Court File No. CV-21-00657098-00CL

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.

SECOND REPORT OF THE MONITOR
March 25, 2021

INTRODUCTION

1. On February 17, 2021, TGF Acquisition Parent Ltd. ("**Holdco**"), Tiffany Gate Foods Inc. ("**Tiffany Gate**") and Sun Rich Fresh Foods Inc. ("**Sun Rich**") (collectively, the "**Applicants**") brought an application before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs.

2. On that same day, the Court granted an Initial Order (the "**Initial Order**") in these CCAA proceedings that, among other things:

    i) appointed Ernst & Young Inc. ("**EY**") as monitor of the Applicants (in such capacity, the "**Monitor**");

    ii) approved an initial stay of proceedings in favour of the Applicants, as subsequently extended (the "**Stay Period**"), and

iii) approved an interim financing facility (the "**DIP Facility**") available by way of intercompany loans.

3. On February 26, 2021, the Court granted an Amended and Restated Initial Order that, among other things:

i) approved the engagement of Stout Capital, LLC as financial advisor to the Applicants (in such capacity, the "**Financial Advisor**");

ii) approved the engagement of Ankura Consulting Group, LLC as Chief Restructuring Organization to the Applicants (in such capacity, the "**CRO**"); and

iii) extended the Stay Period to March 28, 2021.

4. On March 1, 2021, the Court granted a Bidding Procedures Order that, among other things, approved (i) certain bidding and sale procedures, as described therein (the "**Bidding and Sale Procedures**"), (ii) a stalking horse purchase agreement among the Applicants and their U.S. affiliates, as sellers, and Stellex/CF Buyer (US) LLC and Stellex/CF Buyer (CN) Inc. (together, "**Stellex**"), as buyers (the "**Stalking Horse Purchase Agreement**"), and (iii) assumption and assignment notice procedures in accordance with the Stalking Horse Purchase Agreement (the "**Assumption and Assignment Procedures**").

5. Certain of the Applicants' U.S. affiliates have filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "**Chapter 11 Proceedings**" and together with the CCAA Proceedings, the "**Restructuring Proceedings**") as parallel main proceedings. Collectively, the Applicants and the U.S. affiliates are known as "**Fresh Foods Group**" or "**FFG**".

PURPOSE

6. The purpose of this Second Report of the Monitor (the "**Second Report**") is to provide information to the Court on:

   (a) an update on the Applicants' operations;

   (b) an update on the Monitor's activities since the issuance of the First Report of the Monitor dated February 24, 2021 (the "**First Report**");

   (c) the Applicants' receipts and disbursements for the period from February 17, 2021 through March 15, 2021 compared to the cash flow forecast appended as Appendix "A" (the "**Initial Cash Flow Forecast**") to EY's report written in its capacity as the proposed Monitor, dated February 16, 2021;

   (d) the Applicants' updated cash flow forecast for the period from March 16, 2021 to April 18, 2011;

   (e) certain developments with respect to the Chapter 11 Proceedings;

   (f) the outcome of the Bidding and Sale Procedures;

   (g) separate asset purchase agreements (together, the "**APAs**") entered into between (i) the Applicants, as Canadian sellers, and Homestyle Selections LP as buyer, and (ii) the Applicants, as Canadian sellers, and Save-On-Foods Limited Partnership as buyer, and the sale transactions contemplated thereby (together, the "**Proposed Transactions**");

(h) the Applicants' motion for two separate Sale and Approval Orders (together, the "**Sale and Approval Orders**") in respect of the Proposed Transactions that cumulatively approve, among other things:

(i) each of the APAs and the Proposed Transactions; and

(ii) an extension of the Stay Period to April 18, 2021.

TERMS OF REFERENCE AND DISCLAIMER

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

(a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited 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 Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

(b) 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.

8. Future oriented financial Information referred to in this Second 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.

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

BACKGROUND INFORMATION WITH RESPECT TO APPLICANTS

10. 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.

11. 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.

12. Tiffany Gate and Sun Rich are wholly-owned operating subsidiaries of Holdco. Tiffany Gate and Sun Rich collectively employ approximately 538 employees and 77

agency/contractual workers working from three facilities located in Toronto, Brampton and Vancouver.

13. Further information on the Applicants, their business operations and the factors giving rise to the relief they are requesting is provided in the Affidavit of Stephen Marotta sworn March 25, 2021 (the "**Marotta Affidavit**").

UPDATE ON THE APPLICANTS' OPERATIONS

14. As described in the First Report, the Applicants, with the assistance of the CRO and the Monitor, have engaged in extensive discussions with suppliers in order to address their concerns and resolve supply chain issues. Since the date of the Initial Order, the Applicants have made significant progress in stabilizing their operations, including securing a sufficient and continuing supply of goods and services.

15. To date, the Applicants have maintained business operations in the ordinary course and have continued to serve customers without any significant disruptions.

UPDATE ON THE MONITOR'S ACTIVITIES SINCE ITS APPOINTMENT

16. Subsequent to the issuance of the First Report, the Monitor has engaged in the following activities:

    (a) monitored the Applicants' receipts and disbursements by reviewing information provided by the CRO and the Applicants;

    (b) assisted the Applicants with discussions and communications with creditors and stakeholders;

(c) monitored the Bidding and Sale Procedures by attending regular update meetings with the Financial Advisor;

(d) reviewed and analyzed bids submitted in accordance with Bidding and Sale Procedures;

(e) attended the Auction as a consultation party in accordance with the Bidding and Sale Procedures, as further described herein; and

(f) responded to inquiries from creditors and other interested parties.

17. The Monitor has established a case website at www.ey.com/ca/freshfoodcanada (the "**Case Website**") to disseminate information to stakeholders. The following notices have been posted on the Monitor's website, and/or sent to the Applicants' stakeholders since the First Report of the Monitor:

(a) Sale Notice on March 2, 2021, which set out certain key dates relating to the Bidding and Sale Procedures for stakeholders, including the dates for important milestones;

(b) Assumption and Assignment Notice on March 2, 2021, which detailed the Assumption and Assignment Procedures for stakeholders and set out the contracts and other agreements of the Applicants that were intended to be assumed in accordance with the Assumption and Assignment Procedures;

(c) Supplemental Assumption and Assignment Notice on March 11, 2021, which set out certain additional contracts of the Applicants that were intended to be assumed in accordance with the Assumption and Assignment Procedures;

(d) Reset of Auction Notice on March 12, 2021, which postponed the date of the auction that was required to be held in accordance with the Bidding and Sale Procedures (the "**Auction**") from March 22, 2021 to March 23, 2021; and

(e) Notice of Successful Bidders and Back-Up Bidders on March 25, 2021 that announced the results of the completed Bidding and Sale Procedures and Auction, as described in greater detail herein.

APPLICANTS' RECEIPTS AND DISBURSEMENTS

18. A summary of the Applicants' actual receipts and disbursements during the period from February 17, 2021 to March 15, 2021 (the "**Reporting Period**") as compared to the Initial Cash Flow Forecast (the "**Variance Analysis**") is attached as **Appendix "A"** to this Report.

19. During the Reporting Period, the Applicants' operations generated a net cash outflow of approximately US$0.5 million. As at March 15, 2021, the Applicants' cash on hand was approximately US$1.6 million, which is US$0.9 million higher than the Initial Cash Flow Forecast.[1] The favourable cash position variance as of March 15, 2021 was primarily due to timing differences and the reversal of certain outstanding cheques as of the CCAA filing date, as described in greater detail in the Variance Analysis.

20. The Applicants did not make any intercompany transfers to their US affiliates or draw on any Intercompany DIP Advances (as defined in the Initial Order) under the DIP Facility

[1] The CRO has advised that the collections included approximately US$1.2 million of the Applicants' accounts receivables that were paid by customers to the Chapter 11 Entities and subsequently transferred to the Applicants during the Reporting Period.

after the date of the Initial Order and do not currently expect to make any intercompany transfers to their U.S. affiliates or to draw on any Intercompany DIP Advances during the extension of the Stay Period.

21. In the post-filing period, Tiffany Gate and Sun Rich continued processing intercompany transactions as amongst themselves in the ordinary course of operations (the "**Canadian Intercompany Transactions**"). The Initial Order provides for a charge for the benefit of an Applicant to the extent it is in a receivable position in respect of such Canadian Intercompany Transactions.

OVERVIEW OF APPLICANTS' CASH FLOW FORECAST

22. The Applicants, with the assistance of the CRO, and in consultation with the Monitor, have prepared a cash flow forecast (the "**Cash Flow Forecast**") from March 16, 2021 to April 18, 2020 (the "**Forecast Period**"). The Cash Flow Forecast is attached as **Appendix "B"** to this Report.

23. The Cash Flow Forecast projects that the Applicants will have total receipts of US$9.3 million and total disbursements of US$10.8 million, resulting in a negative net cash flow of approximately US$1.5 million and a cash balance of approximately US$0.1 million as at April 18, 2021.

24. The Cash Flow Forecast reflects that the Applicants do not expect to make any intercompany transfers to their U.S. affiliates, or to draw on the DIP Facility through any Intercompany DIP Advances.

25. The Cash Flow Forecast assumes that the Applicants will maintain ordinary course of operations during the Forecast Period. As discussed further herein, the Applicants are expected to have no active operations after the closing of the Proposed Transactions (the "**Closing**"). Accordingly, the Applicants will further update the Cash Flow Forecast to reflect the impact of the Proposed Transactions and post-closing activities after this Court approves the Proposed Transactions.

THE BIDDING AND SALE PROCEDURES

26. As noted earlier herein, the Bidding and Sale Procedures were approved by the Court pursuant to the Bidding Procedures Order. The same Bidding and Sale Procedures were approved by the U.S. Court in respect of the Chapter 11 Proceedings.

27. The Sale and Bidding Procedures were administered by the Financial Advisor and were intended to establish a fair and efficient process to obtain the best possible offer for FFG's assets. The Sale and Bidding Procedures served as a continuation of the pre-filing solicitation process (the "**Pre-Filing Solicitation Process**") that was started in January 2021, pursuant to which more than 210 parties have already been contacted, as described in greater detail in the Marotta Affidavit.

28. As detailed in the First Report, the Monitor has reviewed the scope of the process, the marketing materials distributed by the Financial Advisor, the criteria used to compile the list of interested counterparties, the timeline to complete the solicitation process, and the results achieved pursuant to the Pre-Filing Solicitation Process. The Monitor is of the view that the Pre-Filing Solicitation Process was fair and reasonable in the circumstances.

29. The key dates under the Bidding Procedures were as follows:

i) March 19, 2021 – deadline for any prospective purchaser to submit their bid;

ii) March 22, 2021 – auction date, in case there are any "Qualified Bids" other than the stalking horse bid;

iii) March 25, 2021 – date of the U.S. sale hearing to approve the successful bid;

iv) March 26, 2021 – date of the Canadian sale hearing to approve the successful bid; and

v) March 31, 2021 – deadline for the completion of the transaction contemplated by the successful bid.

30. As detailed in the First Report, the Monitor is of the view that the Sale and Bidding Procedures provided for a transparent, fair and efficient mechanism to select the transaction that produces the best result for all stakeholders, all things considered. The Monitor is also of the view that the timeline set out above, in the context of the Pre-Filing Solicitation Process having started in Winter of 2021, provided sufficient time for any interested purchasers to submit a bid.

RESULTS OF THE BIDDING AND SALE PROCEDURES

a) *Results of the Bidding Process*

31. Since the granting of the Bidding Procedures Order, the Financial Advisor and the Monitor have met on a regular basis to discuss the status of the bidding and sales process and the terms of potential bids by prospective purchasers.

32. The Bidding and Sale Procedures established certain criteria for a bid by a prospective purchaser to be determined as a "Qualified Bid" thereunder which included, without limitation, submitting the bid by an enumerated deadline, establishing the prospective

purchaser's financial wherewithal, and providing an asset purchase agreement in the form of the Stalking Horse Purchase Agreement.

33. Five Qualified Bids were submitted pursuant to the Bidding and Sale Procedures, in addition to transaction contemplated by Stellex as the stalking horse purchaser, as follows:

i) one Qualified Bid was in respect of all of the assets of the Applicants and their U.S. affiliates;

ii) one Qualified Bid was in respect of certain of the Applicants' U.S. affiliates' assets;

iii) two Qualified Bids were in respect of the Applicants' Toronto and Brampton assets; and

iv) one Qualified Bid was in respect of the Applicants' Vancouver assets.

34. The Stalking Horse Purchase Agreement contemplated the purchase of all of the assets of the Applicants and their U.S. affiliates.

35. A summary of the terms and conditions of the Qualified Bids is attached as an exhibit to the Marotta Affidavit.

36. In accordance with the terms of the Bidding and Sales Procedures, an Auction was necessary to determine the bid that would comprise the highest and best offer and would be deemed as the Successful Bid in accordance therewith.

b) ***Results of the Auction Process***

37. Prior to the Auction's commencement, the Applicants and their U.S. affiliates, in consultation with the Consultation Parties, declared a certain Qualified Bid that was

different to the stalking horse bid as the highest and best offer, the "Initial Bid" under the Sale and Bidding Procedures.

38. The Auction date was postponed by one business day to allow an opportunity for FFG to consider the bids received and all stakeholders to prepare and adequately participate. The Auction started on March 23, 2021 at 2:00 pm central time. In the evening of March 23, 2021, the Auction was declared as adjourned to 10:00 am central time on the following day. The Auction concluded on or about 10:00pm central time on March 24, 2021.

39. The Auction was hosted from the Houston office of counsel to the Applicants' U.S. affiliates as well as virtually via Zoom because of the COVID-19 pandemic. Most of the Auction participants attended virtually. Counsel to the Applicants' U.S. affiliates also moderated the Auction.

40. The Qualified Bidders, Stellex, the DIP Lenders, the Monitor, the Applicants and their U.S. affiliates, and/or counsel to the foregoing parties all attended the Auction, together with the CRO and the Financial Advisor.

41. The Qualified Bidders bidding on the Toronto and Brampton business were asked to publicly present their bid to all Auction participants, to determine the highest bidder for those specific assets. Subsequently, the Qualified Bidders bidding for the entire business were asked to present their bids.

42. The Monitor and its counsel were kept apprised by Applicants' counsel and the Financial Advisor of all material developments relating thereto. The Monitor had several opportunities to express its views on the process of the Auction, the various bids and what criteria would provide for the highest and best result for the Applicants' estate.

43. The terms of several of the Qualified Bids, as well as the terms of Stellex's proposed transaction, were amended several times during the Auction in order to make the bids more attractive, including to the Applicants' stakeholders.

44. It was determined on the second day of the Auction that a compilation of bids would represent the highest and best result for all stakeholders once a materially superior cash only offer was presented for the Ontario assets by Homestyle Selection LP (the buyer of the Ontario assets). Several bidders then amended the categories of assets they proposed to purchase by geography (limiting their bids to U.S. assets) to produce the highest aggregate consideration. There were subsequently several rounds of offers to determine the highest and best offer in respect of the U.S. assets. As part of such process, Stellex materially amended the terms of its initial bid as the stalking horse purchaser, limiting the scope of their proposed assets to be assumed to only the U.S. assets and revising their offer to a cash only bid.

45. Upon consultation with the Consultation Parties (as defined in the Sale and Bidding Procedures), the results of the Auction were announced pursuant to the Notice of Successful Bidders and Back-Up Bidders on March 25, 2021, which was posted on the Monitor's case website, and was as follows:

i) in respect of the U.S. assets of the Applicants' U.S. affiliates, the successful bidder is Stellex/CF Buyer (US) LLC (the "**U.S. Buyer**"). The back-up bidder is Taylor Fresh Foods, Inc.;

ii) in respect of the Applicants' Ontario assets, the successful bidder is Homestyle Selections LP ("**Homestyle**"). The back-up bidder is Summer Fresh Salads Incorporated; and

iii) in respect of the Applicants' British Columbia assets, the successful bidder is Save-On Save-On-Foods Limited Partnership ("**Save-On**"). There is no applicable back-up bidder.

46. The Monitor is of the view that the Bidding and Sale Procedures and the Auction were carried out in a fair and transparent manner, and that the sale transactions contemplated by the successful bids for the Applicants' assets represent the highest and best offer put forward in respect of same.

PROPOSED SALES TRANSACTIONS

a) The Proposed Homestyle Transaction

47. The terms of the proposed Homestyle transaction are set out in an Asset Purchase Agreement dated March 25, 2021 among Tiffany Gate and Sun Rich, as sellers (together, the "**Sellers**"), and Homestyle, as buyer (the "**Homestyle APA**").

48. The proposed Homestyle transaction provides for the acquisition of all of the Sellers' Toronto and Brampton business and assets, including leased property, the real property owned by the Sellers, and certain Intellectual Property (as defined in the Homestyle APA).

49. The consideration offered under the Homestyle APA includes:

i) US$30,000,000 in cash;

ii) the assumption of US$350,000 in post-petition trade liabilities. To the extent that any post-petition trade liabilities are not assumed, the Monitor understands that they will be paid by the Applicants in the ordinary course, in accordance with the Cash Flow Forecast, as part of the wind-down of the Canadian entities; and

iii) the assumption by Homestyle of significant liabilities and obligations of the Sellers, including US$1,900,000 in cure costs under the Assigned Contracts and Assigned Leases (as defined in the Homestyle APA).

50. Homestyle intends to employ at minimum 193 of the Applicants' current employees at the Toronto and Brampton facilities, and will assume any accrued but unpaid wages, vacation pay and overtime pay (up to two weeks) relating to employees that accept Homestyle's employment offer.

51. Homestyle intends to carry on the business operations of the Sellers at the Toronto facility in the ordinary course, which is for the benefit of many of the Applicants' stakeholders.

52. The Homestyle APA is conditional on the Court granting the Homestyle Sale and Approval Order, and the execution of a transitional services agreement in a form to be mutually agreed upon between Sun Rich, Tiffany Gate and Homestyle, acting reasonably. The outside closing date under the Homestyle APA is May 31, 2021.

b) The Save-On Transaction

53. The terms of the proposed Save-On transaction are set out in an Asset Purchase Agreement dated March 25, 2021 among Sun Rich, as seller, and Save-On, as buyer (the "**Save-On APA**").

54. The proposed Save-On transaction provides for the acquisition of all of Sun Rich's British Columbia business and assets, including certain Intangible Property (as defined in the Save-On APA).

55. The consideration offered under the Save-On APA includes:

i) US$2,500,000 in cash;

ii) the assumption of up to US$750,000 in post-petition trade liabilities; and

iii) the assumption by Save-On of liabilities and obligations of Sunrich, including cure costs of approximately US$100,000 relating to the Assigned Contracts and Assigned Leases (as defined in the Save-On APA).

56. Save-On intends to employ at minimum 80% of the Applicants' current employees at the Vancouver facility, and will assume any accrued but unpaid wages, vacation pay and overtime pay (up to two weeks) relating to employees that accept Save-On's employment offer.

57. Save-On intends to carry on the business operations of Sun Rich in Vancouver in the ordinary course, which is for the benefit of all of the Applicants' stakeholders.

58. The Save-On APA is conditional on the Court granting the Save-on Sale and Approval Order. The outside closing date under the Save-on APA is May 31, 2021.

APPROVING THE PROPOSED TRANSACTIONS

59. The Applicants are seeking the Court's approval of the APAs and the Proposed Transactions contemplated therein. The Monitor recommends the approval of the Proposed Transactions, as contemplated by the APAs, for the following reasons.

i) *Reasonableness of the Process Leading to the Proposed Sale*

60. The Monitor finds that the process leading to the Proposed Transactions was fair and reasonable. As further described in the First Report, the Pre-Filing Solicitation Process conducted by the Financial Advisor was far-reaching and garnered significant interest from a number of parties. The results of the Bidding and Sale Procedures, in the Monitor's view were also fair and reasonable based on its past experience and its review of sales of similar businesses.

61. The Monitor finds that the Bidding and Sale Procedures and the Auction were carried out in accordance with terms of the Bidding Procedures Order (as modified as necessary in accordance with such Bidding and Sale Procedures) and were commercially reasonable. The Monitor is satisfied with the degree of involvement and consultation provided to it in accordance with such processes in order to fairly assess same.

iii) *Comparison with Sale in Bankruptcy*

62. The Monitor is of the view that the Proposed Transactions are significantly more beneficial to the creditors and stakeholders of the Applicants than a sale or disposition of assets under a bankruptcy. The operation of the facilities in the ordinary course, in particular, will benefit a significant portion of current employees and vendors.

iv) *Consultation with Creditors*

63. In accordance with the Bidding and Sale Procedures, each of the Official Committee of Unsecured Creditors, the Ad Hoc Group and the DIP Lenders (as such terms are defined in the DIP Order) were "Consultation Parties" and were therefore kept apprised of all developments relating to the Bidding and Sale Procedures and the Auction, and entitled to provide their views thereon. The Monitor understands that the creditors do not oppose the Applicants' requested relief.

iv) *The Effect of the Proposed Sale on Creditors and Other Interested Parties*

64. The Monitor has considered whether the Proposed Transactions would be beneficial to creditors and stakeholders generally as the Proposed Transactions will result in:

    iv) the business of the Applicants largely carrying on the going concern, for the benefit of employees, landlords, suppliers, among others;

    v) the assumption of significant post-filing and employee obligations; and

    vi) the assumption of significant other assumed liabilities, including the Assigned Contracts and Assigned Leases.

vii) *Fairness of Consideration*

65. The Monitor is of the view that the consideration under the Proposed Transactions is fair and reasonable in the circumstances, and greatly exceeds the potential consideration to the Applicants that would have been available under the Stalking Horse Purchase Agreement.

ASSIGNMENT OF CONTRACTS

66. As part of both the Homestyle APA and the Save-On APA, Homestyle and Save-On have both provided a list of contracts and leases (together with the cure costs payable in respect therewith) which they intend on assuming, as part of the Proposed Transactions.

67. The Applicants request the Court's approval of the assignment of the aforementioned contracts and leases, subject to the ability of each of Homestyle and Save-On to designate such contracts and leases as excluded contracts and leases prior to closing. The Monitor is of the view that this relief is reasonable given the Court previously granted broader relief pursuant to the assumption and assignment procedure included in the Bidding Procedures Order, and on the grounds that (i) the Applicants have provided all counterparties with assignment and assumption notices described earlier herein, and (ii) there have been only two objections to any proposed assignments by counterparties, which the Applicants believe they will resolve same prior to the Court hearing in respect of the relief requested herein.

DEVELOPMENTS IN THE CHAPTER 11 PROCEEDINGS

68. On March 18, 2021, the U.S. Court granted a Final Order approving certain of the relief previously granted on an interim basis, including the DIP Facility. Certain U.S.-specific issues have arisen as part of the Chapter 11 Proceedings, including with respect to trust and other claims of certain U.S. creditors under the U.S. *Perishable Agricultural Commodities Act* (collectively, the "**PACA Claimants**").

69. On March 25, 2021, the U.S. Court granted an Order approving the sale of the Applicants' U.S. affiliates' U.S. assets to the U.S. Buyer, in accordance with the terms of the Asset Purchase Agreement entered into among such parties. The majority PACA Claimants' concerns were resolved at the same hearing, save for those PACA Claimants who opted out of payment, given that the proven PACA Claimants' claims are intended to be assumed by the U.S. Buyer and paid on closing.

EXTENDING THE STAY OF PROCEEDINGS

70. The Stay Period is currently set to expire on March 28, 2021. The Applicants are requesting an extension of the Stay Period until April 18, 2021.

71. The Monitor is of the view that the requested stay extension is appropriate for the following reasons: (i) the Applicants require the extension for the Proposed Transactions to be completed; (ii) the Monitor will work closely with the Applicants with respect to the Proposed Transactions; and (iii) the Applicants have continued to operate in good faith and with due diligence since the date of the Initial Order.

72. Based on the Cash Flow Forecast and the availability of advances under the DIP Facility, the Monitor believes that the Applicants will have sufficient liquidity for the duration of the extended Stay Period.

CONCLUSION

73. For the reasons stated herein, the Monitor supports the relief sought by the Applicants and recommends that the Court grant the Sale Approval Orders and the relief sought therein.

All of which is respectfully submitted this 25th day of March, 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
Senior Vice President

Appendix "A"

TGF Acquisition Parent Ltd., Tiffany Gate Foods Inc. and Sun Rich Fresh Foods Inc. (collectively the "Applicants")
For the period from February 17, 2021 to March 14, 2021
$USD in Thousands

	Actual	Forecast	Variance	Note
Receipts				
Sales	$ 5,938	$ 7,131	$ (1,193)	2
Other Receipts	-	300	(300)	3
Total Receipts	**5,938**	**7,431**	**(1,493)**	
Disbursements				
Vendor Payments	(3,624)	(4,038)	415	4
Payroll & Benefits	(1,618)	(1,848)	230	5
Other SG&A	(243)	(184)	(59)	
Intercompany Transfer	-	-	-	
Restructuring Costs	(985)	(1,313)	329	6
Total Disbursements	**(6,469)**	**(7,384)**	**915**	
Net cash receipts/(disbursements)	**$ (531)**	**$ 47**	**$ (578)**	
Cash Balance				
Beginning Balance	$ 2,152	$ 674	$ 1,478	1
Net cash receipts/(disbursements)	(531)	47	(578)	
Ending Cash Balance	**$ 1,621**	**$ 721**	**$ 900**	
Applicants' Borrowings under the DIP Facility				
Opening Balance	$ -	$ -	$ -	
Intercompany DIP draws/(repayment)	-	-	-	
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")

Cash flow variance analysis for the period February 17, 2021 to March 14, 2021

Disclaimer:

This variance analysis sets out the significant variances between the Applicants' actual receipts and disbursements compared to the cash flow forecast appended to the Report of the Proposed Monitor dated February 16, 2021. For the purpose of this variance analysis, both the cash flow forecast and actual results are inclusive of transactions incurred on February 15 and February 16, 2021.

1. **Beginning Balance**
   The favourable cash position variance was due to timing differences and the reversal of certain outstanding cheques as of the CCAA filing date.

2. **Sales**
   The Applicants' collection of receipts during the forecast period was slower than anticipated. This timing difference is expected to reverse in the coming weeks.

3. **Other Receipts**
   The variance represents a timing difference in collecting the Canadian Emergency Wage Subsidy funds.

4. **Vendor Payments**
   The favourable variance was primarily due to the timing of disbursements and favourable credit terms extended by certain vendors.

5. **Payroll & Benefits**
   The favourable timing difference was primarily a result of lower than expected hourly labour costs.

6. **Restructuring Costs**
   The variance was primarily due to the timing of professional fee payments.

Appendix "B"

TGF Acquisition Parent Ltd., Tiffany Gate Foods Inc. and Sun Rich Fresh Foods Inc. (collectively the "Applicants")
Cash Flow Forecast for the Period March 15, 2021 to April 18, 2021
$USD in Thousands

	Week	1	2	3	4	5	
	Ending	**21-Mar-21**	**28-Mar-21**	**4-Apr-21**	**11-Apr-21**	**18-Apr-21**	**Total**
	Notes						
Receipts							
Sales	2	$ 1,652	$ 1,796	$ 1,776	$ 1,586	$ 1,882	$ 8,692
Other Receipts	3	-	300	300	-	-	600
Total Receipts		**1,652**	**2,096**	**2,076**	**1,586**	**1,882**	**9,292**
Disbursements							
Vendor Payments	4	(1,250)	(1,361)	(1,378)	(1,278)	(1,409)	(6,676)
Payroll & Benefits	5	(151)	(922)	(157)	(921)	(160)	(2,311)
Other SG&A	6	(62)	(84)	(93)	(38)	(38)	(314)
Intercompany Transfer	7	-	-	-	-	-	-
Restructuring Costs	8	-	(257)	(457)	(432)	(374)	(1,520)
Total Disbursements		**(1,463)**	**(2,624)**	**(2,085)**	**(2,669)**	**(1,981)**	**(10,822)**
Net cash receipts/(disbursements)		**$ 189**	**$ (528)**	**$ (9)**	**$ (1,082)**	**$ (99)**	**$ (1,530)**
Cash Balance							
Beginning Balance	1	$ 1,621	$ 1,810	$ 1,282	$ 1,273	$ 190	$ 1,621
Net cash receipts/(disbursements)		189	(528)	(9)	(1,082)	(99)	(1,530)
Ending Cash Balance		**$ 1,810**	**$ 1,282**	**$ 1,273**	**$ 190**	**$ 91**	**$ 91**
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 the Chief Restructuring Organization, Ankura Consulting Group, LLC (the "**CRO**"), 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.

Ernst & Young Inc., in its capacity as the monitor of the Applicants (the "**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 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 Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The 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 Monitor's review, nothing has come to the Monitor's attention that causes the 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 the CRO and Ernst & Young Inc., in its capacity as the monitor of the Applicants (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 does not reflect the impact of a potential sale transaction in respect of the Applicants.

Assumptions:

1. **Beginning Balance**
   Represents the opening cash balance as at March 15, 2021.

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, the CRO, counsel to the Applicants’ director, the DIP lenders’ Canadian counsel, the 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 DIP Facility.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **TGF ACQUISITION PARENT LTD., SUN RICH FRESH FOODS INC. & TIFFANY GATE FOODS INC.** (Applicants)

Court File No. CV-21-00657098-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

SECOND REPORT OF THE MONITOR
March 25, 2021

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