

**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.**

SECOND REPORT OF DELOITTE & TOUCHE INC.

IN ITS CAPACITY AS MONITOR

DATED NOVEMBER 9, 2009

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INTRODUCTION

1. By Order of the Honourable Justice Lederman (the “**Initial Order**”) dated August 4, 2009 (the “**Filing Date**”), Deloitte & Touche Inc. was appointed monitor (the “**Monitor**”) of Product Excellence Inc. (“**PEI**” or the “**Company**”), pursuant to section 11.7(1) of the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).
2. The Monitor’s First Report (the “**First Report**”) and Supplementary Report to the First Report (the “**Supplementary Report**”), both dated August 11, 2009, referred to a sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale made as of July 31, 2009 (the “**Sale Agreement**”) between PEI and ACI Brands Inc. (“**ACI**” or the “**Purchaser**”).
3. On August 14, 2009, the Honourable Justice Mesbur issued an Order (the “**Approval and Vesting Order**”) which approved the Transaction and authorized the Company to complete the Transaction and convey the Purchased Assets (the “**Purchased Assets**”) to the Purchaser. The Transaction was completed on August 14, 2009 and a Monitor’s Certificate, which provided for the vesting in the Purchaser of all of the Company’s right, title and interest in and to the Purchased Assets, was filed with this Honourable Court on August 17, 2009.
4. On August 14, 2009, the Honourable Justice Mesbur issued a further Order (the “**Stay Extension Order**”) which extended the stay in respect of the Company until November 13, 2009. Further, the Stay Extension Order authorized and directed the Company to distribute from the net proceeds received from the Purchaser, any and all amounts as may be required to repay PEI’s secured indebtedness to Royal Bank of Canada (“**RBC**”). The Company, following the completion of the Transaction, remitted approximately \$1.1 million to RBC representing payment in full of the Company’s indebtedness to RBC.
5. The purpose of this second report of the Monitor (the “**Second Report**”) is to:
 - i) provide information to this Honourable Court with respect to the disbursements made by the Company to the critical suppliers and payments of pre-filing debt;

- ii) provide this Honourable Court with information on PEI's cash flow forecast and results relative to the cash flow forecast;
- iii) provide this Honourable Court with information with respect to the disposition by the Company of its remaining assets other than the Purchased Assets (the "**Excluded Assets**");
- iv) comment on the expiration of the Stay Period as defined in the Stay Extension Order and the Company's motion to terminate the CCAA proceedings;
- v) seek the Court's approval of the Monitor's accounts and the accounts of its legal counsel, Aylesworth LLP ("**Aylesworth**"), inclusive of the estimate of fees and disbursements of the Monitor and Aylesworth to complete the Monitor's administration up to the date of its discharge; and
- vi) seek an Order of the Court releasing and discharging the Monitor from any further obligations in these CCAA proceedings.

TERMS OF REFERENCE

6. In preparing the Second Report, the Monitor has relied upon audited and unaudited financial information provided by the Company, the Company's books and records, financial information prepared by PEI, and discussions with management and legal counsel of the Company. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Second Report.
7. Certain of the information referred to in this Second Report consists of forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to in this Second Report was prepared by the Company based on management's estimates and assumptions. Readers are cautioned that since forecasts are based upon assumptions about future events and conditions that

are not ascertainable, actual results will vary from the forecasts and, even if the assumptions materialize, the variations could be significant.

8. Unless otherwise stated, all dollar amounts contained in this Second Report are expressed in Canadian dollars.
9. Copies of the Report of the Proposed Monitor, Notice of Application, Initial Order, Endorsement of Justice Lederman dated August 4, 2009, First Report, Approval and Vesting Order, Stay Extension Order and Endorsement of the Honourable Justice Mesbur dated August 14, 2009 are posted on the Monitor's website at www.deloitte.ca (the "**Monitor's Website**").
10. Unless otherwise provided, terms that are not defined in this Second Report are as defined in the First Report and Supplementary Report or, if not defined therein, the Initial Order.

BACKGROUND

11. Based in Concord, Ontario, PEI is a privately owned corporation which previously employed approximately 26 people. The Company's operations consisted of sales, marketing and wholesale distribution of cosmetics, over the counter products, and health and beauty aids for various brand owners in the United States and Canada. The Company's customers consisted primarily of major retailers in Canada. The Company previously held distribution rights from 17 brand manufacturers, and owned two brands.
12. PEI is the wholly-owned subsidiary of PEI Holdings Inc., which in turn is owned 80% by PEI Investments Inc., and 20% by Next Paradigm Inc. (collectively the "**Shareholder Group**").
13. PEI's senior secured credit facility was established in 2003 between PEI and RBC, and was most recently renewed by an agreement dated June 16, 2008. The credit facility provided a revolving demand loan of \$2.5 million which, according to the Company, had approximately \$1.8 million outstanding as at July 31, 2009.

14. From 2003 through 2009, the Shareholder Group advanced loans to PEI to fund brand acquisitions as well as to meet the Company's working capital requirements. These loans, which are subordinated to RBC, totalled approximately \$11.1 million as at May 31, 2009, and are secured by general security agreements over the assets of PEI.
15. As a result of RBC indicating its intention to make demand for repayment of its loans to PEI and enforce its security, and the refusal of the Shareholder Group to continue to fund PEI's ongoing operating losses which would have resulted in the Company ceasing operations, on August 4, 2009, the Company made an application to this Honourable Court for protection from its creditors under the CCAA.
16. Pursuant to a Transition Services Agreement (the "TSA") entered into between PEI and ACI, PEI continued to operate in the short term, and continued to pay its employees, landlords, and others, in accordance with the Initial Order in order to ensure that the assets sold to ACI were transferred in an orderly fashion. During the transition period, PEI continued to occupy its leased premises until PEI's product lines were fully integrated by ACI. The Company also attempted to sell or realize on the Excluded Assets during the transition period.
17. It is important to note that the Company experienced turnover of senior finance staff during the CCAA proceedings. The Chief Financial Officer ("CFO") and Controller advised the Monitor on August 17, 2009 and August 31, 2009 respectively, of their resignations from the Company. The CFO indicated that one or both of these individuals would be retained on a part-time consulting basis, as necessary, to assist the Company for the remainder of the CCAA proceedings. However, neither the former CFO nor the former controller was readily available to provide the Monitor with information or assist the Monitor in reviewing information. Instead, the Vice President of Operations ("VPO") attempted to fill the role of the former CFO and former controller. Although it is the Monitor's understanding that the VPO was an assistant controller some fifteen years prior, this solution was not a replacement for the experience and knowledge of the former CFO and Controller and as such, the Monitor had difficulty in obtaining information in a timely and organized manner.

18. As noted in the Monitor's first report (the "First Report"), the Monitor engaged Aylesworth LLP, Baristers & Solicitors ("**Aylesworth**"), as its independent legal counsel and requested that Aylesworth opine on the validity, enforceability and priority of RBC's and the Shareholder Group's security.
19. With respect to priority, by letter dated August 10, 2009, Aylesworth opined, among other things, that, subject to the standard qualifications, RBC's security ranks as a first charge over all of the assets of PEI and that PEI Investments Inc.'s (the "**Second Secured Creditor**") security ranks as a second charge and in priority over PEI Holdings Inc.'s and Next Paradigm Inc.'s security.
20. The Company has advised the Monitor that the net realizable value of the Excluded Assets and the expected royalty payments from the Purchased Assets will not be sufficient to repay the Second Secured Creditor in full. As such, it is important to note that, and as will be detailed below, the Second Secured Creditor has the only economic interest in the remaining assets of the business.

CRITICAL SUPPLIERS AND PRE-FILING DEBT

21. Paragraph 10 of the Initial Order permits the Company to pay amounts owing as at the Filing Date to a specific list of critical suppliers (the "**Critical Suppliers**"). These Critical Suppliers were, according to the Company, necessary for PEI to continue and transition its operations over to ACI.
22. On August 13, 2009, the Monitor received and reviewed certain requested financial information related to the post-filing period. During this review and related discussions with the Company, it came to the Monitor's attention that PEI was proposing to make certain payments of pre-filing debt to creditors other than the Critical Suppliers. The Company advised the Monitor that certain suppliers were inadvertently omitted from the Critical Suppliers list (the "**Additional Critical Suppliers**"). According to PEI, it was also necessary to make payments to the Additional Critical Suppliers in order to continue operations. The Monitor and the Monitor's legal counsel promptly advised the Company that such payments were not in compliance with the Initial Order and recommended to the Company that it seek its own legal advice prior to the release of the proposed

payments to the Additional Critical Suppliers. Notwithstanding the advice of the Monitor and its legal counsel, the Company released the payments to the Additional Critical Suppliers which totalled approximately \$69,000. A copy of the Monitor's legal counsel's e-mail correspondence to the Company advising it to seek its own legal advice in respect of the proposed payments to the Additional Critical Suppliers is attached as Appendix "A".

23. In response to the foregoing, the Company provided to the Monitor a letter, dated August 20, 2009, from the Second Secured Creditor approving the payments to the Additional Critical Suppliers. A copy of the August 20, 2009 letter is attached as Appendix "B".
24. It later came to the attention of the Monitor that additional cheques that were originally classified by the Company as outstanding cheques were released subsequent to the Filing Date. These cheques totalled approximately \$144,000 and, according to the Company, were paid to the Additional Critical Suppliers.
25. By letter dated November 5, 2009, the Second Secured Creditor provided its approval to the Company's payment of the additional amount of approximately \$144,000. A copy of the Second Secured Creditor's letter dated November 5, 2009 is attached as Appendix "C".
26. The Company has informed the Monitor that approximately \$1.3 million of pre-filing debt was paid by PEI. Of this amount, approximately \$1.1 million relates to Critical Suppliers and approximately \$213,000 represents payments made by the Company to Additional Critical Suppliers.
27. Of the \$1.3 million, approximately \$886,000 related to cheques written and issued by the Company in the post-filing period, and approximately \$440,000 related to cheques originally classified by PEI to be outstanding as at the Filing Date. However, the Company subsequently advised the Monitor that the cheques totalling \$440,000 were not physically released until after the Filing Date. The Company informed the Monitor that approximately \$226,000 of the \$440,000 described above related to Critical Suppliers and the balance of \$213,000 related to Additional Critical Suppliers (\$144,000 + \$69,000).

28. In view of the Second Secured Creditor's position in respect of these payments, the Monitor has not considered it necessary to bring these payments to the Court's attention prior to the date of the Second Report.

THE CASH FLOW FORECAST AND RESULTS RELATIVE TO FORECAST

29. The Company's cash receipts and disbursements for the period August 3, 2009 to October 9, 2009 (the "**Variance Period**"), are presented below with a comparison to the cash flow forecast filed with this Honourable Court in the First Report.

Product Excellence Inc.
Schedule of Actual versus Forecasted Cash Flow
For the 10 Week Period from August 3, 2009 to October 9, 2009
(in \$000's)
(Unaudited)

Description	Cumulative Actual	Cumulative Forecast	Variance
Cash inflow			
Collection of opening A/R	658	599	59
Collection of post opening A/R	344	707	(364)
Shareholder loan(repayment)	-	(200)	200
PEI to ACI sale proceeds	2,106	2,398	(291)
PEI/ACI transition services fee	-	163	(163)
Total inflow	3,108	3,667	(559)
Cash outflow			
Disbursement of opening A/P & Accruals	1,326	689	637
Ongoing purchases			
Inventory purchases	48	206	(157)
Wharehous Services	28	32	(4)
Freightout	29	26	3
Remuneration	276	305	(28)
Travel	8	10	(2)
Facilities	30	75	(45)
Advrtising, Promotion, Packaging	1	2	(1)
Professional fees	-	12	(12)
Office & general	35	18	17
Administration	60	50	11
Interest	11	7	4
CAPEX (per budget)	-	7	(7)
Royalties	-	-	-
Prepays	-	-	-
Repayment of RBC loan	1,074	1,768	(694)
Deal costs	-	250	(250)
Total outflow	2,926	3,455	(529)
Net Cash Flow	182	212	(30)
Cash Begining of Period	(41)	108	(149)
Cash End of Period	141	320	(180)

Note: Subject to rounding differences

30. Overall, there is an unfavourable variance of \$30,000 between the actual and forecasted net cash flow during the Variance Period. Material components of this overall variance are outlined below.

Cash Inflow

31. There was an overall unfavourable variance of cash receipts of approximately \$559,000, which is primarily related to lower than forecast collection of accounts receivable and contingent proceeds from the Transaction which is described in more detail below.

i) *Collection of Accounts Receivable*

32. There was an overall unfavourable variance of accounts receivable collections of approximately \$305,000. The Company has informed the Monitor that certain retailers demanded unexpected price reductions or the Company negotiated significant settlements for partial payment.
33. The Monitor was informed by the Company that certain negotiated settlements with customers were made to maintain customer relationships for the benefit of ACI. According to PEI such settlements were necessary to meet the Company's obligations to ACI. The Second Secured Creditor, who as noted above has the only remaining economic interest, has approved such settlements and the related actions by the Company. As noted in its correspondence hereto attached as Appendix "C", the Second Secured creditor expects that the Company will continue to attempt to collect the remaining accounts receivable.
34. The recorded unfavourable variance was partially offset by approximately \$140,000 relating to proceeds from the sale of Excluded Assets and approximately \$152,000 relating to proceeds from sales of inventory on behalf of ACI, which were recorded by the Company as accounts receivable collections.

ii) *Shareholder Loan (Repayment)*

35. PEI has advised the Monitor that the Company has not remitted payment on the shareholder loan due to its ongoing cash requirements. The Company advises that the

Shareholder Group is aware that this payment remains part of the pre-filing debt owed to the Shareholder Group.

iii) ***ACI Sales Proceeds and Transition Services Fee***

36. There was an overall unfavourable variance of collections from the Purchaser of approximately \$454,000. The Sale Agreement required that a certain amount of the proceeds from the Purchased Assets be held back pending a valuation of the purchased inventory. The variance primarily relates to a higher than forecasted provision for obsolete inventory of discontinued products included as part of the Sale Agreement resulting in a reduction in the purchase price of the Purchased Assets.

Cash Outflow

iv) ***Disbursement of Opening Accounts Payable and Accrued Liabilities***

37. The unfavourable variance of approximately \$637,000 includes approximately \$440,000 in cheques originally considered to be outstanding as at July 31, 2009 but which were physically released by the Company in the post-filing period. The remaining difference represents payments to parties who were not originally identified as Critical Suppliers, as described earlier in this Second Report.

v) ***Inventory Purchases***

38. The favourable variance of approximately \$157,000 with respect to inventory purchases is primarily due to the lower than forecasted sales subsequent to the Filing Date and the Company's general reduction in operations.

vi) ***Facilities***

39. The favourable variance of approximately \$45,000 is mainly due to the Company vacating as at September 30, 2009 all leased warehouse space, located at 100 Haist and 156 Romina Drive, both of which are located in Concord, Ontario. Further, payment of September 2009 rent was made by way of a draw on prepaid deposits with the respective

landlords, rather than through additional payments. The Company informed the Monitor that there are no claims from the landlords with respect to the termination of the leases.

40. To facilitate the collection of accounts receivable and other general administrative matters, the Company entered into a short-term rental agreement for office space at 156 Romina Drive effective October 1, 2009. The Company has advised that it intends to vacate the office premises by November 30, 2009.

vii) ***Repayment of RBC Loan***

41. There was an overall favourable variance of approximately \$694,000. PEI has informed the Monitor that the variance arises from outstanding cheques totalling approximately \$500,000 as at the Filing Date that were forecast as being included in the balance owing to RBC. Of the \$500,000, approximately \$440,000 represents payments of pre-filing debt that were not released as at the Filing Date. The remaining difference is related to lower than forecasted cash requirements in the post-filing period. The Company has advised the Monitor that PEI has no further obligations to RBC.

viii) ***Deal Costs***

42. Deal Costs mostly represent professional fees associated with the CCAA filing. The favourable variance of approximately \$250,000 is a timing difference which is expected to reverse once the accounts of the Monitor, its legal counsel and the Company's legal counsel are paid by the Company.

REMAINING ASSETS

Excluded Assets

43. Pursuant to Article 11 (a) of the Initial Order, the Company is authorized to dispose of the Excluded Assets. As at October 9, 2009, the Company realized proceeds of approximately \$125,000 and \$15,000 relating to the sale of all remaining inventory and certain other non-material assets, respectively. Further, the letters dated August 20, 2009 and November 5, 2009 from the Second Secured Creditor authorized Mr. Norman Paul of PEI to dispose of the Company's inventory and remaining assets.

44. PEI has stated to the Monitor that the Company does not expect to receive significant proceeds from the sale of the remaining Excluded Assets, which include: computers, software, furniture, fixtures and office equipment.

Royalty Payments

45. According to the Sale Agreement, ACI is to make royalty payments to PEI based on sales of product over a four year period. During the period of transition of PEI's operations to ACI, PEI was to honour and process orders from customers relating to products purchased by ACI. The proceeds from such orders were, according to the Sale Agreement, to be remitted to ACI. Due to the Company's cash requirements, PEI was unable to remit any proceeds to ACI from such sales. PEI has advised that ACI has agreed to offset such amounts from future royalty payments.
46. The Company is requesting the approval of this Honourable Court to distribute any remaining proceeds from the Transaction including the royalty payments received over time to the Second Secured Creditor. The Monitor supports the Company's motion in this regard.

Obligations Related to Employees and Other Priorities

47. PEI has advised the Monitor that the Company is current with respect to its obligations to former employees, including but not limited to wages and vacation pay. Further, the Company intends to meet its obligations regarding its remaining four employees. PEI has indicated that no payments were made to former employees with respect to termination and severance, since all employees were given sufficient notice in accordance with applicable employment legislation. PEI has noted however, that two former employees initiated legal proceedings against the Company prior to the filing date.
48. The Monitor is advised by the Company that PEI is current with respect to its obligations to Canada Revenue Agency ("CRA"), including but not limited to Goods and Services Tax ("GST") and employee and employer portions of payroll source deductions. It is the Monitor's understanding from PEI that CRA performed a payroll audit for the period January 1, 2009 to September 30, 2009 and no adjustments were noted.

FINANCIAL POSITION OF PEI

49. The Company has approximately \$141,000 of cash as at October 9, 2009. PEI has stated to the Monitor that the Company will use the remaining cash and future asset realizations to pay necessary disbursements.

TERMINATION OF THE CCAA PROCEEDINGS AND DISCHARGE OF THE MONITOR

Expiration of the Stay Period and No Plan Of Arrangement

50. PEI has advised the Monitor that based on the sale of substantially all of its business and the significant shortfall to the Second Secured Creditor, PEI will not be preparing a plan of compromise or arrangement to its unsecured creditors. Accordingly, the Company will not be seeking an extension of the stay period.
51. The Company therefore intends to apply to this Honourable Court to terminate the CCAA proceedings and to discharge the Monitor and the Monitor supports the Company's motion.

Passing of Accounts of the Monitor and the Monitor's Counsel

52. Pursuant to paragraph 33 of the Initial Order, the Monitor and the Monitor's counsel are required to pass their accounts.
53. The total fees and disbursements, including GST, incurred by the Monitor for the period June 16, 2009 to November 5, 2009 totalled \$161,176.36. The Monitor has carefully reviewed its accounts and time records and verily believes that all of the time in respect of the Monitor's fees was reasonably incurred as part of the necessary and ongoing activities pertaining to these proceedings as indicated in the narratives of the accounts. Included in the Monitor's final invoice is its estimate to complete this administration in the amount of \$9,595.00 exclusive of GST. Attached as Appendix "D" is the affidavit of Ira Gerstein of the Monitor's office with respect to the accounts rendered by the Monitor, together with a summary, and copies of all of the Monitor's invoices.

54. The Monitor has also received accounts for professional fees and disbursements for services provided by its legal counsel, Aylesworth. The total fees and disbursements, including GST, incurred by Aylesworth, for the period August 4, 2009 to November 5, 2009 totalled \$36,377.30. Included in Aylesworth's final invoice is its estimate to complete the administration of these proceedings in the amount of \$6,415.50 inclusive of GST. The Monitor has carefully reviewed the accounts and supporting documentation provided by Aylesworth and believes the accounts to be reasonable, both from an activities standpoint and from a quantum standpoint. Attached as Appendix "D" is a summary of Aylesworth's accounts rendered along with a fee affidavit sworn by Douglas Hendler of Aylesworth, together with copies of all of the Aylesworth invoices.
55. The Monitor has also received accounts for professional fees and disbursements for services provided by the Company's legal counsel, Kronis Rotsztain Margles Cappel ("KRMC"). The total fees and disbursements, including GST, incurred by KRMC, for the period June 20, 2009 to November 12, 2009 totalled \$117,753.04. Included in KRMC's final invoice is its estimate to complete the administration of these proceedings in the amount of \$8,787.98 inclusive of GST. The Monitor has carefully reviewed the accounts and supporting documentation provided by KRMC and believes the accounts to be reasonable, both from an activities standpoint and from a quantum standpoint. Attached as Appendix "E" is a summary of KRMC's accounts rendered along with a fee affidavit affirmed by Mervyn D. Abramowitz of KRMC, together with copies of all of KRMC's invoices including KRMC's estimate to complete this administration.
56. The Company has made a motion to the Court for the release and discharge of the Monitor from any further obligations under the Initial Order made in these CCAA proceedings.

CONCLUSIONS AND RECOMMENDATIONS

57. For the reasons set out in this the Second Report, the Monitor supports the Company's motions for:
- (a) approval of the activities of PEI since August 14, 2009 as set out in this the Second Report;

- (b) authorization and direction for PEI to distribute to the Second Secured Creditor the net proceeds received from the Transaction and any other assets of PEI to the extent of PEI's indebtedness to the Second Secured Creditor;
- (c) approval of the Company's payments to Additional Critical Suppliers relating to pre-filing debt;
- (d) the termination of the CCAA proceedings;
- (e) approval of the activities of the Monitor as set out in the First Report and the Second Report;
- (f) approval of the fees and disbursements of the Monitor and its legal counsel, Aylesworth as set out in this the Second Report, including the Monitor's and Aylesworth's estimates of fees and disbursements to complete this administration; and
- (g) approval of the fees and disbursements of KRMC as set out in this the Second Report, including KRMC's estimate to complete this administration.

58. The Monitor also requests that this Honourable Court make an Order declaring that the appointment of the Monitor, pursuant to the Initial Order, be terminated and that the Monitor be discharged from any further obligations arising from the orders made in these CCAA proceedings.

All of which is respectfully submitted at Toronto, Ontario this 9th day of November, 2009.

DELOITTE & TOUCHE INC.
in its capacity as the Monitor
of Product Excellence Inc.

Per: 

Bryan A. Tannenbaum FCA, CA•CIRP, FCIRP

APPENDIX

A

Gerstein, Ira X (CA - Toronto)

From: Douglas Hendler [dhendler@aylaw.com]
Sent: Thursday, August 20, 2009 5:19 PM
To: Ralph Philipps
Cc: Gerstein, Ira X (CA - Toronto); Norman Paul; Viet Nguyen
Subject: RE: PEI disposition of assets not sold to ACI
Attachments: dhendler.VCF

Good afternoon Ralph,

I acknowledge receipt of your e-mail below and a copy of the letter from PEI Investments Inc. Notwithstanding the letter, I thought it best that I share our thoughts and the monitor's thoughts with you regarding your proposals.

There are two separate issues raised by your e-mails. The first deals with the disposition of inventory and accounts receivable to the Katz Group, the Bay, London Drugs, the supplier of Luna Fertility Test Kits and Lunasom Sleep Assist pills. The second is the issue of the payment of listed disbursements.

Please bear in mind that the role of the monitor, for whom we act, is to report to the court with respect to compliance with the CCAA order issued by the court and the progress made in implementing the sale and disposition of assets as approved by the court. The monitor does not have any approval function.

Regarding the proposed disposition of inventory and receivables referred to above, it is our understanding that Mike Florence, on behalf of PEI Investments Inc., has provided authorization to complete the proposed disposition of inventory and accounts receivable. Notwithstanding, the monitor must be able to report to the court that in all of the circumstances, the dispositions with respect to the inventory and receivables conveyed to the Katz Group, et al, was in compliance with the court order and was on the best available terms in all of the circumstances. We understand from our conversation that Norman Paul, as Chief Executive Officer of Product Excellence, is prepared to provide affidavit evidence to the effect that he has investigated all of the alternatives available for disposition of the inventory and has made inquiries of liquidators and other parties and invited bids. Based on all of these inquiries and attempts to liquidate the inventory, it is his opinion that the methods of disposition used, as proposed in your e-mail, were the best available in all of the circumstances and achieved the highest available return to Product Excellence. Assuming that he is able to provide this evidence, the monitor will rely upon it and the approval of PEI Investments Inc. in its report to the court that the disposition of the inventory was in compliance with the terms of the court order.

Regarding the proposed disbursements to third parties, we, together with the monitor, have reviewed the proposed disbursements and compared them to the court order. It is our view that the only disbursement which is clearly permitted by the court order is the payment of the Royal Bank of Canada VISA charges as the security agreement in favour of Royal Bank of Canada clearly covers all such indebtedness. Accordingly, notwithstanding the approval of the disbursements by PEI Investments Inc., we recommend that you seek written legal advice from your counsel prior to making these disbursements.

Douglas A. Hendler

T: 416-777-4024
F: 416-865-1398
E: dhendler@aylaw.com
W: www.aylesworth.com

APPENDIX

B

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', written in a cursive style.

Mike Florence

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.

APPENDIX

C

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". The signature is written in a cursive, flowing style with a large initial "M".

Mike Florence

Product Excellence Inc.

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

O/S Cheques @ 7/31/09		Cheques Issued In	Total Payments of	Explanation	
Post-Filing Period	Post-Filing Period	Post-Filing Period	PFD In Post- Filing Period		
VENDOR NAME					
CDN VENDORS					
ADT	\$	286.70	\$	286.70	Security system at 156 Romina Drive 8/1-10/1. 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.
CLAIM SECURE	\$	10,697.92	\$	10,697.92	Payment to this supplier was approved by Mike Florence on Aug. 20, 09
ERM BUSINESS PRODUCTS	\$	63.28	\$	63.28	August 1-8 employee group medical benefit costs. Payment of \$6863 to this supplier was approved by Mike Florence on Aug. 20, 09
FRONTLINE CARRIER SYSTEMS	\$	15,190.65	\$	21,436.70	Printer cartridge
				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	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	Critical supplier. Payments for inventory purchased for a brand acquired by ACI
WILSON INT'L LTD	\$		\$	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	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	ACI. Payment to this supplier was approved by Mike Florence on Aug. 20, 09
CANPAR	\$		\$	243.15	Utilities paid to the landlord of 100 Haist warehouse.
DPOC ACCT# 9004166746	\$		\$	157.50	Should have been on list of critical suppliers. Courier and freight out
RALPH PHILIPPS	\$		\$	27.00	Postage
CANADIAN CUSTOM PACKAGING	\$		\$	12,295.51	Parking charges for meeting lawyers
CANPAR	\$		\$	3,115.68	Pre-filing debt. Should have been on list of critical supplier of components. Payment for inventory bought by ACI
FINGER PRINTERS	\$		\$	323.40	Should have been on list of critical suppliers. Courier and freight out
GS1 CANADA	\$		\$	1,412.50	Charges for printing inventory tickets to do the inventory count for ACI.
KRMC	\$		\$	24,695.60	Service to list and maintain the UPCs for the brands bought by ACI
LITTLE GUYS	\$		\$	2,515.48	Lawyers
PLANET PAPER BOX	\$		\$	3,744.64	Should have been on list of critical suppliers. Courier and freight out. We use this company to move inventory between warehouses.
ROGERS WIRELESS	\$		\$	1,592.55	Pre-filing debt. Should have been on list of critical supplier of components. Payment for inventory bought by ACI
TORKIN MANES COHEN ARBUS	\$		\$	1,613.89	Wireless charges
ALI RYAN	\$		\$	18,469.07	Lawyers
BEAUMONT TRNSLATION	\$		\$	118.75	Office help to do filing.
CONSOLIDATED FASTFRATE	\$		\$	1,554.00	Should have been on list of critical suppliers. Translation service for brands acquired by ACI.
DHL EXPRESS	\$		\$	84.63	Should have been on list of critical suppliers. Courier and freight out
EDI GATEWAY	\$		\$	238.13	Should have been on list of critical suppliers. Courier.
FEDERAL EXPRESS	\$		\$	81.71	Should have been on list of critical suppliers. EDI service to bring orders electronically from customers.
GOUVERNMENT DU QUEBEC	\$		\$	256.46	Courier
MEGAN MCGINNIS	\$		\$	7,008.35	July QST Tax remittance
OLYMPIC DUST CONTROL	\$		\$	6.99	Consumer return
	\$		\$	27.65	July floor mat cleaning service

PURULATOR	\$	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 INT'L 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
WORKPLACE SAFETY & INSURANCE	\$	485.74	\$	485.74	Payment to this supplier was approved by Mike Florence on Aug. 20, 09 Workman's Compensation remittance
Total - Canadian Vendors	\$	108,499.35	\$	67,828.39	\$ 176,327.74
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
BEAUTY SOLUTIONS	\$	839.62	\$	839.62	Payment to this supplier was approved by Mike Florence on Aug. 20, 09
AZAR INT'L	1,702.50				Pre-filing debt. Had to pay these invoices to sell all the inventory they supply to a new vendor.
BEAUTY SOLUTIONS	2,882.88				Pre-filing debt. Should have been on list of critical suppliers. Payment for inventory bought by ACI
COLORA	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				Pre-filing debt. Had to pay these invoices to sell all the inventory they supply to a new vendor.
T.R. INT'L	17,056.15				Pre-filing debt. Should have been on list of critical suppliers. Payment for inventory bought by ACI
Total - US Vendors	33,465.49				Pre-filing debt. Should have been on list of critical supplier of components. Payment for inventory bought by ACI
Total - US Vendors (in CAD @ 1.07)	35,808.07				

Overall Summary (in CAD):

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

APPENDIX

D

ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
PRODUCT EXCELLENCE INC.

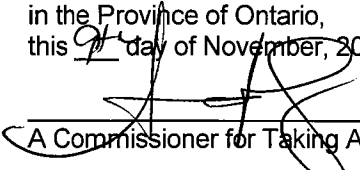
OF THE CITY OF VAUGHAN
IN THE PROVINCE OF ONTARIO

AFFIDAVIT OF IRA GERSTEIN
Sworn November 9, 2009

I, **Ira Gerstein**, of the City of Toronto, Province of Ontario **MAKE OATH AND SAY:**

1. I am a Vice President of Deloitte & Touche Inc., Monitor of Product Excellence Inc. ("PEI"), and as such have personal knowledge of the matters herein deposed.
2. Deloitte & Touche Inc. was appointed Monitor of PEI pursuant to the initial order, dated August 4, 2009.
3. Attached hereto and marked as **Exhibit "A"** are true copies of the accounts rendered relating to Deloitte & Touche Inc.'s appointment as Monitor for the period ending November 5, 2009 together with a summary thereof. The attached accounts are a fair and accurate description of the services provided by Deloitte & Touch Inc. and the amounts charged by Deloitte & Touche Inc., including a provision for time to be incurred up to the date of the Monitor's discharge.
4. Attached hereto and marked as **Exhibit "B"** is a summary of the individuals at Deloitte & Touche Inc. whose services are reflected in the attached accounts, including the total fees and hours billed by those individuals.

SWORN before me
at the City of Toronto,
in the Province of Ontario,
this 9th day of November, 2009


A Commissioner for Taking Affidavits, etc.

Anna Koroneos, a Commissioner, etc.,
Province of Ontario,
for Deloitte & Touche Inc.,
Trustee in Bankruptcy.
Expires June 5, 2011.

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)
)
)

IRA GERSTEIN

**Product Excellence Inc. ("PEI")
Monitoring**

Summary of Invoices Rendered by Deloitte & Touche Inc.

Invoice Date	Invoice Period	Invoice #	Fees	Disbursements	Subtotal	GST	Total
Aug 28/09	June 16, 2009 - August 14, 2009	1	\$ 95,522.50	\$ 75.43	\$ 95,597.93	\$ 4,779.90	\$ 100,377.83
Sept 17/09	August 15, 2009 - September 14, 2009	2	9,393.00	1,547.40	10,940.40	547.02	11,487.42
Oct 29/09	September 15, 2009 - October 14, 2009	3	7,783.00	60.96	7,843.96	392.20	8,236.16
Nov 5/09	October 15, 2009 - November 5, 2009	4	39,119.00	-	39,119.00	1,955.95	41,074.95
Total			\$151,817.50	\$1,683.79	\$153,501.29	\$7,675.07	\$161,176.36

**Product Excellence Inc.
Monitoring**

Detailed Fee Schedule of Deloitte & Touche Inc.

INVOICE	1	2	3	4	Total
STAFF					
Brian Tannenbaum, FCA, CA•CIRP, FCIRP President	17.5	0.4		3.5	21.4
Robert Rougie, CA•CIRP, Senior Vice President	2.0				2.0
Daniel R. Weisz, CA•CIRP, Senior Vice President	6.8			3	9.8
Ira Gerstein, CA•CIRP, CIRP, Vice President	55.3	10.4	3.3	32.5	101.5
Catherine Hristow, CMA, CIRP, Vice President		1.8	0.6		2.4
James Cook, Manager	98.3				98.3
Bryan Litvack, CA, Senior Consultant	68.3				68.3
Stefano Damiani, CA, Analyst		13.4	22.6	77.1	113.1
TOTAL HOURS	248.2	26	26.5	116.1	416.8
AVERAGE RATE* (\$)	\$ 384.86	\$ 361.27	\$ 293.70	\$ 336.94	\$344.19

*Average rate per hour is based on Professional Fees not including GST and disbursements

This is Exhibit "A" referred to
in the Affidavit of Ira Gerstein
Sworn before me this November day of 2009
A Commissioner, etc.,
Anna Koroneos, a Commissioner, etc.,
Province of Ontario,
for Deloitte & Touche Inc.,
Trustee in Bankruptcy.
Expires June 5, 2011.

Private and Confidential

Product Excellence
156 Romina Drive
Concord, Ontario
L4K 4Z7

Date: August 28, 2009
Invoice No: 2469011
Client/Mandate No: 905014.1000000
Billing Partner: Bryan A. Tannenbaum/Daniel R. Weisz

GST Registration No: 133245290

Attention: Mr. Norman Paul
Chief Executive Officer

Invoice #1

RE: Product Excellence Inc. ("PEI" or the "Company")

For services rendered to provide financial consulting and reorganization services and for acting as Court-appointed Monitor to the Company for the period June 16, 2009 to August 14, 2009 including:

- Attendance on June 16, 2009 at a meeting at the offices of Kronis, Rotsztain, Margles, Cappel ("KRMC"), legal counsel to PEI and meet with Mr. Mervyn Abramowitz, Mr. Paul Cancilla and Mr. Jack Rotsztain all of KRMC including Mr. Mike Florence of PEI Investments Inc., and Mr. Norman Paul and Mr. Ralph Phillips both of PEI to discuss restructuring alternatives available to the Company.
- Letter of July 7, 2009 to the Company requesting information and documentation in respect of the preparation of required reports.
- E-mail exchanges on July 9, 2009 with Mr. Phillips to arrange for Deloitte & Touche LLP's ("D&T") representatives to attend at PEI's premises to conduct the necessary field work.
- Internal planning meeting on July 14, 2009 in preparation for attendance at the Company's premises.
- Attendance at the Company's premises on July 15, 2009 and meet with Mr. Phillips and Mr. Joe Reel of the Company and review documentation provided and discuss numerous issues with respect to the preparation of the Pre-Monitors report and Schedule of Estimated Realizations.
- Attendance at the Company's premises on July 16, 2009 and meet

with Mr. Reel to discuss and obtain information in respect of the preparation of the Pre-monitor's report and Schedule of Estimated Realizations.

- Attendance at the Company's premises on July 17, 2009 and continue to review financial and other information in respect of the preparation of the Pre-monitor's report and the Schedule of Estimated Realizations.
- Review on July 19, 2009 documentation in respect of the Company's accounts receivable in preparation of the Schedule of Estimated Realizations.
- Review on July 20, 2009 documentation in respect of preparation of the Schedule of Estimated Realizations.
- Review on July 20, 2009 documentation from the Company in respect of the preparation of the Pre-monitor's report.
- Telephone discussion on July 21, 2009 with Mr. Phillips in respect of PEI's cash flows and the list of critical suppliers.
- Telephone discussion on July 21, 2009 with Mr. Abramowitz with respect to the status of the Pre-monitor's report and other operational issues of the Company.
- Review and revise on July 22 and July 23, 2009 the draft Schedule of Estimated Realizations and the draft Pre-Monitor's report.
- Telephone discussion on July 23, 2009 with Mr. Abramowitz with respect to the status of the Pre-monitor's report including an e-mail to Mr. Abramowitz enclosing a copy of the draft Pre-monitor's report for his review and comments.
- Telephone discussion on July 24, 2009 with Mr. Viet Nguyen of KRMC with respect to a request for information related to the Company's priority payables.
- Emails to and from Mr. Phillips including telephone discussions on July 24, 2009 with Mr. Phillips in connection with the draft Pre-monitor's report and status of the purchase and sale transaction.
- Telephone discussion on July 27, 2009 with a representative of Canam Apprais Inc. ("Canam") to arrange for an appraisal of the Company's inventory.
- Telephone discussion on July 27, 2009 with Mr. Nguyen with respect to the Company's cash flow forecast.

- Review and update on July 27 and 28 the Pre-monitor's report for accuracy based on comments received from the Company.
- Review and update on July 28, 2009 the draft Schedule of Estimated Realizations.
- Telephone conference call on July 29, 2009 with Mr. Nguyen, Mr. Paul and Mr. Phillips with respect to the status including a discussion with respect to the Company's cash flows.
- Review and revise on July 29, 2009 the Company's cash flow forecast including various e-mails and telephone discussions with Mr. Phillips re same.
- Telephone discussion on July 30, 2009 with Mr. Nguyen in respect of the Company's cash flow forecast.
- Various e-mails and telephone discussions with Mr. Phillips on July 30, 2009 in respect of the Company's cash flow forecast.
- Finalize on July 31, 2009 the Pre-monitor's report and deliver a copy to Mr. Nguyen for service.
- Telephone discussion on July 31, 2009 with Mr. Doug Hendler of Aylesworth LLP ("Aylesworth") to arrange for Aylesworth to opine on the secured creditors' security in anticipation of the Court-appointment of the Monitor.
- Attendance in Court on August 4, 2009 in respect of the Company's application for an order under the Companies' Creditors Arrangement Act ("CCAA").
- Telephone discussions on August 4, 2009 with Mr. Phillips in connection with information required to prepare the Monitor's first report to Court ("First Report")
- Telephone discussion on August 5, 2009 with a representative of Canam with respect to the status of the appraisal of the Company's inventory.
- Update the Monitor's website with current documents in accordance with the Order of the Court dated August 4, 2009.
- Review on August 5, 2009 of the Company's application materials in respect of the approval and vesting order including a review of Mr. Paul's affidavit.
- Review Company documentation on August 6, 2009 and draft First Report including a telephone discussion with Mr. Ngyuen re same.

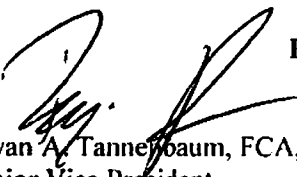
- Telephone discussion on August 6, 2009 with a representative of Canam with respect to the status of the appraisal of the Company's inventory.
- Revise on August 7, 2009 the Schedule of Estimated Realizations.
- Telephone discussions on August 7, 2009 with Mr. Phillips with respect to the Company's revised cash flow forecast.
- Review on August 7, 2009 a copy of the proposed purchase and sale agreement.
- Preparation on August 7, 2009 the Monitor's supplementary report to the First Report (the "Supplementary Report").
- Telephone discussion on August 7, 2009 with Mr. Hendler with respect to issues related to Ayelsworth's opinion letter on the validity of the secured creditors' security.
- E-mail of August 7, 2009 to Mr. Phillips enclosing the Monitor's draft First Report, draft Supplementary Report and draft Schedule of Estimated Realizations for comments in respect of the accuracy of information contained therein.
- E-mail of August 7, 2009 to Ms. Lisa Corne of Aylesworth enclosing the Monitor's draft First Report, draft Supplementary Report and draft Schedule of Estimated Realizations for comments.
- Revise on August 10, 2009 the draft First Report, Supplementary Report and Schedule of Estimated Realizations based on comments from various parties including a telephone discussion with Mr. Nguyen re same.
- Finalize on August 11, 2009 the Monitor's First Report, Supplementary Report and Schedule of Estimated Realizations and forward same to Ms. Corne for service.
- Telephone discussion on August 13, 2009 with Mr. Phillips in respect of the requirement of monitoring the Company's receipts and disbursements.
- Receipt and review on August 13, 2009 a copy of the Company's cash flow forecast including various e-mails and telephone discussions with Mr. Reel and Mr. Phillips re same including preparation of a written analysis of the budgeted cash flow forecast to actual for the two week periods ending on August 7, 2009 and August 14, 2009.
- Attendance in Court on August 14, 2009 in respect of the Company's

motion for an approval and vesting order and an extension of the stay provision under the CCAA.

- Execute on August 14, 2009 a copy of the Monitor's certificate in respect of the closing of the sale transaction.
- To ensuring on August 14, 2009 that all court documents are posted on the Monitor's website in accordance with the initial order.
- To all other matters, including numerous telephone attendances, meetings, written and verbal reporting and to all general administrative matters to effect the foregoing.

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Bryan A. Tannenbaum, FCA, CA•CIRP, FCIRP	17.5	\$ 575.00	\$ 10,062.50
Robert Bougie, CA•CIRP	2.0	575.00	1,150.00
Daniel Weisz, CA•CIRP, CIRP	6.8	575.00	3,910.00
Ira Gerstein, CA•CIRP, CIRP, Vice President	55.3	460.00	25,438.00
James Cook, Manager	98.3	375.00	36,862.50
Bryan Litvack, CA, Senior Consultant	<u>68.3</u>	265.00	18,099.50
Total Hours	<u>248.2</u>		
		Our Fee	\$ 95,522.50
		Disbursements: (Parking, Mileage)	<u>75.43</u>
		Subtotal	95,597.93
		GST @ 5%	<u>4,779.90</u>
Amount Payable			<u>\$100,377.83</u>

 Payable upon receipt to Deloitte & Touche Inc.
Bryan A. Tannenbaum, FCA, CA•CIRP, FCIRP
Senior Vice President

Private and Confidential

Product Excellence
156 Romina Drive
Concord, Ontario
L4K 4Z7

Date: September 17, 2009
Invoice No: 2477905
Client/Mandate No: 905014.1000000
Billing Partner: Bryan A. Tannenbaum/Daniel R. Weisz
GST Registration No: 133245290

Attention: Mr. Norman Paul
Chief Executive Officer

Invoice #2

RE: Product Excellence Inc. ("PEI" or the "Company")

For services rendered for acting as Court-appointed Monitor to the Company for the period August 15, 2009 to September 14, 2009 including:

- E-mails of August 17, 2009 to Mr. Ralph Phillips of the Company with respect to pre-filing debt, cash flows and the status of remaining assets.
- Review on August 18, 2009 of e-mail from Mr. Phillips in respect of the status of information requested and a subsequent e-mail to Mr. Phillips and to Mr. Joe Reel of the Company re: same.
- Telephone conference call on August 18, 2009 with Mr. Mervyn Abramowitz, and Mr. Viet Nguyen both of Kronis Rotsztain, Margles, Cappel ("KRMCM"), legal counsel to PEI, Mr. Norman Paul of the Company, Mr. Phillips, Ms. Lisa Come and Mr. Doug Hendler both of Aylesworth LP, counsel to the Monitor to discuss the Company's proposed transactions and disbursements.
- Review on August 18, 2009 of e-mails from the Company in respect of the proposed transaction and a conference call Mr. Hendler to discuss same.
- Telephone discussion on August 19, 2009 with Mr. Phillips to discuss future protocols with respect to the Monitoring of the Company including a general discussion with respect to the status of the assets.

- Telephone discussion on August 19, 2009 with Mr. Hendler with respect to his review of the proposed transactions.
- Telephone discussion on August 19, 2009 with Mr. Nguyen with respect to the proposed transactions.
- Review on August 20, 2009 of an e-mail from J. Reel with respect to the status of information requested.
- Discussions on August 20, 2009 with respect to the proposed transaction with the Katz Group.
- Discussions on August 20, 2009 with respect to the purchase and sale agreement and discussions with Mr. Phillips, Mr. Abramowitz and Mr. Hendler re same.
- Telephone discussion on August 20, 2009 with Mr. Hendler with respect to his e-mail response to the Company regarding proposed transactions and disbursements.
- Telephone discussion on August 20, 2009 with Mr. Abramowitz with respect to the issues related to the Company's proposed transactions and a subsequent telephone discussion with Mr. Phillips re same.
- Telephone conference call with Mr. Hendler and Ms. Corne with respect to reporting issues related to the Company's proposed transactions.
- Review on August 26, 2009 of the Company's cash flow and variance analysis including a review of the Company's summary of remaining assets and supporting schedules.
- Review on August 26, 2009 of an e-mail from Mr. Reel with respect to the cash flows and a subsequent telephone call with Mr. Reel re same.
- Preparation of a detailed summary of discussions with the Company with respect to the cash flows and the remaining assets.
- Discussions on August 28, 2009 with respect to a review of the Company's financial information.
- Discussions on September 3, 2009 with respect to the Company's current cash flow projections and outstanding information.
- Telephone discussion on September 3, 2009 with Mr. Abramowitz with respect to the status of the Company's information.
- Telephone discussion on September 3, 2009 with a creditor of the Company including an e-mail to Mr. Abramowitz regarding the web page.

- Review on September 3, 2009 of the Company's financial information including preparation of a detailed list of questions in respect of same.
- Discussions on September 8, 2009 with respect to outstanding information from the Company.
- Review on September 9, 2009 of e-mail correspondence between Mr. Abramowitz and Mr. Philipps and a subsequent detailed e-mail to Mr. Philipps with respect to the outstanding information.
- Telephone discussion on September 10, 2009 with Mr. Norman Paul of the Company re: outstanding information and cash flow and status of remaining inventory.
- Review on September 14, 2009 of a copy of correspondence from Bianchi Presta LLP, counsel for Marmont Holdings Inc. landlord for the Company's premises re unpaid rent and a subsequent telephone discussion with Mr. Abramowitz re same, e-mail copy of correspondence to Mr. Paul and to Mr. Abramowitz.
- To all other matters, including numerous telephone attendances, meetings, written and verbal reporting and to all general administrative matters to effect the foregoing.

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rate	Total Fees
Bryan Tannenbaum, FCA, CA•CIRP, FCIRP	0.4	\$575.00	\$ 230.00
Ira Gerstein, CA•CIRP, CIRP, Vice President	10.4	460	4,784.00
Catherine Hristow, CMA, CIRP, CFE	1.8	460	828.00
Stefano Damiani, CA	13.4	265	3,551.00
Total Hours & Professional fees	26.0		\$ 9,393.00
Disbursements (Mileage)			77.40
Appraisal of Inventory - Canam-Appraiz Inc. (invoice attached)			1,470.00
			1,547.40
Subtotal			\$ 10,940.40
GST @ 5%			\$547.02
Amount payable			\$ 11,487.42

Payable upon receipt to Deloitte & Touche Inc.



Bryan A. Tannenbaum, FCA, CA•CIRP, FCIRP
Senior Vice President

CANAM - APPRAIZ INC.

APPRAISERS • VALUATORS • STOCK TAKERS • LIQUIDATORS

S. Terry Warren CAGA
Sia Mizrahi BBA, CPPA

Invoice

Deloitte & Touche
100 Front St. W.
Toronto ONT M5J 1E3

Invoice #: 00007844
Date: 8/18/2009

<u>Quantity</u>	<u>Description</u>	<u>Unit Price</u>	<u>Total</u>
1	to attend, inspect and evaluate the assets of PRODUCT EXCELLENCE INC. located at various locations in Ontario	\$1,400.00	\$1,400.00

GST # 88642 7855 RT 0001

GST: \$70.00

PST: \$0.00

Total Amount: \$1,470.00

Amount: \$0.00

Balance Due: \$1,470.00

CERTIFIED APPRAISERS GUILD OF AMERICA

CANADIAN PERSONAL PROPERTY APPRAISERS GROUP

1780 Sismet Road, Mississauga, Ontario L4W 1Y8 Tel: (905) 602-0222 Fax: (905) 602-0122

**THE ORIGINAL WILL BE MAILED WITH THE
THANK YOU FOR RETAINING OUR SERVICES.
WE HOPE WE HAVE THE PLEASURE OF SERVING YOU**

AGIAN.

Private and Confidential.

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

Date: November 9, 2009
Invoice No: 2503124
Client/Mandate No: 905014.1000000
Billing Partner: Bryan A. Tannenbaum

GST Registration No: 133245290

Attention: **Mr. Norman Paul**
Chief Executive Officer

Invoice #3

RE: Product Excellence Inc. ("PEI" or the "Company")

For services rendered for acting as Court-appointed Monitor to the Company (the "Monitor") for the period September 15, 2009 to October 14, 2009 including time not previously reported as follows:

- Telephone attendance on September 8, 2009 with Mr. Mervyn Abramowitz of Kronis Rotsztain, Margles, Cappel ("KRMC"), legal counsel to PEI, with respect to the status of information from the Company.
- Review on September 9, 2009 of correspondence received from Mr. Ralph Phillips of the Company and discussions with Mr. Stefano Damiani of the Monitor regarding same.
- Review on September 11, 2009 of information received from PEI including a status update meeting with Mr. Ira Gerstein of the Monitor.
- Review on September 11, 2009 of financial information provided by Mr. S. Pasupathy of the Company and a subsequent e-mail to Mr. Pasupathy querying information with respect to banking activity, inventory and other outstanding information.
- Review on September 14, 2009 of e-mails and attachments from Mr. Pasupathy.
- Review on September 15, 2009 of a copy of the Company's daily cash summary and written statements from management and a subsequent e-mail to Mr. Pasupathy querying same.
- Review on September 16, 2009 of a copy of the Company's daily

cash summary report and bank statements.

- Review on September 17, 2009 of a copy of the daily cash summary report and bank statements per management and follow up e-mails emails to management.
- Review on September 18, 2009 of a copy of the daily cash summary report and bank statements per management.
- Review on September 21, 2009 of daily cash summary and statements from management and sent related e-mail query to Mr. Pasupathy.
- Review on September 22, 2009 of daily cash summary and statements from management and subsequent e-mail queries to Mr. Pasupathy regarding outstanding information and request for a conference call.
- Review on September 23, 2009 of daily cash summary report and subsequent telephone call with Mr. Pasupathy regarding the cash flow.
- Discussion on September 23, 2009 with Mr. Damaini regarding status of his review of the company's cash flow.
- Review on September 24, 2009 of daily cash summary reports and statements from Mr. Pasupathy.
- Detailed review on September 28, 2009 of the Company's cash flow forecast and supporting schedules and drafted detailed comments and questions for management and review of daily reporting summary as sent by Mr. Pasupathy.
- E-mail on September 30, 2009 to Mr. Pasupathy and subsequent discussion with Mr. Gerstein regarding same.
- Review on September 30, 2009 of daily cash reports and summary and review of schedules.
- Email exchanges on October 1, 2009 with Mr. Pasupathy and a subsequent telephone call with Mr. Viet Nguyen of KRMC with respect o various outstanding issues and detailed e-mail to Mr. Pasupathy and Mr. Norman Paul of the Company regarding same.
- Review on October 1, 2009 of voicemail message and email from Mr. Pasupathy and conference call with Mr. Gerstein and legal counsel, Mr. Nguyen and subsequent detailed email to Mr. Pasupathy and Mr. Paul.
- Telephone conference call October 2, 2009 with Mr. Pasupathy and Mr. Paul with respect to the status of outstanding information and review of email from Mr. Pasupathy regarding partial responses to the Monitor's questions.
- Review on October 6, 2009 of the cash summary report and bank statements and email to Mr. Pasupathy regarding the write-off of accounts receivable balances and banking matters.
- Review on October 7, 2009 a copy of the temporary landlord

agreement and emails with Mr. Pasupathy.

- Review on October 8, 2009 of the daily reporting summary and email to Mr. Pasupathy regarding accounts receivable and specific cheques.
- Review on October 13, 2009 of an email from Mr. Pasupathy and review of the daily cash report and accounts receivable summary.
- Telephone discussion on October 13, 2009 with Mr. Nyugen with respect to dates for the Company's application for approval of transactions.
- Emails on October 14, 2009 with Mr. Pasupathy and review of daily reporting package and queries to management.
- To all other matters, including numerous telephone attendances, meetings, written and verbal reporting and to all general administrative matters to effect the foregoing.

A detailed summary of hours and rates as follows:

Staff	Hours	Hourly Rates	Total Fees
Ira Gerstein, CA●CIRP, CIRP, Vice President	3.3	\$460.00	\$1,518.00
Catherine Hristow, CMA, CIRP, CFE, Vice President	0.6	460.00	276.00
Stefano Damiani, CA, Analyst	<u>22.6</u>	265.00	<u>5,989.00</u>
Total Hours	<u>26.5</u>		
Professional Fees			\$7,783.00
Dibursement: (Parking & Courier)			<u>60.96</u>
Subtotal			\$7,843.96
GST @ 5%			392.20
Amount payable			\$8,236.16

Payable upon receipt to Deloitte & Touche Inc.



Bryan A. Tannenbaum, FCA, CA●CIRP, FCIRP
 Senior Vice President

Private and Confidential.

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

Date: November 6, 2009
Invoice No: 2503128
Client/Mandate No: 905014.1000000
Billing Partner: Bryan A. Tannenbaum

GST Registration No: 133245290

Attention: **Mr. Norman Paul**
Chief Executive Officer

Invoice #4

RE: Product Excellence Inc. ("PEI" or the "Company")

For services rendered for acting as Court-appointed Monitor to the Company (the "Monitor") for the period October 15, 2009 to November 5, 2009 including:

- Review on October 16, 2009 of the Company's daily cash report, accounts receivable summary, bank transaction report and outstanding cheques and review of detailed email from Mr. S. Pasupathy of the Company and attached files.
- Telephone conference call on October 20, 2009 with Mr. Viet Nyugen of Kronis Rotsztain, Margles, Cappel ("KRMC"), legal counsel to PEI with respect to the status of the Monitor's second report to Court (the "Second Report").
- Review on October 20, 2009 of the Company's daily cash summary, bank activity report, outstanding cheque list and accounts receivable summary.
- Emails on October 21, 2009 to Mr. Pasupathy regarding bank reconciliations and variance analysis and review of Management variance analysis schedule and modified general presentation for purposes of the Second Report.
- Update on October 21, 2009 the draft Court Report and review of daily cash report, bank activity reports, outstanding cheque list and accounts receivable summary and subsequent review of email

correspondence with the Company.

- Review on October 22, 2009 of the revised cash flow forecast, GST Notice of Assessment and emails from Mr. Pasupathy and review of CRA Examiner's Statement of Account.
- Update on October 22, 2009 the Second Court Report and review of the daily cash report, accounts receivable summary and outstanding cheque listing and detailed follow up emails to Mr. Pasupathy.
- Email correspondence on October 23, 2009 with Mr. Pasupathy and review of updated excluded assets schedule.
- Update on October 23, 2009 the Second Report including discussions re same.
- Proof edit and update on October 27, 2009 the Second Report to Court including discussions with respect to same.
- Telephone discussion on October 27, 2009 with Mr. Nyugen with respect to the status and timing of the Company's motion.
- Review on October 28, 2009 e-mail correspondence from Mr. Pasupathy with respect to further information provided in connection with the Second Report including a subsequent telephone call with Mr. Pasupathy re same.
- Review on October 29, 2009 a schedule provided by the Company with respect to pre-filing debt including a subsequent telephone discussion with Mr. Pasupathy re same.
- Review on October 30, 2009 of the Company's daily cash report and summary of accounts receivable information including a review of the Company's revised cash flow analysis.
- Review on November 2, 2009 of further e-mails from Mr. Pasupathy enclosing an updated listing of the Company's pre-filing debt payments including updating the cash flow variance analysis and a telephone discussion with Mr. Pasupathy re same.
- Proof edit and update on November 2, 2009 the Second Report based on updated information from the Company.
- Review on November 3, 2009, a copy of draft correspondence from the Company's legal counsel with respect to the secured creditor's approval of the Company's transactions and a subsequent telephone discussion with M. Ngyuen re same.
- Telephone discussion on November 4, 2009 with Mr. Ngyuen with respect to issues related to the secured creditor's approval of the

company's transactions.

- Finalize on November 4, 2009 the draft Second Report and forward to Ms. Lisa Corne of Aylesworth LLP, counsel to the Monitor for review and comments including forwarding a copy to Mr. Ngyen for his review and comments.
- To all other matters, including numerous telephone attendances, meetings, written and verbal reporting and to all general administrative matters to effect the foregoing and the discharge of the Monitor.s
- To the completion of the Second Report including all appendices;
- To attending in court on November 12, 2009 for the Company's motion, for amongst other things the termination of CCAA Proceedings.

A detailed summary of hours and rates are as follows:

Staff	Hours	Hourly Rates	Total Fees
Bryan Tannenbaum, FCA, CA●CIRP, FCIRP, President	3.5	\$575.00	\$2,012.50
Daniel R. Weisz, CA●CIRP, CIRP, Senior Vice President	3.0	575.00	1,725.00
Ira Gerstein, CA●CIRP, CIRP, Vice President	32.5	460.00	14,950.00
Stefano Damiani, CA, Analyst	<u>77.1</u>	265.00	<u>20,431.50</u>
Total Hours & Professional fees	<u>116.1</u>		
		Subtotal	\$39,119.00
		GST @ 5%	\$1,955.95
		Amount payable	\$41,074.95

Payable upon receipt to Deloitte & Touche Inc.



Bryan A. Tannenbaum, FCA, CA●CIRP, FCIRP
Senior Vice President

**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.**

**AFFIDAVIT OF DOUGLAS HENDLER
(Sworn November 6, 2009)**

I, Douglas Hendler, of the City of Toronto in the Province of Ontario, MAKE OATH
AND SAY:

1. I am a partner in the law firm of Aylesworth LLP ("Aylesworth"), lawyers for Deloitte & Touche Inc. ("Deloitte") in its capacity as the Monitor of Product Excellence Inc. (the "Debtors"). I am a lawyer who had direct involvement with this file, and as such, I have personal knowledge, information and belief of the matters deposed to herein.
2. On August 4, 2009, pursuant to the Order of the Honourable Justice Lederman (the "Initial Order"), Deloitte was appointed as Monitor of the assets, property, business and undertaking of the Debtor.
3. As permitted by the Initial Order, Deloitte retained our firm to act as its counsel in carrying out its mandate as Monitor.
4. Attached hereto and marked as Exhibit "A" to this my affidavit is a Summary of Aylesworth Accounts rendered to Deloitte, together with true copies of the accounts for work done by Aylesworth pursuant to Deloitte's instructions during the period from August 4, 2009 to November 5, 2009, together with the supporting dockets. The accounts indicate that the following individuals at our firm provided services:

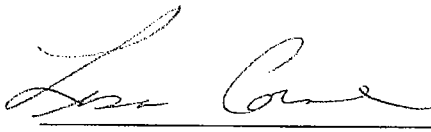
<u>Name</u>	<u>Position</u>	<u>Hourly Rate</u>	<u>Call to Bar</u>
Douglas Hendler	Partner	\$500.00 per hour	1973
Lisa S. Corne	Special Partner	\$450.00 per hour	1988

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. There were no additional or special compensation arrangements entered into with Deloitte and as a result, all of the amounts billed were properly due and owing.

6. Attached hereto and marked as Exhibit "B" to this my affidavit is a calculation of our estimate for work to be done through to the discharge of the Monitor. I am advised by Lisa Corne and do verily believe that the estimate includes Aylesworth's fees and disbursements for the remaining steps, such as preparation of material and attendance on the motion to discharge the Monitor.

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

SWORN before me at the City of)
Toronto, in the Province of Ontario,)
this 6th day of November, 2009.)


A Commissioner for taking affidavits)

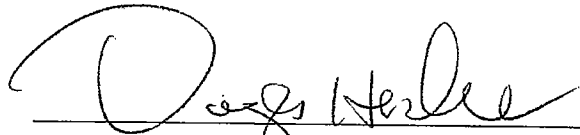

DOUGLAS HENDLER

EXHIBIT "A"

SUMMARY OF AYLESWORTH ACCOUNTS

Billing Period	Amount
Jul. 31/09 to Aug. 24/09	\$24,068.57
Aug. 25/09 to Nov. 5, 09	\$5,893.66

This is Exhibit.....^{"A"}.....referred to in the
affidavit of.....*Douglas Hendler*.....
sworn before me, this.. ..*6th*.....
day of.....*November*.....20*09*.....

Lisa Core
.....
A COMMISSIONER FOR TAKING AFFIDAVITS

DELOITTE & TOUCHE INC.
One Concorde Gate, Suite 200
Toronto, Ontario M3C 4G4

Aylesworth LLP
222 Bay Street
P.O. Box 124, 18th Floor
Toronto, Ontario M5K 1H1

Attn: Ira Gerstein

R121379895

ACCOUNT

Invoice Number: 112801

August 31, 2009

Re: Product Excellence Inc. re CCAA Application

Our File #16182-1

TO OUR PROFESSIONAL SERVICES RENDERED up to and including the date of this account as described below:

31/Jul/09	DAH	0.80	\$400.00	Telephone call from Ira Gerstein of Deloitte & Touche Inc., review of e-mail from Ira Gerstein; telephone call from Viet Nguyen of KRMC; telephone call to Jeff Cohen of Torkin Manes re security package;
	DAH	0.50	\$250.00	Confer with Lisa Corne; conference call with Lisa Corne and Viet Nguyen;
	DAH	1.20	\$600.00	Telephone call from Jeff Cohen; review of application record and report of Deloitte & Touche Inc.;
	LSC	0.50	\$225.00	Office conference with D. Hendler; telephone conversation with KRMC re CCAA application;
	LSC	1.00	\$450.00	Review of proposed Monitor's Report re CCAA application;
4/Aug/09	DAH	0.70	\$350.00	Review of letter and security documents from Torkin Manes; instructions to assistant re searches;
	DAH	1.40	\$700.00	Review of e-mail from Viet Nguyen; telephone call to Viet Nguyen; telephone call to Mark Korn, solicitor for RBC; telephone call to Torkin Manes; review of Certificate of Status for Product Excellence Inc.; commence draft opinion letter;
	TDS	0.20	\$30.00	Attendance to receipt of corporate search request; attendance to obtain certificate of status re Product Excellence Inc.; e-mail same to D. Hendler;
	TDS	0.20	\$30.00	Attendance to corporate search request; attendance to order certified PPSA search re Product Excellence Inc.; attendance to provide search results upon receipt;
5/Aug/09	DAH	0.40	\$200.00	Telephone call from G. Eddie of Torkin Manes; review email and additional Security Agreement from G. Eddie;
	DAH	0.30	\$150.00	Telephone call from M. Korn regarding RBC security; conference with L. Corne;

	DAH	1.90	\$950.00	Review of guarantee from Torkin Manes; review Security Agreement from M. Korn; complete first draft of opinion;
	LSC	0.50	\$225.00	Review of email from KRMC and respond; telephone call from I. Gerstein re status and next steps;
6/Aug/09	DAH	2.80	\$1,400.00	Review of e-mail from Viet Nguyen; telephone call to Viet Nguyen; review e-mail from I. Gerstein and reply; telephone call to I. Gerstein; conference call with I. Gerstein and V. Nguyen; telephone call to G. Eddie re Pari Passu agreement; telephone call to M. Korn regarding Priority Agreement; proofread and revise draft opinion letter; instructions to assistant; draft priority opinion regarding RBC
	DAH	0.30	\$150.00	Review of Priorities Agreement from Torkin Manes; email to Torkin Manes; telephone call from Torkin Manes;
	LSC	1.00	\$450.00	Telephone call from Viet Nguyen (x2); telephone call from I. Gerstein and D. Weisz re sale of assets; correspondence from KRMC; review same;
7/Aug/09	DAH	0.40	\$200.00	Review of Postponement Agreements; telephone call from M. Korn;
	DAH	1.40	\$700.00	Proofread, revise and finalize enforceability opinion; telephone call to I. Gerstein; proofread and revise draft priority opinion and schedule of registrations; letter to I. Gerstein;
	DAH	1.30	\$650.00	Revise and finalize draft priority opinion; telephone call from I. Gerstein; conference with J. Brunt; conference with L. Corne;
	JDB	0.10	\$39.50	Meeting with D. Hendler regarding language in priority opinion;
	LSC	1.00	\$450.00	Review of motion record for sale approval;
10/Aug/09	DAH	0.60	\$300.00	Review of Notice of Motion, motion record and affidavit of Norman Paul regarding August 14 court application; conference with L. Corne;
	DAH	3.80	\$1,900.00	Review of and finalize revisions to priority opinion; letter to I. Gerstein; review draft motion report and supplementary report; review schedule of realizations; review purchase and sale agreement; review Transition Services Agreement; conference with L. Corne; conference call with L. Corne and I. Gerstein; conference call with L. Corne, I. Gerstein and M. Florence; amend priority opinion; further letter to I. Gerstein;
	DAH	0.30	\$150.00	Conference call with L. Corne, I. Gerstein and Viet Nguyen regarding distribution of sale proceeds;
	DAH	0.30	\$150.00	Telephone call from I. Gerstein; e-mail to I. Gerstein; telephone call to I. Gerstein;
	LSC	3.00	\$1,350.00	Review and comment on draft Monitor's Report and Supplementary Report, Asset Purchase Agreement and Transition Agreement; conference call with I. Gerstein; office

				conference with D. Hendler re security opinion and review same; telephone conversation with V. Nguyen; review comments on draft Order; telephone call and e-mail with V. Nguyen re service list and concerns re proposed transaction;
11/Aug/09	DAH	0.30	\$150.00	Telephone call from B. Tannenbaum regarding application; conference call with B. Tannenbaum and L. Corne;
	DAH	0.60	\$300.00	Review of first report of Monitor; conference with L. Corne;
	LSC	1.50	\$675.00	Review of final reports; email from Aird & Berlis re Monitor's Report and respond; telephone call from I. Gerstein and email re same; arrange service and filing with court;
12/Aug/09	LSC	0.20	\$90.00	Telephone call from I. Gerstein re operations;
13/Aug/09	LSC	0.40	\$180.00	Telephone call and email to KRMC re sale approval;
	LSC	0.40	\$180.00	E-mail from S. Grace re supplementary report and respond to same;
14/Aug/09	LSC	4.00	\$1,800.00	Prepare for and attend on motion for approval and vesting order; review letter from Naturale Science Inc. and respond to same; email from KRMC re same; review e-mail re closing of sale and e-mail to S. Grace re same; review e-mail re Naturale Science product and consider reply;
17/Aug/09	LSC	1.50	\$675.00	Telephone call from I. Gerstein re next steps and issues relating to asset sales, distribution and discharge; email from S. Grace re closing of sale and respond to same and circulate Monitor's Certificate; letter in response to Naturale Science Inc.; telephone call to KRMC re conference call;
18/Aug/09	DAH	1.00	\$500.00	Conference with L. Corne; conference call with L. Corne, N. Paul, I. Gerstein et al; further conference call with L. Corne, I. Gerstein and M. Abramowitz;
	LSC	1.50	\$675.00	Conference call with M. Abramowitz, I. Gerstein, representatives of PEI and secured creditors re status and next steps;
19/Aug/09	DAH	0.20	\$100.00	Telephone call to principal of PEI Investments
	DAH	1.20	\$600.00	Review of e-mail and attachments from Product Excellence regarding proposed payments and regarding issue with Katz Group; review court order; telephone call to I. Gerstein; telephone call to L. Corne;
	DAH	1.60	\$800.00	Conference call with I. Gerstein and S. Damiano; telephone call to L. Corne; further conference call with I. Gerstein and S. Damiano;
	LSC	0.50	\$225.00	Telephone call from D. hendler re proposed inventory sale and creditor payments
20/Aug/09	DAH	0.50	\$250.00	Telephone call from I. Gerstein; further telephone call from I. Gerstein;
	DAH	0.40	\$200.00	Telephone call from R. Phillips; review email from R. Phillips;

	DAH	0.40	\$200.00	Telephone call from L. Corne; conference call with L. Corne and I. Gerstein;
	DAH	1.20	\$600.00	Draft reply to e-mail from R. Phillips for approval by I. Gerstein; e-mail to I. Gerstein; telephone call with M. Florence; telephone call to I. Gerstein; review e-mail and letter from M. Florence; e-mail to I. Gerstein; review e-mail from N. Paul;
	DAH	0.60	\$300.00	Telephone call from I. Gerstein x2; review e-mail from I. Gerstein; revise reply to R. Phillips; e-mail to R. Phillips;
	LSC	0.30	\$135.00	Conference call with D. hendler and I. gerstein re proposed company transactions
21/Aug/09	DAH	0.30	\$150.00	Review of e-mails from R. Phillips; telephone call to Ira Gerstein;
24/Aug/09	DAH	0.80	\$400.00	telephone call from solicitor for landlord of 156 Romina premises; telephone call to Ira Gerstein; telephone call to solicitor;

Timekeeper	Hours	Time Value
Douglas A. Hendler	27.5	\$13,759.85
John D. Brunt	0.1	\$39.53
Lisa S. Corne	17.3	\$7,790.58
Tonyia De Silva	0.4	\$60.04
TOTALS	45.3	

OUR FEE HEREIN:**\$21,650.00**Disbursements Subject to GST:

OnCorp Services	55.00
Issuance/Service of Process	27.00
Delivery Charge (s) - SEC.	96.29
Fed Ex / Purolator / Dynamex	496.91
Long Distance & Cellular	1.50
Photocopies	595.75

Total Disbursements Subject to GST:

 1,272.45

GST:

on Fees of	\$21,650.00	1,082.50
on Disbursements of	\$1,272.45	63.62

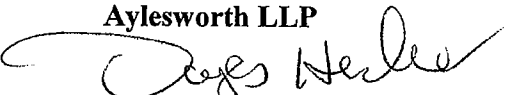
Total GST:	\$1,146.12
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TOTAL FEES AND DISBURSEMENTS (including GST):	\$24,068.57
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Trust Transfer to Pay this Account	\$0.00
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TOTAL AMOUNT DUE:	\$24,068.57
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Aylesworth LLP


Per: Douglas A. Hendler

Account is due when rendered. In accordance with the Solicitors Act, interest will be charged on any unpaid balance at the rate indicated below commencing one month after delivery of this bill.

Solicitors Act Interest Rate: 0.50% per annum

E & OE: Any disbursements not posted to your account on the date of the statement will be billed at a later date.

DELOITTE & TOUCHE INC.
One Concorde Gate, Suite 200
Toronto, Ontario M3C 4G4

Attn: Ira Gerstein

Aylesworth LLP
222 Bay Street
P.O. Box 124, 18th Floor
Toronto, Ontario M5K 1H1

R121379895

ACCOUNT

Invoice Number: 114175

November 5, 2009

Re: Product Excellence Inc. re CCAA Application

Our File #16182-1

TO OUR PROFESSIONAL SERVICES RENDERED up to and including the date of this account as described below:

22/Sep/09	LSC0.20	\$90.00	Telephone call from V. Nguyen re scheduling next steps;
13/Oct/09	LSC0.50	\$225.00	E-mail to and from KRMC re motion;
19/Oct/09	DAH0.30	\$150.00	Confer with Lisa Corne re status; telephone call to Ira Gerstein;
	LSC0.30	\$135.00	Telephone call from V. Nguyen of KRMC re motion to extend stay - ok with D. Hendler;
29/Oct/09	LSC1.00	\$450.00	Telephone conversation with counsel for Debtors re status and next steps; telephone call to I. Gerstein re same;
2/Nov/09	LSC2.50	\$1,125.00	Preparation of discharge motion and pre-approval motion;
4/Nov/09	LSC1.50	\$675.00	Review of draft Monitor's Second Report, PEI notice of motion and affidavit of N. Paul; consider issues raised;
5/Nov/09	DAH0.80	\$400.00	Confer with Lisa Corne, conference call with Lisa Corne and Mervyn Abramowitz, conference call with Lisa Corne, Mervyn Abramowitz and Michael Florence;
	DAH0.20	\$100.00	Confer with Lisa Corne re fee affidavit; review of draft affidavit; instructions to assistant;
	LSC4.50	\$2,025.00	Telephone call and email to and from counsel for PEI; review revised report from Deloitte; conference call with I. Gerstein, M. Abramowitz; and V. Nguyen; office conference with D. Hendler; telephone conversation with M. Florence; further telephone conversation with I. Gerstein; review revised notice of motion and draft order from counsel for PEI; telephone call to V. Nguyen re same;

Timekeeper
Douglas A. Hendler
Lisa S. Corne
TOTALS

Hours	Time Value
1.3	\$650.00
10.5	\$4,725.00
11.8	

OUR FEE HEREIN:

\$5,375.00

Disbursements Subject to GST:

Litigation/Corporate Services	47.00
Fed Ex / Purolator / Dynamex	16.74
Photocopies	153.75
Postage	1.52
Travel Expenses	19.00

Total Disbursements Subject to GST:		238.01
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GST:

on Fees of \$5,375.00	268.75
on Disbursements of \$238.01	11.90
Total GST: \$280.65	

TOTAL FEES AND DISBURSEMENTS (including GST): \$5,893.66

TOTAL AMOUNT DUE:	\$5,893.66
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**Estimate to Complete:
(Discharge of the Monitor)**

6/Nov/09	\$5,990.00	Preparation and attendance on motion to discharge Monitor and Onwards approve fees
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Disbursements	
Photocopies and laser printing	120.00

Total Estimate of Fees and Disbursements (including GST): \$6,415.50

Aylesworth LLP



Per: Douglas A. Hendler

Account is due when rendered. In accordance with the Solicitors Act, interest will be charged on any unpaid balance at the rate indicated below commencing one month after delivery of this bill.

Solicitors Act Interest Rate: 0.50 per annum
%

E & OE. Any disbursements not posted to your account on the date of the statement will be billed at a later date.
W:\d\Deloitte & Touche Inc - 16182-1\0001 - Product Excellence Inc. re CCAA Application\Account\114175 - Nov 5 09.doc

EXHIBIT "B"

Total Estimated Time (Discharge of the Monitor)

Description	Estimated Time:	Estimated Fees and Disbursements
Lisa S. Corne:	\$450.00 per hour	
Telephone conferences and correspondence with counsel for the Debtor and Secured Creditors, and client re: preparation of materials and preparation for the hearing	5.5	
Preparation for motion and review of materials	3.2	
Attendance at motion, including time at court and travel time	2.5	
Preparation of Order including entry of Order and sending it to the various parties	1.0	
Total estimated time for Lisa S. Corne	12.2	\$5,490.00
Douglas A. Hendler:	\$500.00 per hour	
Telephone calls and correspondence with client and conferring with L. Corne re affidavit and fee approval	1	
Total estimated time for Douglas A. Hendler	1	500.00
Disbursements		
Photocopies and laser printing		120.00
SUB-TOTAL		\$6,110.00
GST (fees and taxable disbursements)		305.50
TOTAL		\$6,415.50

This is Exhibit "B" referred to in the
 affidavit of Douglas Hendler
 sworn before me, this 6th
 day of November 2009

 A COMMISSIONER FOR TAKING AFFIDAVITS

APPENDIX

E

Product Excellence Inc.

Summary of Fees and Disbursements of the Applicant's Legal Counsel (KRMCM)

	Invoice Date	Invoice Period	Fee	GST	Fee (incl GST)	Disb	GST	Disb (incl GST)	Total Invoice (incl GST)
1	8/31/2009	6/20/2009 to 8/20/2009	89,850.00	4,492.50	\$ 94,342.50	2,567.06	104.65	\$ 2,671.71	\$ 97,014.21
2	9/30/2009	8/21/2009 to 9/25/2009	7,280.00	364.00	\$ 7,644.00	238.06	6.60	\$ 244.66	\$ 7,888.66
3	11/5/2009	9/25/2009 to 10/30/2009	3,820.00	191.00	\$ 4,011.00	48.75	2.44	\$ 51.19	\$ 4,062.19
4	Estimate to completion		6,162.50	308.13	\$ 6,470.63	2,207.00	110.35	\$ 2,317.35	\$ 8,787.98

Total Fees and Disbursements

\$	117,753.04
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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
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.

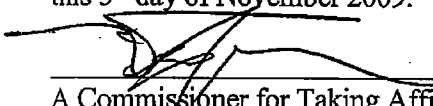
4. Attached hereto and marked as **Exhibit "A"** to this my affidavit are true copies of the accounts rendered to PEI for work done by KRMC pursuant to PEI's instructions during the period from June 20, 2009 to October 30, 2009, together with the supporting dockets.

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 5th day of November 2009.

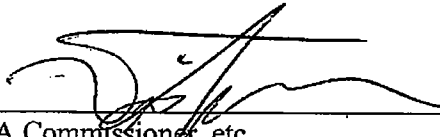

A Commissioner for Taking Affidavits, etc.
L. Viet Nguyen

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)
)


MERVYN D. ABRAMOWITZ

EXHIBIT A

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



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 PBI'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>

TOTAL FEES AND GST	\$94,342.50
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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

KRONIS, ROTSZTAIN, MARGLES, CAPPEL

PAGE 3

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.&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.

9/16/79	1 E	1 TRONCT	EXCELLENCE	1:17	76
DATE	LAWYER'S INITIALS	CLIENT'S NAME	MATTER OR FILE NUMBER	CODE	AMOUNT

CHARGEABLE TIME SLIP

REMARKS

Prof w clients a CCAP

(6 MINUTES = 1/10 HOUR)

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

9/19/79	PE			1	
DATE	LAWYER'S INITIALS	CLIENT'S NAME	MATTER OR FILE NUMBER	CODE	AMOUNT

CHARGEABLE TIME SLIP

REMARKS

Prof w PJ & Tele Conf with PJ

(6 MINUTES = 1/10 HOUR)

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			1	
DATE	LAWYER'S INITIALS	CLIENT'S NAME	MATTER OR FILE NUMBER	CODE	AMOUNT

CHARGEABLE TIME SLIP

REMARKS

Various E-Mail to Paul & MFA in Detroit

(6 MINUTES = 1/10 HOUR)

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

KRMC
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		Mtng 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; mtg's 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; mtg's 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, affd 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; mtg's 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; mtg's 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; mtg's 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.; mtg's 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; Mtg 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 Come	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**

<p align="center">KRMC</p> <p align="center">L. Viet Nguyen's Time for Selected File:</p> <p align="center">Product Excellence Inc.</p> <p align="center">Client ID: 35 Matter ID: 89847</p> <p align="center">June 13, 2009 to August 20, 2009</p>
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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 comes 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 comes 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 comes w/ Ralph Philipps re: process, cash flow; Telephone calls with Ira Gerstein re: pre-Monitor Report, cash flows; email comes to client and Deloitte encl. Draft materials; email comes 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 comes w/ Ralph Philipps re: cash flows, next steps; mt w/ JR and PC re: request to waive retainer, payment of fees; email comes from Ralph Philipps re: changes to CCAA materials; email comes 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 Philipps 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 comes w/ Ralph Philipps, PC, Jim Cook, Ira Gerstein confirming conference call; telephone call to Mike Florence re: CCAA process; telephone calls and email comes w/ Mark Korn, counsel for RBC; email comes 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, instrn's to ACI re: payout, payment of o/s acct; email to Mark Kom re: payout, motion; telephone call w/ Ira Gerstein re: Monitor's Report; vmm from Mark Kom	1.00
Wed. Aug 12, 2009		Telephone call with Mark Kom 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 Philipps 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 Come 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.

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

TOTAL FEES AND GST	\$7,644.00
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DISBURSEMENTS WITHOUT GST

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

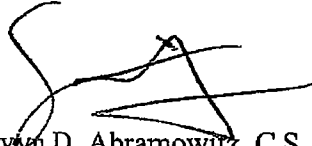
Courier	\$ 30.56		
Searches	37.50		
Photocopies and laser printing	<u>64.00</u>		
Sub-total	\$ 132.06		
GST	<u>6.60</u>	<u>138.66</u>	<u>244.66</u>

BALANCE NOW DUE AND OWING	<u>\$7,888.66</u>
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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 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 certain 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 Perlman 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 PEL.	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>

51.19

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 Commf 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

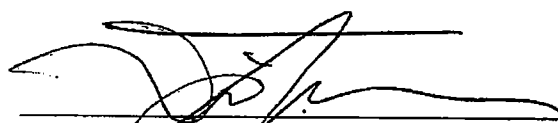
Date	Activity	Description	Time (hrs)
Fri. Oct 2, 2009		Telephone call to Norman Paul re: motion, status of company	0.20
Thu. Oct 8, 2009		Mt w/ MDA, KB, SW re: next steps	0.20
Tue. Oct 13, 2009		Email corres to Norman Paul re: next steps, possible plan; telephone call w/ Ira Gerstein re: scheduling motion 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 5TH 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	
TOTAL ESTIMATED TIME					\$6,162.50
GST					308.13
DISBURSEMENTS					
Photocopies				\$2,000.00	
Courier				\$ 80.00	
Court Fees (file motion record)				\$ 127.00	
TOTAL ESTIMATED DISBURSEMENTS					2,207.00
GST					110.35
TOTAL ESTIMATED FEES AND DISBURSEMENTS (INCLUDING GST)					\$8,787.98

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.

<p><i>ONTARIO</i></p> <p>SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</p> <p>PROCEEDINGS COMMENCED AT TORONTO</p>	
<p>MOTION RECORD</p> <p>(motion returnable November 12, 2009)</p>	
<p>KRONIS, ROTSZTAIN, MARGLES, CAPPEL Barristers and Solicitors 700-25 Sheppard Avenue West Toronto, Ontario M2N 6S6</p> <p>Mervyn D. Abramowitz (#28325R) L. Viet Nguyen (#46694K)</p> <p>Tel: (416) 225-8750 Fax: (416) 225-3910</p> <p>Lawyers for Product Excellence Inc.</p>	