation of assets, paying the critical suppliers, affidavit and next steps in the matter; to receiving your instructions to proceed with the motion for approval and distribution; to receipt and review of Transition Services Agreement; to drafting notice of motion and affidavit regarding motion for approval and distribution; to inter office conference between Messrs. Cancilla and Nguyen regarding inventory valuation and escrow account; to email correspondence and telephone consultations with Norman Paul and Ralph Philipps regarding escrow funds and inventory count; to telephone consultation with Laura Periman of Stewardship Ontario regarding its unsecured claim; to telephone consultation with Lisa Corne of the law firm Aylesworth, lawyers for the Monitor, regarding scheduling the motion; to receipt and review of correspondence from Domenic Presta, lawyers for Marmont Holdings Inc., regarding the payment of rent; to telephone consultation with Ira Gerstein regarding the rent issue; to reviewing the final inventory count data; to preparation of the Direction for release of the escrow funds; to forwarding the Direction to Norman Paul and Ralph Philipps for execution; to receipt of the executed Direction; to releasing the escrow funds to ACI and PEI; to discussions with respect to next steps in the CCAA proceedings including whether or not a Plan of Compromise and/or Arrangement would be proposed to the creditors of PEI; to all other matters not specifically referred to above, including correspondence, facsimiles, attendances, memoranda, legal research, telephone conversations and to reporting to you herein.

KRONIS, ROTSZTAIN, MARGLES, CAPPEL

PAGE 2

OUR FEE	\$7,280.00
GST	<u>364.00</u>

<b>TOTAL FEES AND GST</b>		\$7,644.00
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**DISBURSEMENTS WITHOUT GST**

Bank fees (wire transfer)		\$106.00
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**DISBURSEMENTS WITH GST**

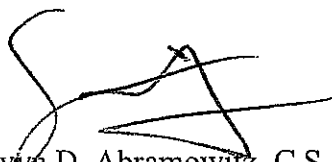
Courier	\$ 30.56		
Searches	37.50		
Photocopies and laser printing	<u>64.00</u>		
Sub-total	\$ 132.06		
GST	<u>6.60</u>	<u>138.66</u>	<u>244.66</u>

<b>BALANCE NOW DUE AND OWING</b>		<b><u>\$7,888.66</u></b>
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THIS IS OUR ACCOUNT

**KRONIS, ROTSZTAIN, MARGLES, CAPPEL**

Per:



Mervyn D. Abramowitz, C.S.

MDA:kb

E.&amp;O.E.

Our GST Registration No. R119428514

Accounts are due when rendered. In accordance with Section 33 of the *Solicitors Act*, interest will be charged at the rate of .5% per annum on all outstanding amounts calculated from October 30, 2009.

*KRMC***Mervyn D. Abramowitz's Time  
for Selected File:****Product Excellence Inc.**

Client ID: 35

Matter ID: 89847

August 21, 2009 to September 25, 2009

Date	Activity	Description	Time (hrs)
Fri. Aug 21, 2009		Letter to client re: paymts to creditors and inventory transfers, options; mt w/ LVN; tel con w/ I. Gerstein re: status and upcoming motion for approval and distribution; email exchange with R. Phillips	2.60
Tue. Aug 25, 2009		Mt w/ JR; receipt and review corresp with Lawrie Jacques, sol for landlord re: vacating of premises; mt w/ LVN	0.80
Thu. Aug 27, 2009		Mtg with LVN, SW and KB re: file status;	0.20
Thu. Sep 3, 2009		Tel con's w/ C. Hristow of monitor, R. Phillips; mt w/ P. Cancilla	0.70
Tue. Sep 8, 2009		Email exchanges w/ C. Hristow, Norman Paul, Ralph Phillips; mt w/ LVN; tel calls w/ C. Hristow	1.20
Wed. Sep 9, 2009		Mt w/ LVN re: status and motion for approval of certaom activities of PEI; email exchanges with Monitor and P. Cancilla	0.80
Mon. Sep 14, 2009		Telephone call from Gerstein, Ira re: issues at co, landlord; receipt and review emails and letters from landlord's counsel and monitor re: rent due	0.60
Fri. Sep 18, 2009		Mt w/ P. Cancilla and review email re: inventory count	0.40
Fri. Sep 25, 2009		Mt w/ LVN re: motion to approve dispositions of assets	0.20
Fri. Sep 25, 2009		Preparation of account and letter;	0.70

Total Time:

**8.20**

*KRMC***L. Viet Nguyen's Time  
for Selected File:****Product Excellence Inc.**

Client ID: 35

Matter ID: 89847

August 21, 2009 to September 25, 2009

Date	Activity	Description	Time (hrs)
Fri. Aug 21, 2009		email corres from Ralph Philipps re: disbursements to critical suppliers; email corres between MDA and client re: advice letter; email corres from Ralph Philipps re: liquidation cost of inventory; mt w/ MDA re: response letter, next steps	1.00
Tue. Aug 25, 2009		Email corres from counsel for landlord re: status of property; telephone call w/ Norman Paul re: status of occupancy of property; email corres to MDA re: responding to counsel for landlord; email from MDA to counsel for landlord; rec and rev corr from Zabi Safarzay; email corres w/ Stewart Thom re: Zabi Safarzay; email corres to Joe Reel re: Zabi Safarzay; mt w/ MDA re: response from Norman Paul	1.20
Thu. Aug 27, 2009		Telephone call from Norman Paul re: affidavit, next steps; file review meeting	0.40
Wed. Sep 9, 2009		Telephone call to Norman Paul; mt w/ MDA re: motion for distribution	0.40
Thu. Sep 10, 2009		Telephone call from Laura Periman re: status of CCAA; draft motion for distribution	0.50
Mon. Sep 14, 2009		Revisions to motion materials	1.00
Tue. Sep 15, 2009		Revisions to motion materials	2.00
Thu. Sep 17, 2009		Telephone call to Norman Paul re: motion materials	0.20
Fri. Sep 18, 2009		Mt w/ PC re: inventory valuation and funds remaining in escrow acct	0.20
Tue. Sep 22, 2009		Telephone call to Lisa Corne re: next steps; telephone call w/ Ira Gerstein re: motion; mt w/ PC re: inventory valuation	0.50
Wed. Sep 23, 2009		Telephone call to Lisa Corne re: motion scheduling	0.20

Total Time:

7.60

PRODUCT EXCELLENCE INC.

September 28, 2009

156 Romina Dr.  
Concord, Ontario L4K 4Z7

Attention: Ralph Phillips

File #: 89847

Inv #: Sample

RE: s/t ACCESSORY CONCEPTS INC.

DATE	DESCRIPTION	HOURS	AMOUNT	LAWYER
Sep-09-09	Review and respond to email from MA re: transition services. Review transition services agreement.	0.30	0.00	PC
Sep-18-09	Email and t/c w/ Norman Paul re: escrow funds and inventory count	0.30	0.00	PC
Sep-22-09	t/c and email w/ R. Philipps re: inventory count and escrow funds; instructions to bookkeeping to cash in GIC.	0.30	0.00	PC
Sep-23-09	Review final inventory count data; calculate entitlements to escrow fund and prepare Direction for release of escrow funds.	1.00	0.00	PC
Sep-24-09	Around for release of escrow funds to ACI and PEI.	0.50	0.00	PC
	Totals	2.40	\$0.00	
	GST on Fees		\$0.00	

**FEE SUMMARY:**

Lawyer	Hours	Effective Rate	Amount
Paul Cancilla	2.40	\$0.00	\$0.00

IN ACCOUNT WITH  
**KRMC**

**Kronis, Rotsztain, Margles, Cappel**  
 Barristers and Solicitors

Product Excellence Inc.  
 156 Romina Drive  
 Concord, Ontario  
 L4K 4Z7

25 Sheppard Avenue West (at Yonge)  
 Suite 700 Toronto, ON  
 Canada M2N 6S6  
 Telephone: (416) 225-8750  
 Facsimile: (416) 225-3910

Attention: Norman Paul

File No. 89847

November 5, 2009

**Re: Product Excellence Inc.: Proceeding under the Companies' Creditors Arrangement Act ("CCAA")**

FOR ALL PROFESSIONAL SERVICES RENDERED in connection with the above-noted matter for the period September 26, 2009 to October 30, 2009:

To continuing to act for Product Excellence Inc. ("PEI") with respect to the CCAA proceedings; to telephone discussions with and to correspondence to you generally with respect to obtaining instructions; to email correspondence with you regarding next steps in the matter; to telephone consultations and email exchanges with the Monitor and counsel for the Monitor regarding scheduling the motion to approve certain payments made by PEI and future distributions to the next secured creditor; to scheduling the hearing of the motion with the Commercial List for November 10, 2009; to drafting the notice of motion and affidavit of Norman Paul in support of the motion; to being advised by you that PEI would not proceed with a plan of compromise and arrangement and that the CCAA proceedings ought to be terminated; to inter office conferences between Mervyn Abramowitz and L. Viet Nguyen regarding the motion and the draft motion materials; to email correspondence and telephone consultations with the Monitor and counsel for the Monitor regarding terminating the CCAA proceedings and adjourning the approval motion from November 10, 2009 to November 13, 2009; to email correspondence and telephone consultation with the Commercial List and setting up a 9:30 scheduling appointment to have the November 10, 2009 motion adjourned to November 13, 2009; to attending at the Commercial List on November 3, 2009 before Justice Pepall to have the motion rescheduled and to adjourning the motion to November 12, 2009 as a result of the court schedule; to all other matters not specifically referred to above, including correspondence, facsimiles, attendances, memoranda, legal research, telephone conversations and to reporting to you herein.

OUR FEE	\$3,820.00
GST	<u>191.00</u>

**TOTAL FEES AND GST**

**\$4,011.00**

**DISBURSEMENTS WITH GST**

Courier	\$ 9.00	
Facsimiles	2.00	
Photocopies and laser printing	<u>37.75</u>	
Sub-total	\$ 48.75	
GST	<u>2.44</u>	<u>51.19</u>


**BALANCE NOW DUE AND OWING**

**\$4,062.19**

THIS IS OUR ACCOUNT

**KRONIS, ROTSZTAIN, MARGLES, CAPPEL**

Per:



Mervyn D. Abramowitz, C.S.

MDA:kb

E.&O.E.

Our GST Registration No. R119428514

Accounts are due when rendered. In accordance with Section 33 of the *Solicitors Act*, interest will be charged at the rate of .5% per annum on all outstanding amounts calculated from December 5, 2009.

*KRMC***Mervyn D. Abramowitz's Time  
for Selected File:****Product Excellence Inc.**

Client ID: 35

Matter ID: 89847

September 26, 2009 to October 30, 2009

Date	Activity	Description	Time (hrs)
Thu. Oct 8, 2009		Mtg w/ LVN, SW and KB re: next steps;	0.20
Tue. Oct 13, 2009		Telephone call from Paul, Norman re: a/r issues; mt w/ LVN	0.50
Thu. Oct 22, 2009		Mt w/ LVN re: status and message from Norman Paul	0.20
Mon. Oct 26, 2009		Telephone call to Paul, Norman	0.20
Tue. Oct 27, 2009		Mt w/ LVN re: motion for approval; tel conversation w/ I. Gerstein re: status and remaining steps to be taken	0.40
Wed. Oct 28, 2009		Prepare Comm1 List form re: adjnmt of hearing to allow for additional matls; mt w/ LVN	0.20
Wed. Oct 28, 2009		Mtg with LVN, SW, KB re: next steps;	0.20
Fri. Oct 30, 2009		Preparation of account and letter;	0.70

Total Time: 2.60

**KRMC****L. Viet Nguyen's Time  
for Selected File:****Product Excellence Inc.**

Client ID: 35

Matter ID: 89847

September 26, 2009 to October 30, 2009

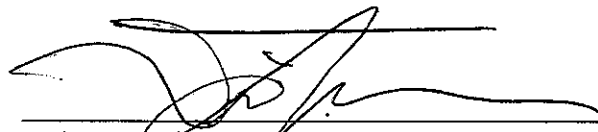
Date	Activity	Description	Time (hrs)
Fri. Oct 2, 2009		Telephone call to Norman Paul re: motion, status of company	0.20
Thu. Oct 8, 2009		Mt w/ MDA, KB, SW re: next steps	0.20
Tue. Oct 13, 2009		Email corres to Norman Paul re: next steps, possible plan; telephone call w/ Ira Gerstein re: scheduling motion for approval of activities; mt w/ MDA re: status of company; email corres w/ Lisa Corne re: scheduling motion to approve activities	0.60
Wed. Oct 14, 2009		Email corres w/ Lisa Corne re: scheduling motion to approve activities	0.20
Fri. Oct 16, 2009		Telephone call to Lisa Corne re: motion scheduling; telephone call w/ Norman Paul re: next steps	0.40
Mon. Oct 19, 2009		Telephone call from Lisa Corne re: scheduling; mt w/ MDA re: motion; reviewing Commerical List requisition form; email corres w/ Lisa Corne and Ira Gerstein re: motion date; email corres w/ Norman Paul re: motion date, next steps	0.60
Tue. Oct 20, 2009		Telephone call from Ira Gerstein re: motion	0.20
Thu. Oct 22, 2009		Telephone call to Norman Paul re: motion, terminating CCAA; mt w/ MDA re: next steps	0.30
Tue. Oct 27, 2009		Telephone call to Ira Gerstein re: motion and draft materials; telephone call w/ MDA re: mot and timing; telephone call to Lisa Corne re: motion; Telephone call from Ira Gerstein re: collection of a/r, payments; vmm for Jeff Cohen re: mot; email corres w/ Norman Paul re: next steps	0.60
Wed. Oct 28, 2009		Telephone call to Ira Gerstein, Lisa Corne re: motion, discharge of Monitor; email corres and telephone call to Commercial List re: changing motion date	0.40
Wed. Oct 28, 2009		Mt w/ MDA, KB, SW re: next steps	0.20

Date	Activity	Description	Time (hrs)
Thu. Oct 29, 2009		Revisions to motion materials; mt w/ MDA re: 9:30am appt; email corres to Lisa Corne re: 9:30am appt	3.50
Fri. Oct 30, 2009		Email corres to Norman Paul encl. Draft affidavit; mt w/ MDA re: draft motion materials; telephone call w/ Ira Gerstein re: information from Company, prep of motion materials, Receiver's Report	1.00

Total Time: 8.40

# EXHIBIT B

THIS IS EXHIBIT "B" REFERRED TO IN  
THE AFFIDAVIT OF MERVYN D. ABRAMOWITZ,  
AFFIRMED BEFORE ME  
THIS 5<sup>TH</sup> DAY OF NOVEMBER, 2009



A Commissioner, etc.  
L. Viet Nguyen

**TOTAL ESTIMATED TIME**  
**(discharge of the Monitor)**

DESCRIPTION	LAWYER	HOURLY RATE	ESTIMATED TIME	ESTIMATED FEES/ DISBURSEMENTS	TOTALS
Telephone conferences and correspondence with counsel and client re: motion.	L. Viet Nguyen	\$300.00	2	\$ 600.00	
Completion of Motion Record including preparation of notice of motion and affidavit of Norman Paul	L. Viet Nguyen	\$300.00	7	\$2,100.00	
Review of motion materials.	Mervyn Abramowitz	\$500.00	3	\$1,500.00	
Preparation of Motion Record, serving and filing of motion materials.	Kelly Barrett (Law Clerk)	\$125.00	2.5	\$ 312.50	
Attendance at motion, including time at court and travel time.	L. Viet Nguyen	\$300.00	5.5	\$1,650.00	
<b>TOTAL ESTIMATED TIME</b>					<b>\$6,162.50</b>
<b>GST</b>					<b>308.13</b>
<b>DISBURSEMENTS</b>					
Photocopies				\$2,000.00	
Courier				\$ 80.00	
Court Fees (file motion record)				\$ 127.00	
<b>TOTAL ESTIMATED DISBURSEMENTS</b>					<b>2,207.00</b>
<b>GST</b>					<b>110.35</b>
<b>TOTAL ESTIMATED FEES AND DISBURSEMENTS (INCLUDING GST)</b>					<b><u>\$8,787.98</u></b>

Court File No. 09-8306-00CL

**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 PRODUCT EXCELLENCE INC.**

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

PROCEEDINGS COMMENCED AT TORONTO

**MOTION RECORD  
(motion returnable November 12, 2009)**

**KRONIS, ROTSZTAIN, MARGLES, CAPPEL**  
Barristers and Solicitors  
700-25 Sheppard Avenue West  
Toronto, Ontario M2N 6S6

Mervyn D. Abramowitz (#28325R)  
L. Viet Nguyen (#46694K)

Tel: (416) 225-8750  
Fax: (416) 225-3910

Lawyers for Product Excellence Inc.