Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

MOTION RECORD

(returnable 16 February 2011)

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Tel.: 416.367.6000
Fax: 416.367.6749

Michael MacNaughton -LSUC No. 25889U
Mary Arzoumanidis - LSUC No. 53915V
Harriet Greenwood - LSUC No. 58915H

Lawyers for Ernst & Young Inc., in its capacity as Receiver of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc.

INDEX

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

INDEX

TAB 1

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

NOTICE OF MOTION
(returnable 16 February 2011)

ERNST & YOUNG INC., ("**EYI**") in its capacity as receiver and receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of 2110458 Ontario Limited ("**211**") o/a Loretta Flour, 2131413 Ontario Limited ("**213**") o/a Loretta Foods, 787755 Ontario Limited ("**787**") o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc. ("**Tarbrac**", and together with 211, 213 and 787, the "**Debtors**") will make a motion before a Judge presiding over the Commercial List on 16 February 2011 at 10:00 a.m. or as soon after that time as the motion can be heard at 330 University Avenue, Toronto, Ontario.

THE MOTION WILL BE HEARD ORALLY.

THE MOTION IS FOR AN ORDER:

1. abridging the time of service of this Notice of Motion and Motion Record if necessary, and directing that any further service of this Notice of Motion and the Motion Record be dispensed with such that this Motion is properly returnable on 16 February 2011;

2. authorizing and directing the Receiver to enter into an agreement to sell and approving the sale of the Food Service and Catering Business of the Debtors (the "**Purchased Assets**") to Jarvis Management Corp. (the "**Purchaser**"), as those Assets are described in the Asset Purchase Agreement dated 21 January 2011 (the "**APA**") and attached as Appendix "E" to the Second Report of the Receiver dated 9 February 2011 (the "**Second Report**") and carry out the terms of the APA;

3. vesting title in and to the Purchased Assets in Rosedale Food Company Inc. (the Purchaser's assignee), free and clear of all encumbrances;

4. sealing the unredacted version of the APA, the summary of offers received and the summary of the APA referred to in the Second Report until the filing with the Court of the Receiver's Certificate;

5. approving the Second Report and the activities of the Receiver as described therein; and

6. such further and other relief as counsel may advise and this Honourable Court may permit.

THE GROUNDS FOR THE MOTION ARE:

1. On 10 November 2010, EYI was appointed Interim Receiver of the Debtors by Order of Mr. Justice Campbell. EYI was appointed Receiver of the Debtors by Order of Mr. Justice Wilton-Siegel dated 26 November 2010 (the "**Receivership Order**");

2. the Receivership Order approved a marketing and sale process with respect to the Food Service and Catering business operated by the Debtors (the "**Sales Process**");

3. following the making of the Receivership Order, the Receiver took steps to implement the Sales Process;

4. pursuant to the Sales Process, the deadline for submission of offers was 14 January 2011;

5. the Receiver received and evaluated expressions of interest and offers in response to the Sales Process and entered into negotiations with interested parties on revised terms and extended the deadline for submission of fresh offers to 20 January 2011;

6. the Purchaser submitted a revised offer that was acceptable to the Receiver;

7. the sale of the Purchased Assets pursuant to the APA is commercially reasonable and is in the best interests of the Debtors and their stakeholders;

8. it is appropriate that the unredacted version of the APA and the summary of offers and summary of the APA referred to in the Second Report are sealed until the filing with the Court of the Receiver's Certificate;

9. section 100 of the *Courts of Justice Act*, R.S.O 1990, c. C-43 (the "**CJA**");

10. section 137 of the CJA;

11. rules 1.04, 2.01, 2.03, 3.02 and 37 of the *Rules of Civil Procedure* (Ontario); and

12. such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. the Second Report of Ernst & Young Inc., as Receiver dated 9 February 2011;

2. the First Report of Ernst & Young Inc., as Receiver dated 10 January 2011;

3. the First Report of Ernst & Young Inc., as Interim Receiver dated 25 November 2010; and

4. such further and other material as counsel may advise and this Honourable Court may permit.

9 February 2011

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Tel.: 416.367.6000
Fax: 416.367.6749

Michael MacNaughton - LSUC No. 25889U
Mary Arzoumanidis - LSUC No. 53915V
Harriet Greenwood - LSUC No. 58915H

Lawyers for Ernst & Young Inc., in its capacity as Receiver of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc.

TO: THE SERVICE LIST

SERVICE LIST
(updated 9 February 2011)

EMAIL

TO:

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

Tel: (416) 863-1500
Fax: (416) 863-1515

Attention: **Steven L. Graff**
Email: **sgraff@airdberlis.com**

Attention: **Aaron Collins**
Email: **acollins@airdberlis.com**

Lawyers for Bank of Montreal

AND TO:

HIMELFARB PROZANSKI LLP
480 University Avenue, Suite 1401
Toronto, ON M5G 1V2

Tel: (416) 599-8080
Fax: (416) 599-3131

Attention: **Richard Quance**
Email: **Richard@himprolaw.com**

Lawyers for 2110458 Ontario Limited, 2131413 Ontario Limited, 787755 Ontario Limited and Tarbrac Holdings Inc.

AND TO: **BORDEN LADNER GERVAIS LLP**
Scotia Plaza
40 King Street West
Toronto, ON M5H 3Y4

Tel: (416) 367-6000
Fax: (416) 367-6749

Attention: **Michael MacNaughton**
Email: **mmacnaughton@blg.com**

Attention: **Mary Arzoumanidis**
Email: **marzoumanidis@blg.com**

Attention: **Harriet Greenwood**
Email: **hgreenwood@blg.com**

Lawyers for Ernst & Young Inc.

AND TO: **ERNST & YOUNG INC.**
222 Bay Street, P.O. Box 251
Toronto, ON M5K 1J7

Tel: (416) 943-2134
Fax: (416) 943-3300

Attention: **Mike Dean**
Email: **mike.p.dean@ca.ey.com**

Attention: **Rahn Dodick**
Email: **rahn.dodick@ca.ey.com**

Receiver

AND TO: **GUISEPPE GATTI, TARAGH BRACKEN and PETER NELIPA**
c/o Himelfarb Prozanski LLP
480 University Avenue, Suite 1401
Toronto, ON M5G 1V2

Tel: (416) 599-8080
Fax: (416) 599-3131

Attention: **Richard Quance**
Email: **richard@himprolaw.com**

Lawyers for 2110458 Ontario Limited, 2131413 Ontario Limited, 787755 Ontario Limited and Tarbrac Holdings Inc.

AND TO: **LENCZNER SLAGHT ROYCE SMITH GRIFFIN LLP**
130 Adelaide St. W., Suite 2600
Toronto, ON M5H 3P5

Tel: (416) 865-9500
Fax: (416) 865-9010

Attention: **Matthew Lerner**
Email: **mlerner@litigate.com**

Lawyers for Signature Bank

AND TO: **COX & PALMER LLP**
Purdy's Wharf, Tower 1
1100-1959 Upper Water Street
Halifax, NS B3J 3N2

Tel: (902) 421-6262 ext 5231
Fax: (902) 421-3130

Attention: **Gavin MacDonald**
Email: **gmacdonald@coxandpalmer.com**

Lawyers for Maple Trade Finance Inc.

AND TO: **ANDRIESSEN & ASSOCIATES, PROFESSIONAL CORPORATION**
Barristers and Solicitors
701 Evans Avenue, Suite 900
Toronto, ON M9C 1A3

Tel: (416) 620-7020
Fax: (416) 620-1398

Attention: **Scott Young**
Email: **syoung@andriessen.ca**

Lawyers for Applewood National Leasing
and Applewood Holdings Inc.

AND TO: **EDWARDS, KENNY & BRAY LLP**
Barristers & Solicitors
1040 West Georgia Street
Vancouver, BC V6E 4H3

Tel: (604) 661-1007
Fax: (604) 689-5177

Attention: **William Hartley**
Email: **whartley@ekb.com**

Lawyers for Travelers Financial Corporation

AND TO: **McLEAN & KERR LLP**
Barristers & Solicitors
Suite 2800, 130 Adelaide Street
Toronto, ON M5H 3P5

Tel: (416) 364-5371
Fax: (416) 366-8571

Attention: Linda Galessiere
Email: lgalessiere@mcleankerr.com

Attention: Gus F. Camelino
Email: gcamelino@mcleankerr.com

Lawyers for Travelers Financial Corporation

AND TO: **TORKIN MANES LLP**
Barristers & Solicitors
151 Yonge Street
Suite 1500
Toronto ON M5C 2W7

Tel: (416) 777-5413
Fax: 1-888-587-9143

Attention: **Jeffrey J. Simpson**
Email: **jsimpson@torkinmanes.com**

Lawyers for Aureus Financial Corp

AND TO: **RICKETTS, HARRIS LLP**
Barristers & Solicitors
816-181 University Avenue
Toronto, ON M5H 2X7

Tel: (416) 364-6211, ext. 246
Fax:

Attention: **Robert D. Preston**
Email: **rdp@rickettsharris.com**

Attention: **Sam Sasso**
Email: **ssasso@rickettsharris.com**

Lawyers for Quest Automotive Leasing Services
Div Of Scarborotown Chrysler Dodge

AND TO: **SUMMIT CREDIT CORPORATION**
30 Vogell Road, Suite 1
Richmond Hill, ON L4B 3K6

Attention: Mark Sinkic
Email: marks@summitcreditcorp.com

AND TO: **MEYER, WASSENAAR & BANACH LLP**
5001 Yonge Street
Suite 301
Toronto, ON M2N 6P6

Tel: (416) 223-9191 ext. 270
Fax: (416) 223-9405

Attention: Gary Goldfarb
Email: ggoldfarb@mwb.ca

Lawyers for Jarvis Management Corp.

COURIER

AND TO: **Canadian Western Bank**
6127 Barlow Trail SE
Calgary, AB T2C 4W8

AND TO: **Canadian Western Bank**
285, 2880 Glenmore Trail SE
Calgary, AB T2C 2E7

AND TO:	**CIT Financial Ltd.** 5035 South Service Road Burlington, ON L7R 4C8
AND TO:	**Daimlerchrysler Financial Services Canada Inc.** 2425 Matheson Blvd. E, Ste 300 Mississauga, ON L4W 5N7
AND TO:	**DCFS Canada Corp.** 2680 Matheson Blvd. E, Ste 500 Mississauga ON L4W OA5
AND TO:	**General Motors Acceptance Corporation of Canada, Limited** 3300 Bloor Street West – Suite 2800 P.O. Box 5000, Station D Etobicoke, ON M8X 2X5
AND TO:	**GMAC Leaseco Corporation** 3250 Bloor Street West, 8th Floor Toronto, ON M8X 2X5
AND TO:	**Hawley Pontiac Buick Cadillac (1983) Ltd.** 225 Dundas St. East Mississauga, ON L5A 1W8
AND TO:	**Her Majesty The Queen In Right Of Ontario As Represented By The MOR** 33 King St. W., 6th Flr Oshawa, ON L1H 8H5
AND TO:	**Key Equipment Finance Canada Ltd.** 1122 International Blvd. Suite 600 Burlington, ON L7L 6Z8
AND TO:	**Laurentian Bank of Canada** 130 Adelaide St. W., Ste 300 Toronto, ON M5H3P5
AND TO:	**Laurentian Bank of Canada** 2 King Street East PO Box 20, LCD1 Hamilton, ON L8N 1A3
AND TO:	**Leasebank Credit Corporation** 1100 Burloak Drive, 7th Floor Burlington, ON L7L 6B2
AND TO:	**Liftcapital Corporation** 300 The East Mall, Suite 401 Toronto, ON M9B 6B7
AND TO:	**MCAP Leasing Inc.** 5575 North Service Rd, Ste 300 Burlington, ON L7L 6M1

AND TO:	**Mercedez-Benz Financial** 2425 Matheson Blvd. E, Ste 300 Mississauga, ON L4M 5N7
AND TO:	**National City Commercial Capital,** **A Division Of National City Bank** 2140-130 King St. W. Toronto, ON M5X 1E4
AND TO:	**National Leasing Group Inc.** 1558 Willson Place Winnipeg, MB R3T 0Y4
AND TO:	**Toyota Credit Canada Inc.** 80 Micro Court Suite 200 Markham, ON L3R 9Z5
AND TO:	**Travelers Financial (Alberta) Corporation** 210, 2880 Glenmore Trail SE Calgary, AB T2C 2E7
AND TO:	**Twin Hills Ford Lincoln Limited** 10801 Yonge Street Richmond Hill, ON L4C 3E3
AND TO:	**Bysan Industrial Developments Limited** 9 Robbie Avenue Toronto, ON M3H 1Y3
AND TO:	**447111 Ontario Limited** Diamond Suleman 7077 Keele Street, Suite 102 Concord, ON L4K 0B6
AND TO:	**Concordian Realty Management Inc.** 2180 Steeles Avenue West Concord, ON L4K 2Z5
AND TO:	**Weatta Holdings Inc.** 78 Old Kingston Road Ajax, ON L1T 2Z8
AND TO:	**JEVCO INSURANCE** 7120 Hurontario Street, Suite 700 Mississauga, ON L5W 0B1 Attention: Diane Wilder

Court File No. CV-10-8991-00CL

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

NOTICE OF MOTION

(returnable 16 February 2011)

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Tel.: 416.367.6000
Fax: 416.367.6749

Michael MacNaughton - LSUC No. 25889U
Mary Arzoumanidis - LSUC No. 53915V
Harriet Greenwood - LSUC No. 58915H

Lawyers for Ernst & Young Inc., in its capacity as Receiver of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc.

::ODMA\PCDOCS\TOR01\4561834\1

TAB 2

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED O/A LORETTA FLOUR, 2131413 ONTARIO LIMITED O/A LORETTA FOODS, 787755 ONTARIO LIMITED O/A NEW DURHAM TRADING, AND O/A NDT FOOD SERVICE AND O/A SKYWAY WHOLESALE AND TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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 TO THE COURT OF ERNST & YOUNG INC., AS RECEIVER

February 9, 2011

BACKGROUND

1. On November 10, 2010, Bank of Montreal ("**BMO**") made an application to the Ontario Superior Court of Justice (Commercial List) for an order, and the Court made an order, appointing Ernst & Young Inc. ("**EYI**") as interim receiver (in such capacity, the "**Interim Receiver**") pursuant to section 47(1) of the *Bankruptcy & Insolvency Act* ("**BIA**") and pursuant to section 101 of the *Courts of Justice Act* ("**CJA**") of the assets, undertakings and properties of 2110458 Ontario Limited ("**211**") o/a Loretta Flour, 2131413 Ontario Limited ("**213**") o/a Loretta Foods, 787755 Ontario Limited ("**787**") o/a New Durham Trading and o/a NDT Food Service and o/a Skyway Wholesale, and

Tarbrac Holdings Inc. ("**Tarbrac**") (collectively, the "**Debtors**" or the "**Loretta Group**").

2. On November 26, 2010, EYI was appointed as receiver and receiver and manager (the "**Receiver**") of the Debtors pursuant to section 243 of the BIA and section 101 of the CJA. A copy of the order appointing EYI as the Receiver (the "**Receivership Order**") is attached as Appendix "**A**" to this Report.

3. The Receivership Order, among other things, authorizes and empowers the Receiver to:

   (a) carry out the sale process developed by EYI, in its capacity as Interim Receiver, for the Food Services (as defined below) business of the Debtors substantially in accordance with the timeline annexed as Schedule "E" to the First Report of the Interim Receiver dated November 25, 2010 (the "**Food Services Timeline**"), with such changes as the Receiver considers necessary in its sole discretion, acting reasonably; and

   (b) sell the Property or any parts thereof outside the ordinary course of business:

      (i) without the approval of the Court in respect of any transaction not exceeding $250,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and

      (ii) with the approval of the 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.

4. On January 17, 2011, the Court made an order approving a marketing and sale process of the "Loretta Flour Division" (the "**Flour Business**") and the "Loretta Spice Division" (the "**Spice Business**") of the Debtors (the "**Flour and Spice Sale Process Order**") The Flour and Spice Sale Process Order is attached as Appendix "**B**" to this Report.

PURPOSE

5. This is the second report of the Receiver. The purpose of this Second Report is to:

   (a) report to the Court on the sale process for the Food Service and Catering ("**Food Services**") business of the Debtors;

   (b) report to the Court on the status of the sale process in respect of the Flour and Spice Businesses of the Debtors;

   (c) report to the Court on certain issues being encountered by the Receiver with respect to lease agreements previously entered into by the Debtors, and the Receiver's current proposed approach for dealing with the assets that are the subject of the lease agreements in question;

   (d) report to the Court on an issue relating to insurance proceeds resulting from the theft of an asset that is the subject of a lease agreement between the Debtors and a third party; and

   (e) request that the Court grant an Order:

      (i) approving the asset purchase agreement (the "**Jarvis APA**") in respect of the Food Services business (the "**Transaction**") between the Receiver and Jarvis Management Corp. ("**Jarvis**" or the "**Purchaser**");

      (ii) vesting title to the assets of the Food Services business to Rosedale Food Company Inc., Jarvis' assignee, free and clear of all security interests, mortgages, claims, charges, and encumbrances, as more fully detailed in the draft order included in the Receiver's motion materials, subject only to the filing by the Receiver with the Court of a completion of sale certificate (the "**Jarvis Sale Completion Certificate**"), which will be filed by the Receiver forthwith after the closing of the transaction; and

      (iii) approving the actions of the Receiver as described in this Report.

Terms of Reference

6. In preparing this Report, the Receiver has relied upon the books and records of the Debtors, conversations with operating management and employees of the Debtors, and other information from various sources. The Receiver has assumed that the information it has been provided is accurate and complete. The Receiver has not audited, reviewed or otherwise verified such information.

FOOD SERVICE SALE PROCESS

Summary of Process

7. As generally described in the First Report of the Receiver dated January 10, 2011 (the "**First Report**"), the Receiver:

   (a) finalized the Confidential Information Memorandum for distribution to potential purchasers of the Food Services business (the "**Food Services CIM**") during the week beginning December 20, 2010, which was approximately one week later than contemplated in the Food Services Timeline, due to difficulty in obtaining separate financial information for Food Services;

   (b) identified 24 parties likely to have an interest in acquiring Food Services. The number of parties has increased from the 21 parties mentioned in the First Report because it now includes certain customers and/or suppliers that expressed unsolicited interest in Food Services and a limited number of parties that the Receiver identified from the records of the Loretta Group as having previously expressed an interest in Food Services to Loretta Group senior management; and

   (c) contacted all of the parties identified and distributed the Food Services CIM to 10 of those parties who indicated they would be interesting in considering the opportunity.

8. The Receiver also e-mailed additional confidential financial and other information in electronic form to three of the parties who received the Food Services CIM and who

signed a confidentiality agreement satisfactory to the Receiver, and provided facilities tours to three of the parties who received the Food Services CIM.

9. Although the Food Services CIM was available for distribution approximately a week later than contemplated in the Food Services Timeline, the Receiver was able to receive executed confidentiality agreements, distribute confidential information to the corresponding potential purchasers, and arrange facilities tours within a shorter time frame than was contemplated in the Food Services Timeline. Accordingly, the Receiver requested that offers from potential purchasers, in the form required by the Receiver and including the Receiver's required terms of sale, be submitted by noon Toronto time on January 14, 2011, which was the submission deadline indicated in the Food Services Timeline.

<u>Other Actions of the Receiver</u>

10. As previously reported, neither the Interim Receiver nor the Receiver conducted a count of the Food Services inventory at the date of their respective appointments because of the business disruption that would result from counting a large number of items with low individual values. In early January 2011, during the normal seasonal slowdown for the Food Services business, the Receiver arranged for Food Services operating management and senior employees to conduct a complete inventory count. This information was sent in electronic form to all potential purchasers who had signed a confidentiality agreement.

11. The Receiver also arranged for one appraisal firm to tour the Food Services premises and to provide the Receiver with an appraisal of the Food Services production equipment on an as is, where is basis. This appraisal was requested by the Receiver for its own use (in conjunction with the Food Services inventory count information and accounts receivable balances) to estimate the realizations potentially available if the Food Services business were wound down by the Receiver rather than sold *en bloc*. That information was not provided to potential purchasers.

Offers Received

12. Prior to the expiration of the offer deadline on January 14, 2011 ("**Offer Deadline**"), the Receiver received certain offers (collectively, the "**Offers**"). After considering the Offers received, the Receiver advised each of the parties that it was rejecting all Offers received but was willing to commence private negotiations with each of them, with the intention of reaching an agreement to sell the Food Services business on traditional "as is, where is, no representations, no warranties" receivership sale terms.

13. Beginning on January 14, 2011, the Receiver entered into discussions with the interested parties in order to:

(a) clarify certain terms and conditions included with their Offers;

(b) attempt to resolve certain inconsistencies between their respective Offers and the Receiver's preferred transaction structure; and

(c) request that the interested parties exclude certain Food Services business accounts receivable from the transaction in order to potentially enhance the receivership's realizations from the transaction by allowing the Receiver to pursue collection of these accounts receivable.

14. The Receiver contacted the interested parties to advise that:

(a) the deadline for submission of revised offers (the "**Revised Offers**") was 5:00 p.m. on January 20, 2011; and

(b) the Receiver expected that the Revised Offers would be in final form and essentially capable of being accepted by the Receiver to create a binding agreement.

15. On January 20, 2011, after the interested parties conducted additional discussions and due diligence, Jarvis submitted a Revised Offer to the Receiver. The Revised Offer eliminated or clarified the terms and conditions presented in its original offer which were unacceptable to the Receiver and did exclude certain Food Services business accounts

receivable from the purchased assets. No revised offer was received from either of the other two interested parties.

16. Over a period of several days the Receiver and Jarvis succeeded in negotiating the Jarvis APA. The Receiver believes that the terms of the Jarvis APA are acceptable to the Loretta Group estate.

17. Attached hereto and marked as Appendix **"C"** is a summary and description of the offers received by the Offer Deadline. Attached hereto and marked as Appendix **"D"** is a summary of the Jarvis APA. Attached hereto and marked as Appendix **"E"** is a redacted copy of the executed Jarvis APA. In order to prevent any prejudice if the Transaction is not completed, the Receiver hereby requests that the summary of the offers, the summary of the Jarvis APA and a copy of the unredacted Jarvis APA are sealed by order of this Court pending completion of the Transaction contemplated therein.

18. A condition of the Jarvis APA was that the Purchaser was to obtain the consent of the landlord of the business premises of 787 (the "**Davand Premises**") to assign the lease. On February 3, 2011 the Receiver, Rosedale Food Company Inc. (an affiliate of Jarvis), and the landlord of the Davand Premises executed an agreement pursuant to which, *inter alia*, the lease of the Davand Premises will be assigned to Rosedale Food Company Inc. on the closing of the Jarvis sale and the Receiver will have no further obligation to the landlord in connection with the Davand Premises. The only significant remaining condition to closing is the Receiver obtaining an approval and vesting order from this Honourable Court in respect of the Transaction.

Receiver's Conclusion and Recommendation

19. The Receiver is of the view that the consideration from the Transaction, if completed, represents the maximum realization available in the circumstances from the Food Services assets:

(a) the consideration under the Jarvis APA represents the highest price offered following an expedited marketing process in which offers were solicited from all parties indicated by the Receiver's research to be likely potential purchasers of the Food Services business;

(b) the Receiver considers it unlikely that a lengthier marketing process than the Food Services Timeline, or one in which the opportunity was publicly advertised, would have generated higher offers for the Food Services business. As previously reported to the Court, the Food Services business has limited geographic scope and scalability due to the inherent limitations of transporting fresh foods, and is, therefore, likely to be of interest to a smaller group of potential purchasers, namely organizations that are either carrying on similar businesses or involved locally in areas of the food industry that would allow them to realize sales or purchasing synergies. In addition, the Receiver notes that during the receivership the net cash flow from the Food Services business, after a reasonable allocation of the fees of the Receiver and its counsel, has been negative, and that therefore an offer received in a longer process would have needed to be substantially higher to offset this net cash outflow; and

(c) the consideration under the Jarvis APA is substantially higher than the expected realizations (based on the equipment appraisal obtained, inventory count conducted and accounts receivable balances described in paragraphs 10-11 above) if the Food Services business were wound down and liquidated by the Receiver.

20. In addition, the Receiver notes that the Transaction:

(a) is a straightforward cash transaction that does not involve adjustments for inventory or accounts receivable levels, and should therefore be inexpensive to close;

(b) if completed, potentially provides the personnel employed by the Food Services business with new employment. Although the Jarvis APA provides that all Food Services employees will be terminated by the Receiver on the Closing Date and that the Purchaser has discretion to offer employment to those individuals, the Receiver understands that Jarvis does intend to operate the Food Services business and will therefore presumably offer employment to the majority of the current employees; and

(c) if completed, allows the Receiver access to and use of part of the head office portion of the Davand Premises for a specified interim period, thereby saving the Loretta Group estate the cost and inconvenience of relocating the electronic and hard copy records of the Loretta Group during the sale process for the Spice Business and the Flour Business.

21. Accordingly, the Receiver recommends that the Court grant the requested order, discussed in further detail below, approving the Jarvis APA and vesting title in the purchased assets to Rosedale Food Company Inc., Jarvis' assignee, on closing of the Transaction.

LORETTA FLOUR AND LORETTA FOODS SALE PROCESS

Status of Process

22. On January 17, 2011 the Court made the Flour and Spice Sale Process Order which approved the process proposed by the Receiver for the marketing and sale of the Flour and Spice Businesses of the Loretta Group (the "**Flour and Spice Timeline**"). The Flour and Spice Sale Process Order, is attached as Appendix "B" to this Report. In summary, the Flour and Spice Timeline provides for:

(a) the Receiver to prepare an Information Memorandum, compile a list of potential purchasers, and prepare an electronic data room by January 14, 2011;

(b) the Receiver to contact prospective purchasers, provide them with the Information Memorandum and (subject to execution of a satisfactory confidentiality agreement) access to the electronic data room, and conduct facility tours until February 25, 2011;

(c) submission of purchaser offers on March 4, 2011; and

(d) selection of a purchaser(s), application for Court approval, and closing of the transaction(s) by April 1, 2011.

23. Due to information quality issues similar to those encountered with the Food Services business, as described in the First Report, the Information Memorandum was completed, and the electronic data room prepared, approximately a week later than the expected date set out above. In the interim, the Receiver has developed a list of 60 potential purchasers for the Spice Business and/or Flour Business, including organizations identified through the Receiver's research and other parties that have approached the Receiver to express their interest, and has started to contact these parties to communicate the opportunity and the Receiver's sale process.

Modifications to Process

Canadian Intellectual Property

24. In the Receiver's First Report, the Receiver described the registered Canadian trademarks and design mark owned by 213 (the "**Canadian Intellectual Property**") and expressed its view that, if the Spice Business and Flour Business were sold separately greater value would be derived by selling the Canadian Intellectual Property with the Spice business, which sells numerous products under the "Loretta" name and appears to be the most dependent on the Canadian Intellectual Property.

25. The right to use the name "County Fair" for flour products is among the Canadian trademarks owned by 213. This trademark is used only by the Flour Business, which has previously sold flour to retailers under the "County Fair" name. Accordingly, the Information Memorandum provides that the assets of the Flour Business will include the rights to the "County Fair" trademark, while the remaining Canadian Intellectual Property will be sold with the Spice Business.

Advertising of Spice/Flour Sale Process

26. Although the sale process described above does not specifically provide for the Receiver to advertise the sale process, the Receiver is making arrangements for notices of the sale

process to be advertised once in the national edition of the Globe and Mail and once in a monthly food industry publication, at a combined cost of approximately $5,000. Both advertisements will appear during February 2011, which will allow potential purchasers who have not been directly notified of the opportunity through other means the ability to investigate the opportunity and, if they wish, to submit offers by the deadline of March 4, 2011. The Receiver is therefore of the view that the advertising represents a cost-effective improvement to the sale process as originally approved.

LEASED EQUIPMENT ISSUES

27. In combination, the records of the Loretta Group and the registrations made under the *Personal Property Security Act* (Ontario) ("**PPSA**") registrations against the Debtors appear to indicate that as at the date of the Receivership Order the Debtors had collectively entered into 34 lease agreements with 19 separate counterparties. The majority of these lease agreements related to equipment used in the operations of the Debtors, and there were also a limited number of lease agreements related to vehicles used by the management and certain employees of the Loretta Group. The number of lease agreements and counterparties for each of the Debtors, and the nature of the assets that are the subject of those lease agreements, is summarized in the table provided below.

	Operating Equipment		**Vehicles**	
	Number of Counterparties	Number of Lease Agreements	Number of Counterparties	Number of Lease Agreements
211	1	1	-	-
213	1	1	-	-
787	12	20	5	12

28. The Receiver notes that although 787 entered into the majority of the lease agreements related to equipment used in the operations of the Debtors, the equipment in 787's lease agreements includes many items that appear to relate to the Flour Business, which is carried on by 211, or the Spice Business, which is carried on by 213.

29. Borden Ladner Gervais LLP ("**BLG**"), the Receiver's lawyers, have reviewed each lease agreement in the records of the Debtors and has concluded each of the lease agreements related to operating equipment (referred to collectively, for convenience of description, as the "**Equipment Leases**") is properly categorized as a financing lease rather than a true lease. Accordingly, it is the view of the Receiver that (i) any outstanding and future payments under the Equipment Leases constitute secured claims against the Debtors, (ii) there is no obligation for the Receiver to make payments under the Equipment Lease agreements after the date of the Receivership Order, and (iii) the assets that are the subject of the Equipment Leases may be sold by the Receiver and the proceeds thereof distributed to the creditors of the Debtors in accordance with their respective priorities.

30. To date, the Receiver's communication with the counterparties to the lease agreements has been as follows:

(a) two of the vehicle lease agreements related to two vehicles that the Receiver understood were driven on a day-to-day basis by Mr. Gatti and Ms. Taragh Bracken (Mr. Gatti's spouse). Mr. Gatti did not leave either of these vehicles in the possession of the Receiver, but indicated to the Receiver that he would arrange for them to be returned to the applicable lessors. The Receiver promptly notified the applicable vehicle lessors in writing of the appointment of the Receiver, that the Receiver had not taken possession of the vehicle and conveyed the Receiver's understanding that Mr. Gatti would arrange for the return of the vehicles to the lessors;

(b) on December 3, 2010 the Receiver sent the notice required under subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**") to all known creditors of the Debtors, including all of the counterparties included in the above table;

(c) on or around December 3, 2010 the Receiver contacted each of the above counterparties by phone to notify them of the receivership and, in certain cases, to request that they provide additional detail to assist in BLG's review of the lease agreements and in the identification of the equipment subject to their lease agreements;

(d) on or around December 21, 2010 the Receiver wrote to each of the counterparties to the Equipment Leases (referred to collectively, for convenience of description, as the "**Equipment Lessors**") and notified them of BLG's review, of the Receiver's categorization of the Equipment Leases as financing leases, and that therefore the Receiver did not intend to make payments under the applicable lease agreements;

(e) a number of Equipment Lessors have provided additional detail relating to the leased equipment, and representatives of certain Equipment Lessors have visited the premises of the Debtors with the intention of identifying the equipment subject to their lease agreements;

(f) counsel to two of the Equipment Lessors and three unrepresented Equipment Lessors have written and/or telephoned the Receiver and BLG, to request that the Receiver either make payments pursuant to the lease agreements or deliver possession of the leased equipment; and

(g) counsel to two of the Equipment Lessors, each of which falls into the category notified in subparagraph (f) above, have filed Notices of Appearance in these proceedings.

31. To date, the Receiver has undertaken the following procedures in order to attempt to identify the equipment underlying each of the Equipment Leases:

(a) reviewed the descriptions of the underlying assets, particularly details such as serial numbers and dimensions, and requested additional details from the applicable Equipment Lessor as it considers necessary;

(b) with the assistance of operating management of the Food Services business and the Spice and Flour Businesses, attempted to locate the underlying assets on the various premises of the Debtors, being the Davand Premises, the business premises of the Spice Business located at 1610 Sismet Road, Mississauga, Ontario, (the "**Sismet Premises**") and the business premises of the Flour Business located at 1700 McEwen Drive, Whitby, Ontario (the "**Whitby Premises**");

(c) engaged a well-known asset appraisal firm, Danbury Appraisal, to provide an detailed asset-by-asset listing and appraisal of the equipment at the Davand Premises, Sismet Premises and Whitby Premises;

(d) reviewed the hard copy and electronic records of the Debtors to attempt to gain additional information with respect to how and when the assets at the various premises of the Debtors were acquired, financed or refinanced; and

(e) with the assistance of operating management at each of the Debtors' locations, accompanied and assisted the above-noted representatives of the Equipment Lessors who visited the premises of the Debtors with the intention of identifying the equipment subject to the applicable Equipment Leases.

32. The above procedures have identified a very large number of unreconciled discrepancies between the assets on the various premises of the Debtors and the assets described in the various Equipment Leases. In the majority of the Equipment Leases, the Receiver has been unable to satisfy itself that the equipment subject to the applicable lease agreement exists on the premises of the Debtors. Discrepancies and related issues identified by the Receiver include the following:

(a) for certain pieces of production equipment, most notably flour rolling mills, the total number of such machines that have been leased exceeds the total number of those machines on the Debtors' premises;

(b) in numerous cases, including the flour rolling mills noted above, there is equipment on the premises of the Debtors that is similar in some ways (type of equipment, manufacturer and approximate age) to the descriptions in certain of the lease agreements. However, the serial numbers or other identifying information, such as dimensions, of the equipment on the Debtors' premises do not match the corresponding information indicated on any of the lease agreements;

(c) certain of the lease agreements, in some cases involving equipment with large dollar values, were entered into within a few months before the appointment of the Interim Receiver on November 10, 2010. Operating management and employees of the Debtors have told the Receiver that no new equipment of the nature described in the applicable lease agreements was acquired or installed during this time;

(d) in virtually all cases neither the lease agreement nor the records of the Debtors include any documentation to evidence delivery of the equipment other than the signatures of Mr. Gatti and/or Mr. Peter Nelipa (the sole shareholder of 787 and the previous Director of Operations for the Flour Business) on the various lease documents, and to date the Equipment Lessors have not been able to provide additional documentation to demonstrate that the equipment described in the lease agreements was actually delivered. In certain cases, the Equipment Lessor appears to have provided funding in advance of delivery of the equipment and requested supporting documentation such as customs forms, but does not appear to have followed up with the Debtors to receive such documentation;

(e) with a view to potentially obtaining third-party confirmation regarding the purchase and delivery of the equipment underlying certain of the Equipment Leases involving large dollar amounts, the Receiver has conducted preliminary Internet research with respect to the entit(ies) that issued the invoice(s) evidencing the purchase of the underlying equipment. In virtually all such cases, a search by the Receiver using a basic Internet search engine has not revealed any advertising or other information to indicate that the entity that issued the invoice is in the business of distributing such equipment. In many cases, the search was unable to locate the entity at all; and

(f) in certain cases, the purchase invoice was issued by an entity in which the Receiver believes, based on documentation on the Debtors' premises, that Mr.

Gatti has an ownership interest or acts in a management capacity. The Receiver has not yet clarified with the Equipment Lessors in question whether it was aware of this relationship and, if so, whether it satisfied itself through other means that the amount financed represented the fair market value of the equipment.

33. It appears based on the preceding that all or part of the amounts owed to many of the Equipment Lessors may in fact be unsecured claims, rather than claims secured by particular assets of the Debtors.

34. The Receiver continues to analyze this issue and is attempting to obtain from the Equipment Lessors any additional information, such as shipping and/or customs documentation, that may be of use in locating the equipment. In addition, BLG is reviewing the various PPSA registrations by the Equipment Lessors to determine the priorities of the Equipment Leases (if the underlying equipment is actually on the premises of the Debtors).

35. Following the sale or liquidation of the Food Services, the Spice Business and the Flour Business, the Receiver intends to provide a further report to the Court setting out the basis on which the Receiver proposes to distribute the sale or liquidation proceeds. As each of the businesses of the Debtors is being marketed for sale on an *en bloc* basis, the Receiver anticipates that its approach will necessarily involve a number of allocations, including (i) the allocation of the fees and expenses that are subject to the Receiver's Charge between the Debtors' various businesses, (ii) the allocation of the net realizations for each of the Debtor's businesses between equipment and other assets, and (iii) the allocation of the net realizations attributable to equipment to the items subject to Equipment Leases that are identifiable on the Debtors' premises. To establish reasonable allocations, the Receiver intends to rely where possible on third-party information such as the asset appraisals noted above.

INSURANCE CLAIM RECEIVABLE

36. Following its appointment, the Receiver became aware of an insurance claim (the "**Claim**") totalling $19,712 (the "**Insurance Proceeds**") payable jointly to 787 and Quest Automotive Leasing Services ("**Quest**") by JEVCO Insurance ("**JEVCO**") in connection with the theft of a Harley Davidson motorcycle that 787 leased from Quest. On December 6, 2010 the Receiver wrote to 787's insurance broker, HUB International, and on December 17, 2010 to Quest, to inform them of the Receiver's appointment and requested that any payments relating to the Claim be directed to the Receiver.

37. Pursuant to an Enquiry Response Certificate obtained from the Ministry of Government Services against "787755 Ontario Limited" with a file currency of November 22, 2010, as of that date there is no registration made by Quest under the PPSA. On January 14, 2010, BLG informed Quest's lawyers, Ricketts, Harris LLP, that as of November 22, 2010, Quest had not registered any interest it may have against 787 under the PPSA and so there may be other persons who have registered under the PPSA who may have an interest in the Insurance Proceeds.

38. Quest has written to JEVCO (on January 14, 2011 and on January 28, 2011) claiming entitlement to the Insurance Proceeds and requesting that the Insurance Proceeds be paid over to them. The Receiver has also written to JEVCO (on January 26, 2011 and on January 31, 2011) requesting that the Insurance Proceeds be paid to the Receiver who will hold the Insurance Proceeds in an interest bearing account until entitlement to the Insurance Proceeds is determined whether by agreement by all persons claiming an interest or by judicial determination made on notice to those persons. The Receiver has not received a response from JEVCO in this regard.

39. As of the date of the Second Report, JEVCO has not paid the Insurance Proceeds either to Quest or to the Receiver. Discussions between the Receiver, JEVCO and Quest continue. If the issue cannot be resolved, the Receiver may seek directions from the Court, on notice to JEVCO, Quest and to any other affected parties, for the payment of the Insurance Proceeds to the Receiver pending further order of the Court.

RELIEF SOUGHT BY THE RECEIVER

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

(a) approving the Jarvis APA;

(b) vesting title to the assets of the Food Services business to Rosedale Food Company Inc., free and clear of all security interests, mortgages, claims, charges, and encumbrances, as more fully detailed in the draft order included in the Receiver's motion materials, subject only to the filing by the Receiver of the Jarvis Sale Completion Certificate, which will be filed by the Receiver forthwith after the closing of the transaction;

(c) sealing the summary of offers received by the Receiver for the sale of the Food Services business, the summary of the Jarvis APA and the copy of the unredacted Jarvis APA until such time as the Receiver files the Jarvis Sale Completion Certificate; and

(d) approving the activities of the Receiver as set out in this Report.

All of which is respectfully submitted this 9th day of February 2011.

ERNST & YOUNG INC.

Acting in its capacity as Receiver and Receiver and Manager of
2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading and o/a NDT Food Service and o/a Skyway Wholesale, and Tarbrac Holdings Inc.
and not in its personal or corporate capacity.

Per:

Mike Dean, CA•CIRP
Senior Vice-President

APPENDIX "A"

Court File No.: CV-10-8991-00CL

THE HONOURABLE MR.) FRIDAY, THE 26th
JUSTICE H.J. WILTON-SIEGEL) DAY OF NOVEMBER, 2010

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

BETWEEN:

BANK OF MONTREAL

Applicant

and

2110458 ONTARIO LIMITED O/A LORETTA FLOUR,
2131413 ONTARIO LIMITED O/A LORETTA FOODS,
787755 ONTARIO LIMITED O/A NEW DURHAM TRADING, AND O/A NDT FOOD SERVICE AND O/A SKYWAY WHOLESAE
AND TARBRAC HOLDINGS INC.

Respondents

ORDER

THIS MOTION made by the Applicant for an Order pursuant to subsection 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 Ernst & Young Inc. ("**E&Y**") as receiver and receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of 2110458 Ontario Limited o/a Loretta Flour ("**211**"), 2131413 Ontario Limited o/a Loretta Foods ("**213**"), 787755 Ontario Limited o/a New Durham Trading, NDT Food Service and Skyway Wholesale ("**787**") and Tarbrac Holdings Inc. ("**Tarbrac**", and, together with 211, 213 and 787, the "**Debtors**") was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Robert Kiefer, sworn November 10, 2010, and the Exhibits thereto, and the first report of E&Y, dated November 25, 2010 (the "**First Report**"), prepared in its capacity as interim receiver of the Debtors (in such capacity, the "**Interim Receiver**"), and on hearing the submissions of counsel for Bank of Montreal, ~~counsel for Signature Bank, both secured creditors of the Debtors,~~ counsel for the Interim Receiver and proposed Receiver and counsel for the Debtors, no one else appearing although duly served as appears from the affidavit of service of Stella Kostopoulos sworn November 25, 2010, and on reading the consent of E&Y to act as the Receiver, #^5

SERVICE

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

TITLE OF PROCEEDINGS

2. THIS COURT ORDERS that the title of the within proceedings is hereby amended to such that the Respondents shall be hereafter identified as "**2110458 ONTARIO LIMITED O/A LORETTA FLOUR, 2131413 ONTARIO LIMITED O/A LORETTA FOODS, 787755 ONTARIO LIMITED O/A NEW DURHAM TRADING, AND O/A NDT FOOD SERVICE AND O/A SKYWAY WHOLESALE AND TARBRAC HOLDINGS INC.**".

APPOINTMENT

3. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, E&Y 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

4. 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 of 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 undertake environmental or workers' health and safety assessments of the Property and operations of the Debtors;

(j) 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;

(k) 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;

(l) 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 $250,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; 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.

(m) 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;

(n) 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;

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

(p) 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;

(q) to enter into agreements with any trustee in bankruptcy appointed in respect 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 the Debtors;

(r) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;

(s) to conduct examinations of any Person as the Receiver considers necessary or appropriate, including, without limitation, examinations of Guiseppe Gatti, Peter Nelipa, Taragh Bracken, Terry Mak, Michael Falcone or any other current or former director, officer, employee or independent contractor of the Debtors;

(t) to undertake any investigations deemed necessary by the Receiver with respect to the location and/or disposition of assets reasonably believed to be, or to have been, property of the Debtors, including, without limitation, investigating the transactions entered into between one or more of the Debtors and North Dakota Holdings Ltd. ("**NDHL**"); and

(u) 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

5. 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 their 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.

6. THIS COURT ORDERS that NDHL, its current and former directors, officers, employees and independent contractors shall provide such access to books records and documents. information, documents and assistance to the Receiver as the Receiver may request in connection with the dealings between NDHL and any of the Debtors and in connection with the business and affairs of NDHL as they relate to the business and affairs of the Debtors.

7. THIS COURT ORDERS that all Persons, including, without limitation, the current and former officers, directors and employees of any of the Debtors and NDHL 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, any transfer of Property outside of the ordinary course of business or obligation incurred by the Debtors outside of the ordinary course of business, 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.

8. 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.

9. THIS COURT ORDERS any and all Persons shall render any necessary assistance to the Receiver to locate, decode, access, and decrypt the Records and any and all information or electronic data to which the Receiver may not have ready and immediate access, including the provisions of all keys, information codes, passwords, pass phrases, or any other such information or knowledge necessary to achieve access thereto, and for the purpose of accessing electronic mail or other data operated or maintained by, or accessible to, the Debtors which may contain any of the Records, including, but not limited to, any electronic mail or other data stored on or pertaining to any email addresses used by the Debtors or their directors, officers and employees.

10. THIS COURT ORDERS that no Person shall destroy or alter any books, records, documents, information, material or Records related to or touching upon the Property, the Debtors, NDHL, or the business, affairs or dealings of the Debtors or NDHL.

11. THIS COURT ORDERS that, notwithstanding the generality of paragraphs 5 to 10 hereof, upon the Receiver's request:

(a) NDHL shall provide copies of all Records in its possession relating to any transactions with one or more of the Debtors;

(b) any financial institution which holds or has held accounts for one or more of the Debtors shall confirm the existence of such account(s) and shall provide copies of all statements relating to such account(s); and

(c) Bell Sympatico, or any other provider of information technology services to the Debtors shall provide copies of any information related to the business of the Debtors requested by the Receiver.

NO PROCEEDINGS AGAINST THE RECEIVER

12. 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 DEBTORS OR THE PROPERTY

13. 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

14. 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

15. 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 the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

16. 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

17. 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

18. 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

19. 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

20. 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

21. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out 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

22. 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, 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.

23. 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.

24. 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 normal 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

25. 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 $500,000 (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.

26. 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.

27. 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.

28. 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.

SALE PROCESS FOR THE "FOOD SERVICE AND CATERING DIVISION"

29. THIS COURT ORDERS that the sale process developed by E&Y, in its capacity as the Interim Receiver, as outlined in the First Report, shall be carried out by the Receiver substantially in accordance with the timeline annexed as **Schedule "B"** hereto, with such changes as the Receiver deems appropriate in its sole discretion, acting reasonably.

GENERAL

30. 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.

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

32. 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.

33. 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.

34. 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 Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

35. 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 À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

NOV 2 6 2010

PER / PAR:

SCHEDULE "A"

RECEIVER'S CERTIFICATE

CERTIFICATE NO. ______________

AMOUNT $_____________________

1. THIS IS TO CERTIFY that Ernst & Young Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties 2110458 Ontario Limited o/a Loretta Flour ("**211**"), 2131413 Ontario Limited o/a Loretta Foods ("**213**"), 787755 Ontario Limited o/a New Durham Trading and NDT Food Service ("**787**") and Tarbrac Holdings Inc. ("**Tarbrac**", and, together with 211, 213 and 787, the "**Debtors**") 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 November, 2010 (the "**Order**") made in an action 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 $__________ which the Receiver is authorized to borrow under and pursuant to the Order.

2. 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.

3. 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.

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

5. 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.

6. 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.

7. 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__.

ERNST & YOUNG INC., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: ________________________________

Name:
Title:

SCHEDULE "B"

TIMELINE FOR MARKETING AND SALE OF FRESH FOODS AND CATERING DIVISION

November 29 to December 11, 2010	• Prepare brief Confidential Information Memorandum (CIM), including required terms of sale and timeline for submission of purchase offers, and brief Investment Overview e-mail for distribution to prospective purchasers. • Compile list of industry participants that are most likely to be prospective purchasers. • Accumulate available due diligence information and populate electronic data room.
December 14, 2010 to January 7, 2011	• Contact prospective purchasers by phone and e-mail. • Circulate Confidentiality Agreements to interested parties. • Parties executing a Confidentiality Agreement will receive the CIM and access to the electronic data room. • Provide facility tours, as requested.
January 14, 2011	• Deadline for submission of purchaser offers, including required terms of sale.
January 15, 2011 to January 28, 2011	• Analysis and negotiation of purchaser offers. • Selection of successful purchaser. • Application to Court for approval of sale agreement and vesting order. • Closing of sale transaction.

BANK OF MONTREAL Applicant	- and -	**2110458 ONTARIO LIMITED O/A LORETTA FLOUR, 2131413 ONTARIO LIMITED O/A LORETTA FOODS, 787755 ONTARIO LIMITED O/A NEW DURHAM TRADING, AND O/A NDT FOOD SERVICE AND O/A SKYWAY WHOLESAE AND TARBRAC HOLDINGS INC.** Respondents

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at Toronto

RECEIVERSHIP ORDER

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, ON M5J 2T9
Tel: 416.863.1500
Fax: 416.863.1515

Steven L. Graff – LSUC No. 31871B
Aaron T. Collins – LSUC No. 55490T

Lawyers for the Applicant

APPENDIX “B”

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	**MONDAY, THE 17th DAY**
	)	
JUSTICE MARROCCO	)	**OF JANUARY, 2011**

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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 Ernst & Young Inc. ("**EYI**"), in its capacity as receiver and receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc. (collectively, the "**Debtors**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, filed, and the First Report of the Receiver dated 10 January 2011 (the "**First Report**"), filed, and on hearing the submissions of counsel for the Receiver and such other counsel as were present, and on reading the affidavit of service of Miriam Sinclair, sworn on 10 January 2011, filed,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record be and is hereby abridged such that the motion is returnable today and that further service thereof is hereby dispensed with.

APPROVAL OF ACTIVITIES

2. **THIS COURT ORDERS** that the activities of the Receiver, as described in the First Report, be and are hereby approved.

3. **THIS COURT ORDERS** that the activities of EYI, in its capacity as interim receiver of the Debtors, as described in the First Report of the Interim Receiver dated 25 November 2010, be and are hereby approved

APPROVAL OF SALE PROCESS

4. **THIS COURT ORDERS** that the marketing and sales process, as described in the First Report and as set forth in the "Timeline for Marketing and Sale of Flour and Spice Divisions" attached hereto as Schedule "A" (the "**Sales Process**"), be and is hereby approved and the Receiver is hereby authorized to implement the Sales Process.

5. **THIS COURT ORDERS** that nothing in this Order shall require the Receiver to accept any offer received as a result of the Sales Process.

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

JAN 17 2011

PER / PAR: NB

Marrocco J.

SCHEDULE A

TIMELINE FOR MARKETING AND SALE OF FLOUR AND SPICE DIVISIONS

January 3 to January 18, 2011	▪ Prepare brief Confidential Information Memorandum (CIM), including required terms of sale and timeline for submission of purchase offers, and brief Investment Overview e-mail for distribution to prospective purchasers. ▪ Compile list of industry participants and financial investors that are most likely to be prospective purchasers. ▪ Accumulate available due diligence information.
January 19 to February 25, 2011	▪ Contact prospective purchasers by phone and Investment Overview e-mail. ▪ Circulate Confidentiality Agreements to interested parties. ▪ Parties executing a Confidentiality Agreement will receive the CIM and access to additional documentation. ▪ Provide facility tours as requested.
March 4, 2011	▪ Deadline for submission of purchaser offers including required terms of sale.
March 5 to April 1, 2011	▪ Analysis and negotiation of purchaser offers. ▪ Selection of successful purchaser. ▪ Application to Court for approval of sale agreement and vesting order. ▪ Closing of sale transaction.

Court File No. CV-10-8991-00CL

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

ORDER

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Tel.: 416.367.6000
Fax: 416.367.6749

Michael MacNaughton - LSUC No. 25889U
Mary Arzoumanidis - LSUC No. 53915V
Harriet Greenwood - LSUC No. 58915H

Lawyers for Ernst & Young Inc., in its capacity as Receiver of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc.
::ODMA\PCDOCS\TOR01\4534991\5

APPENDIX “C”

Excluded

Subject to Request for Sealing Order

APPENDIX "D"

Excluded

Subject to Request for Sealing Order

APPENDIX “E”

Redacted

Subject to Request for Sealing Order

SCHEDULE B – FORM OF ASSET PURCHASE AGREEMENT

ERNST & YOUNG INC.,

in its capacity as court-appointed receiver and receiver and manager in respect of

787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service, and o/a Skyway Wholesale

- and -

JARVIS MANAGEMENT CORP.

ASSET PURCHASE AGREEMENT

made as of January 21, 2011

ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of the 21st day of January, 2011.

BETWEEN:

ERNST & YOUNG INC. in its capacity as court-appointed receiver in respect of 787755 Ontario Limited o/a New Durham Trading, NDT Food Service, and/or Skyway Wholesale

(hereinafter referred to as the "**Vendor**")

- and -

JARVIS MANAGEMENT CORP., a corporation incorporated under the laws of Province of Ontario

(hereinafter referred to as the "**Purchaser**")

WHEREAS pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) dated November 26, 2010 (the "**Receivership Order**"), Ernst & Young Inc. was appointed receiver and receiver and manager in respect of the Company (as defined herein);

AND WHEREAS the Vendor is authorized pursuant to the terms of the Receivership Order to market and solicit offers in respect of the property of the Company or any part or parts thereof and to negotiate such terms and conditions of sale as the Receiver deems appropriate;

AND WHEREAS the Vendor is authorized pursuant to the terms of the Receivership Order to sell, convey, transfer, lease or assign the property of the Company or any part or parts thereof out of the ordinary course of business;

AND WHEREAS the Purchaser has submitted an offer to the Vendor for the purchase of the Purchased Assets (as defined herein);

AND WHEREAS the Vendor desires to sell to the Purchaser and the Purchaser desires to purchase from the Vendor the Purchased Assets (as defined herein) in accordance with the terms of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations, warranties and indemnities of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Defined Terms

Wherever used in this Agreement, unless the context otherwise requires, the following terms shall have the following meanings and grammatical variations of such terms shall have the corresponding meanings:

"**Act**" means the *Business Corporations Act* (Ontario);

"**Affiliate**" has the meaning given to that term in the Act;

"**Applicable Laws**" means any statute, bylaw, rule or regulation or any judgment, order, writ, injunction or decree of any Governmental Entity to which a specified person or property is subject;

"**Approval and Vesting Order**" means an approval and vesting order made by the Ontario Superior Court of Justice approving the sale of the Purchased Assets and vesting same in and to the Purchaser;

"**Bill of Sale**" shall be in the form set out at Schedule B;

"**Business Day**" means any day, other than a Saturday or a Sunday, or statutory holiday in Ontario;

"**Closing**" means the transfer by the Vendor to the Purchaser of the Vendor's right, title and interest, if any, to the Purchased Assets in exchange for the payment by the Purchaser to the Vendor of the Purchase Price and the completion of all matters incidental thereto as herein provided;

"**Closing Date**" means the later of (i) January 31, 2011, or such other date as the Vendor and the Purchaser may agree to in writing, or (ii) three business days after the date the Approval and Vesting Order is made;

"**Company**" means 787755 Ontario Limited o/a NDT Food Service, and o/a New Durham Trading and o/a Skyway Wholesale;

"**Deposit**" means a deposit in the amount of [redacted], being an amount equal to 15% of the Purchase Price;

"**ETA**" means the *Excise Tax Act* (Canada), as amended from time to time;

"**Excluded Assets**" means any and all property and assets of the Company which are not specifically listed and identified in Schedule A and, includes the Excluded Assets set out in Section 2.1;

"**HST**" means all taxes payable under Part IX of the ETA (including where applicable both the federal and provincial portion of those taxes) or under any provincial legislation imposing a similar value added or multi-staged tax;

"**Governmental Entity**" means any court or tribunal in any jurisdiction or any federal, provincial, municipal or other governmental body, agency, authority, department, commission, board, instrumentality official or tribunal thereof;

"**Losses**" means, in respect of any matter, all claims, demands, actions, proceedings, losses, damages, liabilities, deficiencies, interest, penalties, fines, and amounts paid in settlement, costs and expenses (including, without limitation, all legal fees rendered on a solicitor and his own client basis and other professional fees and disbursements) arising directly or indirectly as a consequence of such matter;

"**Person**" means an individual, corporation, partnership, joint venture, association, company, trust, enterprise, unincorporated organization, Governmental Entity or other entity however designated or constituted;

"**Purchase Price**" means the purchase price payable to the Vendor for the Purchased Assets exclusive of all applicable sales, goods and services and transfer taxes;

"**Purchased Assets**" means the assets of the Purchased Business owned by the Company and specifically listed and identified in Schedule A;

"**Purchased Business**" means the Company's food and catering division operating under the registered trade name "NDT Food Service", which for greater certainty shall exclude the business conducted by the Company under the registered trade names "New Durham Trading" and "Skyway Wholesale";

"**Tax Act**" means the *Income Tax Act* (Canada); and

"Time of Closing" means 3:00 p.m. (Toronto time) on the Closing Date, or such other time on the Closing Date as the Vendor and the Purchaser may mutually determine.

1.2 Currency

Unless otherwise indicated, all dollar amounts in this Agreement are expressed in Canadian currency.

1.3 Sections and Headings

The division of this Agreement into Articles, Sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to an Article, Section, subsection or Schedule refers to the specified Article of, Section of, subsection of, or Schedule to, this Agreement. The terms "this Agreement", "hereof", "hereunder", and similar expressions refer to this Agreement and not to any particular Article, Section, subsection or other portion hereof and include an agreement supplemental hereto.

1.4 Number, Gender

In this Agreement, words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders.

1.5 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral other than the confidentiality agreement between the parties executed in connection with this transaction. . There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

1.6 Time of Essence

Time shall be of the essence of this Agreement.

1.7 Applicable Law

This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals therefrom.

1.8 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on and enforceable by the parties and, where the context so permits, their respective successors and permitted assigns.

Neither party may assign any of its rights or obligations hereunder without the prior written consent of the other party.

1.9 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

1.10 Amendments and Waivers

No amendment of any provision of this Agreement shall be binding on either party unless agreed to in writing by each of the parties hereto. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise provided.

1.11 Statutory References

Any reference in this Agreement to a statute includes all regulations made thereunder, all amendments to such statutes or regulations in force from time to time and any statute or regulation that supplements or supercedes such statute or regulations.

1.12 Consent

Whenever a provision of this Agreement requires an approval or consent by a person who is a party to such agreement and notification of such approval or consent is not delivered within the applicable time period, then, unless otherwise specified, such person shall be conclusively deemed to have withheld its approval or consent.

1.13 Calculation of Time

Unless otherwise specified, time periods referred to in this Agreement within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.14 Conflict or Inconsistency

Wherever any provision, whether express or implied, of any Schedule conflicts or is at variance with any provision in the main body of this Agreement, the provision in the main body shall prevail. Wherever any provision, whether express or implied, of this Agreement conflicts with or is at variance with any documentation issued in furtherance hereof, the provision of this Agreement shall prevail.

1.15 Business Day

Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following such day.

1.16 Independent Legal Advice

Each of the parties hereto acknowledge that they have been afforded the opportunity of receiving independent legal advice concerning this Agreement, and in the event that any party has executed this Agreement without the benefit of independent legal advice, such party hereby waives the right to receive such independent legal advice.

1.17 Schedules

Schedule A – Purchased Assets is attached to and forms part of this Agreement.

Schedule B – Bill of Sale is attached to and forms part of this Agreement.

ARTICLE 2
PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchased Assets

Subject to the provisions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase from the Vendor, effective as of the Time of Closing, the Vendor's right, title and interest, if any, in the Purchased Assets set forth and identified in Schedule A.

For greater clarity, notwithstanding any provision of this Agreement to the contrary, the Excluded Assets shall include the following property or assets of the Company existing, due or accruing due to the Company at the Time of Closing:

(a) **Cash.** All cash on hand or in banks or other depositories and similar cash items of, owned or held by or for the account of the Company;

(b) **Inter-company Debt.** All indebtedness of any of its Affiliates to the Company;

(c) **Income Taxes.** All income tax installments paid by the Company or by the Vendor on account of the Company and the right to receive any refund of income taxes or HST paid by the Company or by the Vendor on account of the Company;

(d) **Litigation Rights.** The benefit of any litigation;

(e) **Settlement Amounts.** Any amounts due or payable to the Company by insurers or other third parties in settlement of claims;

(f) **Records.** Records relating or belonging to the Company whether in electronic format or otherwise; provided however that the Purchaser shall have access to records relating to the Purchased Assets; and

(g) **Assets.** All property and assets of the Company that are not specifically set forth and identified in Schedule A.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The Purchase Price payable to the Vendor for the Purchased Assets shall be $[redacted].

3.2 Deposit

The Vendor acknowledges receipt of the Deposit. The Deposit shall be paid to the Vendor on account of the Purchase Price at Closing. If:

(a) the Purchaser fails to close the transaction contemplated herein for any reason other than due to the non-satisfaction of the conditions precedent inserted for the benefit of the Purchaser in Sections 8.1 and 8.5; or

(b) the Vendor fails to close the transaction contemplated herein due to the non-satisfaction of the conditions precedent for the benefit of the Vendor in subsection 8.2.1, 8.2.2 or 8.2.5,

the Deposit shall be forfeited to and paid to the Vendor on account of liquidated damages and not as a penalty.

The Deposit shall be returned to the Purchaser if:

(a) the Purchaser fails to close the transaction contemplated herein by reason of the non-satisfaction of the conditions precedent inserted for the benefit of the Purchaser in Section 8.1; or

(b) the Vendor fails to close the transaction contemplated herein for any reason other than due to the non-satisfaction of the conditions precedent for the benefit of the Vendor in subsection 8.2.1, 8.2.2 or 8.2.5.

The return of the Deposit constitutes the Purchaser's only and entire remedy hereunder and the Vendor shall have no other liability whatsoever in the event of its breach or failure to close the transaction for any reason.

3.3 Payment of Purchase Price

At the Time of Closing, an amount equal to the Purchase Price less the amount of the Deposit, shall be payable by the delivery to the Vendor of a certified cheque, bank draft or wire transfer drawn on a Canadian chartered bank payable to or to the order of the Vendor.

3.4 Assumption of Obligations

The Purchaser shall assume, fulfil, perform and be responsible for all liabilities and obligations of any kind relating to the Purchased Assets in respect of the period from and after the Time of Closing, and the Purchaser shall indemnify and save harmless the Vendor and its directors, officers, servants, agents and employees in respect of all Losses which may be brought against or suffered by the Vendor, its directors, officers, servants, agents or employees or which any of them may suffer, sustain, pay or incur as a result of any matter or thing arising out of, or resulting from, attributable to or connected with or relating to the Purchased Assets in respect of the period from and after the Time of Closing. The covenants and agreements to indemnify made by the Purchaser in this Section 3.4 shall survive Closing and not be subject to any limitation periods.

The Purchaser shall further assume, at the Purchaser's sole cost and expense complete responsibility for compliance with all municipal, provincial and federal laws insofar as the same apply to the Purchased Assets and/or the use thereof by the Purchaser.

3.5 Obligations Not Assumed

Except as expressly assumed pursuant to Section 3.4, the Purchaser does not assume and shall have no obligation to discharge, perform or fulfill any other liabilities or obligations, contingent or otherwise of the Company.

3.6 Transfer Taxes

(a) The Purchaser shall pay to the Vendor or, where permitted by applicable law, directly to the appropriate governmental authorities, all sales and transfer taxes, registration charges and transfer fees, including HST, payable by it in respect of the purchase and sale of the Purchased Assets under this Agreement, and, on request of the Vendor, the Purchaser shall furnish to the Vendor proof of direct payment to a governmental authority. The Purchaser shall indemnify and save harmless the Vendor from any amounts, including interest and penalties, that may be assessed against the Vendor arising out of the failure of the Purchaser to pay, when due, any taxes described in this Section.

(b) The parties will use their best efforts to minimize (or eliminate) any taxes payable under the ETA in respect of the Closing by, among other things, making such elections and taking such steps as may be provided under the ETA (including making a joint election in a timely manner under Section 167 of the ETA) as may be reasonably requested by the Purchaser in connection with the Closing.

(c) In addition to any other provision for indemnification by the Purchaser contained in this Agreement, the Purchaser will indemnify and save harmless the Vendor from any amounts including interest and penalties that may be asserted against the Vendor as a result of the Vendor not collecting or remitting applicable transfer taxes in respect of the sale of the Purchased Assets, or because of the Purchaser's failure to file elections referred to herein in a timely manner.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE VENDOR

4.1 The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on such representations and warranties in connection with its purchase of the Purchased Assets:

4.1.1 Authorization

This Agreement has been duly executed and delivered by the Vendor and this Agreement will constitute a legal, valid and binding obligation of the Vendor, enforceable against the Vendor only in its capacity as Court-appointed Receiver by the Purchaser in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

4.1.2 Residency

The Vendor is not a non-resident of Canada for the purposes of the Tax Act.

4.1.3 HST Registration

The Vendor is a registrant for purposes of the ETA whose registration number will be provided to the Purchaser at least 5 business days prior to Closing.

4.1.4 Continue to Carry on Business

The Vendor will conduct and operate the Purchased Business until Closing in the ordinary course of business in a manner consistent with the Vendor's prior practice. The Vendor shall on Closing have an inventory level consistent with the Vendor's prior practice.

4.1.5 Employees/Collective Agreements

The Vendor has no knowledge of any collective bargaining obligations relating to any of the Company's employees who work in the Purchased Business and the Vendor is not aware of any efforts to organize such employees.

4.2 Representations and Warranties at Closing

Each and every representation and warranty of Vendor made in this Article 4 shall be deemed to be repeated by Vendor as at the Time of Closing and shall be true and correct in all material respects at and as of the Time of Closing with the same force and effect as if such representations and warranties had been made at and as of the Time of Closing.

4.3 Limitations on Representations and Warranties of the Vendor

(a) The Vendor makes no representations or warranties except as previously set forth in this Article 4 and in particular, without limiting the generality of the foregoing, the Vendor disclaims all liability and responsibility for any representation, warranty, statement or information made or communicated (orally or in writing) to the Purchaser or any of its employees, agents, consultants or representatives (including any opinion, information, projection or advice that may have been provided to the Purchaser by any officer, director, employee, agent, consultant or representative of the Vendor).

(b) Except as otherwise expressly set out in this Article 4, the Purchased Assets shall be purchased on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by the Vendor, express or implied, arising at law, by statute or in equity or otherwise, with respect to the Purchased Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by the Vendor, express or implied, arising at law, by statute or in equity or otherwise, as to title, state of title, description, fitness for purpose, suitability for any particular purpose, merchantability, operating condition, quantity, quality, the value of the Purchased Assets or the future cash flows from the Purchased Assets, compliance with Applicable Laws or in respect of any manner or thing whatsoever concerning the Purchased Assets. No representation, warranty or condition has or will be given by the Vendor or any other party concerning the completeness or accuracy of such descriptions or with respect of any data room set up by the Vendor. Except as otherwise expressly set out in this Article 4, the Purchaser acknowledges that it is relying entirely on its own judgment and investigation with respect to the purchase of the Purchased Assets contemplated herein.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

5.1 The Purchaser represents and warrants to the Vendor as follows and acknowledges and confirms that the Vendor is relying on such representations and warranties in connection with its sale of the Purchased Assets:

5.1.1 Organization

The Purchaser is a corporation duly incorporated and organized and validly subsisting under the laws of the Province of Ontario and has the corporate power to enter into this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The Purchaser is duly registered and authorized to carry on its business as now being conducted.

5.1.2 Authorization

This Agreement has been duly authorized, executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser by the Vendor in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

5.1.3 Residence of the Purchaser

The Purchaser is not a non-resident of Canada for purposes of the Tax Act. The Purchaser is a Canadian within the meaning of the *Investment Canada Act.*

5.1.4 HST Registration

The Purchaser will be a registrant for purposes of the ETA and will provide its registration number to the Vendor on or before Closing.

5.1.5 Brokers' or Finders' Fees

The Purchaser has not incurred any obligation or liability, contingent or otherwise, for any broker's or finder's fees in respect of this transaction for which the Vendor shall have any obligation or liability.

5.1.6 Informed and Sophisticated Purchaser

The Purchaser is an informed and sophisticated purchaser, and has engaged expert advisors, experienced in the evaluation and purchase of property and assets such as the Purchased Assets as contemplated hereunder.

5.1.7 Independent Investigation

The Purchaser hereby acknowledges and confirms that it has conducted its own independent investigation, analysis and evaluation of the Purchased Assets as it deems necessary or appropriate and that in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby it has and will rely solely on such independent investigation and the representations and warranties of the Vendor contained in Article 4.

5.2 Representations and Warranties at Closing

Each and every representation and warranty of the Purchaser made in this Article 5 shall be deemed to be repeated by Purchaser as at the Time of Closing and will be true and correct in all material respects at and as of the Time of Closing with the same force and effect as if such representations and warranties had been made at and as of the Time of Closing.

ARTICLE 6
NON-WAIVER; SURVIVAL

6.1 Non-Waiver

No waiver of any condition or other provision, in whole or in part, shall constitute a waiver of any other condition or provision (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

6.2 Survival

Except, as otherwise provided herein, all representations, warranties and covenants contained in this Agreement on the part of each of the parties shall survive for a period of one (1) year from the Closing Date. If no claim shall have been made under this Agreement against a party for any incorrectness in or breach of any representation, warranty or covenant made in this Agreement prior to the expiry of the survival period, such party shall have no further liability under this Agreement with respect to such representation, warranty or covenant unless otherwise provided herein.

ARTICLE 7
RISK

7.1 Notice of Untrue Representation or Warranty

Each of the parties shall promptly notify the other party upon any representation or warranty of such party contained in this Agreement becoming untrue or incorrect from the date of this Agreement until the Time of Closing and for the purposes of this Section 7.1 each representation and warranty shall be deemed to be given at and as of all times during such period.

7.2 Risk of Loss

Until the Time of Closing, the Purchased Assets shall remain at the risk of the Vendor. After the Time of Closing, the Purchased Assets shall be at the sole risk of the Purchaser regardless of the location of the Purchased Assets.

ARTICLE 8
CONDITIONS OF CLOSING

8.1 Conditions for the Benefit of the Purchaser

The sale and purchase of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of the Purchaser, to be performed or fulfilled at or prior to the Time of Closing:

8.1.1 Representations and Warranties. The representations and warranties of the Vendor contained in this Agreement shall be true and correct in all material respects at the Time of the

Closing with the same force and effect as if such representations and warranties were made at such time;

8.1.2 Covenants. All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor at or before the Time of Closing shall have been complied with or performed in all material respects;

8.1.3 No Action or Proceeding. No legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the purchase and sale of the Purchased Assets contemplated hereby;

8.1.4 No Damage. No material damage by fire or other hazard to the whole or any material part of the Purchased Assets shall have occurred from the date hereof to the Time of Closing; and

8.1.5 Approval and Vesting Order. An Approval and Vesting Order shall be made by the Ontario Superior Court of Justice.

If any of the conditions contained in this Section 8.1 have not been performed or fulfilled at or prior to the Time of Closing to the satisfaction of the Purchaser, acting reasonably, the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement, other than the obligations contained in Sections 11.2 and 11.3, and the Deposit shall be returned to the Purchaser.

8.2 Conditions of Closing in Favour of the Vendor

The sale and purchase of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of the Vendor, to be performed or fulfilled at or prior to the Time of Closing:

8.2.1 Representations and Warranties. The representations and warranties of the Purchaser contained in Article 5 of this Agreement shall be true and correct in all material respects at the Time of Closing with the same force and effect as if such representations and warranties were made at such time, and a certificate of the Purchaser, dated as of the Closing Date, to that effect shall have been delivered to the Vendor, such certificate to be in form and substance satisfactory to the Vendor, acting reasonably;

8.2.2 Covenants. All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser at or before the Time of Closing shall have been complied with or performed in all material respects;

8.2.3 No Action or Proceeding. No legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the purchase and sale of the Purchased Assets contemplated hereby;

8.2.4 No Damage. No material damage by fire or other hazard to the whole or any material part of the Purchased Assets shall have occurred from the date hereof to the Time of Closing;

8.2.5 Payment of Purchase Price. The Purchaser shall have tendered to the Vendor the Purchase Price; and

8.2.6 Approval and Vesting Order. An Approval and Vesting Order shall be made by the Ontario Superior Court of Justice approving the sale of the Purchased Assets and vesting same in and to the Purchaser.

If any of the conditions contained in this Section 8.2 have not been performed or fulfilled at or prior to the Time of Closing to the satisfaction of the Vendor, acting reasonably, the Vendor may, by notice to the Purchaser, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement,. In the event of termination of this Agreement by the Vendor by virtue of the non-fulfillment of the conditions precedent referred in subsections 8.2.1, 8.2.2 or 8.2.5, the Deposit shall be forfeited to the Vendor as liquidated damages and not as a penalty. If this Agreement is terminated by the Vendor pursuant to any other subsection within this Section 8.2 (other than subsection 8.2.12, 8.2.2 or 8.2.5), the Deposit shall be returned to the Purchaser. Any such condition may be waived in whole or in part by the Vendor.

8.3 Reasonable Commercial Efforts

Each party hereto agrees that it will not voluntarily undertake any course of action inconsistent with the provisions or intent of this Agreement and will use reasonable commercial efforts to take, or cause to be taken, all action and to do, or cause to be done, all things reasonably necessary, proper or advisable under Applicable Laws to consummate the transactions contemplated by this Agreement.

8.4 Financial Capability

The Purchaser acknowledges and agrees that the closing of the transaction contemplated under this Agreement is not subject to the Purchaser obtaining financing, and the Purchaser represents and warrants to the Vendor that it has the financial capability to close the transaction contemplated herein.

8.5 **Landlord's Consent**

This Agreement is conditional until the 5th business day after January 21, 2011 (the "**Consent Date**") upon the Purchaser negotiating a new lease with the Landlord for 6815 Davand Drive, Mississauga, on terms acceptable to the Purchaser in its sole, unfettered and subjective discretion. If the Purchaser does not notify the Vendor, on or before the Consent Date, that this condition has been satisfied or waived, then this Agreement shall be null and void, and the deposit shall be returned to the Purchaser without deduction and neither party shall have any further rights or obligations hereunder. The herein condition is for the benefit of the Purchaser and may be waived by the Purchaser, on or before the Consent Date.

ARTICLE 9
CLOSING DATE AND TRANSFER OF POSSESSION

9.1 Time, Date and Place of Closing

Closing shall take place at the Time of Closing at the offices of the Vendor, 222 Bay Street, Suite 2400, Toronto, Ontario, or at the option of the vendor, at the offices of the vendor's solicitors, Borden Ladner Gervais LLP, Scotia Plaza, Suite 4400, 40 King Street West, Toronto, Ontario, or at such other place, on such other date, and at such other time as may be agreed upon in writing between the Vendor and the Purchaser.

9.2 Transfer of Possession

Subject to compliance with the terms and conditions hereof, the transfer of possession of the Purchased Assets shall be deemed to take effect as at the Time of Closing.

9.3 Delivery of Conveyancing Documents

(a) At the Time of Closing, the Vendor shall deliver the following to the Purchaser each of which shall be in form and substance satisfactory to the Purchaser:

  (i) a Bill of Sale in respect of the Purchased Assets duly executed by the Vendor;

  (ii) a certificate (which is Schedule A to the Approval and Vesting Order) duly executed by the Vendor; and

  (iii) such other deeds or documents as may be specifically required hereunder or as may be considered necessary by the vendor to convey its right, title and interest in the Purchased Assets to the Purchaser.

(b) At the Time of Closing, the Purchaser shall deliver the following to the Vendor:

  (i) the Purchase Price (less the amount of the Deposit) by certified cheque, bank draft or wire transfer drawn on a Canadian charted bank, together with all other amounts required to be paid by the Purchaser to the Vendor hereunder at the Time of Closing, if any;

  (ii) a certificate of status of the Purchaser;

  (iii) a certified copy of a resolution of the board of directors of the Purchaser, which resolution authorizes the execution and delivery of this Agreement and the completion of the purchase of the Purchased Assets in accordance with the provisions of this Agreement; and

  (iv) such other documents as may be specifically required hereunder.

9.4 Registration Costs

The Purchaser shall bear all costs in registering any conveyances of title to the Purchased Assets to it and all costs of preparing any further assurances required to convey the Purchased Assets to it. The Purchaser shall register all such conveyances promptly after Closing.

9.5 **Access**

The Vendor will cooperate fully in permitting the Purchaser and the Purchaser's accountants and other advisors, consultants and representatives (collectively, "Representatives") to have full access, prior to Closing, to the Purchased Business and all personnel, officers, key employees, customers, suppliers, lessors, equipment financiers, attorneys and accountants of the Vendor, subject to applicable privileges, for the purposes of familiarizing itself with the Purchased Business and the operation thereof and making contact with the customers, suppliers, employees and otherwise preparing for the transition at Closing; provided, however, that, at the Vendor's discretion, any meetings with customers and suppliers of the Purchased Business must be attended also by one or more representatives of the Vendor.

9.6 Employees

The Vendor shall terminate the employment of all the employees working in the Purchased Business as of the Closing Date and shall pay all salaries, other wage entitlements, accrued and unpaid vacation pay, accrued and unpaid statutory holiday pay. The Vendor shall supply to the Purchaser prior to closing, a list of all employees, their starting dates, and the amounts paid by the Vendor to each such employee.

The Purchaser may, but shall not be required to, offer new employment to any of the employees, on terms acceptable to the Purchaser, at its sole, unfettered and arbitrary discretion.

ARTICLE 10
BUILDING

10.1 Building

As of the Time of Closing and until the close of business on March 31, 2011, the Purchaser shall give the Vendor access to and permit the Vendor to continue to occupy and utilize part of the head office portion of the building located at 6815 Davand Drive, Mississauga, Ontario (the "**Building**") including any information technology infrastructure currently in place.

ARTICLE 11
MISCELLANEOUS

11.1 Notices

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopy or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

(i) if to the Vendor:

Ernst & Young Inc.
222 Bay Street, Suite 2400
P.O. Box 251
Toronto, Ontario, M5K 1J7

Attention: Mike Dean
Fax No.: (416) 943-3300

with a copy to:

Borden Ladner Gervais LLP
Scotia Plaza, Suite 4400,
40 King Street West,
Toronto, Ontario M4H 3Y4

Attention: Michael J. MacNaughton
Fax No.: (416) 682-2837

(ii) if to the Purchaser:

JARVIS MANAGEMENT CORP.
1244 Caledonia Road
Toronto, Ontario
M6A 2X5

Fax No.: (416) 635-1713

with a copy to:

Meyer, Wassenaar & Banach LLP
5001 Yonge Street, 301
Toronto, Ontario
M3N 6P6

Attention: Gary Goldfarb
Fax No.: (416) 223-9405

(b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means or recorded electronic communication as aforesaid.

(c) Either party may at any time change its address for service from time to time by giving notice to the other party in accordance with this Section 11.1.

11.2 Consultation

The parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the transactions contemplated hereby and, except as required by any applicable law or regulatory requirement, neither of them shall issue any such press release or make any such public announcement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed.

11.3 Fees

Each of the parties hereto shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto and any other costs and expenses whatsoever and howsoever incurred.

11.4 Further Assurances

Each party to this Agreement covenants and agrees that it will at all times promptly execute and deliver all such documents including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as the other party, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

11.5 Non-Merger

The registration of any transfer and the execution and delivery of documents on the Closing Date or thereafter as herein contemplated or any independent investigation by the Purchaser or its agents shall not merge or affect any of the warranties, representations, covenants, conditions or terms of this Agreement or any agreement or document delivered pursuant to this Agreement, all of which shall survive the closing of the transaction contemplated in this Agreement.

11.6 Representative Capacity

The Vendor is executing this Agreement in its representative capacity as Court-appointed receiver of the Company and not in its personal or corporate capacity and neither the Vendor nor its directors, officers, agents, servants or employees shall have any personal or corporate liability hereunder or at common law, or by statute, or equity or otherwise as a result hereof.

11.7 Counterparts, Facsimile Signatures

This Agreement may be executed by electronic signature, in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument. Execution of this Agreement may be made by facsimile signature which, for all purposes, shall be deemed to be an original signature.

11.8 Assignment

The Vendor acknowledges that the Purchaser has the right, and is permitted, prior to closing of this transaction, to assign this Agreement and all the benefits contained herein, or the rights under this Agreement, to any person(s), firm(s), company(s) or corporation(s), whether or not presently in existence or to be formed, and upon such assignment, all of the respective obligations and liability of the Purchaser will cease and the assignee shall be deemed to have been the original purchaser in this Agreement.

11.9 Acceptance

This Agreement, if not executed by all parties by 5:00 o'clock p.m. on the 21st day of January, 2011 shall be null and void and the deposit shall be returned immediately to the Purchaser without deduction

IN WITNESS WHEREOF this Agreement has been executed by the parties as of the date first above written.

ERNST & YOUNG INC., in its capacity as court-appointed receiver and receiver and manager in respect of 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service, and o/a Skyway Wholesale

Per: ______________________________

Mike Denn
Senior Vice President, Ernst + Young Inc

JARVIS MANAGEMENT CORP.

Per: ______________________________

SCHEDULE "A"

PURCHASED ASSETS

- **All assets listed on the attached Appendix A, Fixed Assets Owned as prepared by the Vendor**
- all office furniture located on the premises including desks, chairs, filing cabinets, fax machines, the computers used by John Purley and the Purchasing Manager, and all monitors
- all surveillance cameras & equipment and software that may be available to run the surveillance system
- the Vendor's interest in the lease for the 2008 Toyota FJ Cruiser (439 1136)
- Inventory
- Accounts receivable of the Purchased Business, excluding Badboys, Jackies Girls, Sullies and South Street that are older than 60 days
- Customer list
- Existing telephones and telephone system in place
- cash register (monitor with software and a cash box)
- the Vendor's interest in the lease for the ARM355n digital photocopier located in the office area

Appendix A – Fixed Assets Owned

Cash and Carry

Rock's Beams	10' x 50' GREEN	
Rock's Posts	16' x 15' GREEN	
Rock's Beams	12' x 32' ORANGE	
Rock's Posts	16' x 10' BLUE	
Rock's Beams	8' x 40' ORANGE	
Rock's posts	15' x 8' BLUE	
Display fridges	6 doors per unit:	2 small units, 6 large units

Roof top air conditioner x2
Roof top heaters x 2
Fridge compressors x3

Warehouse	L W
1 x Finished goods fridge #1	58' x 20'
1 x Cool down fridge #2	7' x 18'
1 x Cold cut fridge #3	12' x 10'
1 x Production fridge #4	18' x 24'
1 x Freezer #1	22' x 19'
1 x Freezer #2	20' x 20'

Raymond Reach forklift
80 x orange beams
44 x blue beams
80 x blue posts

Production

16 x Steel tables	8'
1 x Wood top table	12'
2 x Wood top table	8'
5 x Wood top table	5'

Hurricane Wrapping Machine
10 ft Conveyor

Kitchen

8 x Stainless steel tables	8'
1 x Stainless steel tables plus hood	8'
5 x Stainless steel tables	5'
3 x Wooden table top	10'
2 x Wooden table top	5'
1 x Wooden table top	4'

1 x Hobart Food Processor
2 x Sunfire double oven
Lincoln double oven (toaster)
Automatic meat pounder

Kitchen Continued

1 x 8 quarts mixer
2 x 60 gallon soup kettle
Automatic Hobart shredder
4 x Tilt Skillets
3 x Automatic Slicers
1 x 80 quarts Mixer
Large pot dishwasher
Meat Slicer
Meat Grinder
Chicken Mixer
2 x Pressure fryer
Regular fryer
4 Burner gas stove oven
BBQ 36" grill
Griddle 48"
Hobart Large Oven RO/T
2 x Suppression systems

SCHEDULE B

BILL OF SALE

THIS INDENTURE made as of the day of •, 2011.

BETWEEN:

ERNST & YOUNG INC., in its capacity as court-appointed receiver and receiver and manager in respect of 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service, and o/a Skyway Wholesale

(hereinafter called the "Vendor")

-and-

JARVIS MANAGEMENT CORP.

(hereinafter called the "Purchaser")

WHEREAS Ernst & Young Inc. was appointed Court-appointed receiver and receiver and manager over the assets, property and undertaking of 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service, and o/a Skyway Wholesale pursuant to an Order of the Ontario Superior Court of Justice dated November 26, 2010;

AND WHEREAS the Purchaser offers to purchase from the Vendor, subject to the terms and conditions hereof, all of the Vendor's right, title and interest, if any, in and to the Purchased Assets (as hereinafter defined);

AND WHEREAS the Purchaser and the Vendor have entered into an Asset Purchase Agreement dated January •, 2011 (the "Purchase Agreement") providing for the purchase by the Purchaser of the Purchased Assets (as defined therein and as listed in Schedule "A" attached hereto);

NOW THEREFORE THIS INDENTURE WITNESSES that in consideration of the sum of $• of lawful money of Canada, plus all applicable taxes thereon and other good and valuable consideration now paid by the Purchaser to the Vendor (the receipt hereof is hereby acknowledged) the Vendor hereby grants, sells, conveys, assigns, transfers and sets over unto the

Purchaser the Purchased Assets on an "as is, where is basis", all right, title, interest, property, claim and demand whatsoever of the Vendor, in, to, and out of the Purchased Assets, and every part thereof.

TO HOLD the Purchased Assets and all other right, title and interest of the Company and/or the Vendor therein and thereto, unto and to the use of the Purchaser.

The Vendor, subject to the provisions of the Purchase Agreement, hereby remises, releases and forever discharges to the Purchaser all of its right, title and interest, if any, and all of its claims and demands whatsoever in and upon the Purchased Assets.

The Purchased Assets are being sold on an "as is, where is" basis in accordance with and subject to the provisions of the Purchase Agreement.

Each of the parties hereto acknowledge that they have been afforded the opportunity of receiving independent legal advice concerning this Indenture, and in the event that any party has executed this Indenture without the benefit of independent legal advice, such party hereby waives the right to receive such independent legal advice.

This Indenture shall enure to the benefit of and be binding upon the Vendor and Purchaser and their respective successors and assigns.

This Indenture may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument. This Indenture may be executed and transmitted by facsimile machine or electronic mail, with confirmation of transmission and, on such execution and transmission, this indenture shall be binding on the parties with the same force and effect as if originally executed.

IN WITNESS WHEREOF this Indenture has been executed by the Vendor as of the day and year first above written.

ERNST & YOUNG INC., in its capacity as court-appointed receiver and receiver and manager in respect of 787755 Ontario Limited o/a New Durham Trading, o/a NDT Food Service, and o/a Skyway Wholesale

Per: ______________________

●

●

JARVIS MANAGEMENT CORP.

Per: ______________________

●

●

Court File No. CV-10-8991-00CL

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

SECOND REPORT TO THE COURT OF ERNST & YOUNG INC., AS RECEIVER

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Tel.: 416-367-6000
Fax: 416-367-6749

Michael MacNaughton - LSUC No. 25889U
Mary Arzoumanidis - LSUC No. 53915V
Harriet Greenwood - LSUC No. 58915H

Lawyers for Ernst & Young Inc., in its capacity as Receiver of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc. ::ODMA\PCDOCS\TOR01\4563745\5

TAB 3

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED O/A LORETTA FLOUR, 2131413 ONTARIO LIMITED O/A LORETTA FOODS, 787755 ONTARIO LIMITED O/A NEW DURHAM TRADING, AND O/A NDT FOOD SERVICE AND O/A SKYWAY WHOLESALE AND TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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 TO THE COURT OF ERNST & YOUNG INC., AS RECEIVER

January 10, 2011

BACKGROUND

1. On November 10, 2010, Bank of Montreal ("**BMO**") made an application to the Court for an order, and the Court made an order, appointing Ernst & Young Inc. ("**EYI**") as interim receiver (in such capacity, the "**Interim Receiver**") pursuant to section 47(1) of the *Bankruptcy & Insolvency Act* ("**BIA**") and pursuant to section 101 of the *Courts of Justice Act* ("**CJA**") of the assets, undertakings and properties of 2110458 Ontario Limited ("**211**") o/a Loretta Flour, 2131413 Ontario Limited ("**213**") o/a Loretta Foods, 787755 Ontario Limited ("**787**") o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale, and Tarbrac Holdings Inc. ("**Tarbrac**") (collectively, the "**Debtors**").

2. On November 26, 2010, EYI was appointed as receiver and receiver and manager (the "**Receiver**") of the Debtors pursuant to section 243 of the BIA and section 101 of the CJA. A copy of the issued Receivership Order is attached as Appendix "A" to this Report.

3. The Receivership Order, among other things, authorizes and empowers the Receiver to:

   (a) market any or all of the Property, including soliciting offers in respect of the Property and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

   (b) sell the Property or any parts thereof outside the ordinary course of business:

      (i) without the approval of the Court in respect of any transaction not exceeding $250,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and

      (ii) with the approval of the 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; and

   (c) carry out the sale process developed by EYI, in its capacity as Interim Receiver, for the Food Services (as defined below) business of the Debtors substantially in accordance with the timeline annexed as Schedule "E" to the First Report of the Interim Receiver dated November 25, 2010, with such changes as the Receiver considers necessary in its sole discretion, acting reasonably.

PURPOSE

4. This is the first report of the Receiver. The purpose of this First Report is to:

   (a) Report to the Court on the status of the sale process for the Food Services (as defined below) business of the Debtors;

   (b) Report to the Court on the Receiver's development of a plan to market and sell the Loretta Flour (as defined below) and Loretta Foods (as defined below) businesses; and

   (c) request that the Court grant an Order:

      (i) authorizing the Receiver to market and sell the Loretta Flour and Loretta Foods businesses pursuant to the plan developed by the Receiver; and

      (ii) approving the actions of the Receiver as described in this Report.

Terms of Reference

5. In preparing this Report, the Receiver has relied upon the books and records of the Debtors, conversations with operating management and employees of the Debtors, and other information from various sources. The Receiver has assumed that the information it has been provided is accurate and complete. The Receiver has not audited, reviewed or otherwise verified such information.

FOOD SERVICE SALE PROCESS

6. As set out above, the Receivership Order authorizes the Receiver to carry out the sale process developed by the Interim Receiver for the Food Service and Catering (**"Food Services"**) business of the Debtors substantially in accordance with the timeline annexed as Schedule "E" to the First Report of the Interim Receiver dated November 25, 2010 (the **"Food Services Timeline"**), with such changes as the Receiver considers necessary in its sole discretion, acting reasonably.

7. The Receiver remains of the view, as initially expressed in the First Report of the Interim Receiver, that the Food Service business should be marketed for sale forthwith, and that such an approach is unlikely to impair realizations from the remaining Property.

8. In preparing the Confidential Information Memorandum for distribution to potential purchasers of the Food Services business (the "**Food Services CIM**"), the Receiver experienced difficulty in obtaining separate financial information for Food Services due to the following:

   (a) The financial statements of the Debtors, or any of them, have not been audited since the year ended December 31, 2008, and based on the information obtained to date by the Receiver, it is not certain whether the auditor at that time was in fact independent from the Debtors;

   (b) The operating results of Food Services and the spice trading business formerly conducted by 787 (the "**Spice Trading Business**") were combined in the accounting records of 787;

   (c) To the best of the Receiver's knowledge, separate financial statements or operating results for Food Services have never been prepared, and the current operating management for Food Services has never had visibility into the recorded operating results of Food Services; and

   (d) Due primarily to the resignation of the Former Controller before the appointment of the Interim Receiver, there have been no personnel available at the Debtors who were capable of assisting to isolate the operating results of Food Services.

9. The contract controller engaged by the Receiver has attempted to isolate the results of Food Services by identifying all revenue and expenses in the accounting records of 787 for the years in question that are reasonably believed to relate to the Spice Trading Business, and separating those items from the accounting records of 787 for the years in question. However, there is no certainty that the resulting financial information completely or accurately reflects the stand-alone revenues and expenses of Food Services. The Receiver has included the estimated stand-alone financial information in

the Food Services CIM but has provided substantial caveats highlighting the limitations of the information and the reasons thereof, all as described above.

10. As a result of the time required to estimate stand-alone financial information, the Receiver did not begin to contact prospective purchasers, and distribute Food Services CIMs, until the week beginning December 20, 2010, which was approximately one week later than contemplated in the Food Services Timeline. The Receiver has nonetheless requested that prospective purchasers submit offers by January 14, 2011, which was the date indicated in the Food Services Timeline.

11. To date, the Receiver has:

(a) Identified 21 parties that the Receiver's research indicates are likely to have an interest in acquiring Food Services;

(b) Approached all of the prospective offerors and distributed the Food Services CIM to 10 of those parties, and

(c) Started providing facilities tours for the prospective purchasers that have expressed interest in touring the Food Services facility, with a view to completing all requested tours before the January 14 offer deadline described above.

12. The Receiver will provide the Court with further updates on the Food Services sale process in future reports.

LORETTA FLOUR AND LORETTA FOODS MARKETING PLAN

Loretta Flour Background

13. The primary assets of 211 are flour milling and sugar packing machinery (collectively the "**Flour Mill**") which are located in premises leased by the Debtors in Whitby, Ontario (the "**Whitby Premises**"). 211 operates under the registered trade name "**Loretta Flour**" and is also known as the "Loretta Flour Division" of the Debtors' operations. 211, in the past, produced various types of hard wheat flour from wheat sourced from Ontario and Western Canada. The Receiver understands that in the past the Flour Mill has produced flour to be sold under the Loretta brand name to various retailers by 213's

Loretta Foods business, as well as to wholesalers and bakeries in bulk. However, for a number of months before the appointment of the Receiver, all of 211's flour production was sold to Quality Food Brands, Inc. ("**QFB**"), an operating subsidiary of Synergy Brands, Inc. ("**Synergy**"), located in the United States, as discussed in greater detail below.

14. As noted above, the financial statements of the Debtors, or any of them, have not been audited since the year ended December 31, 2008, and, based on the information obtained to date by the Receiver, it is not certain whether the auditor at that time was in fact independent of the Debtors. In addition, the Receiver has experienced difficulty in obtaining separate financial information for 211 for the same reasons described in paragraph 8 in regards to the Food Services business as financial records of 211 include trading transactions that should be excluded from its reported operating results. According to its unaudited internal financial statements, and subject to the preceding limitations, 211 had revenues of approximately $41.2 million and net income of approximately $0.8 million for the nine months ended September 30, 2010.

15. The contract controller engaged by the Receiver has attempted to isolate the results of 211 by identifying all revenue and expenses in the accounting records of 211 for the years in question that are reasonably believed to not relate to the flour manufacturing operations with a view to backing those items out of the accounting records of 211 for the years in question. However, there is no certainty that the resulting financial information completely or accurately reflects the stand-alone revenues and expenses of 211.

16. Prior to the appointment of the Receiver, the Loretta Flour Division employed 10 people and day-to-day operations were directed by Mr. Nelipa, as Director of Operations, from the Whitby Premises. The employment of Mr. Nelipa by 211 was terminated by the Receiver after the Receiver became aware that, contrary to the Receiver's instructions to him, Mr. Nelipa directed the Flour Mill employees not to report to work the week following the Receiver's appointment. The Receiver also concurrently terminated the employment by 211 of four other employees who were not required for the level of production volume at the Flour Mill. Day-to-day operations have continued with the

assistance of the remaining employees of 211, supplemented as necessary by contract labour, under the direction of the Receiver.

17. As described above, for a number of months before the appointment of the Receiver, 211 sold all of its flour production to QFB, a subsidiary of Synergy. In developing a weekly cash flow forecast for the Debtors, the Interim Receiver had determined that the flour was in fact being sold to this customer, with which Mr. Gatti had a close business relationship, for less than its variable cost and that the customer had a large outstanding account receivable for previous flour purchases from 211. Consequently, the Interim Receiver had recommended to Mr. Gatti that 211 sell to the customer only on cash-on-delivery ("**COD**") terms, and at a price that exceeded its variable cost of production. Mr. Gatti declined to modify the sale pricing to a price exceeding its variable cost or credit terms on the grounds that the customer was of strategic importance and was a potential buyer of all assets of the Loretta Group, and that, therefore, it was important to maintain good relations with the customer.

18. The Receiver offered to continue to produce and sell flour to QFB, Synergy's subsidiary, but only (i) after QFB pays its outstanding flour invoices in the amount of approximately U.S. $344,000, dating back to early 2010, (ii) provided that all future sales to QFB are on a COD basis, and (iii) provided that all future sales occur at an increased price that would exceed 211's variable costs of production. To date the customer has refused to pay the balance owed to 211 or to agree to the other terms set out above, and, accordingly, the flour mill is currently operating only at reduced volume to produce flour for sale to wholesalers and bakery customers.

<u>Loretta Foods Background</u>

19. 213 operates from leased premises located on Sismet Drive, Mississauga, Ontario (the "**Sismet Premises**"). 213 operates under the registered trade name "**Loretta Foods**" and is also known as the "Loretta Spice Division" of the Debtors' operations. 213 is responsible for blending and repackaging spices for use in various packs and sizes, as well as redistributing food mixes for consumer and institutional customers throughout Canada. The Loretta Spice Division employs approximately 34 people and day-to-day

operations are directed by Mr. John Coticone a Director of Operations located at the Sismet Premises.

20. As with the financial results of 211 and the Food Services business, independent audited financial statements for 213 are not available and the Receiver has experienced difficulty in obtaining separate financial information for 213 for the same reasons described in paragraph 8 in regards to the Food Services business as the financial records of 213 contain trading transactions that should be excluded from its reported operating results. According to its unaudited internal financial statements, and subject to the preceding limitations, 213 had revenues of approximately $27.0 million and net income of approximately $1.3 million for the nine months ended September 30, 2010.

21. The contract controller engaged by the Receiver has attempted to isolate the results of 213 by identifying all revenue and expenses in the accounting records of 213 for the years in question that are not reasonably believed to relate to the spice manufacturing and food mixes distribution businesses, with a view to backing those items out of the accounting records of 213 for the years in question. However, there is no certainty that the resulting financial information completely or accurately reflects the stand-alone revenues and expenses of 213.

Loretta Intellectual Property

22. A review of trademark registrations by Borden Ladner Gervais LLP ("**BLG**"), independent counsel to the Receiver, indicates that:

(a) the registered Canadian trademarks for the name Loretta, as they pertain to certain food products, are owned by 213 and that 213 also has a pending Canadian application for the Loretta design mark (the "Loretta" name surrounded by an oval and topped with leaves). These marks are collectively referred to in this Report as the "**Canadian Intellectual Property**"; and

(b) the registered U.S. trademark for the name Loretta, as it pertains to certain food products, is owned by Gourmet Select Foods Corp., Inc., a corporation that is based in Syosset, New York and that the Receiver understands is an affiliate of Synergy.

23. In addition to sales of various spices by the Spice Business under the Loretta name and design, the Loretta name and design are also displayed on the wrapping of the various fresh foods sold by Food Services, and the Receiver understands that Loretta Flour has also sold flour packaged with the Loretta name and design directly to customers. The Receiver is not aware of any licensing or other agreement between 213 and either of 211 or 787 for the use of the Loretta name and design.

24. As discussed in the First Report of the Interim Receiver, the Food Services business does not appear to derive significant value from the Loretta brand, as the majority of its sales are made to persons such as mobile caterers that pick up products directly and to other customers who require their own label. Accordingly, the assets listed for sale in the Food Services CIM do not include the Canadian Intellectual Property.

Marketing Plan

25. Based on the above understanding of the Loretta businesses gained during the receivership described above, drawing on the experience of professionals from Ernst & Young Orenda Corporate Finance Inc. ("**EYO**", an affiliate of EYI) who specialize in the food and beverage industry, and taking into account the preliminary response from the potential purchasers of the Food Services business described above, the Receiver has now developed a detailed realization plan for the Flour and Spice businesses.

26. The Receiver is of the view that:

(a) The Spice and Flour businesses could be sold separately because:

(i) each has its own sales resources and the two businesses operate more or less independently;

(ii) neither has its own accounting or administrative resources;

(iii) the degree of automation and production complexity is substantially higher for Flour than for Spice, meaning that the Spice business might present less integration risk for a purchaser than would Flour; and

(iv) the sales volume available from Flour is limited by the production capabilities of the Flour Mill, and the Receiver understands that substantial capital investment would be required to increase available sales volume. By comparison, production volume in the Spice business is scalable with lower incremental levels of capital investment.

(b) However, some purchasers might be interested in acquiring both the Spice and Flour businesses. A number of the parties who have been approached by the Receiver in connection with the Food Services business have expressed interest in a combined purchase of this nature. A purchaser could potentially realize synergies by acquiring both the Spice and Flour businesses, most notably:

(i) the potential to increase margins by manufacturing the flour sold under the Loretta brand name instead of buying it from a third party; and

(ii) the potential ability to consolidate facilities, likely by moving the Spice operations (which entail substantially less production equipment) to the facility that contains the Flour Mill.

(c) The Receiver understands from discussion with BLG that a trademark can only be owned by one entity, although it may be licensed to another party. If the Flour and Spice businesses were sold together this presumably would not be an issue. However, if the businesses were sold separately then the Spice business, which sells numerous products under the Loretta name, appears to be the most dependent on the Canadian Intellectual Property and therefore greater value would be derived by selling the Canadian Intellectual Property with the Spice business.

27. Taking into account all of the above, it is the Receiver's recommendation that the Flour and Spice business should be marketed to (i) the parties approached in connection with

the Food Services business that have expressed an interest in the Flour or Spice businesses, (ii) entities identified by EYO that carry on businesses similar to Flour or Spice or, in the view of EYO, might be able to realize synergies by acquiring Flour or Spice, and (iii) to private equity funds and other financial investors that are known by EYO to have an interest in the food & beverage sector and would consider purchases of mid-market businesses.

28. The Receiver recommends that in order to effect a timely sale, the Flour and Spice businesses should be marketed for sale by tender (as with the Food Services business). To take into account the considerations noted above, the Receiver recommends that prospective purchasers be permitted to submit offers for:

(a) The Spice business, including the Receiver's right, title and interest (if any) in the Canadian Intellectual Property;

(b) The Flour business; or

(c) both the Spice (including the Canadian Intellectual Property) and Flour businesses.

29. In Appendix "**B**", the Interim Receiver has set out a proposed timeline for such a sales process that would allow a sale to be closed by April 1, 2011. The "required terms of sale" noted in Appendix "**B**" would include standard insolvency sale terms (as is, where is, no representations, no warranties). The timeline set out in Appendix B is longer than the timeline approved by the Court for the marketing and sale of the Food Services business because of the larger number of parties to be approached and the fact that certain of those parties may wish to evaluate two businesses rather than one.

INVESTMENT IN NORTH DAKOTA HOLDINGS LTD.

30. The Receiver does not yet have sufficient information to evaluate the realizable value, if any, of Tarbrac's investment in North Dakota Holdings Ltd. and, accordingly, it is not yet in a position to recommend a realization plan for this asset.

RELIEF SOUGHT BY THE RECEIVER

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

(a) authorizing the Receiver to commence the sale process for the Flour and Spice businesses, as set out above and in Appendix B to this Report, with such modifications as the Receiver, acting reasonably, considers appropriate in the circumstances; and

(b) approving the activities of the Receiver as set out in this Report.

All of which is respectfully submitted this 10th day of January 2011.

ERNST & YOUNG INC.
Acting in its capacity as Receiver and Receiver and Manager of
2110458 Ontario Limited o/a Loretta Flour,
2131413 Ontario Limited o/a Loretta Foods,
787755 Ontario Limited o/a New Durham Trading,
and o/a NDT Food Service and o/a Skyway Wholesale
and Tarbrac Holdings Inc.
and not in its personal or corporate capacity.

Rahn Dodick, CA•CIRP
Vice-President

TAB 4

Court File No.10-CV-8991-00CL

ONTARIO SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

IN THE MATTER OF THE INTERIM RECEIVERSHIP OF 2110458 ONTARIO LIMITED, 2131413 ONTARIO LIMITED, 787755 ONTARIO LIMITED AND TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 47(1) OF THE *BANKRUPTCY & 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 TO THE COURT OF ERNST & YOUNG INC. AS INTERIM RECEIVER

November 25, 2010

BACKGROUND

1. On November 10, 2010, Bank of Montreal ("**BMO**") made an application to the Court for an order, and the Court made an order (the "**Appointment Order**"), appointing Ernst & Young Inc. ("**EYI**") as an interim receiver (the "**Interim Receiver**") pursuant to Section 47(1) of the *Bankruptcy & Insolvency Act* and pursuant to Section 101 of the *Courts of Justice Act* of 2110458 Ontario Limited ("211"), 2131413 Ontario Limited ("**213**"), 787755 Ontario Limited ("**787**") and Tarbrac Holdings Inc. ("**Tarbrac**") (collectively the "**Debtors**"). A copy of the issued Appointment Order is attached as Appendix "**A**" to this Report.

2. The Interim Receiver was not authorized or directed to take possession or control of the Property (as defined below) of the Debtors. The Interim Receiver was authorized and directed to protect and preserve the assets of the Debtors, to review the affairs of the Debtors and to report to the Court in connection therewith. One of the initial tasks of the Interim Receiver is to report and make recommendations in respect of the sale of the businesses and assets of the Debtors. The Appointment Order ordered that the Interim Receiver be empowered and authorized, inter alia:

   (a) to receive, preserve and protect the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including any proceeds thereof (collectively, the "**Property**"), and 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;

(b) to monitor the receipts and disbursements of the Debtors, including, without limitation, the right to access all information related to the Debtors' accounts or finance activities at any financial institution, with any trade creditor or with any other party;

(c) 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 Interim Receiver's powers and duties;

(d) to develop a plan in furtherance of marketing any or all of the Property, including obtaining appraisals of all or any part of the Property as the Interim Receiver in its discretion may deem appropriate, advertising and soliciting offers in respect of the Property or any part or parts thereof, undertaking discussions and negotiations with parties known to have expressed an interest in any or all of the Property, and developing such terms and conditions of sale as the Interim Receiver in its discretion may deem appropriate;

(e) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;

(f) to conduct any examinations under oath deemed necessary, including, without limitation, examinations of Guiseppe Gatti, Peter Nelipa or any other director, officer or employee of the Debtors; and

(g) to undertake any investigations deemed necessary by the Interim Receiver with respect to the location and/or disposition of assets reasonably believed to be, or to have been, property of the Debtors.

PURPOSE

3. This is the first report of the Interim Receiver. The purpose of this Report is to:

- Provide the Court with an overview of the Debtors and their operations;
- Update the Court on the actions taken to date by the Interim Receiver in preserving and protecting the Property and in monitoring the receipts and disbursements of the Debtors;
- Update the Court on the actions taken to date by the Interim Receiver in investigating the location and/or disposition of assets reasonably believed to be, or to have been, property of the Debtors, and the issues identified through those procedures;

- Update the Court on the Interim Receiver's development of a plan in furtherance of marketing any or all of the Property, including the Interim Receiver's recommendation to the Court in that regard;

- Provide the Court with the Interim Receiver's recommendation in respect of the motion that the Interim Receiver understands BMO intends to make for the appointment of EYI as full Court-appointed receiver of the Debtors; and

- Seek the Court's approval of the Interim Receiver's activities to date, including activities undertaken by EYI in contemplation of its potential appointment as Interim Receiver.

Terms of Reference

4. In developing this Report, the Interim Receiver has relied upon unaudited financial information, the Debtors' records, and discussions with the management of the Debtors. The Interim Receiver has not audited, reviewed or otherwise verified such information. The Interim Receiver notes in particular that due to the significant difficulties experienced to date in obtaining information from the accounting system of the Debtors, as described in greater detail below, the Interim Receiver has been unable to corroborate many aspects of the information obtained through discussions with the management of the Debtors.

5. Monetary amounts in this Report are in Canadian dollars unless otherwise indicated. Where applicable in this Report, United States dollar amounts have been converted into Canadian dollars at par.

OVERVIEW OF THE DEBTORS AND THEIR OPERATIONS

Corporate and Senior Management Structure

6. The Interim Receiver's summary understanding of the ownership and senior management structure of the Debtors and their affiliates (collectively, the **"Loretta Group"**) is set out below, and is also summarized for the convenience of the Court in Appendix **"B"** to this Report:

   (a) Mr. Giuseppe Gatti is the individual responsible for overall direction of the Loretta Group. In the affidavit of Mr. Robert Kiefer filed with BMO's motion materials seeking the Appointment Order (the **"Kiefer Affidavit"**), Mr. Kiefer indicated his understanding that Mr. Gatti is the Vice-President of each of 211 and 213 and the Chief Operating Officer of 787. Mr. Gatti is listed on the Loretta Foods web site (www.lorettafoods.com) as the President and CEO of Loretta Foods;

   (b) The common shares of Tarbrac are owned by Ms. Taragh Bracken, whom the Interim Receiver understands is the spouse of Mr. Gatti. Ms. Bracken is also the sole director of Tarbrac. The Interim Receiver understands that 100% of the

Class A preference shares of Tarbrac are held by GRS International Ltd., which also acts as broker for 787 on certain of the trading transactions described below;

(c) 211, 213 and North Dakota Holdings Ltd. ("**NDHL**") are wholly-owned subsidiaries of Tarbrac. EYI was not appointed Interim Receiver of NDHL but, under the Appointment Order, is authorized to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have (whether in relation to NDHL or any other entity); and

(d) the sole shareholder of 787 is Mr. Peter Nelipa. As described below, Mr. Nelipa is also the Director of Operations for the flour milling operations carried out by 211.

Operations

7. 211 operates primarily from leased premises located in Whitby, Ontario (the "**Whitby Premises**"). 211 operates under the registered trade name "**Loretta Flour**" and is also known as the "Loretta Flour Division" of the Loretta Group's operations. 211 produces various types of hard wheat flour from wheat sourced from Ontario and Western Canada. The majority of 211's sales are to retail, foodservice, and industrial customers located throughout Eastern Canada and the United States. The Loretta Flour Division employs 10 people and, according to its unaudited internal financial statements, had revenues of approximately $41.2 million for the nine months ended September 30, 2010. Day-to-day operations are directed by Mr. Nelipa, as Director of Operations, from the Whitby Premises.

8. 213 operates from leased premises located on Sismet Drive, Mississauga, Ontario (the "**Sismet Premises**"). 213 operates under the registered trade name "**Loretta Foods**" and is also known as the "Loretta Spice Division" of the Loretta Group's operation. 213 is responsible for sourcing and redistributing spices and food mixes globally, as well as blending and repackaging spices for use in various packs and sizes to satisfy home use and institutional customers. The Loretta Spice Division employs approximately 34 people and, according to its unaudited internal financial statements, had revenues of approximately $27.0 million for the nine months ended September 30, 2010. Day-to-day operations are directed by a Director of Operations located at the Sismet Premises.

9. 213 formerly operated from leased premises located at 6820 Davand Drive, Mississauga, Ontario. The Interim Receiver understands that the premises in question (the "**Vacant Davand Premises**") are still leased by the Debtors but are currently vacant.

10. 787 operates from leased premises located on 6815 Davand Drive in Mississauga, Ontario, (the "**Davand Premises**"). The Davand Premises also serve as the head office location for the Loretta Group.

11. 787 is also known as the "Food Service and Catering Division" of the Loretta Group's operations. Operating under the registered trade name "**NDT Food Service**", 787 is responsible for the daily production of food items, including sandwiches, grab and go meals, soups, fresh salads, desserts and pastries for sale by or in mobile caterers, vending

machines, contract caterers and convenience stores. Orders are taken and filled in person or online and are delivered to the customer or picked-up at the large, on site, cash and carry outlet store located at the Davand Premises. The Foodservice and Catering Division directly services large and small corporate, chain store and institutional client accounts with food products and catering services. The Food Service and Catering Division currently employs approximately 52 people. It is the Interim Receiver's understanding from discussions with management of the Debtors that the Food Service and Catering Division has weekly sales of approximately $90,000. However, because the financial statements of 787 reflect the combined operating results of the Food Service and Catering Division and the trading activities described below, the Interim Receiver has not been able to separately identify the aggregate revenues of the Food Service and Catering Division for the nine months ended September 30, 2010. Day-to-day operations of the Food Service and Catering Division are directed by a Director of Operations and a Production Manager, both of whom are located at the Davand Premises.

12. In the recent past, 787 has also engaged in trading bulk sugar, flour, spices and other items, operating under the registered trade names "**New Durham Trading**" and/or "**Skyway Wholesale.**" The Interim Receiver understands that this trading was conducted (i) to reduce or hedge the prices paid by 211 and 213 for their commodity inputs, (ii) as a broker, to earn commission income by sourcing low-cost commodities for major customers of 787 and other Loretta Group entities, and (iii) as a principal, for profit for its own account. These activities were directed by Mr. Gatti. It is the Interim Receiver's understanding that 787 is no longer conducting these activities, although certain of the related accounts receivable remain on its balance sheet.

13. It is the Interim Receiver's understanding that Tarbrac is a holding company that holds investments in 211, 213 and NDHL and does not carry on any active business.

14. In the Kiefer Affidavit, Mr. Kiefer indicated his understanding that (i) NDHL leases facilities at 1115 West Elm Avenue, Monroe, Michigan (the "**Monroe Warehouse**") and Colgate, North Dakota for storage of inventory of the Debtors that is distributed by the Debtors to customers in the United States, and (ii) the estimated value of the Debtors' inventory located at the Monroe Warehouse as at August 31, 2010 was $7,800,000. Based on the activities undertaken to date by the Interim Receiver in respect of NDHL, as discussed below, neither the current business activities of NDHL nor the disposition of the inventory formerly located at the Monroe Warehouse is well understood.

Secured Creditors

15. The primary secured creditors of the Debtors are BMO and Signature Bank, a New York-based financial institution ("**Signature**").

16. The Interim Receiver understands that BMO is owed approximately US$17.6 million and C$50,000 excluding costs and excluding interest accruing from November 4, 2010 (the "**BMO Debt**") and has security upon all of the assets of the Debtors (including a pledge of the shares of 787) as security for those obligations. These obligations arise under two agreements. The first is a term sheet pursuant to which BMO provided four credit

facilities to 787, 213 and 211. The Interim Receiver understands that Tarbrac has guaranteed the obligations of 787, 213 and 211 to BMO under the term sheet. The second is a discounting facility agreement between 787 and BMO pursuant to which BMO factored certain of 787's accounts receivable. The Interim Receiver understands that 213, 211 and Tarbrac have each guaranteed the obligations of 787 to BMO under that discounting facility agreement. The Interim Receiver understands that each of 213, 211, 787 and Tarbrac have granted security interests and charges upon all of their property in favour of BMO as security for their obligations to BMO. In addition, the Interim Receiver understands that Mr. Nelipa has pledged the shares in 787 to BMO as security for the obligations arising under his guarantee of the obligations of the Debtors to BMO. The Interim Receiver has not undertaken a review of the security for the BMO Debt and accordingly does not express any opinion thereon.

17. The Interim Receiver understands that 787, 211 and 213 are indebted to Signature in the amount of approximately US$12.3 million (the "**Signature Debt**") and that those Debtors have granted security to Signature for that obligation. The Interim Receiver also understands that Mr. Gatti and Tarbrac have guaranteed those obligations to Signature. On November 22, 2010, Signature demanded payment. A copy of Signature's demand for payment is attached as Appendix "**C**". The Interim Receiver has not undertaken a review of the security for the Signature Debt and accordingly does not express any opinion thereon.

ACTIVITIES OF THE INTERIM RECEIVER, INCLUDING PRE-APPOINTMENT ACTIVITIES OF EYI

Activities Prior to Appointment

18. Prior to the issuance of the Appointment Order, EYI undertook numerous activities to plan for the execution of its responsibilities if appointed as Interim Receiver. These activities included:

    (a) Numerous discussions with BMO and its counsel to obtain a preliminary understanding of the assets, operations and liabilities of the Debtors;

    (b) Review of the financial information and borrowing base certificates provided to BMO by the Debtors. The Interim Receiver understands that the Signature loan agreement required the Debtors to provide Signature with the same information it provided to BMO;

    (c) Discussion with a representative of GDR Advisory Group Inc. ("**GDR**"), a firm specializing in the performance of collateral examinations on behalf of lenders. GDR had previously been retained by BMO to perform test counts of the inventory that served as part of the collateral for the BMO Debt, and EYI's purpose in speaking to GDR was to obtain a better understanding of the premises where GDR had performed test counts and of the quantities and organization of inventory at those premises. GDR indicated to EYI that it had most recently test-counted inventory at the Monroe Warehouse and the Sismet Premises on August

31 and September 1, 2010, respectively, in conjunction with the Debtors' August 31 inventory counts;

(d) Meeting briefly with Mr. Gatti and Mr. Michael Falcone (listed on the Debtors' web site at www.lorettafoods.com as the CFO of the Debtors) to obtain an understanding of the assets and operations of the Debtors, and particularly the physical location of Property of the Debtors; and

(e) Visiting the Davand Premises and the Sismet Premises briefly with Mr. Gatti to obtain an understanding of the steps that would be required to preserve and protect the Property at those facilities. It was not feasible to visit the Whitby Premises before the hearing of the motion for appointment of the Interim Receiver.

Limitations on Availability of Financial Information to the Interim Receiver

19. The individual who formerly acted as controller (the "**Former Controller**") for the Loretta Group resigned on November 3, 2010. The Interim Receiver has been advised by Mr. Gatti, Mr. Falcone and the individuals remaining in the Loretta Group accounting department that the Former Controller performed virtually all of the critical accounting functions. The Interim Receiver has been advised that there is nobody remaining at the Loretta Group who could answer most of the Interim Receiver's questions relating to the financial performance of the Loretta Group.

20. The Interim Receiver was further advised by Mr. Gatti and Mr. Falcone that nobody else at the Loretta Group had complete access to the accounting system and certain other electronic data. The Interim Receiver has been advised that the Debtors have been unable to access the information in order to answer the Interim Receiver's questions.

21. The Interim Receiver obtained access to the accounting system and other electronic data on November 18, 2010. The Interim Receiver engaged a qualified individual, with whom EYI has had experience when she was the accounting controller in a previous receivership, on a contract basis to assist the Interim Receiver in obtaining information from the Loretta Group's accounting systems.

22. The absence of a qualified individual with detailed knowledge of the Loretta Group's accounting records and past transactions has significantly limited the ability of the Interim Receiver to exercise its powers efficiently, on a timely basis, and (in some cases) completely. For example:

(a) As described below, it was necessary for the Interim Receiver to develop a weekly cash flow forecast rather than reviewing one prepared by the Debtors;

(b) The Debtors have been unable to cost the Spice inventory count conducted by the Interim Receiver, thereby requiring the Interim Receiver to attempt to do so using alternative methods; and

(c) The Interim Receiver has been unable to obtain consistent explanations for certain of the discrepancies described below.

Activities of the Interim Receiver to Preserve and Protect the Property

23. Since the issuance of the Appointment Order, the Interim Receiver has taken the following steps to preserve and protect the Property and to monitor receipts and disbursements of the Debtors:

(a) Changed the locks and, where applicable, alarm system security codes at the Davand Premises, the Sismet Premises and the Whitby Premises. After visually confirming that they do not appear to be occupied, the Interim Receiver did not change the locks at the Vacant Davand Premises;

(b) Provided keys to each of the premises to the applicable Director of Operations and to selected other employees (the Interim Receiver believes this is consistent with its mandate of protecting and preserving the Property but not taking possession or control of the Property which remains with the Debtors, subject to the terms of the Appointment Order);

(c) Notified the Debtors' insurers of the appointment of the Interim Receiver, and requested that the Interim Receiver be added as a loss payee and additional named insured;

(d) Conducted or arranged for inventory counts where it was cost-beneficial to do so. None of the Debtors maintains a perpetual inventory system.

(i) The Interim Receiver retained GDR, which had previously conducted test counts of the Debtors' inventory for BMO, to conduct a full count of physical inventory quantities at the Sismet Premises. As discussed in greater detail below, the Interim Receiver has not yet been able to obtain the aggregate book value corresponding to the physical count because it has not been able to obtain the unit costs that should be used to cost the inventory;

(ii) The Interim Receiver was able to conduct a full inventory count at the Whitby Premises when it changed the locks because the only inventory on site was a small quantity of finished goods;

(iii) The Interim Receiver did not conduct an inventory count at the Davand Premises because the inventory of the Food Services and Catering Division consists of a large number of perishable, low-dollar-value items, estimated by its Director of Operations to have an aggregate value of less than $300,000, and for which a full count would be disruptive to the seven-day operation of the Food Services and Catering Division;

(e) Arranged for the ability to electronically view the bank accounts recently established by the Debtors at the Canadian Imperial Bank of Commerce (**"CIBC"**);

(f) Worked with management of the Debtors to put in place procedures whereby support for all proposed payments by the Debtors is reviewed by the Interim Receiver, and the proposed payments are discussed by the Interim Receiver with the Debtors' management, as necessary, to provide the Interim Receiver with a reasonable level of comfort that the proposed payments relate to ordinary-course operation of the Debtors and do not constitute inappropriate dissipation of the Property;

(g) Using information obtained from the applicable Directors of Operations and with a review of historical bank and disbursement records, developed a weekly cash flow forecast against which the Interim Receiver could benchmark actual receipts and disbursements and estimate funding requirements during a sale process. Due to the recent resignation of the Former Controller as discussed in greater detail above, the Debtors did not have a current cash flow forecast or the ability to update any cash flow forecasts prepared previously;

(h) Worked with the Directors of Operations to establish procedures whereby (i) all supporting documentation for proposed shipments of inventory to customers is reviewed, and copies retained by the Interim Receiver prior to shipment of the goods in question, and (ii) copies of supporting documentation for all inventory receipts are provided to the Interim Receiver;

(i) Obtained copies of the accounts receivable subledgers for 211, 213 and 787 and discussed with the accounts receivable accountant and with Mr. Gatti the balances indicated in those subledgers; and

(j) Obtained copies of the fixed and leased asset listings of the Debtors that are available from the records of the Debtors, and attempted to confirm the existence and location of the major items on those lists. Other than a number of leased vehicles used by the Debtors' management and certain employees, the majority of the Debtors' fixed assets consist of the flour milling equipment at the Whitby Premises.

Activities of the Interim Receiver to Investigate the Location/Disposition of Assets

24. Subject to the significant information limitations described above, the information obtained to date by the Interim Receiver indicates that the working capital assets of the Debtors as at the date of the Appointment Order may be substantially less than those reported on the most recent unaudited internal financial statements and borrowing base certificates provided to BMO by the Debtors. Attached as Appendix **"D"** is a copy of the most recent consolidated unaudited internal financial statements of the Loretta Group (211, 213 and 787), which are as at September 30, 2010 (the **"September Statements"**) together with the most recent unaudited internal financial statements for each of 213, 211,

787 and Tarbrac. All of those financial statements are as at September 30, 2010 except for Tarbrac which are as at December 31, 2009.

25. During the course of the Interim Receiver's review of the books, records and affairs of the Loretta Group, the Debtors have not been able to adequately account for approximately $19 million of the inventory referred to in the September Statements. In addition, Mr. Gatti has advised that the amount of the accounts receivable set out in the September Statements is no longer accurate. The amount of the difference is very substantial. The Interim Receiver is continuing its review of the inventory and accounts receivable and is not currently in a position to comment on these differences including their rationale, accuracy, or the explanations provided for them

26. It is unclear whether sufficient value can be realized from the Property to fully repay the BMO Debt and the Signature Debt.

27. The Interim Receiver also notes that the amount of the Signature Debt reflected on the September Statements is approximately $2.4 million less than the amount indicated in Signature's demand letter at Appendix "C".

28. To date, neither Mr. Gatti nor Mr. Falcone has been able to provide explanations in respect of inventory and accounts receivable that are consistent with the available financial information or supported by other documentation.

29. In view of the above, the Interim Receiver has also taken a number of preliminary steps to investigate the location and/or disposition of assets it believes may be, or have been, property of the Debtors. These steps have included:.

    (a) Retaining Honigman, Miller, Schwartz and Cohn LLP as U.S. counsel to the Interim Receiver to advise on matters relating to Property potentially located in the United States, particularly inventory potentially located in the Monroe Warehouse. Although GDR indicated to EYI prior to EYI's appointment that GDR had test-counted inventory of the Debtors (which, at the time, had a book value of approximately $7.8 million) at the Monroe Warehouse on August 31, 2010, in Mr. Gatti's discussions with EYI prior to its appointment he indicated that there was currently no inventory of Loretta in the Monroe Warehouse, and to date he has been unable to provide a comprehensive or consistent explanation for the disposition of the inventory;

    (b) Sending two representatives of the Interim Receiver to the Monroe Warehouse to inquire as to whether there was currently, or had recently been, any property of the Debtors on the premises. A representative of the organization occupying the warehouse indicated to the representatives of the Interim Receiver that his organization was not affiliated with the Loretta Group, although he was aware of the Loretta Group's financial situation, and refused to allow the representatives access to the premises or to answer any further questions; and

    (c) Conducted an initial preliminary review of certain hard copy and electronic records of the Debtors that may be relevant to further investigation. The records reviewed included, inter alia, wire transfer records from the Debtors' bank accounts indicating that between October 20, 2010 and October 26, 2010, 787 and 213 made wire transfers to bank accounts of NDHL in the aggregate amount of $80,200 plus U.S. $743,100.

30. Before taking further steps with respect to these matters, the Interim Receiver proposes to consult with BMO and Signature.

DEVELOPMENT OF MARKETING PLAN

31. Based on the understanding of the Debtors' businesses gained during the procedures described above, and drawing on the experience of professionals from Ernst & Young Orenda Corporate Finance Inc. ("EYO", an affiliate of EYI) who specialize in the food and beverage industry, the Interim Receiver has developed a general approach to the marketing of the Debtors' assets for sale. For reasons that will be described in greater detail below, to date, the Interim Receiver has only prepared a detailed realization plan for the Food Service and Catering Division.

32. The Interim Receiver is of the view that the Food Service and Catering Division:

(a) Is separately managed, with its own Director of Operations, Production Manager and Purchasing Manager;

(b) Has minimal overlap or synergy with the Flour Division or Spice Division other than the use of the Loretta brand name label, which can also be found on name brand foods prepared by the other two divisions;

(c) Does not appear to derive significant value from the Loretta brand, as the majority of its sales are made to persons such as mobile caterers that pick up products directly and therefore have a level of familiarity with the Food Service and Catering Division employees;

(d) Has limited geographic scope and scalability due to the inherent limitations of transporting fresh foods, and is, therefore, likely to be of interest to a smaller group of potential purchasers, namely organizations that are either carrying on similar businesses or involved locally in areas of the food industry that would allow them to realize sales or purchasing synergies; and

(e) Has no apparent connection with the significant decline in accounts receivable or inventory noted in Appendix "C" or described above, because, as a largely cash-based business selling fresh foods, it has minimal accounts receivable or inventory.

33. Accordingly, the Interim Receiver is of the view that the Food Services and Catering Division (including the accounts receivable arising from the operation of that business) should be marketed forthwith for a potential sale of the property by a Court-appointed receiver, and that such an approach is unlikely to impair realizations from the remaining Property. In Appendix "E", the Interim Receiver has set out a proposed timeline for such

a sales process that would allow a sale to be closed by January 28, 2011. The "required terms of sale" noted in Appendix "E" would include standard insolvency sale terms (as is, where is, no representations, no warranties) as well as a requirement that the Interim Receiver (or, if the relief sought by BMO as described below is granted, the Court-appointed receiver) be allowed to continue to use the head office portion of the Davand Premises for a number of months to allow efficient administration of the receivership proceedings.

34. The Interim Receiver is still in the process of analyzing the factors driving value, and identifying the likely potential purchasers, at the Loretta Flour Division and Loretta Spice Division, and, accordingly, the Interim Receiver has not yet developed a detailed realization plan. The Interim Receiver expects that it (or, if the relief sought as described below is granted, the Court-appointed receiver) will apply to the Court in the near term for approval of a detailed realization plan for these assets.

35. The Interim Receiver does not currently have sufficient information to evaluate the realizable value, if any, of Tarbrac's investment in NDHL and, accordingly, it is not yet in a position to recommend a realization plan for this asset.

MOTION FOR APPOINTMENT OF RECEIVER

36. Based on the Interim Receiver's discussions with representatives of BMO and its advisors, the Interim Receiver understands that BMO intends to make a motion for an Order (the "**Receivership Order**"), inter alia,

(a) appointing EYI as Receiver (the "**Receiver**") of the Debtors;

(b) authorizing the Receiver to carry on the business of the Debtors;

(c) authorizing the Receiver to execute the sale process for the Food Services and Catering Division, as set out above and in Appendix E to this Report;

(d) authorizing the Receiver to develop and (with the further approval of the Court) execute detailed realization plans for the remaining Property;

(e) authorizing the Receiver to conduct inquiries and obtain copies of the books and records of NDHL as they relate to transactions with one or more members of the Loretta Group;

(f) authorizing the Receiver to exercise any shareholder, partnership, joint venture or other rights that the Debtors may have;

(g) authorizing the Receiver to make enquiries with Canadian financial institutions to determine if NDHL or members of the Loretta Group hold bank accounts with such financial institutions, and, if so, requiring such financial institutions to disclose the bank statements regarding such accounts;

(h) authorizing the Receiver to contact Bell Sympatico (or any other provider of information technology services to the Loretta Group) and requiring that such service provider disclose information related to the Loretta Group;

(i) amending the style of cause for this proceeding to include the registered trade names of the Debtors;

(j) in addition to granting the standard administrative charge for fees and disbursements of the Receiver and its counsel, granting the Interim Receiver a first-ranking priority charge (the "**IR Admin Charge**") for all amounts that would be subject to the Interim Receiver's Charge pursuant to paragraph 14 of the Appointment Order, subject to the continued requirement that the Interim Receiver and its counsel pass their accounts pursuant to paragraph 15 of the Appointment Order;

(k) approving the activities of the Interim Receiver as set out in this Report.

37. The Interim Receiver recommends (with respect to the relief described in subparagraph 36(k) above, the Interim Receiver respectfully requests) that the Court grant the relief requested. The Interim Receiver is of the view that the appointment of the Receiver will allow the acceleration of realizations from the Property and a more efficient investigation of the significant discrepancies noted previously.

38. The Interim Receiver wishes to bring to the attention of the Court the requested amendments to the style of cause in this proceeding. In these proceedings to date, the Interim Receiver has observed that the vast majority of the parties involved know the Debtors only by their registered trade names. The Interim Receiver is of the view that amending the style of cause to include the trade names will increase the efficiency of the receivership proceedings by making it clear to affected parties that the Debtors and the names they recognize are one and the same.

All of which is respectfully submitted this 25th day of November 2010.

ERNST & YOUNG INC.
Acting in its capacity as Interim Receiver of
2110458 Ontario Limited, 2131413 Ontario Limited,
787755 Ontario Limited and Tarbrac Holdings Inc.
not in its personal or corporate capacity.

Per:

Mike P. Dean, CA•CIRP
Senior Vice-President

TAB 5

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	, THE
	)	
JUSTICE	)	DAY OF FEBRUARY, 2011

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF 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

APPROVAL AND VESTING ORDER

THIS MOTION, made by Ernst & Young Inc., in its capacity as the Court-appointed receiver (the "**Receiver**") of the undertaking, property and assets of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc. (collectively, the "**Debtors**") for an order approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between the Receiver and Jarvis Management Corp. (the "**Purchaser**") dated January 21, 2011 and appended to the Second Report of the Receiver dated February 9, 2011 (the "**Second Report**"), and vesting in Rosedale Food Company Inc. (the Purchaser's assignee), the Debtors' right, title and interest in and to the assets described in the Sale Agreement (the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Motion Record and the Second Report, and on hearing the submissions of counsel for the Receiver, and such other counsel as were present, no one appearing for any other person on the service list, although properly served as appears from the affidavit of [NAME] sworn [DATE] filed

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record be and is hereby abridged such that the motion is returnable today and that further service thereof is hereby dispensed with

2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Sale Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver may deem necessary. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

3. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "**Receiver's Certificate**"), all of the Debtors' right, title and interest in and to the Purchased Assets described in the Sale Agreement [and listed on Schedule B hereto] shall vest absolutely in Rosedale Food Company Inc. (the Purchaser's assignee), free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Mr. Justice Wilton-Siegel dated November 26, 2010; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system (all of which are collectively referred to as the "Encumbrances") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. **THIS COURT ORDERS AND DIRECTS** the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtors' past and current employees employed in relation to the Food Services and Catering division of the Debtors. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtors.

7. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Debtors;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtors and shall not be void or voidable by creditors of the Debtors, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. **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.

10. **THIS COURT ORDERS** that the activities of the Receiver, as described in the Second Report, be and are hereby approved.

11. **THIS COURT ORDERS** that the unredacted version of the Sale Agreement, the summary of offers received and the summary of the Sale Agreement referred to in the Second Report, be and are hereby sealed from the public record and shall not be opened until the filing with the Court of the Receiver's Certificate.

Schedule A – Form of Receiver's Certificate

Court File No. CV-10-8991-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF 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

RECEIVER'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice (the "**Court**") dated November 26, 2010, Ernst & Young Inc., was appointed as the receiver (the "**Receiver**") of the undertaking, property and assets of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc.

B. Pursuant to an Order of the Court dated [DATE], the Court approved the agreement of purchase and sale made as of January 21, 2011 (the "**Sale Agreement**") between the Receiver and Jarvis Management Corp. (the "**Purchaser**") and provided for the vesting in Rosedale Food Company Inc. (the Purchaser's assignee), of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in Article 8 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;

2. The conditions to Closing as set out in Article 8 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and

3. The Transaction has been completed to the satisfaction of the Receiver.

4. This Certificate was delivered by the Receiver at [TIME] on _____ [DATE].

Ernst & Young Inc., in its capacity as Receiver of the undertaking, property and assets of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc., and not in its personal capacity

Per: ______________________________

Name:

Title:

Schedule B – Purchased Assets

- **All assets listed on the attached Appendix A, Fixed Assets Owned as prepared by the Receiver**
- all office furniture located on the premises including desks, chairs, filing cabinets, fax machines, the computers used by John Purley and the Purchasing Manager, and all monitors
- all surveillance cameras & equipment and software that may be available to run the surveillance system
- the Receiver's interest in the lease for the 2008 Toyota FJ Cruiser (439 1136)
- Inventory
- Accounts receivable of the Purchased Business, excluding Badboys, Jackies Girls, Sullies and South Street that are older than 60 days
- Customer list
- Existing telephones and telephone system in place
- cash register (monitor with software and a cash box)
- the Receiver's interest in the lease for the ARM355n digital photocopier located in the office area

Appendix A – Fixed Assets Owned

Cash and Carry

Rock's Beams	10' x 50' GREEN	
Rock's Posts	16' x 15' GREEN	
Rock's Beams	12' x 32' ORANGE	
Rock's Posts	16' x 10' BLUE	
Rock's Beams	8' x 40' ORANGE	
Rock's posts	15' x 8' BLUE	
Display fridges	6 doors per unit:	2 small units, 6 large units

Roof top air conditioner x2
Roof top heaters x 2
Fridge compressors x3

Warehouse	**L W**
1 x Finished goods fridge #1	58' x 20'
1 x Cool down fridge #2	7' x 18'
1 x Cold cut fridge #3	12' x 10'
1 x Production fridge #4	18' x 24'
1 x Freezer #1	22' x 19'
1 x Freezer #2	20' x 20'

Raymond Reach forklift
80 x orange beams
44 x blue beams
80 x blue posts

Production

16 x Steel tables	8'
1 x Wood top table	12'
2 x Wood top table	8'
5 x Wood top table	5'

Hurricane Wrapping Machine
10 ft Conveyor

Kitchen

8 x Stainless steel tables	8'
1 x Stainless steel tables plus hood	8'
5 x Stainless steel tables	5'
3 x Wooden table top	10'
2 x Wooden table top	5'
1 x Wooden table top	4'

1 x Hobart Food Processor
2 x Sunfire double oven
Lincoln double oven (toaster)
Automatic meat pounder

Kitchen Continued
1 x 8 quarts mixer
2 x 60 gallon soup kettle
  Automatic Hobart shredder
  4 x Tilt Skillets
3 x Automatic Slicers
1 x 80 quarts Mixer
Large pot dishwasher
Meat Slicer
Meat Grinder
Chicken Mixer
2 x Pressure fryer
Regular fryer
4 Burner gas stove oven
BBQ 36" grill
Griddle 48"
Hobart Large Oven RO/T
2 x Suppression systems

Court File No. CV-10-8991-00CL

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

APPROVAL AND VESTING ORDER

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Tel.: 416.367.6000
Fax: 416.367.6749

Michael MacNaughton - LSUC No. 25889U
Mary Arzoumanidis - LSUC No. 53915V
Harriet Greenwood - LSUC No. 58915H

Lawyers for Ernst & Young Inc., in its capacity as Receiver of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc.

::ODMA\PCDOCS\TOR01\4564870\3

Court File No. CV-10-8991-00CL

IN THE MATTER OF THE RECEIVERSHIP OF 2110458 ONTARIO LIMITED o/a LORETTA FLOUR, 2131413 ONTARIO LIMITED o/a LORETTA FOODS, 787755 ONTARIO LIMITED o/a NEW DURHAM TRADING, and o/a NDT FOOD SERVICE and o/a SKYWAY WHOLESALE and TARBRAC HOLDINGS INC.

IN THE MATTER OF SECTION 243 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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

MOTION RECORD
(returnable 16 February 2011)

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Tel.: 416.367.6000
Fax: 416.367.6749

Michael MacNaughton - LSUC No. 25889U
Mary Arzoumanidis - LSUC No. 53915V
Harriet Greenwood - LSUC No. 58915H

Lawyers for Ernst & Young Inc., in its capacity as Receiver of 2110458 Ontario Limited o/a Loretta Flour, 2131413 Ontario Limited o/a Loretta Foods, 787755 Ontario Limited o/a New Durham Trading, and o/a NDT Food Service and o/a Skyway Wholesale and Tarbrac Holdings Inc.
::ODMA\PCDOCS\TOR01\4566714\1