

**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
PLANET ORGANIC HEALTH CORP. AND
DARWEN HOLDINGS LTD.**

Applicants

**SECOND REPORT OF THE MONITOR
DATED MAY 19, 2010**

INTRODUCTION

1. On April 29, 2010, Planet Organic Health Corp. ("**Planet**" or the "**Company**") and Darwen Holdings Ltd. ("**Darwen**") (collectively the "**Applicants**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to the Order of this Honourable Court dated April 29, 2010 (the "**Initial Order**"), Deloitte & Touche Inc. ("**Deloitte**") was appointed as the Monitor of the Applicants (the "**Monitor**") in the CCAA proceedings.
2. The Monitor provided this Honourable Court with a report dated May 11, 2010 (the "**First Report**") in connection with the Applicants' motion to adjourn and postpone Planet's annual general meeting.
3. The Initial Order, the Pre-Filing Report of the Proposed Monitor dated April 29, 2010, and the First Report of the Monitor, together with other documents related to these CCAA proceedings, are available on the Monitor's website at www.deloitte.com/ca/planet-organic.

PURPOSE

4. The purpose of this second report of the Monitor (the "**Second Report**") is to provide information on the:
 - i. Operations of the Company since the granting of the Initial Order;
 - ii. Applicants' Request for an Extension of the Stay Period; and
 - iii. Monitor's conclusions and recommendations.

TERMS OF REFERENCE

5. In preparing this Second Report, the Monitor has relied upon unaudited interim financial information, the Applicants' books and records, the Affidavit of Darren Krissie sworn May 18, 2010, and discussions with management and its financial and legal advisors. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of this information and, accordingly, the Monitor expresses no opinion or other form of assurance regarding any such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information referred to or relied upon in this Second Report is based on management's assumptions regarding future events and conditions that are not ascertainable. Accordingly, actual results achieved will vary from any such information, and the variations may be material.
6. Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
7. Capitalized terms used in this Second Report but not defined are as defined in the Pre-Filing Report and the First Report.

THE OPERATIONS OF THE COMPANY SINCE THE GRANTING OF THE INITIAL ORDER

8. The Company continues to pay its employees and remit statutory deductions in the normal course of business, as authorized by the Initial Order.
9. Highlights of the Company's financial performance for the period from May 1, 2010 to May 8, 2010 are presented in the Cash Flow Variance Analysis annexed hereto as Exhibit A. The Monitor's comments on the financial performance of the Company during this period are as follows:
 - i. Compared with the Cash Flow Statement provided as Exhibit C of the First Report (the "**Cash Flow Statement**"), the Company experienced a favourable variance of approximately \$143,000 in respect of ending cash flows for Week 2. This variance is partly attributable to higher sales than initially projected. Deposits from sales had a favourable variance compared to forecast of approximately \$27,000;
 - ii. Trade payable disbursements had an unfavourable variance compared to forecast of approximately \$95,000 as the Company issued \$175,000 in deposits to secure future deliveries;
 - iii. Offsetting the unfavourable variance in trade payables were the favourable variances for operating expenses and rent expenses of approximately \$51,000 and \$61,000, respectively. Operating expenses were less than expected, as professional fees for accounting and tax related engagements were not incurred during Week 2, as originally anticipated by the Company. Rent expense was less than projected as utility expenses related to the Applicants' leased premises have yet to be invoiced; and
 - iv. Restructuring costs had a favourable variance of \$82,000, due to timing of receipt of invoices from the Applicants' restructuring advisors.

10. At the close of Week 2 of the CCAA proceedings, cash on hand amounted to \$4.1 million compared to a forecasted balance of \$4.0 million as per the Cash Flow Statement.
11. As at the date of this Second Report, the Monitor understands that all expenses incurred have been or will be paid from the existing working capital of the Company. The Company does not project a requirement for additional financing as supported in the Updated Cash Flow Statement annexed hereto as Exhibit B.

STAY PERIOD EXTENSION

12. The Applicants have notified the Monitor of their request for an extension of the Stay Period to June 18, 2010 to allow the Applicants an opportunity to: (i) finalize a proposed acquisition agreement with Catalyst – the Applicants’ senior secured lender – for substantially all of the assets and operations of the Applicants; and (ii) bring that proposed transaction forward in a motion for approval by this Honourable Court.
13. The Monitor understands that Catalyst supports the Applicants’ request for an extension of the Stay Period to June 18, 2010.

MONITOR’S CONCLUSIONS AND RECOMMENDATIONS

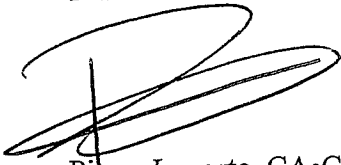
14. Based on the Applicants’ cash flow forecast, the Applicants appear to have sufficient available funding resources to support an extension of the Stay Period to June 18, 2010.
15. It is the view of the Monitor that the Applicants have been acting and continue to act in good faith and with due diligence in their restructuring efforts. As such, the Monitor supports the Applicants’ request for an extension of the Stay Period to June 18, 2010.

All of which is respectfully submitted at Toronto, Ontario, this 19th day of May, 2010.

DELOITTE & TOUCHE INC.

In its capacity as Monitor of Planet Organic Health Corp. and Darwen Holdings Ltd.

Per:

A handwritten signature in black ink, appearing to be 'P. Laporte', written over a horizontal line.

Pierre Laporte, CA•CIRP
President

A handwritten signature in black ink, appearing to be 'Huey Lee', written over a horizontal line.

Huey Lee, MBA, CMA, CIRP
Vice President

Exhibit A – Cash Flow Variance Analysis

	Forecast	Actual	Variance
Week ending May 8, opening cash balance	\$ 4,114,677	\$ 4,114,677	\$ -
Cash outflows			
Trade payables	(792,624)	(888,106)	(95,482)
Operating expenses	(157,276)	(105,785)	51,491
Payroll			-
Rent	(298,875)	(238,049)	60,826
Maintenance capex	(5,000)		5,000
Total outflows	<u>(1,253,775)</u>	<u>(1,231,940)</u>	<u>21,835</u>
Cash inflows			
Deposits - sales	<u>1,298,911</u>	<u>1,326,322</u>	<u>27,411</u>
Total inflows	<u>1,298,911</u>	<u>1,326,322</u>	<u>27,411</u>
Net weekly operating cash position	45,136	94,382	49,246
Exchange difference on USD accounts	-	11,451	11,451
Disbursements - Restructuring	(168,000)	(85,911)	82,089
Week ending May 8, closing cash balance	<u>\$ 3,991,813</u>	<u>\$ 4,134,599</u>	<u>\$ 142,786</u>

Exhibit B – Updated Cash Flow Statement

13-Week Operating Cash Flow Forecast												
Week #	ACT	ACT	FSCT	FSCT	FSCT	FSCT	FSCT	FSCT	FSCT	FSCT	FSCT	FSCT
1-May-10	2	3	4	5	6	7	8	9	10	11	12	13
1-May-10	8-May-10	15-May-10	22-May-10	29-May-10	5-Jun-10	12-Jun-10	19-Jun-10	26-Jun-10	3-Jul-10	10-Jul-10	17-Jul-10	24-Jul-10
Forecast Opening Cash Balance	\$3,132,825	\$4,115,104	\$4,134,539	\$3,774,447	\$3,904,799	\$3,564,765	\$3,547,214	\$3,291,751	\$3,280,400	\$3,520,716	\$3,193,685	\$3,392,645
Cash Outflows												
Trade Payables	-	\$888,106	\$776,954	\$813,420	\$833,609	\$825,322	\$769,073	\$770,231	\$768,380	\$805,563	\$792,322	\$748,408
Operating Expenses	10,696	105,785	139,276	82,276	82,276	82,276	133,591	82,276	82,276	82,276	82,276	82,276
Payroll Expense	-	-	515,832	-	515,832	-	515,832	-	515,832	515,832	-	515,832
Rent Expense	-	238,048	-	-	-	298,875	-	-	298,875	-	-	-
Maintenance Capex	-	-	5,000	5,000	5,000	20,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Cash Outflows	\$10,696	\$1,251,940	\$1,437,052	\$900,697	\$1,436,717	\$1,226,473	\$1,463,486	\$867,507	\$1,401,488	\$1,198,078	\$879,659	\$1,351,518
Cash Inflows												
Sales Forecast	\$800,634	\$1,326,322	\$1,256,910	\$1,211,050	\$1,256,673	\$1,277,932	\$1,267,032	\$1,246,850	\$1,178,795	\$1,177,393	\$1,167,659	\$1,149,385
Other Receipts	250,064	11,024	-	-	-	-	-	-	350,000	-	-	-
Total Cash Inflows	\$1,050,698	\$1,337,346	\$1,256,910	\$1,211,050	\$1,256,673	\$1,277,932	\$1,267,032	\$1,246,850	\$1,178,795	\$1,527,383	\$1,167,659	\$1,149,385
Net Weekly Cash Position	\$1,040,000	\$105,406	(\$180,152)	\$310,353	(\$180,044)	\$51,459	(\$186,464)	\$389,342	(\$222,683)	\$328,315	(\$238,131)	\$288,060
Restructuring Costs	(57,721)	(85,811)	(180,000)	(180,000)	(160,000)	(69,000)	(69,000)	(69,000)	(69,000)	(69,000)	(69,000)	(47,000)
Forecast Bank Balance	\$4,115,104	\$4,134,539	\$3,774,447	\$3,904,799	\$3,564,755	\$3,547,214	\$3,291,751	\$3,280,400	\$3,520,716	\$3,193,685	\$3,392,645	\$3,143,512