

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

No.: 500-11-034815-080

SUPERIOR COURT  
COMMERCIAL DIVISION  
(In Bankruptcy and Insolvency)

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*IN THE MATTER OF THE PLAN OF  
ARRANGEMENT AND COMPROMISE OF:*

KOMUNIK CORPORATION

and

KOMUNIK DATAMARK INC.

and

KOMUNIK INTRAMEDIA INC.

Petitioners

and

RSM RICHTER INC.

Monitor

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**MOTION FOR THE DISTRIBUTION OF PROCEEDS OF SALE**  
(Section 11 of the *Companies' Creditors Arrangement Act*, R.S.C. (1985),  
c. C-36, as amended ("CCAA"))

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**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN  
THE COMMERCIAL DIVISION FOR BANKRUPTCY AND INSOLVENCY MATTERS  
IN AND FOR THE DISTRICT OF MONTREAL, THE MONITOR RESPECTFULLY  
SUBMITS THAT:**

1. On November 18, 2008, the Honourable Justice William Fraiberg, J.S.C issued an order (the "**Initial Order**") granting Komunik Corporation ("**Komunik**"), Komunik Datamark Inc. ("**Datamark**") and Komunik Intramedia Inc. ("**Intramedia**") (collectively, the "**Company**"), protection under the CCAA;
2. The Initial Order provided a stay of proceedings in favour of the Company for an initial thirty (30) day period which was extended and is now valid until June 30, 2009, as more fully appears from the Court record;

3. On March 27, 2009, the Honourable Justice Fraiberg issued the Fourth Extension Order which *inter alia* approves a transaction between the Company and 4488385 Canada Inc. (the “Purchaser”) for the sale of substantially all of the assets of the Company (the “Transaction”) for a sum of \$17.5 million (the “Purchase Price”), as more fully appears from the Court record;
4. The Fourth Extension Order authorizes the Monitor to distribute the proceeds from the sale of the Company’s assets to HSBC Bank Canada and to HSBC Capital up to the full amount owing by the Company as of the date of such distribution, under the following conditions:
  - a) Subject to the completion of the Working Capital Adjustment Calculation contemplated at Section 2.10 of the Agreement of Purchase and Sale (the “APS”) entered into by the Company and the Purchaser, as well as the satisfaction of the covenant at Section 4.2 (b) of the APS;
  - b) Provided that all prior ranking obligations have been paid in full or otherwise provided for (including all present and future source deductions, all present and future wages and vacation pay (except vacation pay owing to employees to be hired by the Purchaser), all amounts which may be required to satisfy the Company’s obligations under its key employee retention plan, all present and future sales taxes and all of the Company’s post-filing obligations, including amounts owing to suppliers and professionals);
5. As appears from the Monitor’s Sixth Report filed in support of the *Fifth Petition for the Extension of the Stay Order*, on April 8, 2009, the Monitor, on behalf of the Company, submitted the calculation of the Purchased Working Capital to the Purchaser in accordance with Section 2.10 of the APS;
6. On April 23, 2009, the Purchaser provided the Monitor with an Objection Notice, reflecting a Purchased Working Capital which in the Monitor’s view is inconsistent with the terms of the APS;
7. On May 14, 2009, the Purchaser served a *Petition to establish the value of the Purchased Working Capital*, as more fully appears from the Court record;
8. The Monitor is completing its analysis of the Working Capital Adjustment sought by the Purchaser as provided in its Objection Notice and in its *Petition to Establish the Value of the Purchased Working Capital* and a hearing with regard to this issue is scheduled to take place on June 11 and 12, 2009;
9. In the meantime, the Monitor estimates that a partial distribution of the Purchase Price in the amount of \$10 million should be made to the HSBC Bank of Canada, the Company’s first ranking creditor, as explained in the Monitor’s Seventh Report communicated in support of this Motion as **Exhibit R-1**;
10. The balance of the Purchase Price of \$7.5 million has been set aside by the Monitor to provide for the possible satisfaction of any adjustment to the Purchased Working Capital

and of any sums referred to at paragraph 4b) of this Motion. This includes the full amount claimed by the Purchaser pursuant to its calculation of the Working Capital Adjustment;

11. The partial distribution of the sum of \$10 million to HSBC Bank of Canada would reduce the interest which continues to accrue on amounts owing to it;
12. The reduction in accruable interest payable to HSBC Bank of Canada would enable the Monitor to distribute more proceeds of sale to the creditors described at paragraph 4b) of this Motion and to HSBC Capital;
13. Both the HSBC Bank of Canada and HSBC Capital, being the Company's primary secured creditors, consent to the conclusions sought herein and have requested that a partial distribution be made as soon as possible;
14. The Monitor respectfully submits that this Motion should be granted as per its conclusions;

**WHEREFORE, MAY IT PLEASE THIS COURT TO:**

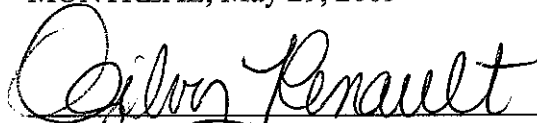
**GRANT** the present *Motion for the Distribution of Proceeds of Sale*;

**AUTHORIZE** the Monitor, RSM Richter Inc., to distribute to HSBC Bank of Canada the sum of \$10 million within one (1) day of the Order to be rendered on this Motion;

**ORDER** the provisional execution of the Order to be rendered herein notwithstanding any appeal;

**THE WHOLE** without costs, save in case of contestation.

MONTREAL, May 29, 2009

  
\_\_\_\_\_  
**OGILVY RENAULT LLP**  
Attorneys for RSM Richter Inc.

**AFFIDAVIT**

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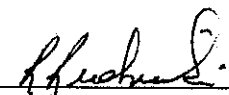
I, the undersigned, **Shawn Travitsky**, Vice President, exercising my profession, for the present purposes at 2, Place Alexis Nihon, Suite 1820, in the City and District of Montreal, Province of Quebec, H3Z 3C2, solemnly declare:

1. I am a Vice President of RSM Richter Inc., and as such have personal knowledge of the present matter;
2. All facts contained in the *Motion for the Distribution of Proceeds of Sale* are true.

**AND I HAVE SIGNED:**

  
\_\_\_\_\_  
**SHAWN TRAVITSKY**

**SOLEMNLY AFFIRMED** before me,  
In Montreal, on May 29, 2009

  
\_\_\_\_\_  
Commissioner for Oaths



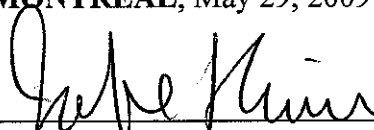
**ATTESTATION OF AUTHENTICITY**  
**(ARTICLE 82.1 C.C.P.)**

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The undersigned, JULIE HIMO, lawyer, of the firm Ogilvy Renault, carrying on business at 1 Place Ville Marie, Suite 2500, in the City and District of Montreal, Province of Quebec, under my oath of office, declare:

1. On May 29, 2009, at 12:31 P.M., Montreal time, Ogilvy Renault LLP received by electronic mail the affidavit of Shawn Travitsky, Vice President and duly authorized representative of the Monitor RSM Richter Inc. for the purposes of this case, in support of the *Motion for the Distribution of Proceeds of Sale* dated May 29, 2009;
2. The copy of the affidavit attached hereto is a true copy of the affidavit of Shawn Travitsky received by electronic mail from Mr. Travitsky and whose electronic mail address is *STravitsky@rsmrichter.com*;
3. The facts alleged herein are true.

MONTREAL, May 29, 2009



**Julie Himo**

**OGILVY RENAULT LLP**

Attorneys for RSM Richter Inc.

**NOTICE OF PRESENTATION**

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**TO:** Mtre Jean Fontaine e-mail: [JFontaine@stikeman.com](mailto:JFontaine@stikeman.com)  
 and Mtre Matthew Liben e-mail: [MLiben@stikeman.com](mailto:MLiben@stikeman.com)  
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**AND TO:** Mtre Denis Ferland e-mail: [dferland@dwpv.com](mailto:dferland@dwpv.com)  
**DAVIES WARD PHILLIPS &  
 VINEBERG LLP**  
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 Montreal, Quebec H3A 3N9

**AND TO:** Mr. Andrew J. Hatnay e-mail: [ahatnay@kmlaw.ca](mailto:ahatnay@kmlaw.ca)  
**KOSKIE MINSKY LLP**  
 Barristers & Solicitors  
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 Toronto, Ontario M5H 3R3

**AND TO:** Mtre. Mara Greenstone e-mail: [mara.greenstone@bdc.ca](mailto:mara.greenstone@bdc.ca)  
**BANQUE DE DÉVELOPPEMENT  
 DU CANADA/  
 BUSINESS DEVELOPMENT BANK  
 OF CANADA**  
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 Montréal, Québec H3B 5E7

**AND TO:** Mr. Aaron Welch e-mail: [Aaron.Welch@gov.bc.ca](mailto:Aaron.Welch@gov.bc.ca)  
**MINISTRY OF ATTORNEY  
 GENERAL OF BRITISH COLUMBIA**

**TAKE NOTICE** that the foregoing *Motion for the Distribution of Proceeds of Sale* shall be presented before one of the Honourable Judges of the Superior Court for the District of Montreal, as soon as counsel may be heard, in the Montreal Courthouse, located at 1 Notre-Dame Street East, in the City of Montreal, Province of Quebec.

**DO GOVERN YOURSELVES ACCORDINGLY.**

MONTREAL, May 29, 2009


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**OGILVY RENAULT LLP**  
 Attorneys for RSM Richter Inc.

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

No.: 500-11-034815-080

SUPERIOR COURT  
COMMERCIAL DIVISION  
(In Bankruptcy and Insolvency)

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*IN THE MATTER OF THE PLAN OF  
ARRANGEMENT AND COMPROMISE OF:*

KOMUNIK CORPORATION

and

KOMUNIK DATAMARK INC.

and

KOMUNIK INTRAMEDIA INC.

Petitioners

and

RSM RICHTER INC.

Monitor

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**LIST OF EXHIBITS**

Exhibit R-1: Monitor's Seventh Report.

MONTREAL, May 29, 2009

  
OGILVY RENAULT LLP  
Attorneys for RSM Richter Inc.

**RSM Richter**

R-1

**Seventh Report of  
RSM Richter Inc. Re:  
Komunik Corporation,  
Komunik Datamark Inc. and  
Komunik Intramedia Inc.**

**RSM Richter Inc.**  
Toronto, May 29, 2009

RSM Richter is an independent member firm of RSM International,  
an affiliation of independent accounting and consulting firms.



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Appendix "A"      Monitor's Sixth Report to Court dated April 28, 2009 (without appendices)

**QUEBEC  
SUPERIOR COURT  
- COMMERCIAL DIVISION -**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
KOMUNIK CORPORATION, KOMUNIK DATAMARK INC.  
AND KOMUNIK INTRAMEDIA INC.**

**SEVENTH REPORT OF RSM RICHTER INC.  
IN ITS CAPACITY AS MONITOR OF  
KOMUNIK CORPORATION, KOMUNIK DATAMARK INC.  
AND KOMUNIK INTRAMEDIA INC.**

**May 29, 2009**

**1. INTRODUCTION**

This report is filed by RSM Richter Inc. ("Richter") in its capacity as monitor ("Monitor") of Komunik Corporation, Komunik Datamark Inc. and Komunik Intramedia Inc. (collectively, the "Company").

Pursuant to an order (the "Initial Order") of the Québec Superior Court - District of Montréal (Commercial Division) (the "Court") made on November 18, 2008, the Company was granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") and Richter was appointed as the Monitor in the CCAA proceedings (the "CCAA Proceedings").

The stay of proceedings in favour of the Company expires on June 30, 2009.

## **1.1 Purposes of this Report**

The purposes of this report ("Report") are to:

- a) Provide background information concerning the Company and the CCAA Proceedings;
- b) Request that this Honourable Court issue an order directing the Monitor to distribute \$10 million (the "Distribution Amount") to HSBC Bank Canada ("HSBC Bank") from the proceeds of the transaction ("Transaction") with 4488385 Canada Inc. (the "Purchaser"); and
- c) Recommend that this Honourable Court issue an order authorizing the Monitor to pay the Distribution Amount.

## **1.2 Terms of Reference**

In preparing this Report, the Monitor has relied upon unaudited financial information prepared by the Company's management, the Company's books and records and discussions with the Purchaser. The Monitor has also relied on financial information provided by the Purchaser. The Monitor has not performed an audit or other verification of such information. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the Monitor in preparing this Report.

## **2. BACKGROUND**

The Company was a provider of integrated document management and printing services. The Company focused on business forms, pressure sensitive labels, tags, short-to-medium run commercial printing and digital printing.

## 2.1 The Transaction

Pursuant to an agreement of purchase and sale (“APS”) approved pursuant to an order issued by this Honourable Court on March 27, 2009 (the “Approval Order”), the Purchaser acquired the majority of the Company’s business and assets for a purchase price of \$17.5 million (the “Purchased Price”). The Transaction closed on March 30, 2009.

There is a dispute between the Purchaser and the Monitor<sup>1</sup> with regard to the Purchase Price Adjustment<sup>2</sup>. The Purchaser seeks a downward adjustment of \$4.2 million. The Monitor is attempting to determine its calculation of the Purchase Price Adjustment; however, the Monitor disagrees with several aspects of the Purchaser’s calculation of the Purchase Price Adjustment. Further detail concerning this dispute is provided in the Monitor’s Sixth Report dated April 28, 2009, a copy of which is provided in Appendix “A”, without attachments.

During a conference call on May 25, 2009 among the Honourable Justice Fraiberg, the Monitor, Ogilvy Renault LLP (“Ogilvy”) as counsel for the Monitor, Davies Ward Philips & Vineberg LLP (“DWPV”) as counsel for HSBC Bank, and Lamarre Perron Lambert Vincent LLP (“LPLV”) as counsel for the Purchaser, it was agreed that the Monitor would forthwith seek approval to distribute to HSBC Bank the uncontested portion of the purchase price (i.e. the Distribution Amount).

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<sup>1</sup> The Initial Order authorized the Monitor to carry out the sale process. The Company is not involved in the dispute for this reason. Additionally, certain of the Company’s management had an interest in acquiring the business.

<sup>2</sup> The APS contains a mechanism for the Purchase Price to be adjusted upward or downward, as the case may be, based on changes in the Company’s inventory and accounts receivable between dates established in the APS and the closing date.

### 3. CALCULATION OF THE DISTRIBUTION AMOUNT

The Monitor holds in its trust account the proceeds from the Transaction less payment of certain amounts. The Distribution Amount is calculated as follows:

	<u>(\$000s)</u>
Proceeds from the Transaction	17,500
Purchaser's adjustment	(4,200)
Additional Reserve (including Professional fees)	(3,300)
	<u>10,000</u>
Distribution Amount	<u>10,000</u>

### 4. CLAIMS

The Approval Order authorized the Monitor to make a distribution to HSBC Bank up to the full amount owing to it. Pursuant to the Approval Order, distribution to the Bank was contemplated to be subject to the satisfaction of the following:

- a) Completion of the working capital adjustment set out in Section 2.10 of the APS;
- b) Satisfaction of the covenant in Section 4.2(b) of the APS (related to confirmation of payment of outstanding wages);
- c) Payment of (or provision for) obligations of the Company which rank ahead of HSBC Bank; and
- d) Payment of (or provision for) amounts owing for post-filing supplies and services.

The status of each of these items is as follows:

- Item 4(a): The Distribution Amount is net of the full amount claimed by the Purchaser in respect of its calculation of the Purchase Price Adjustment (\$4.2 million).
- Item 4(b): Outstanding wages have been paid.

- Item 4(c): This includes amounts under the Administration Charge and the Directors' and Officers Charge pursuant to the Initial Order, as well as in respect of deemed trusts and statutory priorities. The Monitor has funded these amounts in full or has retained funds it believes to be sufficient to satisfy these obligations, based on information available to it.
- Item 4(d): Subsequent to the completion of the Transaction and the discontinuation of the Company's operations, the Monitor learned of unpaid obligations that the Company incurred during these proceedings. The Monitor is currently assessing such potential liabilities. These obligations do not enjoy a statutory or other priority over the Company's secured lenders. Based on the financial information available to it, the Monitor is concerned that recoveries in these proceedings will not be sufficient to repay in full the Company's indebtedness to its secured lenders, HSBC Bank and HSBC Capital (Canada) Inc.

## **5. HSBC BANK**

HSBC Bank is the Company's principal secured creditor. At the commencement of the CCAA Proceedings, the Company's indebtedness to HSBC Bank totalled approximately \$16.4 million. As at May 27, 2009, the Company's indebtedness to HSBC Bank was approximately \$12.6 million, plus interest and costs which continue to accrue.

The Monitor has obtained favourable opinions from Ogilvy regarding the security held by HSBC Bank.

## **6. PURCHASER**

The Distribution Amount has been discussed with the Purchaser's counsel, LPLV. LPLV is seeking instructions from the Purchaser regarding the Distribution Amount. The Monitor is of the view that the Distribution Amount should not be objectionable to the Purchaser as the full amount disputed by it (\$4.2 million) has been held in reserve.

## 7. RECOMMENDATION

Based on the foregoing, the Monitor recommends that this Honourable Court issue an Order directing it to pay the Distribution Amount to HSBC Bank as partial payment of the Company's indebtedness to HSBC Bank.

\* \* \*

All of which is respectfully submitted

A handwritten signature in cursive script, appearing to read "RSM Richter Inc.", followed by a comma.

**RSM RICHTER INC.  
IN ITS CAPACITY AS CCAA MONITOR OF  
KOMUNIK CORPORATION, KOMUNIK DATAMARK INC.  
AND KOMUNIK INTRAMEDIA INC.  
AND NOT IN ITS PERSONAL CAPACITY**



# **RSM Richter**

## **Sixth Report of RSM Richter Inc. Re: Komunik Corporation, Komunik Datamark Inc. and Komunik Intramedia Inc.**

**RSM Richter Inc.**  
Toronto, April 28, 2009

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Appendix "A"      Cash Flow Projection

**QUEBEC  
SUPERIOR COURT  
- COMMERCIAL DIVISION -**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
KOMUNIK CORPORATION, KOMUNIK DATAMARK INC.  
AND KOMUNIK INTRAMEDIA INC.**

**SIXTH REPORT OF RSM RICHTER INC.  
IN ITS CAPACITY AS MONITOR OF  
KOMUNIK CORPORATION, KOMUNIK DATAMARK INC.  
AND KOMUNIK INTRAMEDIA INC.**

**April 28, 2009**

**1. INTRODUCTION**

This report is filed by RSM Richter Inc. ("Richter") in its capacity as monitor ("Monitor") of Komunik Corporation, Komunik Datamark Inc. and Komunik Intramedia Inc. (collectively, the "Company").

Pursuant to an order (the "Initial Order") of the Québec Superior Court - District of Montréal (Commercial Division) (the "Court") made on November 18, 2008, the Company was granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") and Richter was appointed as the Monitor in the CCAA proceedings (the "CCAA Proceedings").

The stay of proceedings in favour of the Company expires on May 1, 2009.

## **1.1 Purposes of this Report**

The purposes of this report ("Report") are to:

- a) Provide background information concerning the Company and the CCAA Proceedings;
- b) Summarize outstanding issues in the CCAA Proceedings, including issues related to the Agreement of Purchase and Sale dated February 19, 2009 ("APS") pursuant to which 4488385 Canada Inc. (the "Purchaser") acquired from the Company substantially all of its business and assets (the "Transaction");
- c) Recommend that this Honourable Court issue an order:
  - i. Granting an extension of the stay of proceedings from May 1, 2009, the date that the stay of proceedings expires, to June 30, 2009; and
  - ii. Approving this Report and the Monitor's activities as described herein.

## **1.2 Currency**

Unless otherwise noted, all currency references in this Report are to Canadian dollars.

## **1.3 Terms of Reference**

In preparing this Report, the Monitor has relied upon unaudited financial information prepared by the Company's management, the Company's books and records and discussions with its management. The Monitor has not performed an audit or other verification of such information. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the Monitor in preparing this Report.

## **2. BACKGROUND**

The Company was a provider of integrated document management and printing services. The Company focused on business forms, pressure sensitive labels, tags, short-to-medium run commercial printing and digital printing.

Background information concerning the Company and the CCAA Proceedings is provided in the Company's petition for the Initial Order dated November 18, 2008 and in the Monitor's earlier reports filed in these proceedings. Copies of these documents can be found on the Monitor's website at <http://www.rsmrichter.com/Restructuring/Komunik.aspx>.

## **3. THE TRANSACTION**

As set out in the Monitor's fifth report to Court dated March 23, 2009, the Company entered into the APS with the Purchaser on February 20, 2009 (the "Transaction"). The APS was approved by this Honourable Court pursuant to an order issued on March 27, 2009 ("Approval Order"). On March 30, 2009 ("Closing Date"), the Company, the Monitor and the Purchaser closed the Transaction. On closing, the Purchaser paid \$17.5 million to the Monitor (the "Purchase Price"), which it holds in trust for the Company (net of the Company's post-filing obligations paid).

The APS contains a mechanism for the Purchase Price to be adjusted upward or downward, as the case may be, based on changes in the Company's inventory and accounts receivable between dates established in the APS (the "Target Values") and the Closing Date ("Purchase Price Adjustment"<sup>1</sup>).

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<sup>1</sup> Under the APS, the working capital is to be calculated based on the Closing Date, which was March 30, 2009; however, the parties are reconciling to March 27, 2009 as this was the last day of the Company's operations.

The APS required that within five business days of the Closing Date the Company submit to the Purchaser a statement setting forth the calculation of the purchased working capital (being the accounts receivable and inventory as at the Closing Date) ("Purchased Working Capital"). The Monitor<sup>2</sup>, on behalf of the Company, submitted the calculation of the Purchased Working Capital on April 8, 2009, being seven business days after the Closing Date. The two day delay was necessary because certain information the Monitor required to complete the calculation of the Purchased Working Capital was under the control of the Purchaser and not readily available to the Monitor. The Purchaser consented to the delay.

Between April 10, 2009 and April 23, 2009 there have been communications between the Purchaser and its counsel and the Monitor and its counsel in respect of the Purchased Working Capital. As part of this communication, the Monitor required the Purchaser to file an Objection Notice in the manner provided in the APS. The Purchaser provided the Objection Notice on April 23, 2009, which reflected a Purchased Working Capital calculation which in the Monitor's view is inconsistent with the terms of the APS. Pursuant to the APS, the parties have until April 30, 2009 to agree upon the Purchased Working Capital amount, failing which a motion can be brought to the Court to resolve the dispute.

The Monitor has advised the Purchaser that in its view, the Purchaser's calculation of the Purchased Working Capital is inconsistent with the terms of the APS, is in effect a re-writing of the business deal and that the Monitor would not have recommended the Transaction for approval based on the method used by the Purchaser to calculate the Target Values. The Monitor has advised the Purchaser that the Monitor is considering bringing an application to rescind the Transaction.

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<sup>2</sup> On or about March 30, 2009, all of the Company's directors resigned. The Approval Order authorizes the Monitor to take steps necessary on behalf of the Company to facilitate completion of the proceedings.

An extension of the stay of proceedings will permit the Monitor to address the Purchase Price Adjustment issue with the Purchaser and, if necessary, to submit the issue to the Court.

#### **4. ADDITIONAL OUTSTANDING MATTERS IN THE CCAA PROCEEDINGS**

There are a number of outstanding matters in the CCAA Proceedings, the details of which are provided in the following sections.

##### **4.1 Sundry Receivables**

Pursuant to a transaction ("Konversation Transaction") approved by the Court on January 28, 2009, the Company sold the assets of its Konversation division to Intema Solutions Inc. ("Intema"). Intema did not purchase the accounts receivable related to the Konversation division; the receivables had a book value of approximately \$90,000 as at March 27, 2009. The Monitor is working to collect these amounts on the Company's behalf.

##### **4.2 Vendor Deposits**

The purchased assets pursuant to the APS excluded deposits paid by the Company to its suppliers and service providers during the CCAA Proceedings. The Monitor, on the Company's behalf, has worked with suppliers and service providers to reconcile the Company's accounts and to collect amounts due to the Company. This process is ongoing. Several weeks may be required to complete this task.

##### **4.3 Tax Returns**

In order to complete the administration of the Company's estate, various corporate tax returns and sales tax returns are to be filed. The Monitor is working to have these filed and to realize any refunds that may be payable to the Company.



#### **4.4 Payment of Post-Filing Obligations**

The Approval Order requires that the Company pay certain obligations related to these proceedings, including post-filing services and supplies. Additional time is required to address and resolve post-filing supply issues.

#### **5. CASH FLOW**

The Company's cash flow projection for the extension period is attached as Appendix "A". The Company intends to fund further costs from recoveries in these proceedings. The Monitor believes that the cash flow is reasonable.

#### **6. THE MONITOR'S REQUEST FOR AN EXTENSION**

The current stay of proceedings expires on May 1, 2009. The Monitor is seeking an extension of the stay of proceedings to June 30, 2009.

The Monitor submits that an extension of the stay of proceedings is appropriate in the circumstances for the following reasons:

- It will allow the Monitor the opportunity to attempt to address the Purchase Price Adjustment;
- The granting of the extension should allow the Company and the Monitor to advance completion of the outstanding matters described in this Report; and
- The Company's principal secured creditors, HSBC Bank Canada and HSBC Capital (Canada) Inc., have advised that they support the requested extension.

## **7. OVERVIEW OF THE MONITOR'S ACTIVITIES**

The Monitor's activities from November 18, 2008 to March 20, 2009 were approved pursuant to previous orders of the Court. Since March 20, 2009, the Monitor's activities include:

### **7.1 Court Matters**

- Reviewing Court materials in respect of, among other things, the Company's requests for extensions of its stay of proceedings and approval of the Transaction;
- Placing on its website copies of all Court materials filed in the CCAA Proceedings; and
- Drafting this Report.

### **7.2 Cash Monitoring and Reporting**

- Reviewing and commenting on the Company's financial projections and other financial information;
- Monitoring receipts and disbursements in accordance with the provisions of the Initial Order;
- Reviewing on a daily basis the Company's receipts, disbursements and bank statements;
- Making disbursements from the Monitor's trust account on behalf of the Company, in respect of the Company's post-filing obligations, in accordance with the Approval Order;
- Corresponding extensively with Company representatives regarding their reporting to the Monitor, particularly in respect of disbursements and accounts receivable collections; and
- Corresponding with HSBC Bank and HSBC Capital.

### **7.3 Sale Process and APS**

- Scheduling meetings among the Purchaser, the Company's management and the Monitor;
- Attending at numerous meetings and conference calls with the Purchaser and its counsel;

- Assisting the Company to respond to numerous information requests made by the Purchaser;
- Closing the Transaction and attending to related issues, including inventory counts;
- Calculating the Purchase Price Adjustment and corresponding with the Purchaser and its counsel in respect of same; and
- Dealing with the Company, its legal counsel and the Monitor's legal counsel regarding the Sale Process, the Transaction and the APS.

#### 7.4 Administration

- Periodically attending at the Company's premises in order to carry out the Monitor's mandate in accordance with the Initial Order;
- Assisting the Company to deal with numerous post-filing issues, including those related to banking, suppliers, customers and employees;
- Corresponding with Canada Revenue Agency and provincial tax offices;
- Corresponding with suppliers regarding post-filing obligations;
- Responding to numerous creditor inquiries; and
- Other matters pertaining to the administration of this mandate.

### 8. CONCLUSION AND RECOMMENDATION

Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 of this Report.

\* \* \*

All of which is respectfully submitted,

*RSM Richter Inc.*

**RSM RICHTER INC.  
IN ITS CAPACITY AS CCAA MONITOR OF  
KOMUNIK CORPORATION, KOMUNIK DATAMARK INC.  
AND KOMUNIK INTRAMEDIA INC.  
AND NOT IN ITS PERSONAL CAPACITY**