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.

THIRD REPORT OF THE MONITOR
April 9, 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. 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 as parallel main proceedings. Collectively, the Applicants and the U.S. affiliates are known as "**FFG**".

3. On that same day, the Court granted an Initial Order (the "**Initial Order**") in these CCAA proceedings that, among other things, appointed Ernst & Young Inc. ("**EY**") as monitor of

the Applicants (in such capacity, the "**Monitor**"), and approved an initial stay of proceedings in favour of the Applicants (the "**Stay Period**").

4. The Stay Period was subsequently extended by the Court pursuant to Orders dated February 26, 2021 and March 26, 2021. The Stay Period, as extended, is set to expire on April 18, 2021.

5. On March 26, 2021, the Court granted an Approval and Vesting Order ("**Homestyle AVO**") that, among other things, approved the terms of the transaction set out in an Asset Purchase Agreement dated March 25, 2021 among Tiffany Gate and Sun Rich, as sellers, and Homestyle Selections LP, as buyer (the "**Homestyle APA**" or the "**Homestyle Transaction**").

6. On March 26, 2021, the Court also granted an Approval and Vesting Order ("**Save-On AVO**") that, among other things, approved the terms of the transaction set out in an Asset Purchase Agreement dated March 25, 2021 among Sun Rich, as seller, and Save-On Foods Limited Partnership, as buyer (the "**Save-On APA**" or the "**Save-On Transaction**" and together with the Homestyle APA and the Homestyle Transaction, the "**APAs**" and the "**Transactions**").

7. The Transactions are in respect of substantially all of the assets and operations of the Applicants. The Applicants contemplate that the Transactions will close during the week ending April 18, 2021.

PURPOSE

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

   (a) the Applicants' receipts and disbursements for the period from March 15, 2021 to March 28, 2021 compared to the cash flow forecast appended to the Second Report of the Monitor dated March 25, 2021 (the "**Second Report**");

   (b) the Applicants' updated cash flow forecast for the period from March 29, 2021 to June 27, 2021 (the "**Cash Flow Forecast**"), which spans both the pre-closing and post-closing periods in respect of the Transactions;

   (c) the status of the Homestyle Transaction and the Save-On Transaction and the anticipated closings in respect thereof;

   (d) details with respect to the post-closing period, and the Monitor's anticipated activities during such time;

   (e) the opinion of Monitor's counsel in respect of the validity of the Loan Documents (as defined herein); and

   (f) the relief sought by the Applicants pursuant to the proposed Distribution Order (the "**Proposed Order**"), including the contemplated distributions to lenders.

TERMS OF REFERENCE AND DISCLAIMER

9. In preparing this Third 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 Applicants and the CRO, and discussions with the management of the Applicants and their U.S. affiliates ("**Management**") (the **"Information"**). Except as described elsewhere in this Third Report in respect of the Applicants' Cash Flow Forecast:

(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.

10. Future oriented financial Information referred to in this Third 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.

11. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Third 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

12. 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.

13. 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. Tiffany Gate and Sun Rich are wholly-owned operating subsidiaries of Holdco.

14. 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 April 8, 2021 (the "**Marotta Affidavit**").

APPLICANTS' RECEIPTS AND DISBURSEMENTS

15. A summary of the Applicants' actual receipts and disbursements during the period from March 15, 2021 to March 28, 2021 (the "**Reporting Period**") as compared to the cash flow forecast appended to the Second Report is attached as **Appendix "A"** to this Third Report.

16. During the Reporting Period, the Applicants' operations generated a net cash outflow of approximately US$167,000. As at March 28, 2021, the Applicants' cash on hand was approximately US$1.5 million, which is US$173,000 higher than forecast.

17. 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 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.

18. Tiffany Gate and Sun Rich processed intercompany transactions as amongst themselves in the ordinary course of operations during the Reporting Period (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

19. The Applicants, with the assistance of their Chief Restructuring Organization, Ankura Consulting Group, LLC, and in consultation with the Monitor, have prepared a cash flow forecast (the "**Cash Flow Forecast**") from March 29, 2021 to June 27, 2021 (the "**Forecast Period**"). The Cash Flow Forecast is attached as **Appendix "B"** to this Report.

20. The Cash Flow Forecast spans the pre-closing and post-closing periods with respect to the Transactions, with the closings anticipated to be completed on or about April 16, 2021. For this reason, the Cash Flow Forecast shows cash flows relating to ordinary course operations ceasing after the week ending April 18, 2021.

21. Projected receipts in the week ending April 25, 2021 reflect estimated cash proceeds of approximately US$32 million from the Transactions, subject to purchase price adjustments.

22. As described further herein, the disbursement assumptions in the post-closing period include, among other things, a reserve to be established and maintained by the Monitor (the "**Reserve**") in respect of certain obligations payable by the Applicants and the costs of completing post-closing matters and estate administration.

23. Based on assumptions detailed in Appendix "B", subject to Court approval and the finalization of purchase price adjustments, the Cash Flow Forecast indicates an estimated initial outlay of approximately US$24.8 million to certain secured lenders (the "**Proposed Distribution**) after the closing of the Transactions, which is described in greater detail below. The Proposed Distribution and any subsequent distributions, as provided for in the Proposed Order, shall be subject to the Monitor maintaining the Reserve, also as described in greater detail below.

STATUS OF THE TRANSACTIONS

24. The Applicants have working with each of Save-On and Homestyle in order to complete the closing of the Transactions. The Monitor has been kept apprised of the status of these discussions, including reviewing closing agendas and key documents prepared thereunder, including certain draft transition services agreements (the "**TSAs**").

25. Certain details regarding the Transactions remain to be completed, including finalizing and executing the TSAs. Nevertheless, the Monitor is of the view that the Applicants discussions with the purchasers in respect of the Transactions are well-developed and believes that the Transactions will close as anticipated. The Monitor will continue to remain involved in all such discussions relating to the completion of the Transactions, in order to ensure that they are fair and reasonable.

THE POST-CLOSING PERIOD

26. As set out earlier herein, the Transactions are in respect of substantially all of the assets and operations of the Applicants. The Transactions are contemplated to be completed during the week ending April 18, 2021. As described below, the Proposed Order includes granting authority to the Monitor to make distributions to the Agent (as defined below)on account of Sun Rich and Tiffany Gate's respective indebtedness and obligations in connection with the Loan Documents (as defined below).

27. Prior to making such distributions, a Reserve will be created to cover post-closing outlays that remain the obligation of the Applicants. The Reserve shall be held by the Monitor in a segregated interest-bearing account for the benefit of the holders of the Reserve Claims (as defined below).

28. The Proposed Order provides that the Monitor shall be authorized and directed to make certain payments from the Reserve on behalf of Sun Rich and/or Tiffany Gate, or to transfer to Sun Rich and/or Tiffany Gate certain amounts from the Reserve to pay the following claims (the "**Reserve Claims**"):

    (a) any costs and fees incurred by Applicants and the Monitor in connection with any post-closing matters contemplated in either of the APAs, including any post-closing liability, obligation or claim against Sun Rich or Tiffany Gate related to ordinary course trade payables, which are not assumed either by Save-On pursuant to the Save-On APA or Homestyle pursuant to the Homestyle APA;

(b) any unpaid employee wages, including vacation accruals, that are not otherwise assumed either by Save-On pursuant to the Save-On APA or Homestyle pursuant to the Homestyle APA;

(c) any cure costs payable by Sun Rich Canada pursuant to the Save-On APA, if any;

(d) any amounts payable by the Applicants pursuant to the Initial Order;

(e) any liability, obligation or claim secured by the Administration Charge, the Intercompany DIP Charge, the Directors' Charge, the Transaction Fee Charge and the Canadian Intercompany Charge (as each of those terms are defined in the Initial Order) that were incurred either prior to or after the closings of the Transactions and which, upon payment of same, shall be terminated, released and discharged without further order of the Court;

(f) any costs and fees incurred by the Applicants, the Monitor, their respective counsels and the other professionals engaged by the aforementioned parties in relation with the dissolution, winding-up, liquidation or bankruptcy of the Applicants, including all costs and fees incurred in relation to any proceedings under the BIA in respect of any of the Applicants; and

(g) any other amounts agreed upon between the Applicants, the Monitor and the lenders under the Loan Documents (as defined below).

29. The precise quantum of the Reserve remains to be determined by the Applicants and the Monitor from time to time.

30. The Monitor has been consulted, and has provided its input, with respect to the proposed structure of the Reserve, the Reserve Claims and post-closing payments. The Monitor is satisfied that the proposed Reserve and post-closing mechanisms are fair and reasonable and provide for the best outcome for all stakeholders, including the beneficiaries of the Reserve Claims.

DISTRIBUTIONS TO LENDERS

31. The Proposed Order provides that the Monitor shall be authorized, without further order of the Court, to make one or more distributions of the net sale proceeds resulting from the closing of the Transactions to the Agent on account of Sun Rich and Tiffany Gate's respective indebtedness and obligations in connection with the Loan Documents.

32. As reflected in the Cash Flow Forecast, the Applicants intend to make a Proposed Distribution from the Applicants' estate to the Agent following the completion of the Transactions. In accordance with the terms of the Proposed Order, the Proposed Distribution is subject to the establishment of the Reserve with the Monitor. The precise quantum of the Reserve will only be ascertained after the closing of the Transactions. As a result, the amount of the Proposed Distribution will be determined by the Monitor upon finalizing the amount of the Reserve; however, as outlined in the Cash Flow Forecast, it is estimated that the Proposed Distribution will be approximately US$24.8 million.

33. The Proposed Order also provides for subsequent distributions by the Monitor to the Agent following payment of all Reserve Claims and the filing by the Monitor of the Reserve Certificate attached as Schedule "A" to the Proposed Order, provided that amounts remain outstanding to the lenders under the Loan Documents at the time of the subsequent

distribution. The lenders under the Loan Documents are anticipated to suffer a shortfall, therefore, amounts will remain owing to them following the payment of the Reserve Claims.

Security Opinions

34. In light of the proposed distribution, the Monitor instructed independent counsel, Thornton Grout Finnigan (“**TGF**”) and certain agent counsel, to provide it with an opinion with respect to the security interests granted by the Applicants pursuant to the following documents (collectively, the “**Loan Documents**”):

(a) the Term Loan Credit Agreement (Super Senior), as amended on December 29, 2020 and February 4, 2021, entered into between Country Fresh Acquisition Corp., Country Fresh Holdings, LLC, as U.S. borrowers, TGF Acquisition Parent Ltd., as the Canadian borrower, and Cortland Capital Market Services LLC (“**Cortland**” or the “**Agent**”), as administrative agent to the lenders under the agreement, which was guaranteed and secured by, *inter alia*, Sun Rich and Tiffany Gate, under the Canadian Guaranty and Security Agreement (Super Senior) dated June 1, 2020 (the “**Super Senior GSA**”) and the Demand Debenture (Super Senior) registered against the real property municipally known as 195 Steinway Boulevard, Toronto (the “**Real Property**”) owned by Tiffany Gate (the “**Super Senior Debenture**”);

(b) the Credit Agreement (First Lien), as amended on April 22, 2020, entered into among Country Fresh Acquisition Corp., Country Fresh Holdings, LLC, as U.S. borrowers, TGF Acquisition Parent Ltd., as Canadian Borrower and Cortland, as administrative agent to the lenders under the agreement, which was guaranteed and secured by, *inter alia*, Sun Rich and Tiffany Gate, under the Canadian Guaranty and Security Agreement (First Lien) dated April 29, 2019 (the "**First Lien GSA**") and the Demand Debenture (First Lien) in respect of the Real Property (the "**First Lien Debenture**"); and

(c) the Credit Agreement (Second Lien), as amended on April 22, 2020, entered into among Country Fresh Acquisition Corp., Country Fresh Holdings, LLC, as U.S. borrowers, TGF Acquisition Parent Ltd., as Canadian Borrower and Cortland, as administrative agent to the lenders under the agreement, which was guaranteed which was guaranteed and secured by, *inter alia*, Sun Rich and Tiffany Gate, under the Canadian Guaranty and Security Agreement (Second Lien) dated April 29, 2019 (the "**Second Lien GSA**" and together with the Super Senior GSA and the First Lien GSA, the "**GSAs**") and the Demand Debenture (Second Lien) in respect of the Real Property (the "**Second Lien Debenture**" and together with the Super Senior Debenture and the First Lien Debenture, the "**Debentures**").

35. TGF and its agents have delivered to the Monitor signed opinions in respect of the obligations of Sun Rich and Tiffany Gate under the GSAs and the Debentures (the "**Security Opinions**"). The Security Opinions confirm that, subject to assumptions and qualifications set out in the Security Opinions:

(a) the GSAs each create a valid security interest in the right, title and interest of each of Tiffany Gate and Sun Rich in and to the Collateral (as defined in the GSAs) securing payment and performance of the Secured Obligations (as defined in the

GSAs) in favour of the Agent and such security interests have been perfected to the extent capable of perfection by registration in the Provinces of Ontario and British Columbia under their respect personal property registry regimes, such that the GSAs would be enforceable, in accordance with their terms, against each of Tiffany Gate and Sun Rich and a trustee or trustees in bankruptcy, if appointed as of the date of the commencement of these CCAA proceedings; and

(b) the Debentures constitute good and valid charges registered against title to the Real Property, subject only to the Encumbrances (as defined in the Security Opinions).

36. In reliance on the Security Opinions, the Monitor is of the view that the distributions provided for under the Proposed Order, which empower, authorize and direct the Monitor to make final determinations with respect to any such distributions, are fair, reasonable and appropriate in the circumstances.

EXTENDING THE STAY OF PROCEEDINGS

37. The Stay Period is currently set to expire on April 18, 2021. The Applicants are requesting an extension of the Stay Period until June 27, 2021.

38. The Monitor is of the view that the requested stay extension is appropriate for the following reasons: (a) the Applicants require the extension for the completion of the Transactions and to attend to certain post-closing matters; (b) the Monitor will work closely with the Applicants during the extended Stay Period in respect of the foregoing; and (c) the Applicants have continued to operate in good faith and with due diligence since the date of the Initial Order.

39. Based on the Cash Flow Forecast and the availability of the Reserve, the Monitor believes that the Applicants will have sufficient liquidity for the duration of the extended Stay Period.

CONCLUSION

40. For the reasons stated herein, the Monitor supports the relief sought by the Applicants and recommends that the Court grant the Proposed Order and the relief sought therein.

All of which is respectfully submitted this 9th day of April, 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 March 15, 2021 to March 28, 2021
$USD in Thousands

	Actual	Forecast	Variance	Note
Receipts				
Sales	$ 3,320	$ 3,447	$ (127)	
Other Receipts	-	$ 300	(300)	1
Total Receipts	**3,320**	**3,747**	**(427)**	
Disbursements				
Vendor Payments	(2,510)	(2,610)	100	
Payroll & Benefits	(804)	(1,073)	269	2
Other SG&A	(172)	(147)	(26)	
Intercompany Transfer	-	-	-	
Restructuring Costs	-	(257)	257	3
Total Disbursements	**(3,487)**	**(4,087)**	**600**	
Net cash receipts/(disbursements)	**$ (167)**	**$ (340)**	**$ 173**	

Cash Balance			
Beginning Balance	$ 1,621	$ 1,621	$ -
Net cash receipts/(disbursements)	(167)	(340)	173
Ending Cash Balance	**$ 1,455**	**$ 1,282**	**$ 173**

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 March 15, 2021 to March 28, 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 Second Report of the Monitor dated March 25, 2021.

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

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

3. **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 29, 2021 to June 27, 2021
$USD in Thousands

	Week	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Ending	**4-Apr-21**	**11-Apr-21**	**18-Apr-21**	**25-Apr-21**	**2-May-21**	**9-May-21**	**16-May-21**	**23-May-21**	**30-May-21**	**6-Jun-21**	**13-Jun-21**	**20-Jun-21**	**27-Jun-21**	**Total**
	Notes														
Receipts															
Sales	2	$ 1,606	$ 1,595	$ 1,625	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,826
Proceeds from Sale Transactions	3	-	-	-	32,000	-	-	-	-	-	-	-	-	-	32,000
Other Receipts	4	-	300	-	300	-	-	-	-	-	-	-	-	-	600
Total Receipts		**1,606**	**1,895**	**1,625**	**32,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,600**
Disbursements															
Vendor Payments	5	(1,385)	(1,282)	(1,381)	(1,000)	-	-	-	-	-	-	-	-	-	(5,048)
Payroll & Benefits	6	(155)	(920)	(155)	(944)	-	-	-	-	-	-	-	-	-	(2,175)
Other SG&A	7	(93)	(38)	(38)	(232)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(627)	(1,120)
Intercompany Transfer	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring Costs	9	-	(217)	(303)	(1,991)	(56)	(56)	(56)	(56)	(54)	(54)	(54)	(54)	(200)	(3,149)
Estimated Distribution to Secured Lenders	10	-	-	-	-	(24,800)	-	-	-	-	-	-	-	(2,590)	(27,390)
Total Disbursements		**(1,633)**	**(2,456)**	**(1,877)**	**(4,168)**	**(24,867)**	**(67)**	**(67)**	**(67)**	**(65)**	**(65)**	**(65)**	**(65)**	**(3,416)**	**(38,881)**
Net cash receipts/(disbursements)		**$ (27)**	**$ (561)**	**$ (252)**	**$ 28,132**	**$ (24,867)**	**$ (67)**	**$ (67)**	**$ (67)**	**$ (65)**	**$ (65)**	**$ (65)**	**$ (65)**	**$ (3,416)**	**$ (6,281)**
Cash Balance															
Beginning Balance	1	$ 1,455	$ 1,428	$ 866	$ 615	$ 28,747	$ 3,880	$ 3,812	$ 3,745	$ 3,678	$ 3,612	$ 3,547	$ 3,481	$ 3,416	$ 1,455
Net cash receipts/(disbursements)		(27)	(561)	(252)	28,132	(24,867)	(67)	(67)	(67)	(65)	(65)	(65)	(65)	(3,416)	(1,454)
Ending Cash Balance		**$ 1,428**	**$ 866**	**$ 615**	**$ 28,747**	**$ 3,880**	**$ 3,812**	**$ 3,745**	**$ 3,678**	**$ 3,612**	**$ 3,547**	**$ 3,481**	**$ 3,416**	**$ 0**	**$ 0**
Applicants' Borrowings under the DIP Facility															
Opening Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intercompany DIP draws/(repayment)	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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.

On March 26, 2021, the Court granted Orders that, among other things, approved separate asset purchase agreements 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 (the "**Sale Transactions**").

The Cash Flow Forecast reflects a target closing date for both the Sale Transactions on April 16, 2021 ("**Closing**").

Assumptions:

1. **Beginning Balance**
   Represents the opening cash balance as at March 29, 2021.

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

3. **Proceeds from Sale Transactions**
   Represents estimated cash proceeds from the Sale Transactions, subject to purchase price adjustments.

4. **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.

5. **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. After the Closing, disbursements would be limited to the trade payables incurred after the CCAA filing that are payable by the Applicants pursuant to the relevant asset purchase agreements.

6. **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. Disbursements after the Closing reflect a preliminary estimate of the residual employee costs and liabilities that are not assumed by the buyers pursuant to the relevant asset purchase agreements.

7. **Other Selling, General & Administrative Expense ("Other SG&A")**
   Other SG&A costs include rent and occupancy, marketing, communications, information technology, insurance, travel and other administrative expenditures that are not included in the vendor payments category. Also included in this category are estimated personnel costs and other expenses relating to post-Closing matters and the estate administration. The projections include a reserve in Week 13 for estimated costs of completing the administration of the estate.

8. **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.

9. **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 and winding-up activities. The projections include a reserve in Week 13 for estimated professional fees required to wind up the estate, including a potential bankruptcy assignment.

10. **Estimated Distribution to Secured Lenders**
    Represents a preliminary estimate of funds that are available to distribute to certain secured lenders in the forecast period, subject to purchase price adjustments and the establishment of a reserve by the Monitor in respect of certain costs and liabilities as described in the Monitor's report.

11. **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)

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THIRD REPORT OF THE MONITOR
April 9, 2021

Thornton Grout Finnigan LLP
TD West Tower, Toronto-Dominion Centre
100 Wellington Street West, Suite 3200
Toronto, ON M5K 1K7
Tel: (416) 304-1616
Fax: (416) 304-1313

Rebecca L. Kennedy (LSO# 61146S)
Email: rkennedy@tgf.ca
Tel: (416) 304-0603

Puya Fesharaki (LSO# 70588L)
Email: pfesharaki@tgf.ca
Tel: (416) 304-7979

Lawyers for the Court-appointed Monitor, Ernst & Young Inc.