

COURT FILE NUMBER

2001 – 07942

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

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

**AND IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF KORITE
INTERNATIONAL INC.**

DOCUMENT

**FIFTH REPORT OF BDO CANADA LIMITED, IN
ITS CAPACITY AS THE MONITOR OF KORITE
INTERNATIONAL INC.**

DECEMBER 4, 2020

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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File No. 074432-4

**FOURTH REPORT OF THE MONITOR
BDO CANADA LIMITED
DECEMBER 4, 2020**

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INTRODUCTION

1. On June 30, 2020, Korite International Inc. (“**Korite**” or the “**Company**”) made an application (the “**Initial Application**”) to the Court of Queen’s Bench of Alberta (the “**Court**”) for an order granting an initial stay of proceedings in respect of the Company pursuant to the *Companies Creditors Arrangement Act*, RSC 1985 c. C-36, as amended (the “**CCAA**”).
2. On June 26, 2020, BDO Canada Limited (“**BDO**”), in the capacity as the Proposed Monitor, filed a report (the “**Pre-Filing Report**”) with the Court in contemplation of the Initial Application.
3. On June 30, 2020 (the “**Filing Date**”), a *CCAA Initial Order* (the “**Initial Order**”) was granted by the Honourable Madam Justice K. M. Horner of the Court providing initial relief including:
 - a. the imposition of an initial stay of proceedings (the “**Stay**”) in favour of the Company and its assets through to July 10, 2020;
 - b. the appointment of BDO as monitor (the “**Monitor**”) in the CCAA proceedings (the “**Proceedings**”);
 - c. the granting of an administration charge in respect of the professional fees and disbursements of Korite’s legal counsel, the Monitor, and legal counsel to the Monitor, in an aggregate amount not to exceed \$100,000 (the “**Administration Charge**”);
 - d. the granting of a charge in favour of Korite’s directors and officers in an amount not to exceed \$50,000 (the “**Directors’ Charge**”); and
 - e. the approval of an interim lending agreement (the “**Interim Facility**”) and the granting of a charge to a maximum of \$126,000 in relation to borrowings thereunder (the “**Interim Lender’s Charge**”).

4. On July 8, 2020, the Monitor filed a report (the “**First Report**”) with the Court in contemplation of the Company’s July 14, 2020 Court application (the “**Comeback Application**”).
5. At the Comeback Application, the Court granted an *Amended and Restated Initial Order* (the “**ARIO**”) providing the following relief:
 - a. extending the Stay through to September 23, 2020;
 - b. increasing the quantum of the Interim Lender’s Charge to a maximum of \$702,000; and
 - c. approving a super-priority to the Administration Charge, the Directors’ Charge and the Interim Lender’s Charge (collectively referred to as the “**Court Ordered Charges**”) as against the property, assets and undertakings of Korite (the “**Assets**”) in the following amounts and ranking:
 - i. The Administration Charge (\$100,000) – first ranking;
 - ii. The Directors’ Charge (\$50,000) – second ranking; and
 - iii. The Interim Lender’s Charge (\$702,000) – third ranking.
6. On July 17, 2020, the Monitor filed a report (the “**Second Report**”) in advance of the Company’s application seeking approval of a proposed sale and investment solicitation process in relation to the assets and/or business operations of Korite (the “**SISP**”).
7. On July 21, 2020, the Court granted an Order:
 - a. approving the SISP;
 - b. approving the engagement of Assurgo Enterprises Inc. (“**Assurgo**”) as the sales agent to administer the SISP (the “**Sales Agent**”);

- c. granting a fourth-ranking charge (the "**Sales Agent Charge**") against the Assets, in favour of the Sales Agent to secure the compensation of the Sales Agent for the final success fees (the "**Completion Fees**") provided for in the Engagement Letter, and the further amendment of the ARIO to include the Sales Agent Charge; and
 - d. approving a sealing order over Confidential Exhibit "3" to Affidavit No. 4 of Tim A. Bowman sworn in support of the application.
8. On September 15, 2020, the Monitor filed a report (the "**Third Report**") in advance of the Company's application (the "**September Application**") seeking approval of charge against the Assets in favour of certain key employees with respect to vacation pay owed to them and a further extension of the Stay.
9. On September 16, 2020, the Monitor prepared a Confidential Supplement to the Third Report (the "**September Confidential Supplement**") to provide the Court with the non-binding letters of intent that has been delivered by the September 14, 2020 (the "**Phase 1 Deadline**").
10. On September 23, 2020, the Court granted an Order:
 - a. extending the Stay to November 6, 2020;
 - b. authorizing a fifth-ranking charge (the "**Vacation Pay Charge**") against the Assets, to a maximum of \$105,255.41 in favour of certain key employees in relation to their accrued vacation pay; and
 - c. approving a sealing order over Confidential Exhibit "3" to Affidavit No. 5 of Tim A. Bowman sworn in support of the application for the Vacation Pay Charge.
11. On October 28, 2020, the Monitor filed a report (the "**Fourth Report**") in advance of the Company's November 5, 2020 application (the "**November Application**") seeking an additional extension of the Stay.

12. On November 5, 2020, the Court granted an Order extending the Stay through to December 11, 2020.

PURPOSE

13. The purpose of this report (the “**Fifth Report**”) is to provide information to this Honourable Court with respect to:
 - a. An update as to the administration of the SISP;
 - b. Korite’s upcoming application to seek an Approval and Vesting Order (the “**AVO**”) approving the agreement of purchase and sale (the “**APA**”) between Korite and Korite International Limited Partnership (the “**Purchaser**”) dated December 1, 2020, and vesting Korite’s right, title and interest in and to the assets described in the APA (the “**Transaction**”) in the Purchaser and other associated relief;
 - c. the Company’s financial performance since the date of the Fourth Report;
 - d. Korite’s updated cash flow forecast;
 - e. Korite’s request for a further extension of the Stay through to January 22, 2021 in order allow sufficient time to close the Transaction;
 - f. Korite’s request to provide for the termination of the Proceedings and the discharge of the Monitor;
 - g. the Monitor seeking approval of the fees and disbursements of the Monitor and its legal counsel in contemplation of the Monitor’s discharge; and
 - h. the Monitor’s comments and recommendations in respect of the above, as applicable.

TERMS OF REFERENCE

14. In preparing this Fifth Report, the Monitor has been provided with, and has relied upon audited and unaudited financial information, certain books and records of the Company and discussions with Korite's management group ("**Management**") and its legal counsel (collectively referred to as the "**Information**").
15. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided; however, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information in such a manner that would wholly or partially comply with standards as set out in the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such Information.
16. Some of the Information referenced in this Fifth Report relates to weekly cash flow forecasts, projections and related assumptions. An examination or review of cash flow forecasts, projections and related assumptions as outlined in the CPA Handbook has not been performed.

SALE AND INVESTMENT SOLICITATION PROCESS UPDATE

17. As set out in the Third Report and the Fourth Report, the SISP provided for a Final Bid Deadline and a Final Agreement Deadline (each as defined in the SISP) of October 9, 2020 and October 16, 2020 respectively. On the recommendation of Assurgo, and with the support of the principal secured creditor, Canadian Imperial Bank of Commerce ("**CIBC**"), and the group of second secured creditors (the "**Vendor Creditors**"), these deadlines were extended to October 19, 2020 (the "**Extended Final Bid Deadline**") and October 30, 2020 (the "**Extended Final Agreement Deadline**") respectively, by Korite with the support of the Monitor.
18. Competitive bids to acquire the Assets on a going concern basis (the "**Going Concern Bids**") were received from multiple parties (the "**Bidders**") by the Extended Final Bid Deadline.

19. Subsequent to the Extended Final Bid Deadline, Assurgo assisted with the ongoing analysis and clarification of the Going Concern Bids and facilitated various discussions with the Bidders, CIBC, CIBC's financial advisor, the Vendor Creditors, Korite and the Monitor.
20. On or about November 11, 2020, Assurgo received a further revised bid from one of the Bidders (the "**Additional Bid**"). Assurgo provided the Additional Bid to Korite, the Monitor, CIBC and the Vendor Creditors' Representative for review.
21. Copies of the summaries of the Going Concern Bids and the Additional Bid prepared by Assurgo are attached as Confidential Exhibit "2" to Affidavit No. 7 of Tim A. Bowman sworn December 3, 2020 ("**Bowman Affidavit No. 7**"). As Confidential Exhibit "2" contains confidential and commercially sensitive information that could adversely affect Korite and its stakeholders in the event that the Transaction does not close, Korite will be seeking a sealing order over Confidential Exhibit "2". The Monitor is supportive of Korite's request to have Confidential Exhibit "2" sealed.
22. The Monitor is filing a confidential supplement to this Fifth Report (the "**Confidential Supplement**") which will include further commentary from the Monitor with respect to the Going Concern Bids and the Additional Bid. The Monitor will also be seeking to have the Confidential Supplement sealed for the same reason as noted above.
23. Korite, Assurgo, the Monitor, CIBC and the Vendor Creditors subsequently agreed that the Extended Final Agreement Deadline should be further extended to November 26, 2020 to allow sufficient time to settle on and negotiate a Final Agreement(s) (as defined in the SISP) between Korite and the Purchaser.
24. A further extension of the Extended Final Agreement Deadline to December 1, 2020 was agreed to by Korite, Assurgo, the Monitor, CIBC and the Vendor Creditors.

25. On December 1, 2020, the APA between Korite and the Purchaser was executed, a redacted copy of which is attached as Exhibit "3" to Bowman Affidavit No. 7 and an unredacted copy of which is attached as Confidential Exhibit "4" to Bowman Affidavit No. 7.

TRANSACTION

Significant Terms

26. The key terms of the APA that are not redacted are summarized as follows:
- The assets being acquired (the “**Purchased Assets**”) include substantially all of the assets of Korite including but not limited to:
 - Accounts receivable;
 - Prepaid expenses;
 - Mineral rights agreements, certain equipment leases and certain other agreements and contracts (the “**Assumed Contracts**”);
 - Equipment;
 - Inventory;
 - Intellectual property;
 - Outstanding shares in the capital of Korite’s 100% owned subsidiary Korite USA Inc.;
 - Goodwill and other intangible assets; and
 - Books and records.
 - The Purchased Assets are being acquire on an “*as is, where is*” basis; and
 - The APA is conditional upon the Court granting the AVO.

27. The Monitor understands that at this time, the Purchaser intends on offering employment to substantially all of Korite's existing employees.

Monitor's Comments

28. The Monitor is supportive of the Transaction for the reasons as set out in the Confidential Supplement.

29. In addition, the Monitor is satisfied that the administration of the SISP, which gave rise to the APA, was fulsome, thorough and generally consistent with sales and investment solicitation processes administered in other restructuring engagements that BDO has been recently involved with. The Monitor can offer the following comments in this instance:

- Assurgo, the Court appointed Sales Agent, has significant experience administering divestiture engagements;
- The Assets were widely advertised by the Sales Agent during the SISP as follows:

- i. the Sales Agent created a list of Known Potential Bidders (as defined in the SISP) and distributed a Teaser Letter (as defined in the SISP) to 531 Known Potential Bidders (as defined in the SISP) located in the following geographic areas:

- 350 in North America;
- 55 in China and the Far East;
- 34 in Europe;
- 25 in Pakistan;
- 22 in India;
- 10 in the Middle East;
- 4 in Australia; and
- 31 elsewhere.

- ii. the Known Potential Bidders who were sent the Teaser Letter included approximately 110 Known Potential Bidders already operating in the mining, manufacturing, distribution and/or wholesale jewellery-related industry, and approximately 100 private equity firms, primarily located in North America, but some international ones as well;
- iii. the Sales Agent caused notice of the SISP to be published in the Calgary Herald and the Financial Post;
- iv. the Sales Agent advertised the SISP on its website and LinkedIn page; and
- v. the Sales Agent prepared and made available the CIM and the Data Room (each as defined in the SISP).

- Notice of the SISP was also posted on the Monitor's website.

30. Section 36(1) of the CCAA provides that a debtor company in respect of which an order has been made under the CCAA may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized by the Court. The CCAA provides that the Court shall take various factors into consideration when determining whether to approve a sale transaction as set out below:

- Section 36(2) of the CCAA provides that secured creditors likely to be affected must be put on notice of the application. Korite will be serving CIBC and the Vendor Creditors with notice of the upcoming application to seek approval of the AVO;
- Section 36(3) provides for multiple factors to be considered by the Court for which the Monitor offers the following comments in relation thereto:
 - a) in light of the SISP having been designed with input from CIBC and the Vendor Creditors and approved by the Court, the Monitor is of the view that the process leading to the proposed sale was reasonable in the circumstances;

- b) as was previously set out in the Second Report, the Monitor approved of the SISP;
 - c) based on its experience in previous mandates, the Monitor is of the view that the contemplated sale of the Assets under the proposed going concern based Transaction, is more beneficial than a sale under a bankruptcy proceeding that would ultimately see the Assets liquidated;
 - d) as set out in this Fifth Report, the significant creditors, being CIBC and the Vendor Creditors, have been consulted throughout the administration of the SISP;
 - e) in light of the results of the SISP and the Monitor having obtained an independent legal opinion from its legal counsel confirming the validity and enforceability of CIBC's security and in consideration of CIBC's support of the Transaction, the Monitor is satisfied that the Transaction generated from the SISP represents the best viable available alternative to all creditors and interested parties; and
 - f) in consideration of the fulsome and thorough public marketing of the Assets through the administration of the SISP as discussed in Paragraph 29 of this Fifth Report, the Monitor is satisfied that the consideration contemplated by the Transaction is reasonable and fair and the best indication of market value.
31. The parent company of the general partner of the Purchaser is Clear North Capital Holdings Inc ("CNC"), which is an experienced and successful private equity investor in lower mid-market private companies throughout North America. The Monitor understands that CNC is not related to Korite; however, the Monitor understands that the President of Korite, Mr. David Lui, is participating in the Transaction. Section 36(4) of the CCAA provides that the Court should also consider the following additional factors in circumstances where a proposed sale is made to a party that might be considered a related party:

- a. whether good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the company; and
 - b. the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition.
32. In respect of the above considerations, the Monitor can advise as follows:
- a. as set out earlier in this Fifth Report, the Monitor is satisfied with the administration of the SISP;
 - b. as further detailed in the Confidential Supplement, the Monitor is of the view that the Transaction represents the best viable alternative in the circumstances; and
 - c. upon learning from Assurgo that one or more of the Bidders might be interested in approaching Management with an opportunity to participate as part of a final offer, the Monitor held a telephone call with Management on October 14, 2020, and subsequently followed up with in writing, advising that the Monitor had designated existing Management, including Mr. Lui, as Insider Bidders (as defined by the SISP) such that Management would no longer have any involvement with the SISP on behalf of Korite. Consequently, Mr. Bowman, in his capacity as the sole director of Korite, assumed sole responsibility for the SISP on behalf of Korite.
33. For the reasons set out above and in the Confidential Supplement, the Monitor believes that the APA is in the best interest of all stakeholders and recommends approval of same.

ASSIGNED CONTRACTS

34. The APA contemplates the assignment of the Assumed Contracts to the Purchaser and Korite will be seeking an Order assigning the assumed contracts at the upcoming Court application.

35. Section 11.3(1) of the CCAA provides authorization for the Court to make an Order assigning the Assumed Contracts to the Purchaser. The CCAA provides that the Court shall take various factors into consideration when determining whether to make such an Order for which the Monitor has the following comments:
- a. None of the Assumed Contracts are (a) an agreement entered into on or after the day on which the CCAA proceedings commenced; (b) an eligible financial contract; or (c) a collective agreement other than the contract with Raydius Digital, in respect of website development, which was entered into after the day the CCAA proceedings commenced;
 - b. The Monitor approves of the contemplated assignments;
 - c. Based on the Monitor's knowledge of CNC, the Monitor is satisfied that the Purchaser ought to be able to perform the respective obligations under the Assumed Contracts; and
 - d. The Monitor is of the view that it is appropriate to assign the rights and obligations under the Assumed Contracts as the Assumed Contracts are integral to the going concern operations.
36. Management advises that it does not anticipate that there will be any monetary defaults to be cured under the Assumed Contracts.
37. In light of the above, the Monitor is of the view that any factors to be considered by the Court in respect of related parties have been satisfactorily addressed.

FINANCIAL PERFORMANCE

38. In contemplation of the November application, Management had prepared an updated 13-week cash flow forecast (the "**October Forecast**"), a copy of which was attached as Exhibit "1" of the October 26, 2020 Affidavit No. 6 of Tim A. Bowman sworn and filed in the Proceedings.
39. A variance analysis of the Company's actual receipts and disbursements over the period October 25 - November 28, 2020 (the "**Reporting Period**") versus the corresponding period in the October Forecast is set out in the following table:

| October 25 - November 28, 2020 | | | | |
|---------------------------------------|--------------------|--------------------|-----------------|--------------|
| | Actual | Forecast | Variance | Notes |
| Receipts | | | | |
| Accounts receivable | 501,368 | 371,752 | 129,616 | a) |
| Interim financing | - | 95,000 | (95,000) | b) |
| Miscellaneous | 49,219 | 37,000 | 12,219 | |
| | <u>550,587</u> | <u>503,752</u> | <u>46,835</u> | |
| Disbursements | | | | |
| Employees | 205,704 | 215,276 | 9,572 | |
| Contracts / Leases | 14,904 | 32,054 | 17,150 | |
| Production | 14,344 | 4,361 | (9,983) | |
| Purchases | 391 | 9,403 | 9,012 | |
| General and administrative | 62,860 | 38,609 | (24,251) | |
| Professional fees | 14,292 | 6,566 | (7,725) | |
| Secured Lender | 52,897 | 61,091 | 8,194 | |
| Restructuring | 168,679 | 172,448 | 3,769 | |
| | <u>534,071</u> | <u>539,808</u> | <u>5,737</u> | |
| Net cash flow for period | 16,516 | (36,056) | 52,572 | |
| Cash/Operating Line - beginning | (2,807,620) | (2,807,620) | - | |
| Cash/Operating Line - closing | <u>(2,791,104)</u> | <u>(2,843,676)</u> | <u>52,572</u> | |

40. The Company experienced positive cash flow of approximately \$17,000 over the Reporting Period and an overall positive variance of approximately \$53,000 in comparison to the October Forecast. The Monitor offers the following comments in respect of certain of the above noted significant individual line item variances:
- a. the Company experienced a favourable variance of approximately \$130,000 in respect of the collection of accounts receivable over the Reporting Period versus what had been contemplated by the October Forecast. Management advises that variance was principally due to the use of conservative estimates when preparing the October Forecast in light of the current economic conditions created by the COVID-19 Pandemic; and

- b. the October Forecast provided for the Company to have drawn \$95,000 on the Interim Facility over the Reporting Period, however; as a result of the above noted positive variance experienced from accounts receivable collections, the Company has yet to draw on the Interim Facility.

UPDATED CASH FLOW FORECAST

41. Management has prepared a further updated forecast for the three week period November 29 – December 19, 2020 (the “**December Forecast**”) covering the limited period through to the currently anticipated closing of the Transaction. A copy of the December Forecast is attached as Exhibit 5 to Bowman Affidavit No. 7. The December Forecast can be summarized as follows:

| November 29 - December 19, 2020 | |
|--|-------------|
| Receipts | |
| Accounts receivable | 341,509 |
| Interim financing | 36,000 |
| Miscellaneous | 57,303 |
| | 434,812 |
| Disbursements | |
| Employees | 72,254 |
| Contracts / leases | 41,526 |
| Production | 7,766 |
| General and administrative | 23,027 |
| Professional fees | 12,213 |
| Secured lender | 63,290 |
| Restructuring | 251,652 |
| | 471,728 |
| Net cash flow for period | (36,916) |
| Operating line - beginning | (2,791,104) |
| Operating line - closing | (2,828,020) |

42. The Monitor has reviewed the reasonableness of the December Forecast in accordance with section 23(1)(b) of the CCAA and wishes to highlight the following significant points:
- a. the December Forecast assumes the Transaction will be approved by the Court and close by December 18, 2020;

- b. the outside timeframe contemplated by the December Forecast is limited to the date by which the Transaction is currently contemplated to close;
 - c. the December forecast does not contemplate the financial effects of the Transaction other than as identified below as it relates to Closing Costs (as defined by the APA);
 - d. of the various Closing Costs estimated to be paid in conjunction with the closing of the Transaction, only the estimated restructuring fees are contemplated as part of the December Forecast;
 - e. Management has forecast negative cash flow of approximately \$37,000 over the forecast period, notwithstanding anticipating having to draw \$36,000 on the Interim Facility to fund the contemplated restructuring fees;
 - f. the balance of the Interim Facility outstanding at the time of the closing of the Transaction may vary based on whether the Company can achieve the forecasted collection of accounts receivable. Any negative variance may result in the Company requiring advances under the Interim Facility; and
 - g. with the use of the Interim Facility, the December Forecast contemplates the Company having sufficient funds available to operate through to the anticipated closing of the Transaction.
43. Our review consisted of inquiries, analytical procedures and discussions related to information, and assumptions provided to us by Management. Since hypothetical assumptions need not be supported, our analysis thereof was limited to evaluating whether they were consistent with the purpose of the December Forecast. We have also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the December Forecast.

44. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
- a. the hypothetical assumptions are not consistent with the purpose of the December Forecast;
 - b. as of the date of this Fifth Report, the probable assumptions developed by Management are not suitably supported and consistent with the current plans of the Company or do not provide a reasonable basis for the December Forecast, given the hypothetical assumptions; or
 - c. the December Forecast does not reflect the probable and hypothetical assumptions.
45. The Monitor gives no assurance and makes no representations as to whether the December Forecast will be met. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the Fifth Report that has been provided by the Company. The December Forecast has been prepared solely for the purpose of demonstrating how Korite intends to fund its operations through to the anticipated closing of the Transaction.

TERMINATION OF PROCEEDINGS AND DISCHARGE OF MONITOR

46. The proceeds from the Transaction will not be sufficient to fully repay Korite's obligations to its first-priority secured creditor, CIBC. Therefore, a plan of compromise and arrangement pursuant to the CCAA is not warranted or feasible and, upon the Monitor making the distributions contemplated by the APA, there is no further purpose or benefit to be achieved from the Proceedings.
47. Consequently, Korite will be making application for an Order terminating the Proceedings and discharging the Monitor, to be effective upon the Monitor completing all ancillary steps required to complete the Proceedings, including distributing funds according to the terms of the APA, and filing a certificate certifying same (the "**Monitor's Certificate**").

48. In light of the Company not intending to take any further steps under the Proceedings, the Monitor is supportive of the termination of the Proceedings and the discharge of the Monitor.
49. In contemplation of its pending discharge, the Monitor will be seeking approval of its fees and disbursements as well as those of its legal counsel, Burnett Duckworth & Palmer LLP (“**BDP**”), specifically:
 - a. The fees and disbursements of the Monitor invoiced through to November 29, 2020 totalling \$94,407.24, plus GST. All charges are for time and services provided at standard rates; and
 - b. The fees and disbursements of BDP invoiced through to November 27, 2020 totalling \$86,488.80, plus GST. All charges are for time and services provided at standard rates.
50. A summary of the above invoices rendered to date by the Monitor and BDP invoices is attached hereto as **Appendix “A”**. Copies of the invoices rendered by the Monitor and BDP will be made available to the Court at the hearing on December 11, 2020.
51. On the assumptions that the Transaction will be approved by the Court and close by December 18, 2020, the Monitor and BDP estimate that their fees and disbursements to be incurred through to the conclusion of the Proceedings will not exceed \$20,000 and \$15,000 respectively, exclusive of GST.

EXTENSION OF STAY OF PROCEEDINGS

52. Notwithstanding that Korite will be making application to provide for the termination of the Proceedings, the Company will be seeking a brief extension of the Stay through to January 22, 2021 to allow sufficient time for the closing of the Transaction and for the Monitor to attend to the distribution of funds as contemplated by the APA. The Monitor is supportive of the Company’s request to extend the Stay and also notes that the Proceedings may be terminated in advance of that date upon the filing of the Monitor’s Certificate.

CONCLUSION AND RECOMMENDATIONS

53. Since the date of the Fourth Report, Korite has continued to advance the Proceedings and has been acting in good faith and with due diligence by:
- a. maintaining existing operations;
 - b. completing the SISP and executing the APA;
 - c. communicating with various stakeholder groups and/or their advisors, including CIBC and the Vendor Creditors and their respective counsel; and
 - d. cooperating with the Monitor as required.
54. For the reasons set out in this Fifth Report and the Confidential Supplement, the Monitor recommends the following:
- a. approval of the APA;
 - b. the assignment of the Assumed Contracts;
 - c. the sealing of Confidential Exhibits “2” and “4” of Bowman Affidavit No. 7;
 - d. the sealing of the Confidential Supplement;
 - e. the termination of the Proceedings and the discharge of the Monitor;
 - f. the approval of the fees and disbursements of the Monitor and its legal counsel; and
 - g. an extension of the Stay through to January 22, 2021.

All of which is respectfully submitted this 4th day of December 2020.

BDO Canada Limited,
in its capacity as the Monitor of Korite International Inc.
and not in its personal or corporate capacity



Per: Marc Kelly
Senior Vice President

APPENDIX “A”

Korite International Inc.
Summary of Professional Fees and Disbursements

| <u>Invoice Number</u> | <u>Invoice Date</u> | <u>Fees and Disbursements</u> | <u>GST</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|--------------------|---------------------|
| <u>Monitor's Fees and Disbursements</u> | | | | |
| CINV0761433 | 31-Jul-20 | 28,328.00 | \$ 1,416.40 | \$ 29,744.40 |
| CINV0795543 | 10-Sep-20 | 26,255.00 | 1,312.75 | 27,567.75 |
| CINV0815180 | 1-Oct-20 | 17,306.00 | 865.30 | 18,171.30 |
| CINV0854252 | 4-Nov-20 | 13,608.24 | 680.41 | 14,288.65 |
| CINV0875364 | 30-Nov-20 | 8,910.00 | 445.50 | 9,355.50 |
| | | <u>\$ 94,407.24</u> | <u>\$ 4,720.36</u> | <u>\$ 99,127.60</u> |
| <u>Legal Fees and Disbursements</u> | | | | |
| 203453647 | 14-Jul-20 | 3,671.46 | \$ 183.58 | \$ 3,855.04 |
| 203454400 | 7-Aug-20 | 20,229.78 | 1,008.99 | 21,238.77 |
| 203454941 | 16-Sep-20 | 14,391.94 | 719.60 | 15,111.54 |
| 203455184 | 1-Oct-20 | 20,897.75 | 1,044.89 | 21,942.64 |
| 203456119 | 30-Oct-20 | 12,420.25 | 621.01 | 13,041.26 |
| 203456656 | 30-Nov-20 | 14,877.70 | 743.89 | 15,621.59 |
| | | <u>\$ 86,488.88</u> | <u>\$ 4,321.96</u> | <u>\$ 90,810.84</u> |