Court File No. __________

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO TGF ACQUISITION PARENT LTD., TIFFANY GATE FOODS INC. AND SUN RICH FRESH FOODS INC.

REPORT OF THE PROPOSED MONITOR
February 16, 2021

INTRODUCTION

1. Ernst & Young Inc. ("**EY**" or the "**Proposed Monitor**") understands that TGF Acquisition Parent Ltd., Tiffany Gate Foods Inc. and Sun Rich Fresh Foods Inc. (collectively, the "**Applicants**") have brought an application (the "**Initial Application**") before this Honourable Court for the issuance of a first day initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in order to, among other things, obtain a stay of proceedings to allow the Applicants an opportunity to restructure their business and affairs (the "**CCAA Proceedings**").

2. The Applicants have proposed that EY be appointed as Monitor in the CCAA Proceedings.

3. On February 15, 2021, certain of the Applicants' U.S. affiliates filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "**Chapter 11 Proceedings**").

4. This report (the “**Report**”) has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in the CCAA Proceedings to provide information to the Court for its consideration of the relief which will be sought by at the initial hearing on the Applicants’ Application. Should EY be appointed as Monitor at the initial hearing, EY intends to file a subsequent report, as Monitor, for the Court’s consideration at the next hearing, sometimes referred to as the “*comeback hearing*”.

PURPOSE

5. The purpose of this Report is to provide information to the Court on:

i. EY’s qualifications to act as Monitor;

ii. background information with respect to the Applicants and their U.S. affiliates;

iii. the circumstances leading to filing of the CCAA Proceedings in Canada and the Chapter 11 Proceedings in the U.S.;

iv. an overview of the Applicants’ cash flow forecast and the Proposed Monitor’s comments regarding the reasonableness thereof;

v. a proposed debtor-in-possession interim financing arrangement and a proposed intercompany priority charge against the assets of the Applicants;

vi. other Court ordered charges sought by the Applicants in the Initial Order; and

vii. certain other relief sought in the Initial Order.

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information (the "**Information**") prepared by Fresh Foods Group's ("**FFG**") financial advisor and the Applicants, and discussions with the management of the Applicants and the U.S. affiliates ("**Management**"). Except as described elsewhere in this Report in respect of the Applicants' Cash Flow Statement:

    i. The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

    ii. Some of the Information referred to in this Report consists of forecasts and projections. An examination or review of those financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

7. Future oriented financial Information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable,

the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

8. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.

EY's QUALIFICATIONS TO ACT AS MONITOR

9. EY is a trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act* (Canada). EY is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

10. As discussed in further detail later in this Report, EY has developed an understanding of the Applicants' operations and cash flow based on preparatory work in respect of the CCAA Proceedings and will be able to, if appointed, very quickly and seamlessly perform its responsibilities as Monitor.

11. Due to COVID-19, EY anticipates that part of its responsibilities as Monitor will be performed virtually. While this creates some limitations, EY has the organizational and technological infrastructure in place to do so and, on balance, does not anticipate any material differences in its ability to perform its role as Monitor.

12. EY has consented to act as Monitor should the Court grant the Applicants' request to commence the CCAA Proceedings.

13. The Proposed Monitor has retained Thornton Grout Finnigan LLP to act as its counsel in these CCAA Proceedings.

BACKGROUND INFORMATION

Overview

14. This Report should be read in conjunction with the Affidavit of Stephen Marotta sworn February 16, 2021 (the "**Marotta Affidavit**") for additional background information with respect to the Applicants.

15. The Applicants are wholly owned indirect subsidiaries of Country Fresh Holding LP, a U.S. entity which ultimately owns the shares of all of the entities that form FFG.

16. TGF Acquisition Parent Ltd. ("**Holdco**") is a holding company incorporated under the British Columbia *Business Corporations Act* (the "**BCBCA**"). Tiffany Gate Foods Inc. ("**Tiffany Gate**") and Sun Rich Fresh Foods Inc. ("**Sun Rich**") are wholly-owned operating subsidiaries of Holdco. Both Tiffany Gate and Sun Rich are private companies incorporated under the BCBCA.

17. A copy of the current corporate structure chart of FFG set forth in Exhibit "A" to the Marotta Affidavit is appended hereto as **Appendix "A"**.

Business and Operations

18. As described in detail in the Marotta Affidavit, FFG is a premier, full service fresh food solution provider that creates, packages and delivers fresh-prepared foods to supermarkets, club stores, convenience stores, and industry companies in the U.S. and Canada.

19. FFG's products include branded and private label offerings of fresh-cut fruits and vegetables, ready-to-go meals and meal kit solutions, behind the glass salads, snacks, and ingredients or bulk food components.

20. FFG has eight facilities in the U.S. and three in Canada.

21. Set out below is an overview of the operations of Tiffany Gate and Sun Rich. As discussed earlier herein, Holdco is merely a holding company with no active operations.

Applicants	Facility Location	Leased/ Owned	Facility Description	Employees	Agency / Contractual Workers	Total
Tiffany Gate	195 Steinway Blvd., Etobicoke, ON	Owned	Office, processing and manufacturing facility	221	27	248
Sun Rich	22151 Fraserwood Way, Richmond, BC	Leased	Office, manufacturing facility and distribution centre	121	0	121
	35 Bramtree Court, Brampton, ON	Leased	Processing and manufacturing facility	196	50	246
	Sun Rich Total			317	50	367
Tiffany Gate & Sun Rich Grand Total				**538**	**77**	**615**

22. The Applicants rely on certain management and administrative services provided by the other FFG entities. The Marotta Affidavit describes how the Applicants manage intercompany transfers and transactions amongst themselves as well as with certain U.S. affiliates.

CAPITAL STRUCTURE

2019 Restructuring Transactions

23. As set out in detail in the Marotta Affidavit, in 2019, FFG undertook a debt-for-equity restructuring exchange transaction and exit financing (the "**Exit Financing**", and collectively, the "**2019 Restructuring Transactions**") to address liquidity challenges and to deleverage the balance sheet. Following the 2019 Restructuring Transactions, 95% of FFG's equity interest is owned by its then first lien lenders and the remaining 5% is owned by FFG's then second lien lenders.

Debt Obligations

24. At the time of this Report, FFG has debt obligations of over US$119 million as summarized in the chart below and described in greater detail in the Marotta Affidavit.

Credit Agreements	Facility	Outstanding Principal Amount (US$ millions)	Interest Rate	Maturity
First Lien Credit Agreement	Revolving Loan	US$25.0	7.10%	April 2023
	Term Loan	US$10.0	7.10%	April 2023
Second Lien Credit Agreement	Term Loan	US$60.0	10.60%	April 2024
Super Senior Term Loan Credit Agreement	Term Loan No. 1	US$16.0	8.00%	June 2023
	Term Loan No. 2	US$5.6	8.00%	June 2023
	Term Loan No. 3	US $2.4	8.00%	June 2023
		Total: US$119.0		

Fist Lien Credit Agreement

25. Cortland Capital Markets Services LLC ("**Cortland**") is administrative agent for the lenders under a first lien credit agreement (the "**First Lien Credit Agreement**") entered into on April 29, 2019, as part of the Exit Financing, by Holdco, as Canadian borrower, and certain U.S. affiliates, as U.S. borrowers (together with the Canadian borrower, the "**FFG Borrowers**"), as amended on April 22, 2020. As of the date of this report, approximately US$35 million of principal plus accrued interest is outstanding under the two credit facilities advanced pursuant to the First Lien Credit Agreement.

26. The obligations of the FFG Borrowers under the First Lien Credit Agreement are guaranteed by the Applicants that are not borrowers under such credit agreement, and secured against the Applicants' assets in accordance with the terms of a Canadian Guaranty and Security Agreement (First Lien) dated as of April 29, 2019.

Second Lien Credit Agreement

27. Cortland is also the administrative agent for the lenders under a second lien credit agreement (the "**Second Lien Credit Agreement**") entered into on April 29, 2019 by the FFG Borrowers, also as part of the Exit Financing, as amended on April 22, 2020. As of the date of this Report, approximately US$60 million of principal plus accrued interest is outstanding under the Second Lien Credit Agreement.

28. The obligations of the FFG Borrowers under the Second Lien Credit Agreement are guaranteed by the Applicants that are not borrowers under such credit agreement, and secured against the Applicants' assets in accordance with the terms of a Canadian Guaranty and Security Agreement (Second Lien) dated as of April 29, 2019.

Super Senior Term Loan

29. Cortland is also the administrative agent for the lenders under a super senior term loan credit agreement (the "**Super Senior Term Loan Credit Agreement**") entered into on June 1, 2020 by the FFG Borrowers, as amended on December 29, 2020 and further amended on February 4, 2021. As of the date of this report, approximately US$24 million of principal plus accrued interest is outstanding under the Super Senior Term Loan Credit Agreement.

30. The obligations of the FFG Borrowers under the Super Senior Term Loan Credit Agreement are guaranteed by the Applicants that are not borrowers under such credit agreement, and secured against the Applicants' assets in accordance with the terms of a Canadian Guaranty and Security Agreement (Super Senior) dated as of June 1, 2020.

Security Review

31. Should EY be appointed as Monitor, its counsel, Thornton Grout Finnigan LLP, will review the security granted by the Applicants in respect of the Super Senior Term Loan Credit Agreement, First Lien Credit Agreement and Second Lien Credit Agreement and EY will provide a further report to this Court once such review has been completed.

OPERATIONAL CHALLENGES AND CURRENT LIQUIDITY SITUATION

Current Liquidity Situation and Operational Challenges

32. Although the 2019 Restructuring Transactions reduced its financial leverage, FFG has continued to face significant financial and business challenges, most recently due to economic pressures caused by the COVID-19 pandemic.

33. The COVID-19 pandemic directly contributed to a material negative impact across FFG's business in 2020. The pandemic and related government lockdown caused a significant reduction in the demand for its offerings due to (i) changes in consumer shopping habits, (ii) the temporary closure of restaurants, businesses and schools, and (iii) from fewer large gatherings.

34. FFG also faced increased costs for certain materials as well as shipping as a result of the COVID-19 pandemic, which further contributed to FFG's losses in 2020.

35. As will be discussed in a further report to the Court, FFG engaged financial and legal advisors to explore restructuring alternatives, including a potential stalking horse process. FFG requires additional time to consult with its stakeholders and pursue such restructuring alternatives.

36. FFG, as a group, lacks the necessary liquidity to operate as a going concern and meet the obligations of certain payments scheduled in the immediate future. Accordingly, FFG, including the Applicants, must obtain protection from creditors without any delay in order to continue their restructuring efforts.

Chapter 11 Proceedings

37. On February 15, 2021, the U.S. Debtors (as defined herein) filed voluntary petitions for relief with the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "**U.S. Court**") under Chapter 11 of title 11 of the United States Code commencing parallel insolvency proceedings (i.e. the Chapter 11 Proceedings) with the CCAA Proceedings.

38. In light of the integrated nature of the FFG business, it is now essential for the Applicants to receive CCAA protection to continue operations and to protect the long-term interests of the Applicants and their stakeholders. The parallel restructuring proceedings will allow the Applicants and their U.S. affiliates to maintain operations while giving them the necessary breathing room to restructure their business and affairs, including advancing a stalking horse sale process to be described in a further report to the Court.

39. In light of the commencement of the Chapter 11 Proceedings by the U.S. Debtors, the resulting defaults under the existing prepetition credit facilities and the lack of liquidity of FFG, as a group, the Applicants require immediate protection from their creditors under the CCAA.

OVERVIEW OF THE SHORT-TERM CASH FLOW STATEMENT

40. The Applicants, with the assistance of the Proposed Monitor, have prepared a short term cash flow projection (the "**Cash Flow Statement**") for the period from February 15, 2021 to March 28, 2021 (the "**Cash Flow Period**") for the purposes of projecting the financial positions of the Applicants' planned operating and other activities during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as **Appendix "B"** hereto.

41. The Cash Flow Statement represents Management's best estimates of the projected cash flow during the Cash Flow Period on a weekly basis. The Cash Flow Forecast has been prepared using the probable and hypothetical assumptions set out in the notes to the Cash Flow Statement (the "**Probable and Hypothetical Assumptions**" or the "**Assumptions**").

42. The Proposed Monitor has reviewed the Cash Flow Statement to the standard required of a Court-appointed Monitor pursuant to section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review a debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings.

43. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to the Monitor by FFG's financial advisor, certain key members of Management and employees of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor also reviewed the support provided by management for the Probable and

Hypothetical Assumptions and the preparation and presentation of the Cash Flow Statement.

44. Based on this review, nothing has come to the Proposed Monitor's attention that causes it to believe, in all material respects, that:

i. the Probable and Hypothetical Assumptions are inconsistent with the purpose of the Cash Flow Statement;

ii. as at the date of this Report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Statement, given the Probable and Hypothetical Assumptions; or

iii. the Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

45. The Applicants' cash position at the commencement of the CCAA Proceedings is estimated at approximately US$0.7 million. The Applicants' Cash Flow Statement estimates that during the Cash Flow Period, the Applicants will have total receipts of US$11.1 million and total disbursements of US$11.2 million, resulting in a negative net cash flow of approximately US$0.1 million, and a net cash balance as at March 28, 2021 of US$0.6 million.

46. The Cash Flow Statement reflects that the Applicants do not expect to make any intercompany transfers to their U.S. affiliates, or to draw on any Intercompany DIP Advances (as defined and described below) prior to March 28, 2021.

47. The Cash Flow Statement has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

PROPOSED DEBTOR-IN-POSSESSION FINANCING

48. Although the Cash Flow Statement forecasts that the Applicants may not require additional financing during the Cash Flow Period, there is a risk that an unexpected deviation from the Cash Flow Statement may exhaust the Applicants' limited cash buffer and contribute to the liquidity crisis. In order to guard against such a situation, the Applicants have determined that it would be prudent to have access to additional interim financing.

49. The Applicants' indirect parent company, Country Fresh Holdings, LLC ("**LLC**"), as borrower, and certain of its U.S. subsidiaries, as guarantors (collectively, with LLC, the "**U.S. Debtors**"), have entered into a debtor-in-possession financing agreement dated February 15, 2021 (the "**DIP Facility Agreement**") with Cortland Capital Markets Services LLC (the "**DIP Agent**") and a subset of the prepetition lenders under the Super Senior Term Loan Credit Agreement (the "**DIP Lenders**").

50. The DIP Financing Agreement is intended to provide the U.S. Debtors with interim financing up to US$13,416,000 (the "**DIP Facility**") to assist them with funding their operations and restructuring costs during the restructuring process.

51. The Applicants seek the ability to access interim financing from the U.S. Debtors should such need arise by way of intercompany advances permitted by the DIP Facility Agreement ("**Intercompany DIP Advances**"). The Applicants seek to cap the amount of all such advances to US$1 million during the initial 10-day stay period.

52. The Applicants also seek an intercompany charge (the "**Intercompany DIP Charge**") against the Applicants' property to secure any advances by any U.S. Debtor to the Applicants plus interest thereon. The Intercompany DIP Charge would be limited to US$1 million during the initial 10-day stay period.

53. The DIP Facility Agreement is conditional on, among other things: (i) the Applicants providing the DIP Lenders with a guarantee of the DIP Facility in the amount of any advances by U.S. Debtors to the Applicants outstanding plus unpaid interest thereon (the "**DIP Guarantee**") and (ii) the creation of a related Court-ordered charge against the Applicants' property, which shall not exceed the amount of any advances by U.S. Debtors to the Applicants outstanding together with unpaid interest thereon plus the reasonable fees and disbursements of Canadian counsel to the DIP Lenders at their standard rates and charges both before and after the making of the Initial Order (the "**DIP Lenders' Charge**").

54. The Initial Order provides that the Applicants shall be authorized to enter into the DIP Financing Agreement as guarantor, to provide the DIP Guarantee, and to enter any related definitive documents.

55. Certain material terms of the DIP Facility Agreement are as follows:

   i. advances under the DIP Facility must be used for purposes identified in a Budget (as defined therein) to be submitted to the DIP Lenders;

   ii. intercompany loans are specifically contemplated, including intercompany loans by the U.S. Debtors to the Applicants;

iii. the DIP Facility must be repaid in full on the Maturity Date (as defined therein), which is the earlier of four months from the date of the U.S. Debtors' filing or the consummation of a sale transaction for all or substantially all of FFG's assets, among other things;

iv. interest shall accrue on advances under the DIP Facility at the rate of 15%, in kind, or 12.50%, in cash, per annum, at the option of LLC as borrower under the DIP Facility; and

v. certain required milestones are established with respect to the CCAA Proceedings, including the requirement for the closing of a sale transaction within 44 calendar days from the date of filing of the Chapter 11 Proceedings.

DIP Financing Recommendation

56. The Proposed Monitor has reviewed the terms of the DIP Facility Agreement and is of the view that the Applicants should be permitted to enter into the agreement as guarantors in order to access interim financing, if needed, by way of Intercompany DIP Advances. The Proposed Monitor's recommendation is based on, among other things, the limited maximum amount of such Intercompany DIP Advances, the reasonable fees and costs relating to the DIP Facility, and the ability for the Applicants to meet the terms and conditions under the DIP Facility Agreement.

57. As the DIP Lenders' Charge, the Intercompany DIP Charge and the DIP Guarantee are provided in favour of certain of FFG's existing senior secured lenders, and in light of its funded debt structure as described earlier herein, the Proposed Monitor is of the view that

the DIP Lenders' Charge, the Intercompany DIP Charge and the DIP Guarantee will not materially prejudice any other creditors of the Applicants.

58. Without access to the Intercompany DIP Advances, any significant unfavourable deviation from the Cash Flow Forecast may result in the Applicants being unable to maintain their operations during the CCAA Proceedings. Accordingly, the Proposed Monitor is of the view that the Applicants' request for approval of the DIP Facility Agreement, the DIP Guarantee, the Intercompany DIP Charge and the DIP Lenders' Charge are required and reasonable in the circumstances prior to the comeback hearing.

STALKING HORSE AGREEMENT AND SALE AND SOLICITATION PROCESS

59. As described in greater detail in the Marotta Affidavit, FFG has undertaken a formal solicitation process with the assistance of its financial advisor in respect of the sale of all or a part of FFG's assets (including that of the Applicants), which solicitation process remains ongoing.

60. FFG has identified Stellex Capital Management ("**Stellex**") as a potential purchaser and has entered into an asset purchase agreement with Stellex (the "**Stellex APA**") that provides for, among other things, (i) the sale of substantially all of FFG's assets (including that of the Applicants) to Stellex, and (ii) Stellex acting as a stalking horse bidder in accordance with certain proposed Bidding Procedures (as defined in the Marotta Affidavit).

61. The Applicants seek the approval of the Stellex APA and the Bidding Procedures as part of the Amended and Restated Initial Order requested to be issued at the comeback hearing.

62. The Proposed Monitor intends to review and comment on the Stalking Horse APA and the Bidding Procedures as part of a further report to the Court.

INTERCOMPANY ADVANCES

63. The Proposed Monitor understands that the FFG entities, including the Applicants, have been organized and operated in such a manner whereby certain FFG entities will advance funds to or discharge obligations on behalf of other FFG Entities, creating certain intra-company obligations (collectively, the "**Intercompany Advances**").

64. The Applicants have informed the Proposed Monitor that there shall not be any further intercompany advances as between the Applicants and the U.S. Debtors, save and except for the Intercompany DIP Advances discussed above from and after the date of the filing. The Proposed Monitor understands that the Applicants contemplate continuing to make Intercompany Advances amongst themselves. The Proposed Monitor understands that the nature of contractual and other obligations and payment arrangements as between the Applicants and counterparties necessitate that the Intercompany Advances among the Applicants continue for the near future.

65. The Applicants seek a charge (separate from the Intercompany DIP Charge) in favour of each of the Applicants to secure any Intercompany Advances among the Applicants (the "**Canadian Intercompany Charge**"). The Proposed Monitor agrees that this is required and reasonable in the circumstances.

AUTHORITY TO MAKE CERTAIN PRE-FILING PAYMENTS

66. The Applicants seek the authority to pay, subject to the DIP Facility documents, amounts owing to certain necessary suppliers in respect of goods and services provided to the Applicants prior to the filing date in the CCAA Proceedings, limited to the maximum aggregate amount of $750,000. The Initial Order provides that such critical supply payments will only be made where necessary to maintain the business or property of the Applicants and with the prior approval of the Proposed Monitor.

67. The Proposed Monitor understands that the nature of the Applicants' business means that their perishable fresh foods inventory has to be regularly replenished by new inventory from suppliers. Any disruption to existing relationships with critical suppliers could have a material adverse effect on the Applicants' core operations. For this reason, the Proposed Monitor is of the view that the Applicants should be authorized to make critical supplier pre-filing payments with the Monitor's approval.

COURT ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

68. The Initial Order provides for a number of charges (collectively, the "**Charges"**) that rank in the following order:

i) the Administration Charge;

ii) the DIP Lenders' Charge/ Intercompany DIP Charge;

iii) the D&O Charge; and

iv) the Canadian Intercompany Charge.

Administration Charge

69. The Initial Order provides for a charge in the amount of up to US$400,000 in favour of the Proposed Monitor, Monitor's counsel, the Applicants' Canadian counsel and counsel for the directors and officers of the Applicants as security for their professional fees and disbursements incurred both before and after the making of the Initial Order in respect of these proceedings. The Administration Charge only secures the fees expected to be incurred by the foregoing professionals prior to and during the initial 10-day stay period prior to the comeback hearing. The quantum of the Administration Charge has been established based on the various professionals' previous history and experience with cross-border restructurings of similar scope and complexity. The Proposed Monitor believes that such a charge is required and reasonable in the circumstances.

DIP Lender Charge/ Intercompany DIP Charge

70. The Initial Order provides for two separate equal ranking charges, the Intercompany DIP Charge and the DIP Lenders' Charge, each in the amount of up to US$1 million (but without duplication), in favour of the DIP Agent and the DIP Lenders and the U.S. Debtors (which charge shall be held by the U.S. Debtors for the sole benefit of the DIP Agent and the DIP Lenders) respectively. The Proposed Monitor believes that the Applicants should have access to Intercompany DIP Advances from the U.S. Debtors permitted by the DIP Facility in the amount of up to US$1 million during the initial 10-day stay period, in order to guard against an unexpected deviation from the Cash Flow Statement that may exhaust the Applicants' cash buffer. The Proposed Monitor is of the view such charges are required and reasonable in the circumstances.

<u>D&O Charge</u>

71. The Initial Order provides for a charge in an amount not to exceed US$2.5 million (the "**D&O Charge**") in favour of the Applicants' directors and officers as security for any obligations or liabilities that may arise after the commencement of the CCAA proceedings, except to the extent that such obligation or liability is incurred as a result of such director's or officer's gross negligence or wilful misconduct.

72. The D&O Charge secures against, and its quantum reflects, significant vacation pay obligations in the amount of approximately $1.2 million, which accrued prior to the filing date but may only become due and payable after the commencement of these proceedings. The Applicants' sole director could be personally liable under statute for such vacation pay obligations. The Proposed Monitor understands that vacation pay obligations are not covered under the existing D&O insurance policy. Accordingly, the Applicants intend that the D&O Charge will protect against such personal liability and thereby incentivize the director not to resign.

73. The Applicants, with the Proposed Monitor's assistance, have prepared an analysis of the D&O Charge, which has considered, among other things, payroll, vacation, and tax liabilities. The D&O Charge is intended to offer additional protection beyond what is available under the insurance policy currently in place.

74. Having considered the D&O liability analysis prepared by the Applicants, the Proposed Monitor is of the view that the D&O Charge is required and reasonable in the circumstances.

Creditors' Notification and Comeback Hearing

75. The Initial Order sets out service and notice provisions. These provisions include the typical notice requirements set out in the Model CCAA Initial Order but also include additional notice, service, and other procedures consistent with some other recent CCAA cases before this Court.

76. The Proposed Monitor understands that the Applicants intend to schedule the first hearing subsequent to the granting of the Initial Order, the comeback hearing, for February 26, 2021.

CONCLUSION

77. The Proposed Monitor believes that that the Applicants qualify for and should be granted the benefit of protection under CCAA and the other relief they seek as part of the draft Initial Order. Doing so will allow the Applicants to stabilize and continue their operations while they attempt to finalize discussions with key stakeholders in order to advance a stalking horse process. Such process will be discussed in a further report to the Court. At this time, it appears to the Proposed Monitor that such process is in the best interest of all stakeholders.

All of which is respectfully submitted this 16th day of February, 2021.

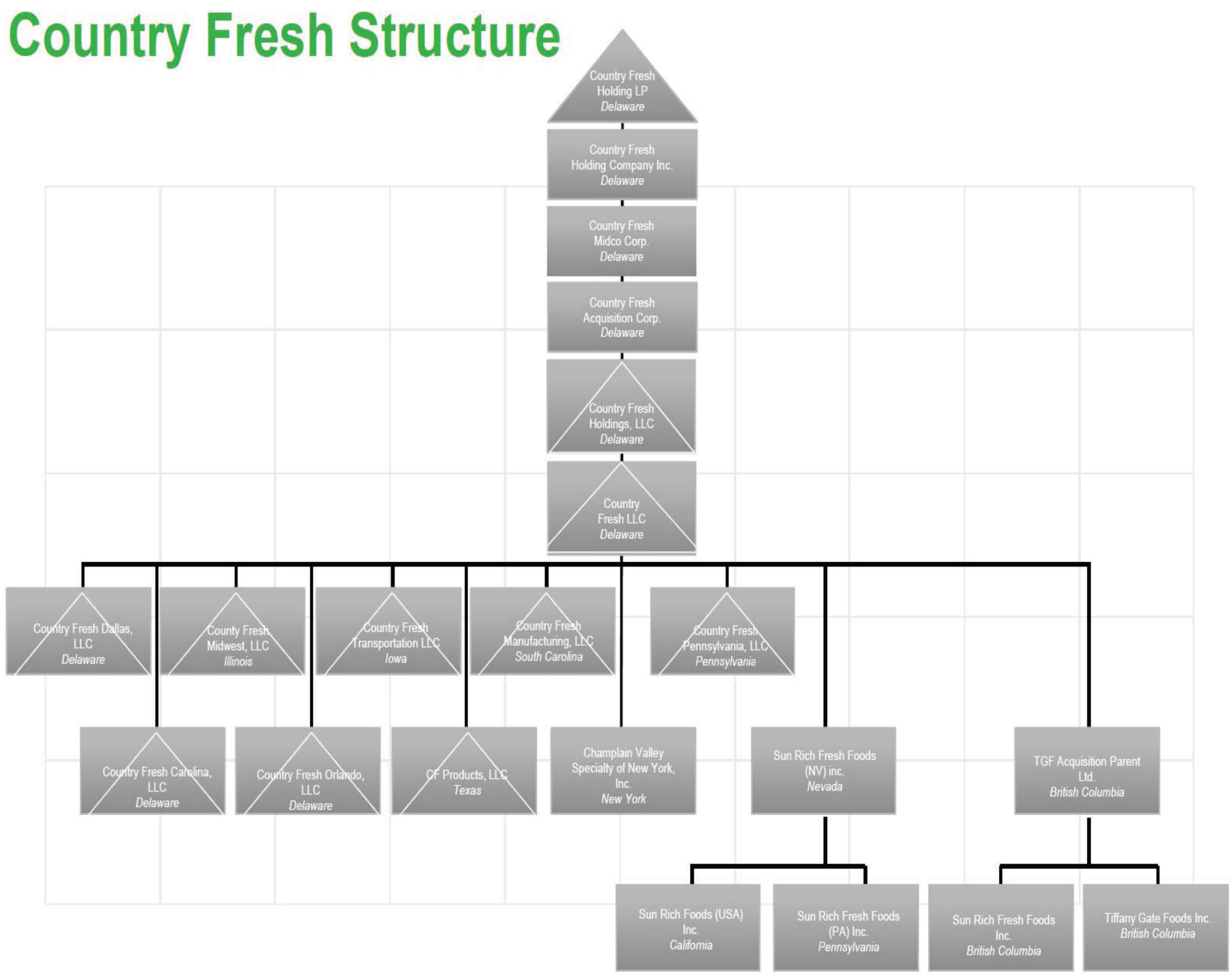
ERNST & YOUNG INC.
Solely in its proposed role as Court-appointed Monitor of the Applicants, and not in its personal capacity

Per: Alex Morrison

Alex Morrison
Senior Vice President

Appendix "A"
Corporate Chart

Corporate Structure



Appendix "B"
Cash Flow Forecast

TGF Acquisition Parent Ltd., Tiffany Gate Foods Inc. and Sun Rich Fresh Foods Inc. (collectively the “Applicants”)
Cash Flow Forecast for the Period February 15, 2021 to March 28, 2021
$USD in Thousands

	Week	1	2	3	4	5	6	
	Ending	**21-Feb-21**	**28-Feb-21**	**7-Mar-21**	**14-Mar-21**	**21-Mar-21**	**28-Mar-21**	**Total**
	Notes							
Receipts								
Sales	2	$ 1,797	$ 1,742	$ 1,854	$ 1,738	$ 1,679	$ 1,692	$ 10,501
Other Receipts	3	300	-	-	-	-	300	600
Total Receipts		**2,097**	**1,742**	**1,854**	**1,738**	**1,679**	**1,992**	**11,101**
Disbursements								
Vendor Payments	4	(970)	(1,107)	(941)	(1,020)	(1,091)	(1,243)	(6,373)
Payroll & Benefits	5	(12)	(881)	(45)	(909)	(81)	(907)	(2,836)
Other SG&A	6	-	(76)	(54)	(54)	(54)	(76)	(314)
Intercompany Transfer	7	-	-	-	-	-	-	-
Restructuring Costs	8	(567)	(290)	(290)	(167)	(167)	(192)	(1,672)
Total Disbursements		**(1,549)**	**(2,354)**	**(1,330)**	**(2,151)**	**(1,393)**	**(2,418)**	**(11,195)**
Net cash receipts/(disbursements)		**$ 548**	**$ (612)**	**$ 524**	**$ (412)**	**$ 286**	**$ (426)**	**$ (94)**
Cash Balance								
Beginning Balance	1	$ 674	$ 1,222	$ 610	$ 1,134	$ 721	$ 1,007	$ 674
Net cash receipts/(disbursements)		548	(612)	524	(412)	286	(426)	(94)
Ending Cash Balance		**$ 1,222**	**$ 610**	**$ 1,134**	**$ 721**	**$ 1,007**	**$ 581**	**$ 581**
Applicants' Borrowings under the DIP Facility								
Opening Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intercompany DIP draws/(repayment)	9	-	-	-	-	-	-	-
Closing Balance		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

In the Matter of the CCAA of TGF Acquisition Parent Ltd., Tiffany Gate Foods Inc. and Sun Rich Fresh Foods Inc. (collectively the "Applicants")

Notes to the Unaudited Cash Flow Forecast of the Applicants

Disclaimer:

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), the Applicants with the assistance of their financial advisor and Ernst & Young Inc., in its capacity as the proposed monitor of the Applicants (the "**Proposed Monitor**") have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the Applicants and additional assumptions discussed below with respect to the requirements and impact of a *Companies' Creditors Arrangement Act* ("**CCAA**") filing (the "**Probable and Hypothetical Assumptions**" or the "**Assumptions**"). Since the Cash Flow Forecast is based on Assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the Assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court appointed Monitor pursuant to section 23(1)(b) of the CCAA, which requires a Monitor to review the debtor's cash flow statements as to its reasonableness and to file a report with the Court on the Monitor's findings.

Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of the Applicants and other employees of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicants for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on the Proposed Monitor's review, nothing has come to the Proposed Monitor's attention that causes the Proposed Monitor to believe, in any material respect, that:

(a) The Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;
(b) As at the date of this report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or
(c) The Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

Overview:

The Cash Flow Forecast includes the receipts and disbursements of the Applicants during the Cash Flow Forecast period. The Applicants, with the assistance of their financial advisor and Ernst & Young Inc., in its capacity as the proposed monitor of the Applicants (the "**Proposed Monitor**" and if appointed, the "**Monitor**"), have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the ongoing operations and the CCAA proceedings

The Cash Flow Forecast assumes that the Applicants obtains relief under the CCAA in the week beginning February 15, 2021.

The Cash Flow Forecast does not reflect the impact of a potential sale transaction in respect of the Applicants.

Assumptions:

1. **Beginning Balance**
   Represents the anticipated opening cash balance at the commencement of the CCAA proceedings.

2. **Sales Receipts**
   Receipts from the Applicants' sales are based on forecast collections from opening accounts receivable and projected sales during the forecast period.

3. **Other Receipts**
   Other receipts include the interest earned on bank deposits, HST/GST refunds, Canada Emergency Wage Subsidy ("CEWS") receipts and other miscellaneous items. The amounts shown represents the estimated CEWS receipts in the forecast period. Uncertainty exists in the timing and quantum of these receipts.

4. **Vendor Payments**
   These disbursements represent payments to third party vendors in connection with raw materials and other production materials, freight and other transportation costs, warehousing costs and other production expenses.

5. **Payroll & Benefits**
   These disbursements include payroll and benefits for all salaried and hourly employees and are forecast based on historical run rates and anticipated staffing levels. Employees are paid on a bi-weekly schedule. The Applicants fund the bi-weekly payroll through a third-party service provider.

6. **Other Selling, General & Administrative Expense ("Other SG&A")**
   Other SG&A costs include rent and occupancy, marketing, communications, information technology, travel and other administrative expenditures that are not included in the vendor payments category. These are based on historical run rates.

7. **Intercompany Transfer**
   Represents transfers between the Applicants' U.S. and Canadian affiliates in connection with the management and administrative services provided by the Fresh Food Group and other intercompany transactions.

   The Applicants do not project to make any intercompany transfers to the U.S. affiliates during the forecast period.

8. **Restructuring Costs**
   Restructuring costs include primarily professional fee payments to the Applicants' legal counsel and financial advisors, counsel to the Applicants' director, the DIP lenders' Canadian counsel, the Proposed Monitor and its counsel, and certain other costs in connection with the Applicants' restructuring proceedings.

9. **Intercompany DIP Draws/(Repayment)**
   The Applicants do not project to make any draws under the proposed DIP Facility.