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 OF TGF ACQUISITION PARENT LTD., 1120499 B.C. LTD. & 1127360 B.C. LTD.

SIXTH REPORT OF THE MONITOR
May 12, 2022

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**").

2. On that same day, the Court granted an Initial Order, as amended by Amended and Restated Initial Order granted on February 26, 2021 (as amended, the "**Initial Order**") 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, as subsequently extended from time-to-time by Court order (as extended, the "**Stay Period**"). The Initial Order appointed Ankura Consulting Group, LLC as Chief Restructuring Officer ("**CRO**").

3. Certain of the Applicants' U.S. affiliates filed a voluntary petition for relief under chapter 11 of title 11 of the United States Bankruptcy Code as parallel main proceedings (the "**Chapter 11 Proceedings**"). The Chapter 11 Proceedings were converted to cases under chapter 7 of the United States Bankruptcy Code ("**Chapter 7 Proceedings**") on June 21, 2021. Collectively, the Applicants and the U.S. affiliates are known as "**FFG**".

4. On March 1, 2021, the Court granted an Order approving certain bidding procedures (the "**Bidding Procedures**"), as detailed therein, which authorized the Applicants, with the assistance of their advisors and the Monitor, to complete a sale and investment solicitation process in conjunction with the Chapter 11 Proceedings.

5. The Monitor's Second Report to the Court dated March 25, 2021 set out the results of the Bidding Procedures, including details with respect to the successful bids that resulted from a competitive bid process and contemplated transactions in respect of substantially all of the Applicants' assets.

6. On March 26, 2021, the Court granted two separate Approval and Vesting Orders that approved the terms of the: (i) transaction set out in an Asset Purchase Agreement dated March 25, 2021 among Tiffany Gate and Sun Rich, as sellers, and Homestyle Selections LP ("**Homestyle**"), as buyer (the "**Homestyle APA**" or the "**Homestyle Transaction**"), as subsequently assigned by Homestyle to Freshstone Brands Inc. and 12901927 Canada Ltd. (together, the "**Assignee Buyers**"); and (ii) the transaction set out in an Asset Purchase Agreement dated March 25, 2021 among Sun Rich, as seller, and Save-On Foods Limited Partnership (together with the Assignee Buyers, the "**Purchasers**"), as buyer (the "**Save-On APA**" or the "**Save-On Transaction**" and together with the Homestyle APA and the Homestyle Transaction, respectively, the "**APAs**" and the "**Transactions**").

7. On April 13, 2021, the Court granted an order (the "**Distribution Order**") authorizing the Monitor to make periodic distributions from the net sale proceeds received from the Transactions to the Applicants' secured lenders, subject to the establishment of a certain post-closing reserve by the Monitor (the "**Reserve**") necessary to fund the wind-down of the CCAA Proceedings and the Applicants' affairs (the "**Wind-Down Activities**").

8. On April 15, 2021, the Applicants completed the Transactions in respect of substantially all of their assets. Following the closing of the Transactions (the "**Closing**"), Tiffany Gate changed its name to 1127360 B.C. Ltd., and Sun Rich changed its name to 1120499 B.C. Ltd.

9. On June 22, 2021, the Court granted an order (the "**Wind-Down Order**") which, among other things:

   (a) provided that these CCAA proceedings shall be terminated (the "**CCAA Termination Time**") upon the Monitor filing the Termination Certificate attached as Schedule "A" to the Wind-Down Order; and

   (b) extended the Stay Period to the earlier of the CCAA Termination Time and August 31, 2021.

10. On August 27, 2021, the Court granted an order further extending the Stay Period to the CCAA Termination Time.

PURPOSE

11. The purpose of this Sixth Report of the Monitor (the "**Sixth Report**") is to provide an update to the Court on the progress of the Wind-Down Activities.

TERMS OF REFERENCE AND DISCLAIMER

12. In preparing this Sixth Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial and other information prepared or provided by the Applicants and its former management (the "**Information**").

13. 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.

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

15. Capitalized terms not defined in this Sixth Report are as defined in the previous reports of the Monitor. Unless otherwise indicated, all references to monetary amounts in this Sixtieth Report are denominated in U.S. dollars.

16. Copies of the Monitor's Reports, including a copy of this Sixth Report, and all motion records and Orders in the CCAA Proceedings are available on the Monitor's case website at www.ey.com/ca/freshfoodcanada. The Monitor has also established a toll-free phone number that is referenced on the Monitor's website so that parties may contact the Monitor if they

have questions with respect to the CCAA Proceedings.

WIND-DOWN ACTIVITIES

17. The Applicants' employees were either transferred to the Purchasers or terminated by June 30, 2021. Accordingly, in order to assist with certain administrative functions, the Applicants, with the assistance of the Monitor and the CRO, have engaged certain former FFG employees as contractors. The Monitor's Fifth Report dated August 20, 2021 (the "**Fifth Report**") provided an update on the Applicants' Wind-Down Activities as at that time.

18. Following the Closing, the Applicants provided temporary transition services to the Purchasers, including treasury services using the Applicants' bank accounts to support the sold operations. The transition of those banking affairs took longer than anticipated due to a variety of factors such as the review undertaken by certain customers to accept new remittance directions. In or around October 2021, the complete separation of cash management and treasury services between the Applicants and each of the Purchasers was achieved, enabling the Applicants to cease sharing bank accounts with the Purchasers and allowing a final reconciliation to be undertaken.

19. Following the final reconciliation of the post-closing transactions and cash balances, the Applicants, with the assistance of the Monitor, have settled all obligations with each of the Purchasers in respect of the Transactions, as confirmed by the Purchasers.

20. The Applicants' other key activities since the issuance of the Fifth Report include:

(c) filing the 2020 corporate tax returns for 1120499 B.C. Ltd. & 1127360 B.C. Ltd.;

(d) preparing HST returns;

(e) addressing CRA's tax audit requests, culminating in a release of certain HST refunds in respect of the post-filing period that had been previously withheld by CRA;

(f) applying for and collecting funds under the Canada Emergency Wage Subsidy program;

(g) processing receipts and disbursements as described further herein;

(h) coordinating the Purchasers with respect to certain post-closing matters; and

(i) completing administrative matters, including liaising with the Applicants' former payroll service provider with respect to payroll and employment records.

21. In the post-filing period, CRA conducted reviews of the Applicants' payroll and HST accounts. At the time of this Sixth Report, the Monitor has confirmed with CRA the compliance status of the Applicants' various tax accounts. The Applicants, with the assistance of the Monitor, have addressed all the tax obligations that were determined to be a Reserve Claim as defined and described in the Distribution Order, including any liability secured by the Director's Charge (as defined in the Initial Order).

APPLICANTS' RECEIPTS AND DISBURSEMENTS

Distribution to Secured Creditors

22. In accordance with the Distribution Order, the Monitor is authorized, without further order of the Court, to make distributions of the net sale proceeds of the Transactions to the Applicants' secured lenders.

23. As described in the Fifth Report, the Monitor had by that time distributed a total of approximately US$26.0 million to the secured lenders. On or about October 29, 2021, the

Monitor made a further distribution of US$604,157. The Monitor estimates that a further distribution of approximately US$2.5 million[1] will be made to the secured creditors prior to the termination of these CCAA proceedings.

Applicants' Receipts and Disbursements

24. A summary of the Applicants' actual receipts and disbursements during the period from August 21, 2021 to April 28, 2022 is set out in Appendix "**A**". Due to the comingled cash management discussed earlier, for presentation purposes, the summary does *not* include the transactions that went through the Applicants' bank accounts and are solely attributable to the Purchasers.

CHAPTER 7 PROCEEDINGS

25. On February 24, 2022, the U.S. Bankruptcy Court rendered an Order approving, among other things, a distribution of US$5.5 million to the Applicants' secured creditors. The Trustee in the Chapter 7 Proceedings expects that a further distribution of approximately US$3.0 million would be available to the secured lenders, subject to Court approval. Accordingly, the total distributions to the secured creditors are estimated at approximately US$8.5 million in the U.S. restructuring proceedings[2].

26. As described in the prior reports of the Monitor, the obligations owed to the secured creditors exceeded US$119.0 million at the time of the CCAA filing. Accordingly, there will be a significant shortfall in satisfying the secured claims in light of all actual and potential

[1] The estimated distribution is after deducting the estimated costs for the completion of the CCAA proceedings and a subsequent bankruptcy assignment.
[2] There were no distributions to the secured lenders in the Chapter 11 proceedings based on a review of the court materials and discussion with the advisor to the Chapter 7 Trustee.

distributions in the CCAA proceedings and the Chapter 7 Proceedings.

CONCLUSION

27. Pursuant to the Wind-Down Order, and based on the foregoing, the Monitor anticipates that it will be in a position to serve the Termination Certificate and terminate the CCAA proceedings in the near future after completing the remaining work, including processing a further distribution to the secured creditors.

All of which is respectfully submitted this 12th day of May, 2022.

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., 1127360 B.C. Ltd. and 1120499 B.C. Ltd. (collectively the "Applicants")
For the period from August 9, 2021 to April 28, 2022
$USD in Thousands

	Actual Total	Note
Receipts		
Sales	$ -	
Other Receipts	1,732	1
Inbound Transfer of Applicants' Bank Balance	1,154	2
Total Receipts	**2,886**	
Disbursements		
Reconciliation Payments to Purchasers	(1,326)	3
Restructuring Costs (incl. Reserve for Bankruptcy Proceeding)	(1,249)	4
Distribution to Secured Lenders	(604)	5
Post-Filing Vendor Payments	(194)	6
Other SG&A and Foeign Exchange Gain	(14)	7
Total Disbursements	**(3,387)**	
Net cash receipts/(disbursements)	**$ (501)**	

Cash Balance		
Beginning Balance	$ 3,000	
Applicants' cash receipts/(disbursements)	(501)	
Ending Cash Balance (i.e., Further Distribution to Secured Lenders in CCAA)	**$ 2,500**	5

In the Matter of the CCAA of TGF Acquisition Parent Ltd., 1127360 B.C. Ltd. and 1120499 B.C. Ltd. (collectively the "Applicants")

Receipts and disbursements analysis for the period August 9, 2021 to April 28, 2022

Overview

The Applicants completed the sale transactions in respect of substantially all of their assets on April 15, 2021 ("**Closing**").

The Ontario Superior Court of Justice (Commercial List) (the "**Court**") granted an Order dated April 13, 2021 (the "**Distribution Order**"), authorizing Ernst & Young Inc. ("**EY**"), in its capacity as monitor of the Applicants (the "**Monitor**"), to make distributions to certain secured lenders of the Applicants, subject to the establishment and maintenance of a Reserve to satisfy certain Reserve Claims (both as defined and described in the Distribution Order). The Reserve Claims include, among other things, obligations in connection with the sale transactions, post-filing trade payables that were not assumed by the purchasers, obligations that are secured by Court-approved charges, and the cost of the CCAA proceedings and a subsequent bankruptcy assignment.

1. **Other Receipts**
   These receipts include approximately US$1.0 million of Canada Emergency Wage Subsidy funds and approximately US$0.7 million of HST refunds from the Canada Revenue Agency.

2. **Inbound Transfer of Applicants' Bank Balance**
   Following the Closing, certain funds in the Applicants' operating bank accounts were transferred to the Monitor's trust account as an interim safeguard measure before the completion of a reconciliation with the purchasers. As described in Note 3, certain amounts were subsequently paid to the purchasers based on the reconciliation.

3. **Reconciliation Payments to Purchasers**
   Following the Closing, the Applicants and the purchasers co-mingled their cash management during a transition period until the purchasers established their own banking systems. Accordingly, the Applicants, with the assistance of the Monitor and advisors, prepared a reconciliation to determine the amount required to settle the Applicants' obligations under the sale transactions, as reviewed and accepted by each of the purchasers. This amount represents the transfer of funds from the Monitor trust account to the purchasers based on the reconciliations.

4. **Restructuring Costs**
These disbursements represent the fees incurred by the Applicants' counsel, Ankura Consulting Group LLC, the Monitor and its counsel, and the lender's counsel. Also included in this amount is a reserve for a subsequent bankruptcy assignment and certain statutory work to be completed.

5. **Distribution to Secured Lenders**
Prior to this reporting period, the Monitor had distributed approximately US$26 million to the secured lenders in accordance with the Distribution Order. On or about October 29, 2021, the Monitor distributed a further $604,000.
The Monitor estimates that a further distribution of approximately US$2.5 million will be made to the secured creditors prior to the termination of these CCAA proceedings.

6. **Post-Filing Vendor Payments**
Pursuant to the Distribution Order, the Monitor processed certain post-filing trade payables that were not assumed by the purchasers.

7. **Other SG&A and Foreign Exchange Gain**
These disbursements are largely related to payments made to independent contractors who were engaged to assist with the wind down activities. This cost is partially offset by a net gain from certain foreign exchange transactions.

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Proceedings commenced at Toronto

SIXTH REPORT OF THE MONITOR
May 12, 2022

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.