

**MARNLEN MANAGEMENT LTD.
AND 1547937 Ontario Ltd. (formerly known as
LABELAD LTD.)**

THIRD REPORT OF THE RECEIVER

March 21, 2013

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

ROYAL BANK OF CANADA

Applicant

-AND-

MARNLEN MANAGEMENT LTD. AND 1547937 ONTARIO LTD.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT,
R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF JUSTICE ACT,
R.S.O. 1990, c. C.43, AS AMENDED

**THIRD REPORT OF PRICEWATERHOUSECOOPERS INC.
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF THE ASSETS,
UNDERTAKINGS AND PROPERTIES OF MARNLEN MANAGEMENT LTD. AND
1547937 ONTARIO LTD. (FORMERLY KNOWN AS LABELAD LTD.)**

March 21, 2013

INTRODUCTION

BACKGROUND

1. By order (the “**Appointment Order**”) of Mr. Justice Perell of the Ontario Superior Court of Justice (the “**Court**”) dated July 18, 2012 (the “**Date of Appointment**”), PricewaterhouseCoopers Inc. (“**PwC**”) was appointed receiver (the “**Receiver**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, (the “**BIA**”) and section 101 of the *Courts of Justice Act* R.S.O. 1990 c.43, as amended, without security, of all of the assets, undertakings and properties (the “**Property**”) of Marnlen Management Ltd. (“**Marnlen**”) and Labelad Ltd., as it was then known (“**Labelad**” and together with Marnlen, the “**Companies**”), pursuant to an application by the Royal Bank of Canada (“**RBC**”). A copy of the Appointment Order is attached as **Appendix “A”** to this report.

PURPOSE OF REPORT

2. The Receiver filed its first report to the Court (the “**First Report**”) dated August 7, 2012, the purpose of which was to update the Court on the Receiver’s activities from the Date of Appointment to the Date of the First Report and to seek an order of the Court (the “**Approval and Vesting Order**”) approving the sale of a portion of the Property to Labelink Products Inc. (“**Labelink**”). A copy of the First Report, without appendices, is attached hereto as **Appendix “B”**.
3. The Receiver filed its second report to the Court (the “**Second Report**”) dated October 16, 2012 (the “**Date of the Second Report**”), the purpose of which was to update the Court with respect to, among other things, the status of the receivership proceedings, the completion of the sale of a portion of the Property to Labelink, the change of Labelad’s name to 1547937 Ontario Ltd. (in accordance with the Approval and Vesting Order) and the Receiver’s motion for the approval of a cash distribution to RBC, a secured creditor of the Companies, in the amounts sufficient to satisfy the Companies Canadian dollar and US dollar indebtedness to RBC (the “**RBC Distribution**”), a cash distribution to Export Development Canada (“**EDC**”), a secured creditor of the Companies, in the amount of \$1,000,000 (the “**EDC Distribution**”) and an interim distribution to Nanlark Holdings Limited (“**Nanlark**”), a secured creditor of the Companies in the amount of \$140,000 (the “**First Nanlark Cash Distribution**”).

Subsequently on October 25, 2012, the Court granted an order approving the RBC Distribution, the EDC Distribution and the First Nanlark Cash Distribution. A copy of the Second Report, without appendices, is attached hereto as **Appendix “C”**.

4. This is the Receiver’s third report (the **“Third Report”**), the purpose of which is to update the Court with respect to:
- i) the Receiver’s activities from the Date of the Second Report to the date of this Third Report; and
 - ii) the Receiver’s cumulative Statement of Receipts and Disbursements from the Date of Appointment to February 28, 2013

and to seek an order of the Court:

- i) approving the Third Report and the Receiver’s activities as set out in the Third Report, including the Receiver’s Statement of Receipts and Disbursements set out herein;
- ii) approving the fees and disbursements of the Receiver from the Date of the Second Report, including its estimated fees and disbursements to complete the receivership;
- iii) approving the fees and disbursements of the Receiver’s legal counsel, Aird & Berlis LLP (**“A&B”**) from the Date of the Second Report, including its estimated fees and disbursements to complete the receivership administration;
- iv) approving a distribution-in-kind of the Art Assets (as hereinafter defined) to Nanlark;
- v) approving a distribution of the Contingent Refunds, if any (as hereinafter defined) to Nanlark;
- vi) approving an interim cash distribution to Nanlark, in the amounts of \$62,000 and US\$18,000 (the **“Second Nanlark Cash Distribution”**);
- vii) authorizing the Receiver to make such subsequent distributions to Nanlark as the Receiver determines are appropriate, subject to maintaining sufficient

reserves to satisfy the Accrued Obligations and Reserves (as hereinafter defined) and complete the administration of the Receivership Proceedings;

- viii) vesting in Nanlark the Companies' right, title and interest, if any, in and to the Art Assets and the Contingent Refunds;
- ix) declaring that all steps taken by and the activities of the Receiver and all amounts distributed, or to be distributed, by the Receiver are approved and that PwC shall have no further liability in respect thereof, save for any gross negligence or wilful misconduct;
- x) discharging the Receiver, subject to the Receiver completing its administration of the estate herein and distribution of the remaining residual funds, and subject to the Receiver filing a Certificate evidencing same with the Court; and
- xi) declaring that PwC is released and discharged from any and all liability that PwC now has or may hereinafter have by reason of, or in any way arising out of, the acts or omissions of PwC while acting in its capacity as Receiver.

RESTRICTIONS

- 5. In preparing this Third Report, the Receiver has relied upon unaudited and draft, internal financial information obtained from the Companies' books and records and discussions with former management and staff. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided to it and expresses no opinion, or other form of assurance, in respect of the information contained in this report.
- 6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms used but not otherwise defined herein are as defined in the Appointment Order.

RECEIVER'S ACTIVITIES SINCE THE DATE OF THE SECOND REPORT

- 7. Subsequent to the Date of the Second Report, the Receiver's activities have included, among other things:
 - i) obtaining appraisals in order to assess the value of the Art Assets;

- ii) reviewing the Contingent Refunds;
- iii) reviewing the Contingent Consulting Fee;
- iv) making the Canadian dollar component of the RBC Distribution in the amount of \$599,433 (the US dollar component of the RBC Distribution is discussed below under the heading “Contingent Refunds”);
- v) making the EDC Distribution;
- vi) making the First Nanlark Cash Distribution; and
- vii) making an assignment in bankruptcy of the Companies pursuant to the BIA.

RBC, EDC AND LABELAD INDEBTEDNESS AND SECURITY

8. As the Receiver reported in the Second Report, at the Date of Appointment:
 - i) Marnlen’s books and records indicated that Marnlen owed Nanlark in excess of \$8,200,000 (including a liability of Nanlark under a guarantee in the amount of \$1,000,000) secured by the Property (the “**Marnlen/Nanlark Secured Indebtedness**”). This security is subordinate to the security granted by Marnlen to RBC and EDC; and
 - ii) Labelad’s books and records indicated that Labelad owed Nanlark approximately \$1.1 million, secured by the property (the “**Labelad/Nanlark Secured Indebtedness**”). This security is subordinate to the security granted by Labelad to RBC and EDC.
9. The only distribution made by the Receiver to Nanlark in respect of the Marnlen/Nanlark Secured Indebtedness and the Labelad/Nanlark Secured Indebtedness is the First Nanlark Cash Distribution.
10. There is no indebtedness remaining owing by the Companies to RBC after the Receiver made the Canadian component of the RBC Distribution to RBC, other than the liability of RBC under a letter of credit in the amount of US\$100,000 discussed below in this Third Report. There is no indebtedness remaining owing

by the Companies to EDC, as a result of the Receiver having made the EDC Distribution.

UNREALIZED PROPERTY AS AT THE DATE OF THE THIRD REPORT

ART ASSETS

11. As discussed in the Second Report, Marnlen owns various pieces of fine art (the “**Art Assets**”) which were not purchased as part of the sale of certain of the Property to Labelink (the “**Transaction**”).
12. The Receiver contacted two appraisers who specialize in the appraisal of assets similar in nature to the Art Assets, for the purpose of estimating the Art Assets’ value. Based upon a variety of factors including fees, industry reputation and time required to complete an appraisal, the Receiver engaged two appraisers: i) Mayberry Fine Art (“**Mayberry**”); and ii) Sotheby’s Canada Inc. (“**Sotheby’s**” and collectively with Mayberry, the “**Appraisers**”). The Appraisers did not physically inspect the Art Assets but performed appraisals using digital images and information supplied by the Receiver from Marnlen’s books and records (the “**Appraisals**”). The Appraisers define the appraised value as “the most probable price for which an item would change hands between knowledgeable buyers and sellers who are under duress if sold in an orderly manner, properly advertised, and allowing a reasonable amount of time to complete the transaction in an appropriate marketplace”. Copies of summaries of the appraisals are attached as **Appendix “D”**.
13. The appraisal performed by Mayberry valued the Art Assets at \$345,400. The appraisal performed by Sotheby’s valued all but seven pieces of the Art Assets at a range between \$291,500 and \$419,000. The seven pieces Sotheby’s did not value were valued by Mayberry at \$43,000. As a result, the value of the Art Assets indicated by the Appraisals is substantially less than the Marnlen/Nanlark Secured Indebtedness.

CONTINGENT REFUNDS

14. As discussed in the Second Report, RBC has issued a letter of credit (the “**Customs L/C**”) in the amount of US\$100,000 in favour of Washington International Insurance Co. (“**Washington International**”). As the amount of the Company’s obligations under the Customs L/C was not readily determinable shortly after the Court granting the order approving, among other things, the RBC Distribution, RBC requested that the Receiver retain funds on hand, sufficient to satisfy that portion of the RBC Distribution related to the Customs L/C, until such time as Washington International completed its review of the amount of the potential obligations the Company may owe to U.S. Customs, as described more fully below. Accordingly, the Receiver retained a reserve of the full amount of the Customs L/C (and related fees), US\$101,000.
15. The Customs L/C was originally issued as collateral for a bond issued by Washington International to secure the performance of certain obligations Labelad might incur in respect of the sale of goods to customers in the United States, which may be subject to the review and assessment of the United States Customs and Border Protection (“**U.S. Customs**”). The Receiver understands that RBC has formally advised Washington International that they intend to not renew the Customs L/C when it expires on July 22, 2013.
16. Roanoke Trade Services, Inc. (“**Roanoke**”), the agent for Washington International, has advised the Receiver that Washington International does not intend to draw on the Customs L/C until Washington International completes a preliminary, internal review of all of Labelad’s transactions that may be subject to review and assessment by U.S. Customs.
17. The Receiver understands that the determination of the obligations owing by the Company to U.S. Customs, if any, is a two-part process:
 - (i) Initially, after its preliminary, internal review described above, Washington International will determine an “estimate” of the amounts that it believes could be owing by the Company in respect of transactions that may be reviewable by U.S. Customs. Once Washington International completes its review, and quantifies the potential liability owed by Labelad, if any, it will draw on the Customs L/C in an amount sufficient to satisfy that potential liability, up to a

maximum of the amount of the Customs L/C (the “**Customs L/C Drawdown**”). After Washington International completes the Customs L/C Drawdown, the Company’s obligations under the Customs L/C, and therefore its ultimate indebtedness to RBC, will be crystallized. The amount of the Customs L/C Drawdown will be distributable by the Receiver to RBC, from the amount the Receiver has reserved for same. The difference, if any, between the face amount of the Customs L/C and the amount of the Customs L/C Drawdown will be available for distribution to Nanlark (the “**Unused Customs L/C**”);

- (ii) Ultimately, U.S. Customs will complete its review and assessment of Labelad’s transactions, the timing for which is not known to the Receiver or Washington International. As a result of that review, the actual obligations owing in respect of transactions subject to U.S. Customs’ purview, if any, will be finally determined. Based on advice received from Roanoke, in the event the actual obligations, as determined by U.S. Customs, are in excess of the amount of the Customs L/C Drawdown, Washington International will be obligated to pay such difference up to the amount of the bonds it has issued. Any amounts owing in excess of the amount of the bonds, would remain a liability of Labelad, albeit such obligations are not secured. In the event the actual obligations are less than the Customs L/C Drawdown, Roanoke has advised the Receiver that Washington International will return such difference to Labelad (the “**Unused Customs L/C Drawdown**”).

- 18. As a result, the both the Unused Customs L/C and the Unused Customs L/C Drawdown, if any, (collectively, the “**Contingent Refunds**”) may be available to Nanlark, as Labelad’s primary remaining secured creditor.

CONTINGENT CONSULTING FEE AND SANDYLION ESTATE FUNDS

- 19. Subsequent to the date of the Second Report, the Receiver became aware of certain amounts that may become payable to Marnlen as a secured creditor of 1547904 Ontario Inc. (formerly known as Sandylion Inc.) (“**Sandylion**”).
- 20. Sandylion is a wholly-owned subsidiary of Marnlen. On June 4, 2010, Sandylion sold substantially all of its assets to Trends International Publishing Corporation (“**Trends**”) under the terms of an asset purchase agreement of that date.

21. Part of the consideration for the sale of Sandylion's assets to Trends, was a consulting agreement entered into at closing, under the which Sandylion is entitled to receive a consulting fee from Trends for a three-year term following the closing (the "**Consulting Agreement**"). The three-year term expires on May 31, 2013.
22. The Receiver understands that an advance payment of \$1,200,000 of consulting fees was paid by Trends to Sandylion at the time of closing, to be applied against future payable consulting fees under the Consulting Agreement. The Receiver understands that Trends is also entitled, under the terms of the Consulting Agreement, to certain setoffs against consulting fees otherwise payable. The consulting fees are determined as an aggregate of a base consulting fee and a percentage of Trends' net sales during each year of the three-year term.
23. After application of the advance payment of \$1,200,000 and the application of setoffs to which Trends was entitled under the terms of the Consulting Agreement, there was no amount paid to Sandylion in the first year of the Consulting Agreement in respect of consulting fees and the Receiver understands that approximately \$50,000 was paid to Sandylion in the second year of the Consulting Agreement in respect of the consulting fees.
24. On March 14, 2011, Sandylion made an assignment in bankruptcy. Marnlen is a secured creditor of Sandylion. The Receiver understands that Marnlen's claim in the Sandylion bankruptcy estate is a secured claim in the amount of approximately \$45,987,000 and that the Trustee in Bankruptcy of the estate of Sandylion (the "**Sandylion Trustee**") has an opinion from its independent counsel that the Marnlen security is enforceable against the Trustee.
25. At this time, the Receiver has not been able to determine the future amounts, if any, that may be payable to Sandylion by Trends under the terms of the Consulting Agreement (the "**Contingent Consulting Fee**"). However, based upon the quantum of Marnlen's secured claim against Sandylion, it is highly likely that the Contingent Consulting Fee, if any, will be substantially less than the amount of the secured claims that exist against Sandylion.
26. In addition, the Receiver understands there may be certain other residual funds available for distribution from the Sandylion bankruptcy estate to Marnlen, subject to

any fees and / or disbursements that may be payable to the Sandylion Trustee in respect of its administration of the Sandylion estate (the “**Sandylion Estate Funds**”). The Receiver has contacted the Sandylion Trustee and will work with it to determine the amount of residual funds that may be available for distribution to Marnlen, if any.

HST

27. Since the Date of Appointment, the Receiver filed certain monthly Harmonized Sales Tax returns (the “**HST Returns**”). As at the date of the Third Report, approximately \$76,000 has been received from CRA in respect of the HST Returns.

CLAIMS PURSUANT TO SECTIONS 81.4 AND 81.6 OF THE BIA

28. As at the date of the Second Report, the Receiver held a reserve, in the amount of \$118,000 (the “**81.4 Reserve**”) for payment of the potential claims filed by Labelad's former employees pursuant to section 81.4 of the BIA (the “**81.4 Claims**”). As of the date of this Third Report, the Receiver has paid in full all proven 81.4 Claims, in the total amount of \$117,522, of which \$91,726 was paid to Service Canada with respect to subrogation notices received from Service Canada in respect of amounts paid by Service Canada to certain former employees pursuant to the *Wage Earner Protection Program Act* and \$25,796 was paid directly to the former employees.
29. As at the date of the Second Report, the Receiver held a reserve, in the amount of \$42,000 (the “**81.6 Reserve**”) in anticipation of The Great West Life Insurance Company (“**Great West Life**”), filing a claim pursuant to section 81.6 of the BIA (the “**81.6 Claim**”). On October 9, 2012, Great West Life filed its 81.6 Claim, in the amount of \$42,182 (the “**Great West Claim**”). The Receiver determined that the Great West Claim was validly proven pursuant to section 81.6 of the BIA. Accordingly, on October 29, 2012, the Receiver paid, in full, the Great West Life Claim.

STATUTORY DUTIES

30. To the best of its knowledge and belief, as of the date of this Third Report, the Receiver has complied with all of its statutory duties and obligations pursuant to the BIA.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

The Receiver's statement of receipts and disbursements for the period from the Date of Appointment to February 28, 2013 (the "**Receiver's R&D**") is summarized below:

Statement of Receipts and Disbursements As at February 28, 2013		
	CAD \$	USD \$
Receipts		
Cash on Hand on Date of Appointment	11,242	38,485
Sale of Fixed Assets	1,100,000	-
Sale of Inventory	748,340	50,744
Sale of Marlen Intangible Assets	1,000	-
HST Collected (on Inventory Sales)	17,686	5,009
HST Refund (Post Appointment)	75,954	-
Accounts Receivable Collections pre Labelink Closing (pre-Sept. 1)	353,333	627,416
Accounts Receivable Collections post Labelink Closing (post-Aug. 31)	13,046	32,416
CIT Payout Funds Received ¹	172,411	-
Other Receipts	92,367	129
Total Receipts	2,585,379	754,198
Disbursements		
Employee Related Costs	58,720	-
Rent	290,664	-
Insurance	19,949	-
Professional Fees and Disbursements	458,461	-
HST paid	105,938	-
Other Operating Expenses	103,020	27
S. 81.4 Amount for Employees	117,522	-
S. 81.6 Amount for Employees	42,182	-
Total Disbursements	1,196,456	27
Conversion of USD \$ Realizations to CDN \$ ²	622,234	(634,804)
Excess of Receipts over Disbursements before Distributions	2,011,158	119,367
Less: CIT Payout ¹	172,411	-
Less: RBC Distribution	599,433	-
Less: EDC Distribution	1,000,000	-
Less: Nanlark Distribution	140,000	-
Net Receipts Over Disbursements	99,314	119,367

¹ Pursuant to the terms of the Purchase Agreement, Labelink was required to assume the indebtedness owed to CIT, or repay same (the "**CIT Indebtedness**") in respect of certain of the Property. Accordingly, on the closing of the Transaction, Labelink caused an amount of \$172,411 to be directed to CIT, in addition to the proceeds owing to the Receiver, to satisfy the CIT Indebtedness.

² Converted on October 4, 2012 at an exchange rate of 0.9802.

AMOUNTS AVAILABLE FOR DISTRIBUTION

31. The following table summarizes the amounts current estimated to be available for distribution after providing for:

- i) accrued professional fees;
- ii) accrued other expenses; and
- iii) the Customs L/C Drawdown (collectively, the “**Accrued Obligations and Reserves**”).

Estimate of Cash Amounts Available for Distribution		
	CAD \$	USD \$
Net Receipts Over Disbursements (as at February 28, 2013)	99,314	119,367
Accrued Obligations and Reserves		
Accrued and Reserved Professional Fees	32,000	-
Accrued Other Expenses	5,000	-
Reserved Customs L/C Drawdown	-	101,000
Total Accrued and Reserved Obligations	37,000	101,000
Estimated Net Funds Available for Distribution	62,314	18,367

32. The funds available for distribution do not include the Contingent Refunds, the Contingent Consulting Fee, the Sandylion Estate Funds, the Art Assets and any additional collections of the Company’s accounts receivable after February 28, 2013 (net of commissions owing to Labelink).

PROPOSED DISTRIBUTIONS AND NET RESIDUAL FUNDS

33. The following table summarizes the amounts available for the Second Nanlark Cash Distribution and the net residual funds that will remain in the Receiver's possession, in addition to the Accrued Obligations and Reserves:

Proposed Distribution and Net Residual Funds		
	CAD \$	USD \$
Estimated Net Funds Available for Distribution	62,314	18,367
Proposed Distribution		
Second Nanlark Interim Cash Distribution	62,000	18,000
Net Residual Funds	314	367

34. As described above, additional amounts may accrue to the Receiver in respect of the Contingent Consulting Fee, the Sandylion Estate Funds or in respect of future accounts receivable collections. The Receiver is of the view that, in order to maximize efficiency and avoid the need to seek the approval of the Court to make subsequent cash distributions to Nanlark, it is appropriate, in addition to seeking approval for the Second Nanlark Cash Distribution, to seek this Court's approval to make such subsequent distributions to Nanlark as the Receiver determines are appropriate, subject to the Receiver maintaining sufficient reserves to complete the administration of the Receivership Proceedings, including payment of the Accrued Obligations and Reserves.
35. The Receiver respectfully requests this Court authorize the Second Nanlark Cash Distribution in the amount of \$62,000 and US\$18,000, and such subsequent distributions to Nanlark as the Receiver determines are appropriate, subject to maintaining sufficient reserves in order to satisfy the Accrued Obligations and Reserves and complete the administration of the Receivership Proceedings.
36. As discussed in the Second Report, in addition to any cash distributions that may be available to it, Nanlark has advised the Receiver that subject to the payment in full, or the reserve for such payment, of all amounts ranking in priority to the Nanlark Marnlen Security or the Nanlark Labelad Security, Nanlark has elected that the Art

Assets be distributed to it “in kind” as opposed to the Receiver realizing on the Art Assets and distributing the proceeds of any such realization to Nanlark.

37. As the Art Asset Appraisals indicate that the value of the Art Assets is substantially less than the amounts owing to Nanlark, the Receiver proposes distributing the Art Assets in kind to Nanlark.
38. The maximum value of the Contingent Refunds is the face amount of the Customs L/C, US\$100,000, which is substantially less than the amounts owing to Nanlark, less the value of the Art Assets. Accordingly, the Receiver proposes assigning to Nanlark all of Labelad’s interest, in and to the Contingent Refunds.
39. Nanlark has asked the Receiver to seek an Order vesting in Nanlark the Companies’ right, title and interest, if any, in and to the Art Assets and the Contingent Refunds, effective upon the distribution of same.

REQUEST FOR FEE APPROVAL

40. The Appointment Order directs and empowers the Receiver and its legal counsel to pass their accounts from time to time.
41. The Receiver and its legal counsel, A&B, have maintained detailed records of their professional time and costs since the date of the Second Report.
42. Pursuant to paragraph 17 of the Appointment Order, any expenditure or liability properly made or incurred by the Receiver, including the fees of the Receiver and the fees and disbursements of its legal counsel, shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person, subject to limited statutory exceptions, and are authorized to be paid on a periodic basis subject to any final assessment or taxation as may be ordered by the Court.
43. The Receiver is seeking the approval of its fees and disbursements from the date of the Second Report to January 31, 2013 (the “**Receiver’s Fee Approval Period**”) and those of A&B from the date of the Second Report to January 31, 2013 (the “**Legal Fee Approval Period**”) in connection with the performance of their duties in these receivership proceedings. In addition the Receiver is seeking approval of the estimated

fees and disbursements of the Receiver and A&B from February 1, 2013 to the completion of the administration of the receivership.

44. The total fees of the Receiver during the Receiver's Fee Approval Period amount to \$48,575.00, together with expenses and disbursements in the amount of \$2,428.76 (both excluding HST) (collectively, the **"Receiver's Accrued Fees and Disbursements"**). The time spent by the Receiver's personnel during the Receiver's Fee Approval Period is more particularly described in the Affidavit of Tracey Weaver (the **"Weaver Affidavit"**), sworn March 7, 2013 in support hereof and attached as **Appendix "E"** to this Third Report. The Weaver Affidavit includes a summary of the personnel, hours, and hourly rates charged by the Receiver in respect of the Receiver's Fee Approval Period. In addition, the remaining professional fees and disbursements of the Receiver from February 1, 2013 to the completion of the administration of the receivership are estimated to be \$23,500.00 (excluding HST) (the **"Receiver's Estimated Fees and Disbursements"** and, together with the Receiver's Accrued Fees and Disbursements, the **"Receiver's Fees and Disbursements"**).
45. The total fees for services provided by A&B during the Legal Fee Approval Period amount to \$9,444.50, together with expenses and disbursements in the amount of \$780.62 (both excluding HST) (collectively, the **"Accrued Legal Fees and Disbursements"**). The time spent by A&B's personnel during the Legal Fee Approval Period is more particularly described in the Affidavit of Steven Graff (the **"Legal Fee Affidavit"**) sworn March 13, 2013 in support hereof and attached as **Appendix "F"** to this Third Report. Included in the Legal Fee Affidavit is a summary of the personnel, hours, and hourly rates charged by A&B in respect of the Legal Fee Approval Period. In addition, the remaining professional fees and disbursements of A&B from February 1, 2013 to the completion of the administration of the receivership are estimated to be \$10,000 (excluding HST) (the **"Estimated Legal Fees and Disbursements"** and, together with the Accrued Legal Fees and Disbursements and the Receiver's Fees and Disbursements, the **"Professional Fees and Disbursements"**).
46. The Receiver respectfully submits that the Receiver's Accrued Fees and Disbursements and the Accrued Legal Fees and Disbursements are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Appointment

Order, and that the Receiver's Estimated Fees and Disbursements and the Estimated Legal Fees and Disbursements are genuine estimated of fees and disbursements to be incurred in accordance with the provisions of the Appointment Order through to the completion of the administration of the receivership. Accordingly, the Receiver now seeks the approval of this Honourable Court of the Professional Fees and Disbursements.

CONCLUSION

47. To the best of the Receiver's knowledge and belief, all of the Receiver's duties, will be completed upon payment of the Outstanding Disbursements and the completion of its statutory duties pursuant to the BIA. Accordingly, the Receiver respectfully requests that the Court grant an order:
- i) approving the Third Report and the Receiver's activities as set out in the Third Report, including the Receiver's Statement of Receipts and Disbursements set out herein;
 - ii) approving the accounts of the Receiver from the Date of the Second Report to January 31, 2013;
 - iii) approving the fees and disbursements of the Receiver's legal counsel, including the estimated fees and disbursements to complete the receivership administration;
 - iv) approving a distribution-in-kind of the Art Assets to Nanlark;
 - v) approving a distribution of the Contingent Refunds, if any, to Nanlark;
 - vi) approving the Second Nanlark Cash Distribution;
 - vii) authorizing the Receiver to make such subsequent distributions to Nanlark as the Receiver determines are appropriate, subject to maintaining sufficient reserves to satisfy the Accrued Obligations and Reserves (as hereinafter defined) and complete the administration of the Receivership Proceedings;

- viii) vesting in Nanlark the Companies' right, title and interest, if any, in and to the Art Assets and the Contingent Refunds;
- ix) declaring that all steps taken by and the activities of the Receiver and all amounts distributed, or to be distributed, by the Receiver are approved and that PwC shall have no further liability in respect thereof, save for any gross negligence or wilful misconduct;
- x) discharging the Receiver, subject to the Receiver completing its administration of the estate herein and distribution of the remaining residual funds, and subject to the Receiver filing a Certificate evidencing same with the Court; and
- i) declaring that PwC is released and discharged from any and all liability that PwC now has or may hereinafter have by reason of, or in any way arising out of, the acts or omissions of PwC while acting in its capacity as Receiver.

All of which is respectfully submitted on this 21st day of March, 2013

PricewaterhouseCoopers Inc.

In its capacity as Receiver of Marnlen Management Ltd. and
1547937 Ontario Ltd. (formerly known as Labelad Ltd.)



Greg Prince
Senior Vice President



Josh Thiem
Manager

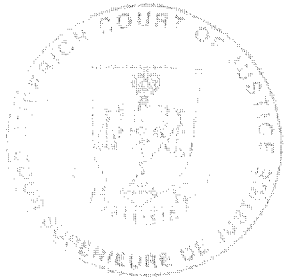
TAB A

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE
JUSTICE PERELL

) WEDNESDAY, THE 18TH DAY
)
) OF JULY, 2012

BETWEEN:



ROYAL BANK OF CANADA

Applicant

- and -

MARNLEN MANAGEMENT LTD. AND LABELAD LTD.

Respondents

**APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101
OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C-43, AS AMENDED**

ORDER

THIS MOTION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing PricewaterhouseCoopers Inc. as receiver (in such capacity, the "Receiver") without security, of all of the assets, undertakings and properties of Marnlen Management Ltd. and Labelad Ltd. (collectively, the "Debtors") acquired for, or used in relation to a business carried on by the Debtors, was heard this day at Osgoode Hall, Toronto, Ontario.

ON READING the affidavit of Felix Mednikov, sworn July 17, 2012, and the Exhibits thereto and on hearing the submissions of counsel for the Applicants, Nanlark Holdings Limited, Insurance

Corporation of British Columbia and 400 CD Property Ltd. PricewaterhouseCoopers Inc., no one appearing for any other person on the service list although duly served as appears from the affidavit of service of Lillian Symchych sworn July 17, 2012 and on reading the consent of PricewaterhouseCoopers Inc. to act as the Receiver,

SERVICE

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

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, PricewaterhouseCoopers Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the

ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;

- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

(l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;

(p) to enter into agreements with any trustee in bankruptcy appointed in respect of either or both of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by either or both of the Debtors;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service

provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by either of the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

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

RECEIVER TO HOLD FUNDS

12. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the

employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of

the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

19. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$300,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

23. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

24. THIS COURT ORDERS that the Receiver be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next

business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

25. THIS COURT ORDERS that the Plaintiff, the Receiver, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Receiver may post a copy of any or all such materials on its website at www.pwc.com/car-labelad.

GENERAL

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

27. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

28. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

29. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

30. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estates with such priority and at such time as this Court may determine.

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

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

JUL 18 2012

2012/07/18/1073

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

32. THIS IS TO CERTIFY that PricewaterhouseCoopers Inc., the receiver (the "Receiver") of the assets, undertakings and properties Labelad Ltd. and Marnlen Management Ltd. acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ____ day of _____, 20__ (the "Order") made in an application having Court file number ____-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$300,000 which the Receiver is authorized to borrow under and pursuant to the Order.

33. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

34. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

35. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

36. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

37. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

38. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

PricewaterhouseCoopers Inc., solely in its
capacity as Receiver of the Property, and not in
its personal capacity

Per: _____
Name:
Title:

ROYAL BANK OF CANADA and MARNLEN MANAGEMENT LTD. and LABELAD LTD.

Court File No: CV-12-9788-00CL

(Applicant)

(Respondents)

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

Order

Norton Rose Canada LLP
Royal Bank Plaza, South Tower
Suite 3800
200 Bay Street, P.O. Box 84
Toronto, Ontario
M5J 2Z4 CANADA

Evan Cobb LSUC#: 55787N
Tel: 416.216.1929
Fax: 416.216.3930

Lawyers for the Royal Bank of Canada

TAB B

Court File No: 12-9788-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

ROYAL BANK OF CANADA

Applicant

-AND-

MARNLEN MANAGEMENT LTD. AND LABELAD LTD.

Respondent

**APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED**

**FIRST REPORT OF PRICEWATERHOUSECOOPERS INC.
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF ALL THE ASSETS,
UNDERTAKINGS AND PROPERTIES OF MARNLEN MANAGEMENT LTD.
AND LABELAD LTD.**

August 7, 2012

INTRODUCTION

1. By order (the "**Appointment Order**") of Mr. Justice Perell of the Ontario Superior Court of Justice (the "**Court**") dated July 18, 2012 (the "**Date of Appointment**"), PricewaterhouseCoopers Inc. ("**PwC**") was appointed receiver (the "**Receiver**") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, (the "**BIA**") and section 101 of the *Courts of Justice Act* R.S.O. 1990 c.43, as amended, without security, of all of the assets, undertakings and properties (the "**Property**") of Marnlen Management Ltd. ("**Marnlen**") and Labelad Ltd. ("**Labelad**" and together with Marnlen, the "**Companies**"), pursuant to an application by the Royal Bank of Canada ("**RBC**"). A copy of the Appointment Order is attached as **Appendix "A"** to this report.

PURPOSE OF REPORT

2. This is the first report of the Receiver (the "**First Report**"), the purpose of which is to update the Court with respect to:
 - a) The activities of the Receiver since the Date of Appointment;
 - b) The Receiver's statement of receipts and disbursements from the Date of Appointment to August 1, 2012;
 - c) The results of the Receiver's efforts to solicit offers for the Property;
 - d) The key terms of the Purchase Agreement (as hereinafter defined) dated August 3, 2012 between the Receiver and Labelink Products Inc. ("**Labelink**") for the sale of the Purchased Assets (as hereinafter defined), subject to the Court's approval;

And to seek an order of the Court:

- e) Approving the First Report and the activities of the Receiver as set out herein;
- f) Approving the Transaction (as hereinafter defined) and the Purchase Agreement and vesting the Companies' right, title and interest in and to

the Purchased Assets in Labelink, free and clear of all liens and encumbrances;

- g) Authorizing and directing the Receiver to change Labelad's name on Closing of the Transaction, to 1547937 Ontario Ltd.; and
 - h) Temporarily sealing the Confidential Bid Summary (as defined herein) and the unredacted Purchase Agreement pending the completion of the Transaction.
- 3. Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Appointment Order.
 - 4. The information contained in this report has been obtained from the books and records and other information of the Companies. The accuracy or completeness of the financial information contained herein has not been audited or otherwise verified by the Receiver, and the Receiver does not express an opinion or provide any other form of assurance with respect to the information presented herein or relied upon by the Receiver in preparing this report.

BACKGROUND AND CREDITORS

BACKGROUND

- 5. Labelad operates out of a 191,000 square foot, leased facility (the "Premises") based in Markham, Ontario and designs and manufactures stickers, labels, radio frequency identification labels and tags. Labelad's customers include manufacturers and distributors of beverages, foods, healthcare products, data storage products and promotional items.
- 6. Marnlen is the direct shareholder of Labelad, whose primary assets include its shareholdings in Labelad, amounts owing to it by Labelad and certain intellectual property including trademarks and trade names related to the Labelad business.

7. The circumstances leading to the Receiver's appointment, including the deteriorating financial condition of the Companies is more fully set out in the affidavit of Felix Mednikov of RBC, dated July 17, 2012, (the "**Mednikov Affidavit**") sworn in support of RBC's application for the appointment of PwC as Receiver.

THE COMPANIES' CREDITORS

8. Labelad and Marnlen are indebted to RBC pursuant to an Amended and Restated Loan Agreement dated as of July 14, 2011 between RBC as lender, Labelad as borrower and Marnlen as guarantor (the "**A&R Loan Agreement**"). The A&R Loan Agreement matures on July 14, 2013. Immediately prior to the Date of Appointment, the Receiver understands that Labelad was indebted to RBC in the amount of approximately \$1.53 million, excluding accrued fees and contingent liabilities resulting from certain letters of credit issued by RBC, described below. The indebtedness owed to RBC is secured by a charge over all of the Property. In addition, Nanlark Holdings Limited ("**Nanlark**"), a holding company that owns 100% of the issued and outstanding common shares of Marnlen, has provided a limited guarantee of the indebtedness of Labelad to RBC and cash collateral of \$1,000,000 to secure Nanlark's obligation under that guarantee. As of the date of this First Report, the Receiver's independent legal counsel, Aird & Berlis LLP ("**Aird**"), has not yet completed a review of the validity and enforceability of RBC's security.
9. In addition to Labelad's borrowings under the A&R Loan Agreement, RBC has also issued two letters of credit, which are also secured by the Property, summarized as follows:
 - a) \$1,000,000 in favour of 400CD Property Ltd. (the "**Landlord**") (the "**Landlord L/C**"); and
 - b) US\$100,000 in favour of Washington International Insurance Company.

10. In support of the Landlord L/C, the Receiver understands that Export Development Canada ("EDC") has issued a letter of guarantee in favour of RBC in the amount of \$1,000,000 (the "EDC Guarantee"). In the event RBC calls the EDC Guarantee, the Receiver understands that EDC will become subrogated to RBC's position as a secured creditor of the Companies. As of the date of this First Report, the Receiver understands that the Landlord has presented the Landlord L/C to RBC for payment and that RBC has presented the EDC Guarantee to EDC for payment.
11. The Companies' have also incurred significant related-party indebtedness (the "**Related Party Indebtedness**"). According to the Companies' books and records, Labelad is indebted to Marnlen in the amount of \$21,235,271 and is also indebted to Nanlark (and collectively with Labelad and Marnlen, the "**Related Parties**"), in the amount of \$1,089,192. In addition, according to its books and records, Marnlen is indebted to Nanlark in the amount of \$7,263,425. The Receiver understands that the Related Party Indebtedness is secured by the Property but is subordinate to the obligations owing by the Companies to RBC, pursuant to a subordination agreement dated July 14, 2011. Neither the Receiver nor Aird have reviewed the security held by the Related Parties as of the date of this First Report.
12. In addition to the amounts owing to RBC and the Related Party Indebtedness, at the Date of Appointment, the Companies owed unsecured creditors, including trade creditors, approximately \$3.8 million and also had incurred indebtedness to other secured creditors in respect of various equipment leases and financing arrangements. As of the date of this First Report, neither the Receiver nor Aird have reviewed any security held by any equipment lessor.
13. As a result of the quantum of the indebtedness owed to RBC and the Related Parties, and based upon the deterioration in Labelad's business prior to the Date of Appointment, the Receiver is of the view that, subject to confirming the validity and enforceability of the security held by RBC and the Related Parties, there is no possibility that any proceeds of the sale of the Property would provide

recoveries for any creditors other than RBC (and EDC as a result of certain subrogation rights in respect of the EDC Guarantee) or, if there is any additional recovery after payment of that indebtedness, to the Related Parties, or equipment lessors in respect of their specific collateral (to the extent they have properly perfected purchase money security interests therein).

ACTIVITIES OF THE RECEIVER SINCE THE DATE OF APPOINTMENT

14. In addition to the other activities described in this First Report, the Receiver has established a website at www.pwc.com/car-labelad, where all materials filed with the Court and all orders granted by the Court in connection with the receivership, will be made available in electronic form.
15. The Receiver's activities have been focused on obtaining possession and control of the Property, dealing with creditors' claims and parties claiming a proprietary interest in and to certain property located at the Premises and soliciting offers for the liquidation and / or sale of the Property.

POSSESSION AND PRESERVATION OF THE PROPERTY

16. Subsequent to the Date of Appointment, the Receiver:
 - a) Changed the locks at the Premises;
 - b) Froze the Companies' bank accounts with RBC and opened new accounts in the name of the Receiver;
 - c) Contacted Labelad's alarm service provider to both delete the existing alarm codes and set up new alarm codes;
 - d) Completed a count of the Inventory, Equipment and other assets, including attempting to identify property that may be subject to claims of ownership by third parties;

- e) Reviewed the Companies' existing insurance coverage and contacted the Companies' insurance broker to request that the Receiver be added as named insured and loss payee on the Companies' insurance policy;
- f) Arranged for the continuation of all essential services to the Premises, including utilities;
- g) With the assistance of PwC's Forensic Technology Services Group, completed a back-up of the Companies' electronic books and records, including obtaining images of the software and data contained on a number of computers and servers located at the Premises.

EMPLOYEES

17. The Receiver understands that prior to the Date of Appointment, on or about July 16, 2012, when Labelad was no longer able to continue to provide inventory to fill orders on hand, Labelad terminated all of its employees. The Receiver understands that Marnlen did not have any employees. In addition, on July 16, 2012, the Companies' directors and officers resigned. Accordingly, the Receiver has had to call back certain of Labelad's former employees to assist it with the performance of its duties, including supporting the Receiver's efforts to identify and substantiate claims made by third parties for the return of goods claimed to be owned by such parties and assisting the Receiver in providing information to parties who expressed an interest in acquiring all or some of the Property.
18. Based on its review of Labelad's books and records, the Receiver has calculated that total claims of Labelad's former employees pursuant to section 81.4 of the BIA ("81.4") are approximately \$114,000 (the "81.4 Claims"). However, this amount may include amounts owing to employees who were also officers and / or directors and, accordingly, the total 81.4 Claims may be slightly less than \$114,000. As a result of amounts the Receiver has already realized in respect of inventory and accounts receivable, there are sufficient realizations from "current

assets" in order to pay the 81.4 Claims, which the Receiver intends to commence forthwith.

19. The Receiver is in the process of complying with its obligations under the *Wage Earner Protection Program Act* ("WEPPA"), including providing information to the Companies' former employees for the purpose of filing claims under the WEPPA with Service Canada, as required.

NOTICE TO CREDITORS

20. Pursuant to section 245(1) of the BIA, on January 30, 2012, the Receiver sent notice of its appointment, in the prescribed form, and its first report pursuant to section 246(1) of the BIA to all known creditors of the Companies, the Office of the Superintendent of Bankruptcy and to the Companies.

COMMUNICATIONS WITH CREDITORS, STAKEHOLDERS AND INTERESTED PARTIES

21. Subsequent to the Date of Appointment, the Receiver has had communications with RBC and representatives of the Related Parties on matters relevant to them in connection with the receivership proceedings.
22. As a result of Labelad's financial difficulties and its inability to meet its obligations as they became due, Labelad had been unable to continue to produce inventory to fill orders on hand. Following the Date of Appointment, several of Labelad's customers contacted the Receiver to advise that the continuity of supply of labels was critical and that the lack of label inventory could threaten certain customers' ability to ship products and ensure continuity of supply to their customers. The need to transition business to alternate label suppliers was critical to many of Labelad's customers.
23. With the assistance of certain of Labelad's former employees, the Receiver has cooperated with those customers who have made claims or asserted an ownership interest in respect of certain artwork, plates and other materials used in the production of labels and tags for them. The Receiver has worked with

some of those customers to identify materials and goods that may belong to them, and has, where appropriate provided such customers with access to the Premises to retrieve such goods. In addition, where possible, the Receiver has sold some of the remaining finished goods inventory to certain customers, maximizing realizations for the Companies' stakeholders and alleviating some customers' continuity of supply concerns.

24. In addition, in order to maximize the value obtained from the remaining business of the Companies and given the need of customers for continuity of supply, the Receiver undertook an abbreviated sales process, discussed more fully below.

SECTION 81.1 CLAIMS

25. The Receiver received three claims pursuant to Section 81.1 of the BIA (the "**81.1 Claims**") from the following claimants:
 - a) UPM Raflatac Inc. and UPM Raflatac Canada Holdings Inc. ("**UPM**");
 - b) Sun Chemical Limited ("**Sun**"); and
 - c) Avery Dennison Canada ("**Avery**"), Inc.
26. The Receiver has completed its review of UPM's 81.1 Claim and, subject to certain amounts that were disallowed by the Receiver, the Receiver has written to UPM and advised it of that portion of its 81.1 Claim that the Receiver has accepted and has invited UPM to attend at the Premises to retrieve such goods.
27. The Receiver received Avery's 81.1 Claim and Sun's 81.1 Claim on August 1, 2012 and has not yet made a determination of the validity of either 81.1 Claim, although the Receiver has quantified the maximum amount of Avery's 81.1 Claim.

RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS

28. The Receiver's statement of receipts and disbursements for the period from the Date of Appointment to August 1, 2012 is summarized as follows:

Statement of Receipts and Disbursements For the Period from July 18, 2012 - August 1, 2012	
	\$
Receipts	
Cash on Hand on Date of Appointment	49,346
Inventory Sales	43,538
Accounts Receivable Collections	287,455
Receiver's Borrowings	150,000
Total Receipts	530,339
Disbursements	
Salaries & Benefits	13,158
Insurance	7,356
Other Operating Expenses	1,517
Total Disbursements	22,031
Excess of Receipts over Disbursements	508,308

1 - U.S. dollar amounts converted at an exchange rate of 1:1 in this summary.

29. The Receiver currently estimates that it has incurred accrued obligations of approximately \$300,000 comprised primarily of rent and utilities in respect of the Premises, accrued costs related to engaging certain of Labelad's former employees and accrued professional fees.

SALES PROCESS

COMPANIES' MARKETING EFFORTS - 2010

30. In 2010, PricewaterhouseCoopers Corporate Finance Inc. ("PwCCF") was engaged to market Labelad for sale (the "2010 Sales Process"). At that time, although fiscal 2010 operating results had demonstrated some deterioration compared to prior periods, Labelad had generated sales in excess of \$25 million in 2008 and 2009 and positive EBITDA of approximately \$2 million in each year. As a result of the 2010 Sales Process, a number of expressions of interest were

received. After further discussions with interested parties, three letters of intent with expressions of interest to acquire all or substantially all of Labelad's business were available to the Companies and their shareholders to pursue, including a letter of intent from Labelink. After reviewing these letters of intent, the Receiver understands that the Companies decided not to continue the sales process and solicit agreements of purchase and sale from these interested parties. Based on information provided to the Receiver from PwCCF, the offers made during the 2010 Sales Process ascribed a range of values for the assets of Labelad that would have been sufficient to fully repay the obligations owing to RBC but would have only provided for a partial recovery in respect of the Related Party Indebtedness owing at that time.

COMPANIES' MARKETING EFFORTS - 2012

31. Subsequent to the 2010 Sales Process, Labelad's operating results deteriorated, including:
- a) Revenues declined from \$26.3 million in fiscal 2009 to \$16.5 million in fiscal 2011. In addition, trailing twelve-month revenues as at May 31, 2012 were approximately \$14.6 million. The decline in revenues had resulted from the loss of two key customers and general pricing pressures; and
 - b) Negative earnings before interest, taxes and depreciation and amortization ("EBITDA") beginning later in fiscal 2010 and persisting since then led to further injections of capital of approximately \$2 million by Nanlark, to fund cash losses the business was incurring.
32. In late May 2012, PwCCF was contacted by the Companies' principals and engaged to assist the Companies and their shareholders with a review of the strategic alternatives available to the Companies, including the potential sale of the Companies. Following a brief review of the Companies' financial position and the liquidity constraints the Companies were then facing, the Companies determined that the best way to protect the interests of the Companies and their

stakeholders, including RBC and Labelad's customers, suppliers and employees, was to either attempt to secure an investment from or sale to a strategic partner or purchaser. However, as the Companies' financial position had deteriorated significantly, the Receiver understands that the Companies determined that there was insufficient time to broadly re-canvass the market as PwCCF had done during the 2010 Sales Process. Accordingly, in June and early July 2012, the Companies focused their efforts on attempting to negotiate a transaction with Labelink and one or two other strategic parties.

33. As a result of ongoing negotiations, the Companies received a non-binding expression of interest from Labelink (the "**Labelink LOI**") for the purchase of substantially all of the Property. The Labelink LOI was amended, from time-to-time, to reflect changes resulting from Labelink's ongoing due diligence, the deteriorating financial condition of Labelad and Labelad's requirement for the injection of working capital from Labelink pending the completion of any sale of the Property to it.
34. During the period when Labelink and the Companies were negotiating the Labelink LOI, PwC worked with the Companies' legal counsel, Miller Thomson LLP ("**Miller**"), to develop a structure for the sale of the Property by a privately-appointed receiver by Nanlark pursuant to its security.
35. RBC was advised of these sales efforts and of the commitment that Marnlen and Labelad would not enter into a binding agreement of purchase and sale without RBC's knowledge, given that a default would otherwise have been triggered under the A&R Loan Agreement.
36. Unfortunately, after several weeks of negotiation, the Companies and Labelink were unable to agree upon terms of sale that could accommodate Labelad's requirements for interim financing of its operations. By this time, the Companies' financial position had deteriorated to the point where Labelad was no longer able to meet its obligations as they became due, which led to the

termination of its employees and the resignation of the Companies' directors and officers.

RECEIVER'S SALES PROCESS

37. During the hearing of RBC's application for the appointment of the Receiver, and as noted in the July 18, 2012 endorsement of Mr. Justice Perell, the Court was advised that due to:

- a) the Companies' financial position and unprofitable operations;
- b) the limited borrowing authority of the Receiver; and
- c) the substantial costs associated with occupying the Premises

it was unlikely a fulsome sale process would be possible, in the circumstances. However, the Receiver was of the view that if an "en bloc" sale of the Companies or the Property was available, such a transaction should be pursued as quickly as possible, as the attractiveness of the opportunity to purchase the Companies or the Property would rapidly diminish with the passage of time, as the risks associated with a re-start of the business, including most importantly retaining key customers and employees who had already been terminated, increased. This was illustrated by the concerns raised by Labelad's customers immediately after the Date of Appointment, as described earlier in this report.

38. Accordingly, immediately upon its appointment, the Receiver commenced an expedited, targeted sales process (the "**Sales Process**"), the principal elements of which were:

- a) On the Date of Appointment, the Receiver began contacting liquidators to obtain proposals in respect of the Companies' raw material inventory ("**Raw Material**"), work-in-process inventory ("**WIP**"), finished goods inventory ("**Finished Goods**" and collectively with Raw Material and WIP, "**Inventory**") and property, plant and equipment ("**Capital Assets**");

- b) On the Date of Appointment, with the assistance of PwCCF, the Receiver began contacting potential strategic acquirers, based on information PwCCF had developed during the 2010 Sales Process, the Receiver's knowledge of the market and information provided to the Receiver by the Companies' former officers and directors and the contacts made by Labelad with prospective purchasers and strategic investors in June and July, 2012;
 - c) The Receiver provided a non-disclosure agreement ("NDA") to all parties interested in undertaking due diligence in respect of the Property and advised those parties that submissions for the purchase of the Property (a "Bid") were due to be received by the Receiver by 5:00 p.m. Eastern time, Wednesday July 25, 2012 (the "Bid Deadline");
 - d) As soon as an interested party executed and returned the NDA to the Receiver, the Receiver provided interested parties with access to the Premises to undertake a tour and physical inspection of the tangible Property available for sale and also provided interested parties with electronic information in respect of the Inventory, the Capital Assets, the Companies' accounts receivables ("AR"), trademarks and trade names (the "IP") and other information relevant to interested parties' diligence requirements, subject to the information being readily available; and
 - e) With respect to strategic purchasers who were assessing the option of acquiring all or substantially all of the Property, the Receiver provided such interested parties with a template form of asset purchase agreement (an "APA") in which to submit their offer.
39. The timing associated with the Sale Process was very aggressive and interested parties had only a short period of time to undertake limited due diligence prior to the Bid Deadline. However, the Receiver is of the view that the shortness of the Sales Process was justified in the circumstances as:

- a) The Receiver had limited funding available to it to commit to a lengthy sales process and RBC has indicated that it was not prepared to provide additional funding for resumption of Labelad's operations or for an extended sales process, absent which, the Receiver did not have the certainty that it could provide for a later Bid Deadline. No other party provided or committed to provide funding;
- b) Labelad had shut-down production and laid off or terminated all of its employees and the risk of deterioration of value in the Companies' business and property over the period of a longer sales process was significant; and
- c) Immediately after the Date of Appointment, as noted above, numerous customers aggressively pursued the Receiver to obtain goods in which they claimed an ownership interest in, in an effort to manage re-sourcing to alternate suppliers in an expedited manner, making it clear that if anything other than a liquidation of the Capital Assets and Inventory were available to the Receiver, such a transaction had to occur quickly.

40. A summary of the Receiver's solicitation efforts during the Sales Process is as follows:

Sales Process Summary

	Contacted	NDA Sent	NDA Executed	Information Sent	Tour of Facility	Offers Received
Strategic Parties	32	29	21	21	10	8
Liquidators	8	8	8	8	8	8

41. The majority of the Bids received from Strategic Parties were for specific Property and were not "en bloc" offers. However two "en bloc" offers were received. A detailed summary of the Bids received, including the Bids from liquidators (the "Confidential Bid Summary"), will be filed with the Court as "Confidential Appendix B". The Receiver is of the view that the information contained in the Confidential Bid Summary should remain sealed until the Transaction (as

hereinafter defined) closes as the publication of the results of the Sales Process may be detrimental to the Receiver's efforts to re-market the Property, in the event the Transaction does not close. Accordingly, the Receiver is seeking a temporary sealing order with respect to the Confidential Bid Summary.

THE TRANSACTION

42. Based on its review of the Bids, the Receiver determined that it was likely that the net indebtedness owed to RBC, after taking into consideration the EDC Guarantee, would be repaid under either a liquidation with any of the most favourable proposals from liquidators or an "en bloc" sale of all or substantially all of the Property to either of the two "en bloc", strategic bidders. The Receiver also determined that the potential for maximizing recoveries for the Companies' stakeholders resulted from accepting the Bid from Labelink.
43. On August 3, 2012, the Receiver and Labelink executed a purchase and sale agreement (the "**Purchase Agreement**") in respect of that portion of the Property that was to be purchased by Labelink (the "**Purchased Assets**"), a redacted copy of which is attached hereto as **Appendix "C"**. Key elements of the transaction (the "**Transaction**") contemplated by the Purchase Agreement include:
 - a) The purchase and sale of the Purchased Assets is conditional on Court approval and the granting of a vesting order, vesting title in and to the Purchased Assets in Labelink;
 - b) Closing is to take place on or before August 17, 2012 ("**Closing**");
 - c) The purchase price includes a fixed purchase price for the Raw Material and the WIP, a variable price for the Finished Goods based upon the book value of Finished Goods on hand at Closing and a fixed purchase price for the Capital Assets;

- d) The Purchased Assets also include all IP owned by Marnlen related to the Labelad business;
 - e) Labelink will assume Labelad's financial obligations pursuant to financing arrangements under two equipment finance contracts;
 - f) Labelink is granted a right to access the Premises for a period of 30 days subsequent to Closing, at the Receiver's cost, for the purpose of removing the Purchased Assets from the Premises;
 - g) Labelink has agreed to indemnify the Receiver against claims related to the removal of the Purchased Assets and has provided covenants governing the removal of the Purchased Assets;
 - h) The Receiver is required to change Labelad's name on Closing to a name that does not use or reflect the word "Labelad"; and
 - i) Labelink is not purchasing the AR but has entered into a collection arrangement with the Receiver for the ongoing collection of AR subsequent to Closing.
44. The Receiver has advised legal counsel to the Landlord of the Transaction and the timeline contemplated for the removal of the Purchased Assets as set out in the Purchase Agreement.
45. The Receiver has reviewed the Transaction and its terms, with RBC and its legal counsel and understands RBC does not oppose the Transaction.
46. The Receiver has reviewed key aspects of the Transaction with EDC and understands that EDC does not oppose the Transaction.
47. The Receiver has reviewed the general terms of the Transaction, but not the Purchase Agreement itself, with counsel for Nanlark and understands that Nanlark does not oppose the Transaction.

48. Notwithstanding the Transaction provides the greatest opportunity to maximize recoveries for stakeholders, there will be insufficient realizations to provide any meaningful recovery, if any, in respect of the secured indebtedness owed to Nanlark. Accordingly, there will be no recovery for unsecured creditors as a result of the Transaction.
49. In the event the Court approves the Purchase Agreement but the sale of the Purchased Assets does not close, the Receiver is of the view that its efforts to re-market the Purchased Assets may be impaired if the Purchase Agreement is made public at this time. The Receiver proposes to file an unredacted copy of the Purchase Agreement with the Court as "**Confidential Appendix D**". The Receiver is of the view that the unredacted Purchase Agreement should remain confidential until the Transaction closes. Accordingly, the Receiver seeks an order temporarily sealing the unredacted Purchase Agreement pending the completion of the Transaction.

CONCLUSION AND RECOMMENDATION

50. The Receiver is of the view that the Transaction represents the best recovery for the Companies' stakeholders available in the circumstances and recommends that the Court grant an order approving the Transaction as:

- a) The Sales Process was designed to solicit interest from *bona fide* interested parties who would be familiar with the nature of the Property being offered for sale;
- b) A lengthy marketing effort was not available to the Receiver as the Receiver did not have certainty of funding to carry on a lengthy sales process. The market for Labelad's operations and the Property had been extensively canvassed by PwCCF in 2010, the most likely interested parties were known to the Receiver and, the alternative to undertaking a short, expedited sales process was an immediate liquidation of all of the Property;
- c) The market for Labelad's operations and the Property had been the subject of a targeted marketing by the Companies in June and early July, 2012, the result of which, had a binding agreement of purchase and sale been negotiated, would have yielded a significant shortfall in respect of the Related Party Indebtedness and, therefore, no recoveries to unsecured creditors;
- d) The Transaction represents the best offer received by the Receiver in the Sales Process and provides the most upside for future recoveries as a result of the retention of the AR by the Receiver; and
- e) Based on the estimated realizations from the Property, RBC, EDC and the Nanlark are the only creditors with an economic interest in the Property, and the Receiver is not aware of any objection to the Transaction from these parties.

51. The Receiver respectfully recommends that the Court grant an order:

- a) Approving the First Report and the activities of the Receiver as set out herein;
- b) Approving the Transaction and the Purchase Agreement and vesting the Companies' right, title and interest in and to the Purchased Assets in Labelink, free and clear of all liens and encumbrances;
- c) Authorizing and directing the Receiver to change Labelad's name on Closing of the Transaction, to 1547937 Ontario Ltd.; and
- d) Temporarily sealing the Confidential Bid Summary and the unredacted Purchase Agreement, pending the completion of the Transaction.

All of which is respectfully submitted on this 7th day of August, 2012.

PricewaterhouseCoopers Inc.
In its capacity as Receiver of
Marnlen Management Ltd. and Labelad Ltd.



Greg Prince
Senior Vice President

TAB C

**MARNLEN MANAGEMENT LTD.
AND 1547937 Ontario Ltd. (formerly known as
LABELAD LTD.)**

SECOND REPORT OF THE RECEIVER

October 16, 2012

Court File No. CV-12-9788-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

ROYAL BANK OF CANADA

Applicant

-AND-

MARNLEN MANAGEMENT LTD. AND LABELAD LTD.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

**SECOND REPORT OF PRICEWATERHOUSECOOPERS INC.
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF THE ASSETS,
UNDERTAKINGS AND PROPERTIES OF MARNLEN MANAGEMENT LTD.
AND 1547937 ONTARIO LTD. (FORMERLY KNOWN AS LABELAD LTD.)**

October 16, 2012

INTRODUCTION

BACKGROUND

1. By order (the "**Appointment Order**") of Mr. Justice Perell of the Ontario Superior Court of Justice (the "**Court**") dated July 18, 2012 (the "**Date of Appointment**"), PricewaterhouseCoopers Inc. ("**PwC**") was appointed receiver (the "**Receiver**") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, (the "**BIA**") and section 101 of the *Courts of Justice Act* R.S.O. 1990 c.43, as amended, without security, of all of the assets, undertakings and properties (the "**Property**") of Marnlen Management Ltd. ("**Marnlen**") and Labelad Ltd. ("**Labelad**") and together with Marnlen, the "**Companies**", pursuant to an application by the Royal Bank of Canada ("**RBC**"). A copy of the Appointment Order is attached as **Appendix "A"** to this report.

PURPOSE OF REPORT

2. The Receiver filed its first report to the Court (the "**First Report**") dated August 7, 2012 (the "**Date of the First Report**"), the purpose of which was to update the Court on the Receiver's activities from the Date of Appointment to the Date of the First Report and to seek an order of the Court approving the sale of a portion of the Property to Labelink Products Inc. ("**Labelink**"). A copy of the First Report, without appendices, is attached hereto as **Appendix "B"**.
3. This is the Receiver's second report (the "**Second Report**"), the purpose of which is to update the Court with respect to:
 - i) The Receiver's activities from the Date of the First Report to the date of this Second Report;
 - ii) The Receiver's cumulative statement of receipts and disbursements from the Date of Appointment to September 30, 2012;
 - iii) The completion of the Transaction (as hereinafter defined) with Labelink;

- iv) The Receiver's review of the validity and enforceability of RBC's security (the **"RBC Security"**) and Nanlark Holdings Limited's (**"Nanlark"**) security (the **"Nanlark Security"**) in respect of the Property and the opinion thereon of the Receiver's independent legal counsel, Aird & Berlis LLP (**"A&B"**);

and to seek orders of the Court:

- v) Amending the title of these proceedings to reflect Labelad's name change (as discussed below);
- vi) Approving the Second Report and the Receiver's activities as described therein;
- vii) Approving the accounts of the Receiver for the period to September 30, 2012;
- viii) Approving the accounts of A&B for the period to September 30, 2012;
- ix) Approving the Receiver's Statement of Receipts and Disbursements from the Date of Appointment to September 30, 2012;
- x) Amending and restating the Appointment Order to provide the Receiver the authority to assign the Companies into bankruptcy pursuant to the provisions of the BIA;
- xi) Approving a distribution to RBC in an amount sufficient to satisfy the Companies' indebtedness to RBC, such amount not to exceed \$600,000 plus US\$101,000 (the **"RBC Distribution"**);
- xii) Approving a distribution to Export Development Canada (**"EDC"**) in an amount of \$1,000,000 (the **"EDC Distribution"**); and
- xiii) Approving an interim distribution to Nanlark, in an amount of \$140,000 (the **"Nanlark Interim Distribution"**).

RESTRICTIONS

4. In preparing this Second Report, the Receiver has relied upon unaudited and draft, internal financial information obtained from the Companies' books and records and discussions with former management and staff. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided to it and expresses no opinion, or other form of assurance, in respect of the information contained in this report.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms used but not otherwise defined herein are as defined in the Appointment Order.

RECEIVER'S ACTIVITIES SINCE THE DATE OF THE FIRST REPORT

6. As set out in the First Report, as the Companies' operations had essentially been wound down prior to the Date of Appointment, the Receiver's activities were focused on obtaining possession of the Property leased by Marnlen, located at 400 Cochrane Drive, Markham, Ontario (the "**Premises**"), dealing with creditors' claims and soliciting offers for the sale and / or liquidation of the Property.
7. Subsequent to the Date of the First Report, the Receiver's activities have included:
 - i) Overseeing the completion of the Transaction;
 - ii) Collecting accounts receivable;
 - iii) Selling finished goods inventory;
 - iv) Completing its review of claims of unpaid suppliers made pursuant to Section 81.1 of the BIA (the "**81.1 Claims**"); and
 - v) Reviewing and analyzing various claims made by certain of Labelad's customers for the return of goods in which they claimed a proprietary interest.

COMPLETION OF THE TRANSACTION

8. On August 3, 2012, the Receiver and Labelink executed a purchase and sale agreement (the "**Purchase Agreement**") in respect of that portion of the Property that was to be purchased by Labelink (the "**Purchased Assets**"). Key elements of the transaction (the "**Transaction**") were described in the First Report. On August 13, 2012, pursuant to an order of the Honourable Justice Strathy (the "**Approval and Vesting Order**"), the Court approved the Transaction.
9. Pursuant to the terms of the Purchase Agreement, the Transaction was to close on August 17, 2012, or such other date mutually agreed upon by the Receiver and Labelink. On August 17, 2012, the Receiver and Labelink agreed to extend the closing of the Transaction to August 24, 2012. However, the period of time Labelink had for the removal of the Purchased Assets was not extended and therefore Labelink remained obligated to remove the Purchased Assets from the Premises by September 16, 2012.
10. On August 24, 2012 the Receiver and Labelink agreed to extend the closing of the Transaction to August 31, 2012. The Receiver advised Labelink that it required Labelink to fund the Receiver's estimated per diem occupation costs in respect of the Premises for the period of this extension of the closing. Labelink agreed and provided the Receiver with funding of approximately \$41,000 in this respect. On August 31, 2012, the Transaction closed and possession of the Property was provided to Labelink.
11. Pursuant to the Approval and Vesting Order, after the Transaction closed the Receiver executed and filed articles of amendment (the "**Articles of Amendment**") changing Labelad's name to 1547937 Ontario Ltd. Through its counsel, the Receiver notified all parties with registrations against the Companies under the *Personal Property Security Act* of Labelad's name change. A copy of the Articles of Amendment is attached as **Appendix "C"** hereto.

12. On September 20, 2012 the Receiver notified 400CD Property Ltd.'s (the "Landlord") legal counsel of its intention to terminate the ground lease between the Landlord and Marnlen dated June 26, 2008 (the "Lease"). On September 23, 2012 the Lease was terminated.

COLLECTION OF ACCOUNTS RECEIVABLE

13. As at the Date of the First Report, the Receiver had collected approximately \$287,000 in respect of the Companies' accounts receivable, which had a book value, at the Date of Appointment, of approximately \$1.2 million (including balances that were aged over one year).
14. As of September 30, 2012, the Receiver had collected approximately \$993,000 in respect of the Company's accounts receivable.
15. Pursuant to the terms of the Purchase Agreement, subsequent to the closing of the Transaction, Labelink is required to use reasonable commercial efforts to collect the remaining accounts receivable on the Receiver's behalf, for a fee of 5% of the amount of all receivables collected by it for the Receiver (in the case of payments directed to the Receiver), net of certain collection costs. Included in the Receiver's collections, as of September 30, 2012, are collections of approximately \$25,000 made subsequent to the Closing of the Transaction, for which the Receiver owes Labelink accrued collection fees of \$1,250.

STATUTORY DUTIES

16. To the best of its knowledge and belief, as of the date of this Second Report, the Receiver has complied with all of its statutory duties and obligations pursuant to the BIA.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

17. The Receiver's statement of receipts and disbursements for the period from the Date of Appointment to September 30, 2012 (the "**Receiver's R&D**") is summarized below:

Statement of Receipts and Disbursements (Net of Receiver's Borrowings) As at September 30, 2012		
	CAD \$	USD \$
Receipts		
Cash on Hand on Date of Appointment	10,861	38,485
Sale of Fixed Assets	1,100,000	-
Sale of Inventory	748,340	50,744
Sale of Marnlen Intangible Assets	1,000	-
HST Collected (on Inventory Sales)	17,686	5,009
Accounts Receivable Collections pre Labelink Closing (pre-Sept. 1)	353,333	627,416
Accounts Receivable Collections post Labelink Closing (post-Aug. 31)	10,183	15,145
CIT Payout Funds Received ¹	172,411	-
Other Receipts	85,299	5
Total Receipts	2,499,113	736,804
Disbursements		
Employee Related Costs	56,413	-
Rent	290,664	-
Insurance	22,607	-
Professional Fees and Disbursements	213,684	-
HST paid	69,007	-
Other Operating Expenses	62,396	-
Total Disbursements	714,772	-
Excess of Receipts over Disbursements before CIT Payout	1,784,341	736,804
Less: CIT Payout	172,411	-
Net Receipts Over Disbursements	1,611,930	736,804

¹ Pursuant to the terms of the Purchase Agreement, Labelink was required to assume the indebtedness owed to CIT, or repay same (the "**CIT Indebtedness**") in respect of certain of the Property. Accordingly, on the closing of the Transaction, Labelink caused an amount of \$172,411 to be directed to CIT, in addition to the proceeds owing to the Receiver, to satisfy the CIT Indebtedness.

18. Pursuant to paragraph 20 of the Appointment Order, the Receiver was authorized to borrow up to \$300,000, if required, (the "**Receiver's Borrowings**") for the purpose of funding the exercise of its powers and duties pursuant to the Appointment Order. The Receiver borrowed \$150,000 from RBC shortly after the Date of Appointment in order to meet forecast obligations at that time. On September 5, 2012, the Receiver repaid the Receiver's Borrowings, with interest.

UNREALIZED PROPERTY AS AT THE DATE OF THE SECOND REPORT

ART ASSETS

19. In addition to Marnlen's intangible assets, which were Purchased Assets pursuant to the Transaction, Marnlen owns various pieces of fine art (the "Art Assets"). The Receiver has contacted various appraisers who specialize in the appraisal of assets similar in nature to the Art Assets and is in the process of arranging for an appraisal of the Art Assets.

CONTINGENT REFUND

20. As discussed in the First Report, RBC has issued a letter of credit (the "Customs L/C") in the amount of US\$100,000 in favour of Washington International Insurance Co. ("Washington International").
21. The Customs L/C was originally issued as collateral for a bond issued by Washington International to secure the performance of certain obligations Labelad might incur in respect of the sale of goods to customers in the United States, which may be subject to the review and assessment of the United States Customs and Border Protection ("U.S. Customs"). The Receiver understands that RBC has elected to not renew the Customs L/C. Accordingly, the Receiver understands that Washington International will draw down on the Customs L/C.
22. Once U.S. Customs has reviewed all of Labelad's transactions that may be subject to its assessment, the Receiver understands that Washington International will pay out amounts owing to U.S. Customs in respect of the performance bond, if any, and will set off such amounts against the US\$100,000 it will hold after its draws down on the Customs L/C. The Receiver understands that once all potential liability or exposure under the bond contract is extinguished, Washington International will be obligated to refund the unused portion of the Customs L/C, if any, to Labelad (the "Contingent Refund").

REQUEST FOR APPROVAL OF DISTRIBUTION TO THE SECURED CREDITORS

CLAIMS PURSUANT TO SECTION 81.1 OF THE BIA

23. As described in the First Report, the Receiver received three claims pursuant to Section 81.1 of the BIA (the "**81.1 Claims**"), summarized as follows:
- i) UPM Raflatac Inc. and UPM Raflatac Canada Holdings Inc. ("**UPM**");
 - ii) Sun Chemical Limited ("**Sun**"); and
 - iii) Avery Dennison Canada, Inc. ("**Avery**").
24. Subject to certain amounts that were disallowed by the Receiver, UPM and Avery have attended at the Premises and retrieved their respective goods at their own expense.
25. Sun has entered into an agreement to sell a portion of its goods subject to its 81.1 Claim to Labelink. As a result, the Receiver requested and received an acknowledgement from Sun waiving any further claim against the Receiver to the goods subject to its 81.1 Claim that were sold to Labelink. Sun has attended the Premises and retrieved any other remaining goods at its own expense.
26. Accordingly, the Receiver is of the view that no reserve is required in respect of the 81.1 Claims.

CLAIMS PURSUANT TO SECTIONS 81.4 AND 81.6 OF THE BIA

27. Prior to the Date of Appointment, Labelad had terminated all of its employees.
28. The Receiver has reviewed the Company's payroll records, on an employee-by-employee basis, and has prepared an analysis of the potential claims which could be asserted by its former employees pursuant to section 81.4 of the BIA, if proofs of claims are delivered to the Receiver and proven in accordance with the provisions of the BIA (the "**81.4 Claims**"). Based on its review, the Receiver has concluded that the maximum amount of the 81.4 Claims is approximately \$118,000. As a result, the

Receiver will maintain a reserve, in the amount of \$118,000 for the payment of the potential 81.4 Claims (the "**81.4 Reserve**").

29. The Receiver is not aware of any claims of travelling salespersons who might be owed money by Company for business disbursements. As a result, the Receiver is not aware of any amounts, which could result in potential claims pursuant to subsections 81.4(3) of the BIA.
30. On August 17, 2012, the Receiver mailed a proof of claim form to all of the Company's former employees.
31. To the best of its knowledge and belief, the Receiver has complied with its obligations under the *Wage Earner Protection Program Act* ("**WEPPA**") and will continue to do so, as required, including providing information to Service Canada and the Company's former employees for the purpose of the employees filing claims under WEPPA with Service Canada.
32. As of the date of this Second Report, the Receiver has not settled any of the 81.4 Claims filed by Labelad's former employees as it is anticipated that subrogation letters will be filed with the Receiver by Service Canada pursuant to the provisions of WEPPA, whereby Service Canada will be subrogated to the rights of the former employees and, as such, the amount of the 81.4 Claims will be payable directly to Service Canada.
33. Labelad had a defined contribution pension plan (the "**Pension Plan**"). The Great West Life Insurance Company ("**Great West Life**") is the third party pension plan administrator and fund custodian.
34. On the Date of Appointment, the Receiver took steps to suspend all payments under Labelad's pension plans and any premiums paid in respect of Labelad's group benefits plan.
35. Based upon Labelad's books and records the total pension-related funding or contribution arrears were estimated to be approximately \$42,000, as at the Date of Appointment, which amount is secured by the Property and ranks in priority to the

claims of RBC, EDC and Nanlark, pursuant to section 81.6 of the BIA (the "**81.6 Claim**").

36. Great West Life has yet to file a claim pursuant to section 81.6 of the BIA but has informed the Receiver of their intention to do so. As a result the Receiver will maintain a sufficient reserve to satisfy the potential 81.6 Claim (the "**81.6 Reserve**"), subject to substantiation of the claim by Great West Life.
37. Subject to the maintenance of the 81.4 Reserve and the 81.6 Reserve, the Receiver is of the view that no other reserves are required with respect to potential 81.4 Claims or potential 81.6 Claims.

AMOUNTS OWING TO RBC AND EDC

38. Labelad and Marnlen are indebted to RBC pursuant to an Amended and Restated Loan Agreement dated as of July 14, 2011 between RBC as lender, Labelad as borrower and Marnlen as Guarantor (the "**A&R Loan Agreement**"). Immediately prior to the Date of Appointment, the Receiver understands that Labelad was indebted to RBC in the amount of approximately \$1.53 million, excluding accrued fees and professional costs and amounts in respect of letters of credit issued by RBC.
39. As set out in the First Report, Nanlark has provided a limited guarantee of the indebtedness of Labelad to RBC and cash collateral of \$1,000,000 to secure Nanlark's obligation under that guarantee (the "**Nanlark Guarantee**"). Subsequent to the Date of Appointment, the Receiver is advised that RBC made demand on the Nanlark Guarantee and has applied the \$1,000,000 cash collateral in part payment of the indebtedness of the Companies to RBC.
40. In addition to Labelad's borrowings under the A&R Loan Agreement, RBC had issued two letters of credit, which are also secured by the Property, summarized as follows:
 - i) \$1,000,000 in favour of the Landlord (the "**Landlord L/C**"); and
 - ii) The Customs L/C (as previously defined).

41. In support of the Landlord L/C, Export Development Canada (“EDC”) had issued a letter of guarantee in favour of RBC in the amount of \$1,000,000 (the “**EDC Guarantee**”). Subsequent to the Date of Appointment, the Landlord presented the Landlord L/C to RBC for payment and RBC has presented the EDC Guarantee to EDC for payment. Accordingly, pursuant to the terms of the EDC Guarantee, EDC is subrogated to RBC’s position as a secured creditor of the Companies and will enjoy the benefit and priority of the RBC Security once Labelad’s indebtedness to RBC has been paid in full.
42. As previously mentioned, RBC has elected to not renew the Customs L/C. The Receiver understands that Washington International will draw down on the Customs L/C, which will increase the amount of RBC’s indebtedness by US\$100,000.
43. The amounts owing to RBC and EDC are summarized as follows:

Amounts Owing to RBC and EDC¹			
	Funded Debt	Letters of Credit	Total
RBC	1.53	1.10	2.63
Less: Cash Collateral - Nanlark	(1.00)	-	(1.00)
Less: EDC Guarantee	-	(1.00)	(1.00)
Net RBC	0.53	0.10	0.63
NET EDC	-	1.00	1.00
TOTAL	0.53	1.10	1.63

¹ Excludes professional costs and accrued interest from the Date of Appointment, if any.

SECURITY OPINION - RBC

44. The Receiver has obtained an independent, written legal opinion (the “**RBC Security Opinion**”) from A&B, with respect to the validity and enforceability of the RBC Security. Subject to the customary qualifications and limitations contained therein, it is A&B’s opinion that the RBC Security is valid and enforceable.

AMOUNTS OWING TO NANLARK AND MARNLEN

45. At the Date of Appointment, Marnlen's books and records indicated that Marnlen owed Nanlark in excess of \$7.2 million. This indebtedness is secured by the Property (the "**Nanlark Marnlen Security**"). The Nanlark Marnlen Security is subordinate to the security granted by the Companies to RBC.
46. As a result of RBC calling the Nanlark Guarantee, the Companies' indebtedness to Nanlark has increased since the Date of Appointment by \$1,000,000, excluding accrued interest and other fees / costs Nanlark may have incurred. Accordingly, Nanlark is owed in excess of \$8.2 million.
47. At the Date of Appointment, Labelad's books and records indicated that it owed Marnlen approximately \$1.1 million, which indebtedness is secured by the Property (the "**Nanlark Labelad Security**") and which is subordinate to the security granted by the Companies to RBC.

SECURITY OPINION - NANLARK

48. The Receiver has obtained an independent, written legal opinion (the "**Nanlark Security Opinion**") from A&B, with respect to the validity and enforceability of each of the Nanlark Marnlen Security and the Nanlark Labelad Security. Subject to the customary qualifications and limitations contained therein, it is A&B's opinion that the Nanlark Security is valid and enforceable.

AMOUNTS AVAILABLE FOR DISTRIBUTION TO THE SECURED CREDITORS

49. The following summarizes the amounts available for distribution after providing for accrued obligations and reserves for estimated, future costs and disbursements:

Estimate of Amounts Available for Distribution		
	CAD \$	USD \$
Net Receipts Over Disbursements (as at September 30, 2012)	1,611,930	736,804
Accrued Obligations and Reserves		
AR Administration Fee Payable to Labelink	509	757
Accrued Professional Fees	200,000	-
Accrued Other Expenses	60,000	-
Reserved S. 81.4 Amount for Employees	118,000	-
Reserved S. 81.6 Amount for Employees	42,182	-
Total Accrued and Reserved Obligations	420,691	757
Estimated Net Funds Available for Distribution	1,191,239	736,046
Conversion of USD \$ Realizations to CDN \$ ¹	621,614	(634,046)
Estimated Net Funds Available for Distribution	1,812,853	102,000

¹ Converted on October 4, 2012 at FX rate of 0.9802

50. The funds available for distribution do not include the Contingent Refund, the Art Assets and any additional collections of the Company's accounts receivable after September 30, 2012 (net of commissions owing to Labelink).
51. The Estimated Net Funds Available for Distribution exceeds the combined amount owing to RBC and EDC. Accordingly, Nanlark has an economic interest in the Property. In addition to any cash distributions that may be available to it, Nanlark has advised the Receiver that subject to the payment in full, or the reserve for such payment, of all amounts ranking in priority to the Nanlark Marnlen Security or the Nanlark Labelad Security, Nanlark has elected that the Art Assets be distributed to it "in kind" as opposed to the Receiver realizing on the Art Assets and distributing the proceeds of any such realization to Nanlark, provided that the Art Assets Appraisal indicates that the value of the Art Assets is substantially less than the amounts owing to it, less the Nanlark Interim Distribution, and the amount of any other distributions which may be available to Nanlark in respect of the Property.

AUTHORITY TO ASSIGN THE COMPANIES INTO BANKRUPTCY

52. As at the date of this Second Report, there are no known deemed trust claims asserted against the Property. However, based on a review of the Companies' books and records, the Receiver has identified potential deemed trust claims in respect of HST input tax credit amounts claimed by the Companies prior to the Date of Appointment, for which expenses incurred by the Companies remain unpaid by them.
53. In order that Nanlark be in a position to receive distributions in respect of the Property, and to avoid the need for the Receiver to hold reserves in addition to the reserves described above, Nanlark has advised the Receiver that it is of the view that the assignment of the Companies into bankruptcy is appropriate in the circumstances.
54. The Directors and Officers of Marnlen and Labelad resigned on July 16, 2012. As the Companies do not have acting Directors and Officers, or employees with authority to bind the Companies, Nanlark's counsel, Miller Thomson LLP, advised the Receiver that it was of the view that Nanlark would need to bring motions to seek orders of the Court for substituted service in order to properly serve applications for bankruptcy orders on the Companies, in addition to bringing motions for the making of the bankruptcy orders. Accordingly, in order to avoid the costs associated with Nanlark applying to the Court for bankruptcy orders in respect of the Companies, Nanlark has asked the Receiver to seek an order of the Court authorizing the Receiver to assign the Companies into bankruptcy. Nanlark has agreed that any costs to be incurred in connection with the administration of the bankruptcies are to be funded by Nanlark out of the Nanlark Interim Distribution.
55. The form of order included in RBC's application record for the appointment of a receiver, initially contemplated the Receiver having the power to assign the Companies into bankruptcy. As a result of objections raised by the Landlord on the return of the application, RBC's request for such power in the appointment order was not granted by the Court. The Receiver has advised the Landlord's legal counsel of the relief the Receiver is seeking for the authority to assign the Companies into bankruptcy. The

Receiver is not aware of any continuing objection of the Landlord to such relief and, as noted earlier in this report, the lease of the Premises has been terminated.

56. As the Receiver has obtained the Nanlark Security Opinion from independent legal counsel that is to the effect, subject to the customary qualifications and limitations contained therein, that each of the Nanlark Marnlen Security and the Nanlark Labelad Security would be valid and enforceable against a trustee in bankruptcy of each of Marnlen and Labelad, Nanlark has requested that PwC act, and PwC has agreed to act, as trustee in bankruptcy of the Estates of the Companies should this Court grant the relief requested that the Appointment Order be amended to authorize the Receiver to assign the Companies into bankruptcy.
57. The Receiver is of the view that granting it the authority to make assignments in bankruptcy pursuant to the provisions of the BIA in respect of the Companies is just and convenient in the circumstances and avoids the need for Nanlark to incur the costs associated with applying for bankruptcy orders in circumstances in which it appears that those orders would be granted. The Receiver will serve Canada Revenue Agency ("CRA") with notice of its motion seeking the relief described herein.

PROPOSED DISTRIBUTION AND NET RESIDUAL FUNDS

58. The following table summarizes the amounts available for the RBC Distribution, the EDC Distribution and the Nanlark Interim Distribution and the net residual funds that will remain in the Receiver's possession, in addition to the funds being held as reserves for accrued obligations and estimated, future costs:

Proposed Distribution and Net Residual Funds		
	CAD \$	USD \$
Estimated Net Funds Available for Distribution	1,812,853	102,000
Proposed Distributions		
RBC Distribution	596,777	100,743
EDC Distribution	1,000,000	
Nanlark Interim Distribution	140,000	
Total Proposed Distribution	1,736,777	100,743
Net Residual Available Before Costs to Finalize Administration	76,076	1,257

REQUEST FOR FEE APPROVAL

59. The Appointment Order directs and empowers the Receiver and its legal counsel to pass their accounts from time to time.
60. The Receiver and its legal counsel, A&B, have maintained detailed records of their professional time and costs since the Receiver's appointment.
61. Pursuant to paragraph 17 of the Appointment Order, any expenditure or liability properly made or incurred by the Receiver, including the fees of the Receiver and the fees and disbursements of its legal counsel, shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any person, subject to limited statutory exceptions, and are authorized to be paid on a periodic basis subject to any final assessment or taxation as may be ordered by the Court.
62. The Receiver is seeking the approval of its fees and disbursements for the period to September 30, 2012 (the "**Receiver's Fee Approval Period**") and those of A&B for the period to September 30, 2012 (the "**Legal Fee Approval Period**") in connection with the performance of their duties in these receivership proceedings.

63. The total fees of the Receiver during the Receiver's Fee Approval Period amount to \$301,945.50, together with expenses and disbursements in the amount of \$19,202.14 (both excluding HST) (collectively, the "**Receiver's Fees and Disbursements**"). The time spent by the Receiver's personnel during the Receiver's Fee Approval Period is more particularly described in the Affidavit of Tracey Weaver (the "**Weaver Affidavit**"), sworn October 4, 2012 in support hereof and attached as **Appendix "D"** to this Second Report. The Weaver Affidavit includes a summary of the personnel, hours, and hourly rates charged by the Receiver in respect of the Receiver's Fee Approval Period.
64. The total fees for services provided by A&B during the Legal Fee Approval Period amount to \$47,672.00, together with expenses and disbursements in the amount of \$1,405.64 (both excluding HST) (collectively, the "**Legal Fees and Disbursements**"). The time spent by A&B's personnel during the Legal Fee Approval Period is more particularly described in the Affidavit of Steven Graff (the "**Legal Fee Affidavit**") sworn October 16, 2012 in support hereof and attached as **Appendix "E"** to this Second Report. Included in the Legal Fee Affidavit is a summary of the personnel, hours, and hourly rates charged by A&B in respect of the Legal Fee Approval Period.
65. The Receiver respectfully submits that the Receiver's Fees and Disbursements and the Legal Fees and Disbursements are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Appointment Order. Accordingly, the Receiver now seeks the approval of this Honourable Court of the Receiver's Fees and Disbursements, and the Legal Fees and Disbursements.

CONCLUSION

66. The Receiver respectfully requests that this Court grant an order:

- i) Amending the title of these proceedings to reflect Labelad's name change;
- ii) Approving the Second Report and the Receiver's activities as described therein;
- iii) Approving the accounts of the Receiver for the period to September 30, 2012;
- iv) Approving the accounts of A&B for the period to September 30, 2012;
- v) Approving the Receiver's Statement of Receipts and Disbursements from the Date of Appointment to September 30, 2012;
- vi) Amending and restating the Appointment Order to authorize the Receiver to assign the Companies into bankruptcy pursuant to the provisions of the BIA;
- vii) Approving the RBC Distribution;
- viii) Approving the EDC Distribution; and
- ix) Approving the Nanlark Interim Distribution.

All of which is respectfully submitted on this 16th day of October, 2012

PricewaterhouseCoopers Inc.

In its capacity as Receiver of Marnlen Management Ltd. and
1547937 Ontario Ltd. (formerly known as Labelad Ltd.)



Greg Prince
Senior Vice President

TAB D

Item	Artist	Title of Artwork	Year	Medium (oil on canvas, oil on board, watercolour, etc.)	Signed/Unsigned (location of signature)	Comments on Condition	Appraisal Value - Mayberry	Appraisal Value Low - Sotheby's	Appraisal Value High - Sotheby's
1	Boxer, Stanley	Mountofbeadedsermons	1991	oil & mixed media on canvas	3 photos; signed on back	excellent	1,700	3,000	5,000
2	Drapell, Joseph	Con Brio	1993	acrylic on canvas	3 photos; signed on back	excellent	6,000	6,000	8,000
3	Roth, Susan	A Guardian Angel	1990	acrylic, pumice gel & canvas on canvas	2 photos; signed on back	excellent	1,000		
4	Haynes, Douglas	Toledo Night	1992	oil on canvas	2 photos; signed on back	excellent	2,500	1,000	1,000
5	Haynes, Douglas	Toledo Set	1992	oil on canvas	1 photo	excellent	2,200	1,000	1,000
6	Zox, Larry	Paddy Carr	1991	acrylic on canvas	4 photos, signed on back	excellent	6,500	6,000	9,000
7	Feist, Harold	Prayer	1989	acrylic on canvas	2 photos; signed on back	excellent	1,500	2,500	2,500
8	Feist, Harold	Starlit Air	1992	acrylic on canvas	3 photos; signed on back	excellent	1,000	2,500	2,500
9	Feist, Harold	Quiet Mind	1992	acrylic on canvas	1 photo	excellent	750	2,500	2,500
10	Prince Monyo Milhailescu-Nasturel	Happy Day		bronze sculpture	1 phone	excellent	16,000		
11	Dine, Jim	The Southern Cross #3	1995	acrylic & oilstick on canvas	6 photos; signed on back	excellent	125,000	60,000	80,000
12	Prince Monyo Milhailescu-Nasturel	Leap Frogging		bronze sculpture	1 photo	excellent	6,000		
13	Prince Monyo Milhailescu-Nasturel	Nature Prize		bronze sculpture	1 photo	excellent	12,000		
14	Prince Monyo Milhailescu-Nasturel	First Balloon		bronze sculpture	1 photo	excellent	4,000		
15	Bush, Jack	Dorothy's Coat	1972	acrylic on canvas	3 photos; signed on back	excellent	150,000	200,000	300,000
16	Caro, Anthony	Seated Nude Rear	1995	charcoal on paper	2 photos	excellent	1,500	1,000	1,500
17	Feist, Harold	Quiet Patience	1982	acrylic on canvas	4 photos, signed on back	excellent	750	2,500	2,500
18	Haynes, Douglas	Aqui	1993	oil on canvas	3 photos; signed on back	excellent	2,000	1,000	1,000
19	Roth, Susan	Probable Stuff	1990	acrylic & canvas on canvas	3 photos; signed on back	excellent	1,500		
20	Feist, Harold	Last Star	1991	acrylic on canvas	3 photos; signed on back	excellent	1,000	2,500	2,500
21	Andersson, Anne	Chakra		sisal	1 photo	excellent	2,500		
							345,400	291,500	419,000

TAB E

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3 AS AMENDED

AND IN THE MATTER OF THE RECEIVERSHIP OF

**MARNLEN MANAGEMENT LTD. and
1547937 ONTARIO LTD (formerly Labelad Ltd.),
(collectively the “Companies”)**

AFFIDAVIT OF TRACEY WEAVER

I, **TRACEY WEAVER**, of the town of Whitby, in the Province of Ontario, **MAKE OATH AND SAY** that:

1. I am a Vice President of PricewaterhouseCoopers Inc. (“**PwC**”) and, as such, I have knowledge of the matters hereinafter deposed to except where stated to be on information and belief, and whereso stated, I verily believe it to be true.
2. On July 18, 2012 pursuant to an order of the Court (the “**Appointment Order**”), PwC was appointed as receiver (the “**Receiver**”) without security, of all of the assets, undertakings and properties of Marnlen Management Ltd. (“**Marnlen**”) and Labelad Ltd. (“**Labelad**” and collectively with Marnlen the “**Companies**”). The Appointment Order was granted pursuant to an application made by Royal Bank of Canada pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43, as amended.
3. On September 4, 2012, articles of amendment were filed changing the name of Labelad to 1547937 Ontario Ltd.
4. By order dated October 25, 2012 (the “**First Interim Fee Approval Order**”), the fees and disbursements of the Receiver for the period from July 12, 2012 to September 30, 2012 were approved by this Court in the amount of \$321,147.64 (excluding harmonized sales tax (“HST”). Attached hereto as Exhibit “A” to this my affidavit is a copy of the First Interim Fee Approval Order.

5. Pursuant to the Appointment Order, the Receiver has provided services and incurred disbursements, in the amount of \$48,575.00 and \$2,428.76 respectively, both excluding HST, in the period from October 1, 2012 to January 31, 2013 (the "**Period**") with respect to the receivership proceedings. Attached hereto and marked as Exhibit "B" to this my Affidavit is a summary of all invoices rendered by the Receiver on a periodic basis during the Period (the "**Accounts**").
6. True copies of the Accounts, which include a fair and accurate description of the services provided along with the hours and applicable rates claimed by the Receiver, are attached as Exhibit "C" to this my Affidavit.
7. The Receiver has previously filed two reports with the Court with respect to its conduct and the receivership proceedings (the "**Prior Reports**"). In addition, and contemporaneously with the filing of this Affidavit, the Receiver is filing its third and final report to the Court (the "**Final Report**"). Details of the activities undertaken and services provided by the Receiver in connection with the administration of the receivership proceedings are described in the Prior Reports and the Final Report.
8. In the course of performing its duties pursuant to the Appointment Order, the Receiver's staff has expended a total of 161.5 hours during the Period. Attached as Exhibit "D" to this my Affidavit is a schedule setting out a summary of the individual staff involved in the administration of the receivership and the hours and applicable rates claimed by the Receiver for the Period. The average hourly rate billed by the Receiver during the Period is \$300.77.
9. The total amount of professional fees and disbursements being claimed for work performed by the Receiver during the Period is \$51,003.76 (excluding HST).
10. The Receiver requests that this Honourable Court approve its Accounts for the Period, in the total amount of \$51,003.76 (excluding HST), for services rendered and recorded during the Period.
11. Aird & Berlis LLP ("**A&B**") rendered services throughout these proceedings in a manner consistent with the instructions of the Receiver and have prepared an affidavit with respect to the services rendered during the Period. The Receiver has reviewed the invoices rendered by A&B during the Period.

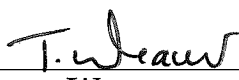
12. The Receiver's fees and disbursements for the period from February 1, 2013 to completion of all work relating to the receivership proceedings will be calculated and billed at the standard rates currently in effect. Barring unforeseen circumstances, I estimate that those fees and disbursements will not exceed \$23,500.00, excluding the fees and disbursements of legal counsel.
13. I verily believe that the fees and disbursements incurred by the Receiver and A&B are fair and reasonable in the circumstances.
14. This Affidavit is sworn in connection with a motion for an Order of this Honourable Court to, among other things, approve the fees and disbursements of the Receiver and those of its legal counsel and for no improper purpose.

SWORN BEFORE ME at the City)
of Toronto, in the Province of)
Ontario, this 7th day of March,)
2013.)
)
)
)



Commissioner for Taking Affidavits,
etc.

Sara Jean de Verneuil, a
Commissioner, etc., Province of Ontario,
for PricewaterhouseCoopers Inc.
Expires May 29, 2015.



) **Tracey Weaver**

Exhibit "A"

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

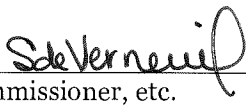
IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3 AS AMENDED

AND IN THE MATTER OF THE RECEIVERSHIP OF

Marnlen Management Ltd. and 1547937 Ontario Ltd.

Copy of Court Order dated October 25, 2012

This is Exhibit "A" referred to in the Affidavit of
Tracey Weaver, sworn before me this
7th day of March, 2013.



A commissioner, etc.

Sara Jean de Verneuil, a
Commissioner, etc., Province of Ontario,
for PricewaterhouseCoopers Inc.
Expires May 29, 2015.

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

THE HONOURABLE	)	THURSDAY, THE 25 th DAY
	)	
JUSTICE CAMPBELL	)	OF OCTOBER, 2012

BETWEEN:

ROYAL BANK OF CANADA

Applicant

- and -

MARNLEN MANAGEMENT LTD. AND LABELAD LTD.

Respondents

APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O 1990, C. C-43, AS AMENDED

ORDER

THIS MOTION, made by PricewaterhouseCoopers Inc. ("**PwCI**") in its capacity as the Court-appointed receiver (the "**Receiver**") of the undertaking, property and assets of Marnlen Management Ltd. ("**Marnlen**") and 1547937 Ontario Ltd., formerly Labelad Ltd. ("**154**" and, together with Marnlen, the "**Debtors**") for an order: (i) approving the Second Report of the Receiver dated October 16, 2012, filed (the "**Second Report**") and the Receiver's activities set out therein; (ii) amending the title of these proceeding to reflect 154's name change; (iii) approving the accounts of the Receiver and its legal counsel; (iv) approving the Receiver's receipts and disbursements; and (v) approving certain distributions to secured creditors of the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report and on hearing the submissions of counsel for the Receiver, counsel for Royal Bank of Canada ("**RBC**"), Counsel for Nanlark Holdings Limited ("**Nanlark**"), _____ and no one appearing for any other person on the service list, although properly served as appears from the affidavit of Daphne Porter sworn October 17, 2012 filed:

1. **THIS COURT ORDERS** that the title of these proceedings shall be and is hereby amended to the following:

BETWEEN:

ROYAL BANK OF CANADA

Applicant

- and -

MARNLEN MANAGEMENT LTD. AND 1547937 ONTARIO LTD.

Respondents

**APPLICATION UNDER SECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3,
AS AMENDED AND SECTION 101 OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, C. C-43, AS AMENDED**

2. **THIS COURT ORDERS** that the Second Report be and is hereby approved and the activities of the Receiver described therein be and are hereby approved.
3. **THIS COURT ORDERS** that the fees and disbursements with respect to the Debtors of PwCI for the period to September 30, 2012, in the amounts of \$301,945.50 for fees and \$19,202.14 for disbursements (both excluding HST), be and the same are hereby approved.
4. **THIS COURT ORDERS** that the fees and disbursements of the Receiver's legal counsel, Aird & Berlis LLP, for the period to September 30, 2012, in the amounts of

\$47,672.00 for fees and \$1,405.64 for disbursements (both excluding HST), be and the same are hereby approved.

5. **THIS COURT ORDERS** that the Receiver's Statement of Receipts and Disbursements for the period from July 18, 2012 to September 30, 2012 be and the same is hereby approved.

6. **THIS COURT ORDERS** that the following payments be made and that such payments are hereby approved and that the Receiver is hereby authorized and instructed to make the following payments from the proceeds of the disposition of the assets of the Debtors, subject to the maintenance of reserves adequate to discharge any prior ranking charges and to provide for costs associated with the completion of the administration of the receivership:

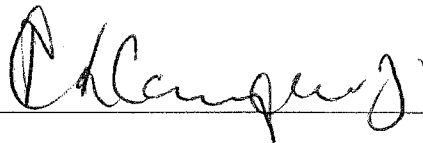
- (a) payments to RBC in amounts sufficient to satisfy the Debtors' Canadian dollar and US dollar indebtedness to RBC, such amounts not to exceed CDN\$600,000 and US\$101,000, respectively;
- (b) a payment to Export Development Canada in the amount of \$1,000,000; and
- (c) a payment to, or on behalf of, Nanlark in the amount of \$140,000.

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

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

13279641.4

OCT 25 2012



ROYAL BANK OF CANADA

Applicant

and

MARNLEN MANAGEMENT LTD. and LABELAD LTD.

Respondents

Court File No. CV-12-9788-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

ORDER

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, ON M5J 2T9

Steven L. Graff (LSUC # 31871V)
Tel: (416) 865-7726
Fax: (416) 863-1515
E-mail: sgraff@airdberlis.com

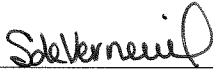
Sam Babe (LSUC # 49498B)
Tel: (416) 865-7718
Fax: (416) 863-1515
E-mail: sbabe@airdberlis.com

Lawyers for PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
 RECEIVER OF THE PROPERTY OF
 Marnlen Management Ltd. and 1547937 Ontario Ltd.
 Statement of Fees Summary
 For period October 1, 2012 to January 31, 2013

Invoice	Period	Net Fees	Disbursements	Sub-Total	GST/HST	Total
TR132702151	October 1, 2012 to October 31, 2012	20,482.50	1,024.13	21,506.63	2,795.87	24,302.50
TR133700070	November 1, 2012 to December 31, 2012	16,755.00	837.75	17,592.75	2,287.06	19,879.81
TR133700175	January 1, 2013 to January 31, 2013	11,337.50	566.88	11,904.38	1,547.57	13,451.95
Total		48,575.00	2,428.76	51,003.76	6,630.50	57,634.26

This is Exhibit "B" referred to in the Affidavit of
 Tracey Weaver, sworn before me this
7th day of March, 2013.



A commissioner, etc.

**Sara Jean de Verneuil, a
 Commissioner, etc., Province of Ontario,
 for PricewaterhouseCoopers Inc.
 Expires May 29, 2015.**

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3 AS AMENDED

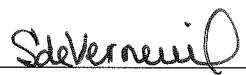
AND IN THE MATTER OF THE RECEIVERSHIP OF

Marnlen Management Ltd. and 1547937 Ontario Ltd.

True Copies of Accounts

For the period October 1, 2012 to January 31, 2013

This is Exhibit "C" referred to in the Affidavit of
Tracey Weaver, sworn before me this
7th day of March, 2013.



A commissioner, etc.

**Sara Jean de Verneuil, a
Commissioner, etc., Province of Ontario,
for PricewaterhouseCoopers Inc.
Expires May 29, 2015.**



Invoice

PricewaterhouseCoopers Inc.
Court Apptd. Receiver & Manager of Labelad Limited
Marnlen Management Limited
18 York Street
PwC Tower, Suite 2600
Toronto Ontario Canada M5J 0B2

PricewaterhouseCoopers Inc.
PwC Tower
18 York Street, Suite 2600
Toronto, ON, Canada M5J 0B2
Telephone: +1 416 863 1133
Facsimile: +1 416 365 8215
Contact: Greg Prince
Telephone: +1 416 814 5752
Email: gregory.n.prince@ca.pwc.com

Invoice number:	TR132702151	Account number:	60011244
Invoice date:	November 9, 2012	Payment requested by:	November 24, 2012

FOR PROFESSIONAL SERVICES RENDERED by
PricewaterhouseCoopers Inc. as Receiver and Manager of Labelad Limited,
for the period October 1 to October 31, 2012.

Fees
Disbursements
Total fees and disbursements
HST
Total due

CAD

20,482.50

1,024.13

21,506.63

2,795.87

24,302.50

Remittance Information

Electronic: HSBC, 70 York Street, Toronto, Ontario, Canada M5J 1S9

Account name: PricewaterhouseCoopers LLP

Transit no.: 10002:016 Swift code: HKBCCATT CAD account: 064871-001 USD account: 064871-070

Email payment details, including invoice number and amount paid, to: accounts.receivable@ca.pwc.com.

Cheques payable to: PricewaterhouseCoopers LLP *Enclose remittance copy of invoice with payment.*

Send to: PwC CAC, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2

RECEIVER AND MANAGER OF LABELAD LIMITED

Time and Disbursements Summary
For the period October 1 to October 31, 2012

	<u>Number of Hours</u>	<u>Hourly Rate</u>	<u>Amount \$</u>
<u>Staff Member</u>			
SENIOR VICE PRESIDENT			
G PRINCE	14.5	500	7,250.00
M ARLETTE	0.6	500	300.00
VICE PRESIDENT			
T WEAVER	5.9	400	2,360.00
MANAGER			
J THIEM	6.2	325	2,015.00
SR ASSOCIATE			
C WILSON	11.4	275	3,135.00
D SMITH	7.5	275	2,062.50
ASSOCIATE			
S DE VERNEUIL	5.3	175	927.50
W PITTMAN	1.5	175	262.50
B GOODCHILD	2.0	175	350.00
ADMINISTRATOR			
N CHTCHERBAKOVA	10.4	175	1,820.00
	65.3		20,482.50
FEES			20,482.50
DISBURSEMENTS			
Administration fee			1,024.13
FEES AND DISBURSEMENTS:			21,506.63
HST			2,795.87
TOTAL AMOUNT DUE:			24,302.50

Time Details

Client	Royal Bank of Canada
Job	RBC re Labelad - Receivership
Show to date	10/31/2012

* Staff	Date	Hours	Memo
WEAVER TRACEY (CA002224)	10/2/2012	0.2	Two employee calls.
	10/3/2012	1.2	Reviewing and edits to fee affidavit and scheduled. Reviewing and edits to Notice of Disallowance to employee re S81. Approving cheques re payment of professional fees.
	10/4/2012	0.2	Checking funds. Approving wire transfer. Finalizing fee affidavit and executing.
	10/5/2012	1.0	Drafting sections of court report re employee S81.4 claims and providing info. to J.T. regarding fee approval and pension S81.6 claims for report.
	10/15/2012	0.6	Employee NOD. Reviewing and approving bank reconciliation for month of August, 2012. Checking information in Court Report as requested by G.P.
	10/16/2012	0.6	Reconciling R&D and brief disc. with G.P. and J.T. E-mails with G.P. regarding fee affidavit.
	10/17/2012	0.1	Arranging website update.
	10/18/2012	0.1	Reviewing and approving website update. Checking status of bankruptcy docs. with Sara.
	10/19/2012	0.9	Call with G.P. Checking order. Call to legal counsel. Briefly reading court report to pre. for bankruptcy. E-mails regarding mail redirection. Looking over CRA correspondence and e-mail with J.T. Call with Nanlark's legal counsel. Checking and approving Great West Life's S81.6 claim. Checking subrogation letters received and update to G.P.
	10/24/2012	0.1	Approving cheques.
	10/25/2012	0.2	Arranging and checking website update. Arranging distributions for tomorrow.
	10/26/2012	0.3	Reviewing and approving bank reconciliation for month of September, 2012. Arranging payment of S81.6 pension claim for Monday. E-mails and filing. E-mails' with RBC. Approving letter to Nanlark. E-mails with J.T. and G.P.
	10/29/2012	0.2	Filing. Approving cheques.
	10/30/2012	0.1	Approving payment of post-appointment HST for Marnlen.
	10/31/2012	0.1	Approving cheques.
SMITH DONALDA (CA007437)	10/1/2012	0.2	Arrange for CMT to track and update schedule for accounts receivable payments received.
	10/3/2012	0.4	Post receipts from Oct. 2/12. Prepare cheque req., cheque, post in NewViews, have signed and mailed.
	10/4/2012	1.2	Prepare letter to RBC to transfer funds from US to CDN account, post in Newviews, have signed and fax to RBC. Call from employee re letter received advising of correction to her claim. Discussions with RBC on wire transfer. Post receipt of transfer and exchange costs once confirmation received from bank. Discussions with Cameron on outstanding invoices.

* Staff	Date	Hours	Memo
	10/5/2012	0.8	Review and revise R&D. Forward to Josh and Cameron. Review redirected mail.
	10/9/2012	0.6	Run R&Ds for Canadian and US accounts and Accounts Receivable details and email to Josh. Post insurance refund receipt in Newviews. Follow up with Cameron on Enbridge invoices and Bell reconciliation.
	10/10/2012	1.3	August 2012 bank reconciliations for Labelad and Marnlen Canadian and US bank accounts.
	10/11/2012	0.2	Update claims register with subrogation letters received from Service Canada.
	10/17/2012	0.6	September 2012 bank reconciliations for Canadian and US accounts. Return call and reply to email from employee.
	10/18/2012	0.8	Draft website update and prepare documents for posting to site. September 2012 bank reconciliations for Marnlen's Canadian and US bank accounts.
	10/19/2012	0.6	Follow up on Canada Post's message re mail being redirected. Follow up with Great West Life on filing their proof of claim. Calls from employees re payments.
	10/22/2012	0.3	Review claims register for employees that have not filed s.81 claims. Tally claimed and unclaimed amounts. Update register with subrogation letters received from Service Canada.
	10/23/2012	0.2	Employees unsecured and s.81 entitlement schedule for Sara. File subrogation letters.
	10/25/2012	0.3	Draft update and prepare documents for website.
THIEM JOSHUA (CA012292)	10/4/2012	1.5	Phone conversation with Greg Prince regarding court report edits (Wednesday evening), revisions to court report.
	10/5/2012	1.0	Additional revisions to the second court report
	10/10/2012	1.0	Additional edits to court report, email to Sam Babe, Evan Cobb, Joe Marin. Emails with Felix Mednikov and Dave Flewelling to obtain RBC balances.
	10/15/2012	0.5	Review of second report.
	10/16/2012	0.5	Review of WIIC documents to understand LC return policy.
	10/19/2012	0.5	Call with CRA regarding corporate tax audit. Correspondence with Tracey Weaver, drafting response letter to CRA.
	10/25/2012	1.0	Court date to present Receiver's second report.
	10/26/2012	0.2	Email correspondence with EDC, review of RBC indebtedness summary, correspondence with Cam Wilson re WIIC.
WILSON CAMERON (CA017991)	10/1/2012	3.1	Preparing Nanlark loan summary, reviewing general security agreements for same. Vouching Nanlark cash advances made between 2010 and 2012. Reviewing Miller Thomson documentation around reorganization and amalgamation of companies in 2009 which impacted the Nanlark debt structure.
	10/2/2012	1.5	Various followup emails with Labelink re leases and services assumed. Finish o/s documentation for Nanlark loans. Review Avery Dennison notice of demand received for o/s invoices. Various followup emails with RCAP and Bell re receivership accounts.
	10/3/2012	1.6	Documenting inventory count results and other o/s documentation in BRS file. Received consent letter from Bell and reconciled current charges to payments made by PwC that were not reflected on the account to ensure charges were appropriate prior to transferring account to Labelink.

* Staff	Date	Hours	Memo
	10/5/2012	2.8	Reviewing and revising 81.1 documentation related to; Sun, UPM and Avery claims to be included in the court report. Reviewing fine artwork support provided by S. Waldman. Compiling artwork information in summary to be provided to appraisers. Contacting various appraisers in Toronto to inquire about fees, information required etc. to perform appraisals. Calling Bell Mobility to followup on invoice received. Filing Power Stream's proof of claim for pre-receivership amounts owed.
	10/9/2012	0.4	Call from S. Waldman re: fine art information request, answering questions and explain the request. Call and email to J. Marin (Miller Thomson) Marnlen legal counsel re: fine art request and to have him followup with his client in case she has further questions on the matter.
	10/10/2012	0.4	Follow up with Bell Mobility, ADT security for closing and transition of accounts to Labelink. Counting petty cash and preparing count slip and providing to CMT for deposit.
	10/11/2012	0.5	Various inquires from CMT regarding invoices received, mail to be re-directed. Various emails to IBM, Bell and other service providers re: o/s payments.
	10/12/2012	0.5	Follow up call with bell insolvency department for final billing of receivership accounts. Various emails to Labelink re: AR collections post closing, emails to AM Gerard re: services being assumed. Call with FedEx Trade Networks to followup on statement of account received re fees related to bonds and \$100k L/C for US customs liability.
	10/15/2012	0.3	Various phone calls and emails from S. Waldman re artwork. Answering emails from J. Thiem and G. Prince re Washington Insurance and fine art balance on Marnlen's books as at receivership date.
	10/16/2012	0.3	Follow up calls and email with D. Nobile of Roanoke Trade re \$100k LC and documentation from Surety. Various emails between G. Prince and J. Thiem re same.
PITTMAN WENDY (CA022477)	10/2/2012	0.3	Banking.
	10/29/2012	1.2	Completed creditor mailing of Notice of Bankruptcy and First Meeting of Creditors. Filing of all statutory work.
DE VERNEUIL SARA (CA027594)	10/1/2012	0.7	Attend to prepare draft Trustee's fee affidavit.
	10/2/2012	0.3	Attend to hotline call; respond to CRA's request for confirmation and list of creditors per their proof of claim.
	10/3/2012	0.9	Attend to prepare NOD for employee; changes to Trustee's fee affidavit.
	10/4/2012	0.4	Final review and changes to fee affidavit; commission same.
	10/5/2012	0.7	Attend to prepare R&D for D. Smith; attend to ROE issue for Cameron, check for specific ROEs sent and total number sent.
	10/9/2012	0.2	Attend to changes to NOD for review.
	10/10/2012	1.0	Attend to input information into Ascend in preparation for potential bankruptcy proceedings, update creditor listing re: same.
	10/11/2012	0.1	Attend to employee call re: group RRSP, provide number for Financial Services Commission of Ontario and explained that an administrator will be appointed.
	10/12/2012	0.6	Attend to update Ascend with Marnlen Management Ltd. information re: bankruptcy filing; print out initial docs and EIS for review and list information still required.

* Staff	Date	Hours	Memo
	10/15/2012	0.2	Complete and send out NOD registered mail.
	10/19/2012	0.2	Attend to employee phone call.
CHTCHERBAKOVA NATALIA (CA028708)	10/10/2012	0.8	Review email correspondence, print bills for payment and their approvals, various correspondence with C.Wilson and J. Thiem re same, prepare fax to order additional deposit slips with the bank, fax request to bank, further correspondence with bank and F. Olshansky re same, correspondence with C.Wilson re petty cash for deposit, review NV2 postings for correctness and make necessary adjustments, correspondence with J.Thiem and C.Wilson re past deposit classification.
	10/11/2012	0.8	Scan and email received documents to J.Thiem and C.Wilson, Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments, correspondence with C.Wilson re same, print invoice and approval for payment.
	10/12/2012	1.7	Post deposit to NV2, print post, correspondence with C.Wilson regarding end dates of employees, prepare ROEs for remaining staff and send all copies accordingly, prepare labels for mail, prepare September source deductions and process cheque disbursement for same, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, Process disbursements for invoices payable, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments.
	10/16/2012	0.1	Correspondence with G.Prince re transfers and FX rates
	10/17/2012	0.3	Post deposit to NV2, print post, correspondence with Bank re unprocessed transfer request, request processing, receive and print confirmation of completion, correspondence with preappointment bank re requested bank statements
	10/18/2012	0.1	Correspondence with J.Thiem re CRA letter, correspondence with bank re transfer of funds and interest on same for two months
	10/19/2012	0.1	Post deposit to NV2, print post
	10/23/2012	0.3	Scan and forward received mail to J.Thiem for review
	10/24/2012	0.5	Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments.
	10/25/2012	2.1	Prepare letter of direction to close Marnlen US account, secure signatures, scan and fax to the bank for processing, receive and print bank confirmation, prepare and file HST for RT1 & RT2 for Labelad, update HST schedule accordingly, prepare letter of direction to CRA to open post appointment account RT2 for Marnlen, print letter and receivership order, scan and fax to CRA for processing, update HST schedule accordingly, review scan and email received mail to J.Thiem and C.Wilson for review and direction, correspondence with T.Weaver re distribution, prepare letter of direction to wire funds, post to NV2, print post, print backup correspondence and order, secure signatures, prepare distribution cheque - post to NV2, print post, prepare and edit scribe batch, prepare cheque rec, secure signatures, prepare letter of direction to transfer funds to retainer account, post to NV2, print post, secure signatures.

* Staff	Date	Hours	Memo
	10/29/2012	1.2	Review CRA notice re GST audit, print NV@ reports for audited period, request backup from F.Olshanski, correspondence with C.Wilson and J.Thiem re pending billings, Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments, re-fax letter of direction to open RT account, photocopy and scan August 2012 HST backup and forward to CRA as requested.
	10/30/2012	1.6	0.4 - Labelad - Correspondence with CRA regarding company name change, print received payment approvals for pending invoices, correspondence with EDC regarding recent distribution release, Post October interest to NV2.
			1.2 - Marnlen - Process disbursement to CRA re HST liability for September, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheque, prepare label and send payment, correspond with CRA to obtain filing codes for all outstanding months, file HST returns from inception to date for RT2 account, file RT1 September return, post deposit to NV2, print post, prepare letter of direction to transfer funds to Labelad account, post transfer to NV2 and print posts, secure signature, scan and fax letter to bank for processing,
	10/31/2012	0.8	Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments, receive and print request for September HST audit, print reports for the month and request backup from F.Olshanski, access online OSB account to review outstanding filing fees, print copy for payment, correspondence with T.Weaver re same, post Marnlen Receiver October interest to NV2
GOODCHILD BRAIDEN (CA030056)	9/10/2012	2.0	Real Estate Market Analysis of 400 Cochrane Drive
ARLETTE MICA (CA033411)	10/16/2012	0.6	Review of second court report.
PRINCE GREG (CA065586)	10/1/2012	0.5	Vmails from Sandy Waldman. Brief review of draft of Receiver's 2nd report to Court. Vmail to Sandy Waldman. Meet with Cam Wilson re: wrap up issues. Emails to and from Sandy Waldman.
	10/2/2012	0.2	Emails to and from J. Thiem re: questions from landlord.
	10/3/2012	1.9	Reviewing, revising and editing report to Court. Call with Josh Thiem re: report to Court and my comments thereon.
	10/4/2012	0.5	Tcall J. Thiem re: Court report. Review revisions to Court report.
	10/5/2012	0.2	Voicemails from Sandy Waldman. Call with Sandy Waldman. Speak with Cam Wilson about appraisals of fine art.
	10/6/2012	0.8	Reviewing, revising and editing draft of Receiver's 2nd report to Court.
	10/7/2012	1.6	Reviewing, revising and editing report to Court. Email to Sam Babe and Josh Thiem re: review of updated draft report to Court.

* Staff	Date	Hours	Memo
	10/9/2012	0.9	Call with Sandy Waldman. Email from Joe Marin. Call to Cam Wilson. Vmail to Joe Marin (all re: appraisal of fine art re: Marlen). Review comments from Aird & Berlis re: draft of Receiver's 2nd report to Court. Discuss comments on draft 2nd report to Court with Josh Thiem. Revise and edit 2nd report to Court.
	10/10/2012	0.8	Numerous emails to and from Josh Thiem. Review Court report drafts and tables. Email Cam Wilson re: WIIC L/C. Emails to and from Sam Babe re: material for Court report. Review comments from Sam Babe re: draft report to Court. Review comments from Evan Cobb re: comments on Court report.
	10/11/2012	0.5	Review comments on Court report from Counsel to Nanlark and counsel to RBC. Discussions with J. Thiem and C. Wilson re: revisions to court report proposed by counsel to secured creditors. Draft, edit and revise report to Court. Calls and emails with Miller Thomson and Sam Babe (Aird & Berlis).
	10/12/2012	0.3	Revising and editing draft 2nd report to Court.
	10/15/2012	1.4	Reviewing revised comments on draft report from Sam Babe. Revising, editing and drafting 2nd report to Court. Emails and call with Sam Babe. Call with J. Thiem re: material required for report to Court and required information for tables for inclusion therein.
	10/16/2012	1.8	Emails to and from Evan Cobb (Norton Rose) re: Court report and comments of RBC thereon. Emails to and from Sam Babe re: revisions to Court report. Emails to and from Josh Thiem re: comments on Court report. Revisions and drafting Court report. Review changes to tables and revising figures in Court report. Email from Cam Wilson re: WIIC insurance bonding company / broker email re: return of funds.
	10/17/2012	1.1	Final revisions and edits to Receiver's report to Court. Finalize and sign Court report and provide materials to Sam Babe for service.
	10/22/2012	0.6	Preparing for Court. Discussions with C. Wilson re: status of appraisals of fine art. Discussions with Sam Babe
	10/23/2012	0.3	E. Cobb re: RBC debt for payout preparation. Discussions with T. Weaver.
	10/24/2012	0.5	Discussions with Sam Babe to prepare for attendance at Court. Reviewing materials and preparing for attendance at Court on 10/25.
	10/25/2012	0.6	Attend at Court. Discussions with J. Marin, E. Cobb re: creditor distributions. Meet with T. Weaver to review draft distributions. Emails to RBC seeking payout statement.
TOTAL:		65.3	



Invoice

PricewaterhouseCoopers Inc.
Court Apptd. Receiver & Manager of Labelad Limited
Marnlen Management Limited
18 York Street
PwC Tower, Suite 2600
Toronto Ontario Canada M5J 0B2

PricewaterhouseCoopers Inc.
PwC Tower
18 York Street, Suite 2600
Toronto, ON, Canada M5J 0B2
Telephone: +1 416 863 1133
Facsimile: +1 416 365 8215
Contact: Greg Prince
Telephone: +1 416 814 5752
Email: gregory.n.prince@ca.pwc.com

Invoice number:	TR133700070	Account number:	60011244
Invoice date:	January 18, 2013	Payment requested by:	February 2, 2013

FOR PROFESSIONAL SERVICES RENDERED by
PricewaterhouseCoopers Inc., as Receiver and Manager of Labelad Limited,
for the period November 1 to December 31, 2012.

	CAD
Fees	16,755.00
Disbursements	837.75
Total fees and disbursements	17,592.75
HST	2,287.06
Total due	19,879.81

Remittance information

Electronic: HSBC, 70 York Street, Toronto, Ontario, Canada M5J 1S9
Account name: PricewaterhouseCoopers LLP
Transit no.: 10002:016 Swift code: HKBCCATT CAD account: 064871-001 USD account: 064871-070
Email payment details, including invoice number and amount paid, to: accounts.receivable@ca.pwc.com.

Cheques payable to: PricewaterhouseCoopers LLP *Enclose remittance copy of invoice with payment.*
Send to: PwC CAC, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2

**PRICEWATERHOUSECOOPERS INC.
RECEIVER AND MANAGER OF LABELAD LIMITED**

**Time and Disbursements Summary
For the period November 1 to December 31, 2012**

<u>Staff Member</u>	<u>Number of Hours</u>	<u>Hourly Rate</u>	<u>Amount \$</u>
SENIOR VICE PRESIDENT			
G PRINCE	0.5	500	250.00
VICE PRESIDENT			
T WEAVER	3.4	400	1,360.00
MANAGER			
J THIEM	23.5	325	7,637.50
SR ASSOCIATE			
C WILSON	6.3	275	1,732.50
D SMITH	10.5	275	2,887.50
ASSOCIATE			
S DE VERNEUIL	2.2	175	385.00
W PITTMAN	0.7	175	122.50
ADMINISTRATOR			
N CHTCHERBAKOVA	13.6	175	2,380.00
	60.7		16,755.00
FEES			16,755.00
DISBURSEMENTS			
Administration fee			837.75
FEES AND DISBURSEMENTS:			17,592.75
HST			2,287.06
TOTAL AMOUNT DUE:			19,879.81

Time Details

Client	Royal Bank of Canada
Job	RBC re Labelad - Receivership
Show to date	12/31/2012

* Staff	Date	Hours	Memo
WEAVER TRACEY (CA002224)	11/2/2012	0.1	E-mails regarding directions for distribution.
	11/5/2012	0.1	Corr. to CRA to close payroll accounts.
	11/9/2012	0.1	E-mails.
	11/13/2012	0.2	Approving cheques. Call with Legal counsel to Nanlark.
	11/14/2012	0.1	Checking status of HST refunds post-appointment.
	11/15/2012	0.4	Checking status of filed S81 claims and brief disc. with D.S. Dealing with incoming mail. Checking info. re RBC remaining L/C and brief disc. with Cameron regarding same.
	11/21/2012	0.2	Brief disc. with G.P. Call with Joe Marin.
	11/22/2012	0.1	Checking letter to employees regarding S81 claims (for those employees who haven't file proof of claims). Instructions to D.S.
	11/23/2012	0.3	Briefly reviewing materials regarding Marnlen's receivable from Sanylion Inc. E-mails with G.P. Filing.
	11/26/2012	0.1	Following up on status re HST refunds on hold.
	11/27/2012	0.3	Brief disc. with Natalia regarding o/s tax returns. Update e-mail to J.T. and G.P. regarding same. E-mails regarding fee affidavit.
	11/29/2012	0.2	Approving payment to Service Canada re subrogation letters. Reconciling totals re S81 claims.
	12/5/2012	0.3	Reviewing and approving bank reconciliation for month of October, 2012. Very brief review of tax returns up to date of bankruptcy. Brief disc. with J.T.
	12/6/2012	0.2	Checking funds. Summary of status of S81.4 claims settled to J.T. Approving cheques.
	12/7/2012	0.1	Update re S81 claims. Brief disc. with D.S. Checking funds.
	12/10/2012	0.2	Signing off on certain S81 payments to employees.
	12/11/2012	0.1	Approving cheques.
	12/12/2012	0.2	E-mails regarding fee affidavit. Checking hold for S81 still to be paid. Checking claims register re S81 amounts.
	12/28/2012	0.1	Catching up on e-mails. Filing to status of corporate returns and progress re HST refunds.
SMITH DONALDA (CA007437)	11/6/2012	0.2	Update claims register with subrogation letters received and reply to T Weaver's email.
	11/7/2012	0.1	Update claims register with subrogation letters received from Service Canada.
	11/16/2012	0.1	Call from employee re claim. Discussion with Cameron on bank balances.

* Staff	Date	Hours	Memo
	11/20/2012	0.2	Update claims register with subrogation letters received. Assist Cameron on looking up Securitas billings.
	11/22/2012	2.1	Update Service Canada records with payments being made directly to employees. Letter to employees that have not filed claims that Receiver has deemed their s.81 claim amount. Letter to HRSDC with schedule requesting advise if any overpayment of benefits for these employees.
	11/28/2012	2.8	Reconcile subrogation letters to claims register with Wendy Pittman. Prepare schedules for WEPPA remittance to Service Canada, cheq. req. for payment. Update Service Canada database with 13 pay direct employees. Update HRSDC schedules to include the extra 13 names. Mailing to employees.
	12/3/2012	0.5	October 2012 bank reconciliation for US and Canadian accounts for both Labelad and Marnlen.
	12/4/2012	0.2	Review PwC's T4s and T4 summary for submission to Canada Revenue Agency.
	12/6/2012	0.2	Calls from employees.
	12/7/2012	0.7	Update claims register with HRSDC releases received to date. Advise TW of balance remaining waiting for HRSDC response.
	12/10/2012	1.8	Prepare schedules for employees due s.81 payments directly, separate into released by HRSDC and yet to be released. Prepare cheque req., letter and T4As for T Weaver's review and approval. Merge all information for mailing.
	12/13/2012	0.2	Calls from employees regarding their claims and s.81 amounts being paid.
	12/14/2012	0.6	Mail merge letters, cheques and T4s for s.81 payments to certain employees and mail. November 2012 bank reconciliations for Labelad Canadian and US accounts and Marnlen Canadian account.
	12/18/2012	0.8	Return calls to employees re payments received. Update claims register with subrogation letters received and check against PwC direct s.81 payments made.
THIEM JOSHUA (CA012292)	11/22/2012	1.0	Meeting with G Prince to discuss the Receiver's third court report. Drafting the Receiver's third court report.
	11/23/2012	1.5	Drafting the third court report. Review of correspondence from J Marin re consulting fee receivable.
	11/26/2012	2.5	Drafting the Receiver's third court report.
	11/27/2012	2.5	Drafting the Receiver's third court report.
	11/28/2012	2.0	Drafting the Receiver's third court report.
	12/3/2012	0.5	Drafting the Receiver's third court report.
	12/5/2012	1.5	Creation of report tables (R&D, Funds Available for Dist & Net Remaining Funds).
	12/6/2012	1.0	Completion of the first draft of the Receiver's third court report.
	12/7/2012	0.5	Completion of the first draft of the Receiver's third court report.
	11/28/2012	1.5	Preparation of Labelad 2011 corporate tax return.
	11/29/2012	2.0	Completion of Labelad 2011 corporate tax return.
	11/30/2012	2.0	Summarization of 2012 stub period results for GIFI.
	12/3/2012	2.5	Preparation of Labelad corporate tax return, roll forward of trail balance and Receiver's receipts and disbursements, calculation of gains or losses from disposal of assets.

* Staff	Date	Hours	Memo
WILSON CAMERON (CA017991)	12/4/2012	2.5	Preparation of Labelad corporate tax return, roll forward of trail balance and Receiver's receipts and disbursements, calculation of gains or losses from disposal of assets.
	11/1/2012	0.7	Reviewing art information received from S. Waldman to perform art appraisal, and assessing information received for completeness. Sending follow-up email to S. Waldman regarding missing information required. Calling appraisers regarding appraisal scope, drafting and sending appraisal requests to appraisers.
	11/5/2012	0.2	Sending follow-up emails to art appraisers.
	11/6/2012	0.2	Call from S. Waldman in response to request for outstanding pictures required. Writing email to S. Waldman regarding Receiver's Second Report.
	11/16/2012	0.6	Preparing receipts and disbursements for 11-15-2012, review of 9-12-2012 receipts and disbursements to ensure completeness. Prepare forecast for future expenses.
	11/22/2012	0.4	Review of art appraisal report from Mayberry.Fine Art.
	11/26/2012	0.3	Drafting and sending cease of notice for services from Securitas. Reviewing Tyco invoices received.
	11/28/2012	0.4	Review of Tyco invoices received and sending email to A.M. Maloney (Tyco) regarding settling account and correctly pro-rated the services up until September 23rd. Preparing Labelink shared services schedule for the period of September 1 - September 23.
	11/29/2012	0.2	Call with Tyco re: outstanding charges to settle account. Review of invoices and credit memos issued. Email to J. Thiem for approval of expenses.
	12/5/2012	0.2	Preparing reconciliation of Tyco Security invoices and credit memos received to balance to the final statement of account issued to settle and close the Receiver's account.
	12/12/2012	0.2	Responding to Bereskin & Parr payment inquiry regarding potential outstanding invoice for trademark renewal work performed during receivership. Review of cheque register and bank reconciliations to ensure payment was processed. Email to S. Bouchard regarding trademark information received from Bereskin & Parr for renewal period approaching.
	12/14/2012	1.8	Preparing shared cost calculation for operating leases and services at 400 Cochrane Drive to be allocated between Labelink and the Receiver for the transition period in September.
	12/17/2012	0.6	Revising shared cost calculation for operating leases and services at 400 Cochrane Drive to be allocated between Labelink and the Receiver for the transition period in September.
	11/28/2012	0.3	Mtg with J. Thiem to discuss tax returns and information required. Review of tax returns sent by L. Provenzano and internal financial statements prepared by M. Slemko.
	12/12/2012	0.2	Call with S. Waldman re Call from CRA about HST returns. Calls to CRA to speak with Bala re August, September and October HST returns filed. Email to N. Chtcherbakova re call with CRA and contacting Bala to provide support for HST returns filed.

* Staff	Date	Hours	Memo
PITTMAN WENDY (CA022477)	12/12/2012	0.5	Checked hotline. Replied via email, to voicemail from former employee. Drafted letter of comment pkg.
	12/18/2012	0.2	Checked hot line, emailed D. Smith with message from former employee.
DE VERNEUIL SARA (CA027594)	11/21/2012	0.1	Attend to update employee address in register.
	12/3/2012	0.3	Attend to employee claims, update register, update WEPPA online, mail copies of WEPPA update to employees.
	12/18/2012	0.2	Attend to update register with employee claim, update WEPP information online, mail copy of updated WEPP info to employee.
	12/19/2012	0.5	Attend to call from Service Canada re: employee filing issue; update WEPPA information per service Canada's instructions and memo to file.
	12/27/2012	0.1	Attend to call from employee.
	1/4/2013	0.4	Attend to print and collate PwC invoices for D. Smith per her request; attend to scan pension wind up information orders and file in BRS.
	1/7/2013	0.2	Attend to respond to employee email and update register with new address, advise D. Smith of same.
	1/11/2013	0.4	Attend to prepare backing sheets for 246 reports and send to OSB, update control sheet, scan, file in BRS power, file in stat file - for both Labelad & Marnlen.
CHTCHERBAKOVA NATALIA (CA028708)	11/2/2012	0.6	Print and edit report for pre-appointment A/R for G.Prince, send to G.Prince as requested, correspondence with CRA re incorrectly posted payment for Source deductions, request correction of error
	11/9/2012	0.1	Correspondence with C.Wilson re pending invoices payable, print invoices for payment and approval
	11/13/2012	1.1	Labelad - 0.6 - Print Invoice and approval for payment, Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments
			Marnlen -0.5 - Revise issued cheque, Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments
	11/19/2012	0.1	Scan mail correspondence and forward to J.Thiem, correspondence with T.Weaver re same
	11/20/2012	1.0	Process deposit to NV2, print post, file, prepare deposit for bank run, bank run to deposit cheque, Scan received invoice and forward for approval to J.Thiem
	11/21/2012	0.5	Prepare and file HST returns for RT1 & 2 accounts, update HST schedule accordingly, correspondence with CRA re possible outstanding non-compliance, update notes accordingly
	11/22/2012	0.1	Marnlen - Prepare and file HST returns for RT1, 2, 3 accounts, update HST schedule accordingly
	11/23/2012	0.2	Post monthly interest to NV2 for Labelad and Marnlen R

* Staff	Date	Hours	Memo
	11/27/2012	0.5	Assist C.Wilson with retrieval of files requested, Correspondence with CRA and T.Weaver re outstanding corporate HST and CT returns, update HST schedule accordingly,
	11/29/2012	0.4	Process distribution disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments, review CRA mail received, file accordingly
	12/3/2012	2.5	Revise letter of direction to close RP accounts, as requested by T.Weaver. Print NV2 reports and pull file records necessary to complete 2012 T4 and T4Summary reports, prepare reports and reconcile numbers, print copies for all parties, prepare labels to employees, prepare mailing, forward reports to D.Smith for review, correspondence with J.Thiem re anticipated insurance refund, print R&D reports and forward to J.Thiem as requested
	12/4/2012	0.6	Print Labelad and Marnlen Receivership CAD and USD R&Ds and forward to J.Thiem as requested, further correspondence with J.Thiem and C.Wilson re invoices paid and still payable per Tyco's statement, request invoice and clarification, amend T4 Summary, send out
	12/5/2012	0.1	Correspondence with C.Wilson re invoice payable, print instructions and approval for payment
	12/6/2012	0.5	Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures, photocopy signed cheques, send payments, pull storage files and locate requested information per J.Thiem's request
	12/11/2012	0.3	Print received invoice and approval for payment, Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, secure signatures,
	12/12/2012	0.7	Photocopy signed cheques, send payments, correspondence with C.Wilson re CRA call for HST information, contact CRA regarding queries, correspondence with CRA re backup requested for August, September and October HST/ITCs, Prepare and file HST return for RT1, 2, 3, update HST accordingly
	12/13/2012	1.8	Process S.81.4 distribution, prepare and edit scribe batch, edit cheque rec, print cheques, prepare batch log and forward package for review and approval, prepare T4A summary based on T4 slips provided, Correspondence with S.DeVernuil re fees paid, print and compose summaries of HSTs paid and received for requested backup to August, September and October HST returns, correspondence with F.Olshansky re same
	12/14/2012	0.6	Send fax request to CRA re RP account closures, print confirmation of completion, Correspondence with J.McKenna re approval of batches and review of batch cheques, photocopy cheques, update HST schedule, review NV2 for posting correction, pull file for backup, correspondence with D.Smith re same

* Staff	Date	Hours	Memo
	12/17/2012	1.5	Organize package for backup to be sent to CRA re August, September, October 2012 HST returns filed, Pull missing information from file and photocopy, scan and fax to CRA for review, print confirmation fax, correspondence with RBC re credits on account, clarify and post credits as interest, correspondence with C.Wilson re A/R, print A/R NV2 reports for C.Wilson as requested
	12/18/2012	0.1	Post interest to NV2
	12/21/2012	0.3	Sort, scan cancelled cheque copies and forward to CRA as requested
PRINCE GREG (CA065586)	11/2/2012	0.3	Review Distribution Direction draft from Miller Thomson. Emails to and from Miller Thomson (Marin) and Aird & Berlis (Babe). Review post-closing collections and provide information re: same to Joe Marin.
	11/4/2012	0.1	email from Joe Marin re: Written direction to Receiver/Trustee from Nanlark.
	11/14/2012	0.1	Email T. Weaver re: tax refunds on hold. Emails to and from Josh Thiem.
TOTAL:		60.7	



Invoice

PricewaterhouseCoopers Inc.
Court Apptd. Receiver & Manager of Labelad Limited
Marnlen Management Limited
18 York Street
PwC Tower, Suite 2600
Toronto Ontario Canada M5J 0B2

PricewaterhouseCoopers Inc.
PwC Tower
18 York Street, Suite 2600
Toronto, ON, Canada M5J 0B2
Telephone: +1 416 863 1133
Facsimile: +1 416 365 8215
Contact: Greg Prince
Telephone: +1 416 814 5752
Email: gregory.n.prince@ca.pwc.com

Invoice number:	TR133700175	Account number:	60011244
Invoice date:	February 6, 2013	Payment requested by:	February 21, 2013

FOR PROFESSIONAL SERVICES RENDERED by
PricewaterhouseCoopers Inc., as Receiver and Manager of Labelad Limited,
for the period January 1 to January 31, 2013.

	CAD
Fees	11,337.50
Disbursements	566.88
Total fees and disbursements	11,904.38
HST	1,547.57
Total due	13,451.95

Remittance information

Electronic: HSBC, 70 York Street, Toronto, Ontario, Canada M5J 1S9
Account name: PricewaterhouseCoopers LLP
Transit no.: 10002:016 Swift code: HKBCCATT CAD account: 064871-001 USD account: 064871-070
Email payment details, including invoice number and amount paid, to: accounts.receivable@ca.pwc.com.
Cheques payable to: PricewaterhouseCoopers LLP *Enclose remittance copy of invoice with payment.*
Send to: PwC CAC, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2

**PRICEWATERHOUSECOOPERS INC.
RECEIVER AND MANAGER OF LABELAD LIMITED**

**Time and Disbursements Summary
For the period January 1 to January 31, 2013**

	<i><u>Number of Hours</u></i>	<i><u>Hourly Rate</u></i>	<i><u>Amount \$</u></i>
<u>Staff Member</u>			
SENIOR VICE PRESIDENT			
G PRINCE	3.7	500	1,850.00
VICE PRESIDENT			
T WEAVER	5.7	400	2,280.00
MANAGER			
J THIEM	10.8	325	3,510.00
SR ASSOCIATE			
C WILSON	0.3	275	82.50
D SMITH	9.9	275	2,722.50
ASSOCIATE			
S DE VERNEUIL	1.6	175	280.00
ADMINISTRATOR			
N CHTCHERBAKOVA	3.5	175	612.50
	35.5		11,337.50
FEES			11,337.50
DISBURSEMENTS			
Administration fee			566.88
FEES AND DISBURSEMENTS:			11,904.38
HST			
			1,547.57
TOTAL AMOUNT DUE:			
			13,451.95

Time Details

Client	Royal Bank of Canada
Job	RBC re Labelad - Receivership
Show to date	1/31/2013

* Staff	Date	Hours	Memo
WEAVER TRACEY (CA002224)	1/3/2013	0.1	Following up on T.4s to be issued for receivership proceedings. Checking re S246. E-mails with G. Prince
	1/7/2013	1.0	Review and significant edits to first S246 Report and Receiver's Statement of Receipts and Disbursements.
	1/8/2013	1.0	Edits to Receiver's Statement of Receipts and Disbursements and S246 Report.
	1/10/2013	1.2	Edits to S246 Reports and finalizing. E-mails to J. Thiem and G. Prince Approving replacement cheques re S81 payments.
	1/11/2013	0.5	Reviewing fee affidavit and related materials.
	1/14/2013	0.3	Checking calculations for final S81 payments to employees and reconciliations.
	1/15/2013	0.1	Following up on billings and fee affidavit.
	1/17/2013	0.1	Reviewing and approving bank reconciliation for month of December, 2012.
	1/18/2013	0.1	Approving cheques. E-mails with D. Smith
	1/22/2013	0.4	Finalizing fee affidavit and reconciliations. E-mail to G. Prince
	1/28/2013	0.3	Providing information to Josh regarding S81.6 and S81.4 claims paid and providing para. for Court Report. E-mails regarding HST refunds.
	1/29/2013	0.6	Reviewing and assessing status re HST refunds. Summary to G. Prince
SMITH DONALDA (CA007437)	1/4/2013	3.2	Update R&D to December 31, 2012. Draft First Interim Report of the Receiver. Update affidavit of fees and exhibits.
	1/8/2013	2.7	LABELAD - Change R&D to Josh's format, and reconcile to Newviews. Discussions with Tracey re same. Check request from employee on cheque mailed Dec 13/12. Arrange to have replacement cheque issued and copy of T4A sent to new address. Reply to email from employee regarding December payments.
	1/11/2013	2.9	MARNLEN - Draft First Interim Report and prepare R&D to December 31/12. Reconciliation between S.81.4 payable and amounts paid to WEPPA, HRSDC and directly to employees. Update claims register with final HRSDC deductions and all payments made c/w dates. Prepare schedule for payments to final employees, cheque requisitions to CRA and employees, letters to employees and HRSDC w/ remittance advice and prepare T4As and T4A summary to accompany employees' cheques.

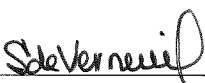
* Staff	Date	Hours	Memo
THIEM JOSHUA (CA012292)	1/15/2013	0.4	December bank reconciliations for Canadian and US accounts for Labelad and Canadian account for Marnlen.
	1/16/2013	0.2	Mailing of employees' and HRSDC cheques with letters and T4s as required.
	1/21/2013	0.3	Update fee affidavit and exhibits with latest invoice. Follow up on obtaining estimate for fees for completion to discharge.
	1/22/2013	0.1	Finalize affidavit with estimated fees to complete and print for T Weaver.
	1/31/2013	0.1	Look up information requested from CRA re former employee and reply.
	1/10/2013	1.5	Drafting letter for shared occupancy costs and AR administration.
	1/11/2013	2.0	Drafting letter for shared occupancy costs and AR administration. Drafting the Interim 246.
	1/25/2013	4.1	Edits to Third Court Report, correspondence with D. Noble the surety's agent, phone call with J. Marin re distribution of the art assets and the contingent refund, email to S. Babe re report wording, review of art asset appraisals.
	1/28/2013	2.8	Revisions to Third Report, review of expected HST returns.
	1/30/2013	0.3	Phone conversation with Samantha Myers, Roanoke re letter of credit.
WILSON CAMERON (CA017991)	1/31/2013	0.1	Phone call to A. Lakhani, CRA re subordinated debt valuation audit.
	1/16/2013	0.3	Emailing C. Gilfoil (Kodak) unsecured creditor, advising of receivership and directing to website for bankruptcy documents to advise of no funds available for distribution to unsecured creditors. Emailing S. Bouchard re AR collections actions taken to date inline with the AR collection protocol as outlined in the APA.
DE VERNEUIL SARA (CA027594)	1/4/2013	0.4	Attend to print and collate PwC invoices for D. Smith per her request; attend to scan pension wind up information orders and file in BRS.
	1/7/2013	0.2	Attend to respond to employee email and update register with new address, advise D. Smith of same.
	1/11/2013	0.4	Attend to prepare backing sheets for 246 reports and send to OSB, update control sheet, scan, file in BRS power, file in stat file - for both Labelad & Marnlen.
	1/15/2013	0.2	Attend to hotline call from creditor, email C. Wilson re: same, respond to creditor by email.
	1/30/2013	0.4	Attend to issue re: employee D. Millar, phone call, emails, provide additional copies of requested documentation via email and regular mail, speak to D. Smith re: same.
CHTCHERBAKOVA NATALIA (CA028708)	1/7/2013	0.6	Assist J.Thiem with retrieving requested files, Review, prepare and file HST returns for RT1 RT2 and RT3 accounts, print confirmation, update HST schedule accordingly
	1/16/2013	0.2	Correspondence with CRA re cheque received, confirm nature of cheque and inform J. Thiem, request direction for funds being deposited

* Staff	Date	Hours	Memo
	1/17/2013	0.6	Scan received CRA correspondence, discuss with T.Weaver and forward for files, correspondence with J.Thiem re HST returns filed and refunds owing
	1/18/2013	0.4	Print received invoice and approval for payment, Process disbursements, post to NV2, print posts, prepare and edit scribe batch, prepare cheque rec, print cheques, secure signatures, photocopy signed cheques, send payments
	1/21/2013	0.2	Post deposit to NV2, print post, Follow up with CRA re HST related matters
	1/23/2013	0.1	Marnlen - Correspondence with WSIB re pending refund, update records accordingly
	1/24/2013	0.1	Correspondence with CRA re HST refunds, update HST schedule accordingly
	1/28/2013	0.8	Correspondence with J.Thiem re NV2 transactions, prepare and forward various reports requested to J.Thiem, receiver HST Refund cheques, reconcile in HST schedule accordingly, correspondence with J.Thiem and T.Weaver re same, assist J.Thiem pull files from storage re HST audit backup.
	1/29/2013	0.4	Generate and forward NV2 reports to J.Thiem re Labelad transfers, correspondence with J.Thiem re exchange rates, correspondence with T.Weaver re HST refunds, print NV2 reports and retrieve related files, discussion re same, post deposit to NV2, print post
	1/31/2013	0.1	Correspondence with J.Thiem re HST implications on pre-appointment A/R and Administration fees
PRINCE GREG (CA065586)	1/29/2013	0.7	Emails to/from Tracey Weaver re HST refunds.
	1/30/2013	2.0	Reviewed Court Report and provided comments to Josh Thiem.
	1/31/2013	1.0	Reviewing and revising Report. Meeting with Josh Thiem. Emails from Miller Thomson.
TOTAL:		35.5	

PRICEWATERHOUSECOOPERS INC.
RECEIVER OF THE PROPERTY OF
Marnlen Management Ltd. and 1547937 Ontario Ltd.
Time Summary
For period October 1, 2012 to January 31, 2013

	<u>Total of Hours</u>	<u>Rate \$</u>	<u>Amount \$</u>
<u>Staff Member</u>			
SENIOR VICE PRESIDENT			
M ARLETTE	0.6	500	300.00
G PRINCE	18.7	500	9,350.00
VICE PRESIDENT			
M LOUCKS	0	400	-
T WEAVER	15	400	6,000.00
MANAGER			
R HAMEL	0	325	-
R HASHMATULLAH	0	325	-
D LAU	0	325	-
J THIEM	40.5	325	13,162.50
SENIOR ASSOCIATE			
R CHARRON	0	275	-
D SMITH	27.9	275	7,672.50
C WILSON	18	275	4,950.00
ASSOCIATE			
N DANSINGANI	0	175	-
S DE VERNEUIL	9.1	175	1,592.50
B GOODCHILD	2	175	350.00
W PITTMAN	2.2	175	385.00
SUPPORT STAFF			
N CHTCHERBAKOVA	27.5	175	4,812.50
	161.5		48,575.00
DISCOUNT APPLIED			
			-
TOTAL CHARGED BY TRUSTEE			48,575.00
AVERAGE HOURLY RATE			\$ 300.77

This is Exhibit "D" referred to in the Affidavit of
Tracey Weaver, sworn before me this
7th day of March, 2013.


A commissioner, etc.

Sara Jean de Verneuil, a
Commissioner, etc., Province of Ontario,
for PricewaterhouseCoopers Inc.
Expires May 29, 2015.

TAB F

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

ROYAL BANK OF CANADA

Applicant

and

MARNLEN MANAGEMENT LTD. AND 1547937 ONTARIO LTD.

Respondents

**APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 101 OF
THE *COURTS OF JUSTICE ACT*, R.S.O 1990, C. C-43, AS AMENDED**

AFFIDAVIT OF STEVEN GRAFF
(Sworn March 13, 2013)

I, **Steven Graff**, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY AS FOLLOWS:

1. I am a Partner at Aird & Berlis LLP and, as such, I have knowledge of the matters to which I hereinafter depose. Aird & Berlis LLP has acted as Ontario counsel for PricewaterhouseCoopers Inc., in its capacity as receiver (the "**Receiver**") of Marnlen Management Ltd. and 1547937 Ontario Ltd. (formerly Labelad Ltd.) pursuant to an Order of the Honourable Justice Perell made July 18, 2012, and continues to do so.
2. Aird & Berlis LLP has prepared Statements of Accounts in connection with its mandate as Ontario counsel to the Receiver, detailing its services rendered and disbursements, namely:

- (a) an account dated November 30, 2012 for the period from September 26, 2013 to November 22, 2012, a copy of which Statement of Account is attached as **Exhibit "A"** to this my Affidavit, in which the average hourly rate is \$419.48; and
- (b) an account dated February 12, 2013 for the period from November 23, 2012 to January 31, 2013, a copy of which Statement of Account is attached as **Exhibit "B"** to this my Affidavit, in which the average hourly rate is \$450.00.

4. This Affidavit is made in support of a motion to, *inter alia*, approve the receipts and disbursements of the Receiver and its accounts.

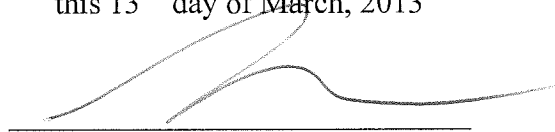
SWORN BEFORE ME at the City of
Toronto, this 13th day of March, 2013.

Commissioner for taking affidavits

Sam B. 3033

STEVEN GRAFF

Attached is Exhibit "A"
referred to in the
AFFIDAVIT OF STEVEN GRAFF
sworn before me
this 13th day of March, 2013

A handwritten signature in dark ink, consisting of a series of fluid, connected strokes. The signature is positioned above a horizontal line.

Commissioner for taking Affidavits, etc

*Aird & Berlis LLP, counsel to PricewaterhouseCoopers Inc.,
in its capacity as Receiver of Marnlen Management Ltd. and 1547937 Ontario Ltd.
(formerly Labelad Ltd.)*

November 30, 2012 – Account # 447118

Lawyer	Call to Bar	2012 hourly rate	Total Time	Value
Steven L. Graff	1991	\$650.00	0.20	\$130.00
Sam Babe	2004	\$425.00	21.50	\$9,137.50
Clerk				
Patrick Williams	n/a	\$145.00	0.60	\$87.00

IN ACCOUNT WITH:

AIRD & BERLIS LLP

Barristers and Solicitors

Brookfield Place, 181 Bay Street
Suite 1800, Box 754, Toronto, ON M5J 2T9 Canada
T 416.863.1500 F 416.863.1515
www.airdberlis.com

PricewaterhouseCoopers Inc.
PwC Tower
2600-18 York Street
Toronto, ON M5J 0B2

Attention: Mr. Gregory Prince

Account No.: 447118

PLEASE WRITE ACCOUNT NUMBERS
ON THE BACK OF ALL CHEQUES

File No.: 14750/113622

November 30, 2012

Re: Labelad Limited

FOR PROFESSIONAL SERVICES RENDERED on your behalf throughout the period ended November 22, 2012

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
SB	03/10/12	\$425.00	0.40	\$170.00	Emails from and to J. Thiem; review agreement of purchase and sale; draft letter to and email from G. Prince
SLG	03/10/12	\$650.00	0.20	\$130.00	Review emails from G. Prince
SB	04/10/12	\$425.00	0.30	\$127.50	Emails and phone call from and to W. Shaw
SB	07/10/12	\$425.00	0.10	\$42.50	Emails from and to G. Prince
SB	09/10/12	\$425.00	2.10	\$892.50	Review and comment on report; emails to and from G. Prince; email from J. Thiem
SB	10/10/12	\$425.00	3.30	\$1,402.50	Draft motion materials; emails to and from J. Thiem; emails to and from E. Cobb; emails from and to G. Prince
SB	11/10/12	\$425.00	2.60	\$1,105.00	Emails and phone call from and to J. Marin; emails from and to E. Cobb; email to G. Prince; email from J. Thiem; emails to and from Court office; review and comment on report
SB	12/10/12	\$425.00	0.90	\$382.50	Emails from and to J. Marin; email from E. Cobb; emails to and from Court office; emails to and from G. Prince; revise court request form

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
SB	15/10/12	\$425.00	1.40	\$595.00	Email from Commercial List office; emails from and to G. Prince; review and comment on report
SB	16/10/12	\$425.00	2.10	\$892.50	Prepare motion materials
SB	17/10/12	\$425.00	2.00	\$850.00	Draft and prepare motion materials; phone call from G. Prince
SB	18/10/12	\$425.00	0.20	\$85.00	Emails from and to G. Prince; email from CIT
PW	18/10/12	\$145.00	0.60	\$87.00	Motion set down for October 25, 2012
SB	19/10/12	\$425.00	0.20	\$85.00	Telephone call and emails from and to T. Weaver; emails from and to G. Prince
SB	22/10/12	\$425.00	0.20	\$85.00	Emails from and to J. Marin; email to G. Prince
SB	23/10/12	\$425.00	0.40	\$170.00	Email from National Leasing; phone call from G. Prince; revise motion materials
SB	24/10/12	\$425.00	0.80	\$340.00	Telephone call from G. Prince; revise orders; research case law; phone call and emails from and to J. Marin
SB	25/10/12	\$425.00	2.00	\$850.00	Prepare for and attend court; emails from and to G. Prince; email to service list; email from T. Weaver
SB	26/10/12	\$425.00	0.80	\$340.00	Draft Nanlark direction; email to J. Marin
SB	01/11/12	\$425.00	0.10	\$42.50	Telephone call from G. Prince; email to J. Marin
SB	02/11/12	\$425.00	0.40	\$170.00	Emails from and to J. Marin; email from T. Weaver; emails from G. Prince; review and comment on direction
SB	04/11/12	\$425.00	0.10	\$42.50	Email from J. Marin
SB	07/11/12	\$425.00	0.10	\$42.50	Emails from and to R. Jaipargas
SB	08/11/12	\$425.00	0.80	\$340.00	Emails from and to J. Thiem; review Labelink transaction documents
SB	10/11/12	\$425.00	0.10	\$42.50	Emails from and to G. Prince
SB	22/11/12	\$425.00	0.10	\$42.50	Email from J. Marin
TOTAL:			22.30	\$9,354.50	

Name	Hours	Rate	Value
Sam Babe (SB)	21.50	\$425.00	\$9,137.50
Steven L. Graff (SLG)	0.20	\$650.00	\$130.00
Patrick Williams (PW)	0.60	\$145.00	\$87.00

OUR FEE	\$9,354.50
HST at 13%	\$1,216.09

DISBURSEMENTS

COST INCURRED ON YOUR BEHALF AS AN AGENT

Notice of Motion/Application	\$127.00
------------------------------	----------

Subject to HST

Deliveries/Parss	\$89.82
Photocopies - Local	\$88.75
Long Distance Charges	\$37.80
Imaging/Scanning	\$112.50
Photocopies	\$403.50
Binding and Tabs	\$48.25

Total Disbursements	\$780.62
HST at 13%	\$101.48

AMOUNT NOW DUE

\$11,579.69

THIS IS OUR ACCOUNT HEREIN

Aird & Berlis LLP

Steven L. Graff

E.&O.E.

PAYMENT OF THIS ACCOUNT IS DUE ON RECEIPT

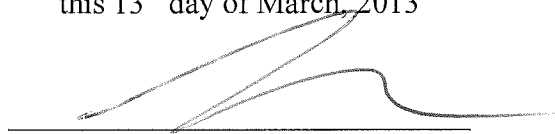
IN ACCORDANCE WITH THE SOLICITORS ACT, ONTARIO, INTEREST WILL BE CHARGED AT THE RATE OF 1.3% PER ANNUM ON UNPAID AMOUNTS CALCULATED FROM A DATE THAT IS ONE MONTH AFTER THIS ACCOUNT IS DELIVERED.

GST / HST Registration # 12184 6539 RT0001

NOTE: This account may be paid by wire transfer in Canadian funds to our account at The Toronto-Dominion Bank, TD Centre, 55 King Street West, Toronto, Ontario, M5K 1A2. Account number 5221521, Transit number 10202, Swift Code TDOMCATTOR. Please include the account number as reference.

13596837.1

Attached is Exhibit "B"
referred to in the
AFFIDAVIT OF STEVEN GRAFF
sworn before me
this 13th day of March, 2013

A handwritten signature in dark ink, appearing to be "J. J. [unclear]", written over a horizontal line.

Commissioner for taking Affidavits, etc

***Aird & Berlis LLP, counsel to PricewaterhouseCoopers Inc.,
in its capacity as Receiver of Marnlen Management Ltd. and 1547937 Ontario Ltd.
(formerly Labelad Ltd.)***

February 12, 2013 – Account # 451978

Lawyer	Call to Bar	2013 hourly rate	Total Time	Value
Sam Babe	2004	\$450.00	0.20	\$90.00

IN ACCOUNT WITH:

AIRD & BERLIS LLP

Barristers and Solicitors

Brookfield Place, 181 Bay Street
Suite 1800, Box 754, Toronto, ON M5J 2T9 Canada
T 416.863.1500 F 416.863.1515
www.airdberlis.com

PricewaterhouseCoopers Inc.
PwC Tower
2600-18 York Street
Toronto, ON
Canada M5J 0B2

Attention: Mr. Gregory Prince

Account No.: 451978

PLEASE WRITE ACCOUNT NUMBERS
ON THE BACK OF ALL CHEQUES

File No.: 14750/113622

February 12, 2013

Re: Labelad Limited

FOR PROFESSIONAL SERVICES RENDERED on your behalf throughout the period ended January 25, 2013

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
SB	25/01/13	\$450.00	0.20	\$90.00	Email and phone call from J. Thiem
TOTAL:			0.20	\$90.00	

OUR FEE	\$90.00
HST at 13%	\$11.70

AMOUNT NOW DUE \$101.70

THIS IS OUR ACCOUNT HEREIN
Aird & Berlis LLP

Steven L. Graff
E.&O.E.

PAYMENT OF THIS ACCOUNT IS DUE ON RECEIPT

IN ACCORDANCE WITH THE SOLICITORS ACT, ONTARIO, INTEREST WILL BE CHARGED AT THE RATE OF 1.3% PER ANNUM ON UNPAID AMOUNTS CALCULATED FROM A DATE THAT IS ONE MONTH AFTER THIS ACCOUNT IS DELIVERED.

GST / HST Registration # 12184 6539 RT0001

NOTE: This account may be paid by wire transfer in Canadian funds to our account at The Toronto-Dominion Bank, TD Centre, 55 King Street West, Toronto, Ontario, M5K 1A2. Account number 5221521, Transit number 10202, Swift Code TDOMCATTTOR. Please include the account number as reference.

ROYAL BANK OF CANADA

and

MARNLEN MANAGEMENT LTD. and 1547937
ONTARIO LTD.

Applicant

Respondents

Court File No.: CV-12-9788-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
PROCEEDINGS COMMENCED AT TORONTO

AFFIDAVIT OF FEES

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, Ontario M5J 2T9

Steven L. Graff (LSUC # 31871V)
Tel: (416) 865-7726
Fax: (416) 863-1515
E-mail: sgraff@airdberlis.com

Sam Babe (LSUC # 49498B)
Tel: (416) 865-7718
Fax: (416) 863-1515
E-mail: sbabe@airdberlis.com

Lawyers for PricewaterhouseCoopers Inc.

ROYAL BANK OF CANADA

and

MARNLEN MANAGEMENT LTD. and 1547937 ONTARIO LTD.

Applicant

Respondents

Court File No. CV-12-9788-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

MOTION RECORD

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, ON M5J 2T9

Steven L. Graff (LSUC # 31871V)

Tel: (416) 865-7726

Fax: (416) 863-1515

E-mail: sgraff@airdberlis.com

Sam Babe (LSUC # 49498B)

Tel: (416) 865-7718

Fax: (416) 863-1515

E-mail: sbabe@airdberlis.com

Lawyers for PricewaterhouseCoopers Inc.