



SUPERIOR COURT OF JUSTICE

COUNSEL SLIP

JUDGE: JUSTICE CAVANAGH

COURT FILE

NO.: CV-22-00682153-00CL

DATE: JUNE 8, 2022 @ 9:30 AM

NO. ON LIST 2

TITLE OF
PROCEEDING

THE SANDERSON-HAROLD COMPANY (Debtor)

COUNSEL FOR: NAME OF PERSON APPEARING:

PLAINTIFF(S) **SEE ATTACHED PARTICIPANT INFO SHEET** PHONE _____
 APPLICANT(S) FAX _____
 PETITIONER(S) EMAIL _____

COUNSEL FOR: NAME OF PERSON APPEARING:

DEFENDANT(S) **SEE ATTACHED PARTICIPANT INFO SHEET** PHONE _____
 RESPONDENT(S) FAX _____
EMAIL _____

ENDORSEMENT:

The Sanderson-Harold Company Limited, C.O.B. as Paris Kitchens (the "Company") is a leader in the Canadian medium to high-end kitchen cabinet market. The Company designs, manufactures, and services custom kitchen and bath cabinetry for many of the most prominent and reputable residential low-rise and high-rise builders in the Greater Toronto Area and Southern Ontario. The Company employs approximately 150 people.

The COVID-19 pandemic significantly impacted the construction industry, including the Company. The Company suffered financially as a result of the pandemic. The Company has incurred significant losses since the start of fiscal 2020.

The Company is currently indebted to Bank of Montreal ("BMO") in the amount of approximately \$3 million (as of May 31, 2022) pursuant to a term loan and an operating line facility. As security for this debt, BMO holds (among other things) a general security agreement granting it a security interest ranking in first position over all of the Company's assets, other than a manufacturing facility and a storage facility located in Paris, Ontario (the "Paris Properties").

The Company is currently indebted to Pillar Capital Corp. ("Pillar") in the amount of approximately \$2 million pursuant to a loan agreement dated December 8, 2021. As security for this debt, Pillar holds a first-ranking mortgage over the Paris Properties and security generally ranking behind BMO over the Company's other assets.

On May 31, 2022, the Company filed a Notice of Intention to File a Proposal ("NOI") under the *BIA*. This was done to provide stability to the Company and allow it the opportunity to continue a sale process for its business

that commenced prior to this proceeding. KSV Restructuring Inc. is the trustee in the NOI proceeding (the "Proposal Trustee").

The Proposal Trustee has assisted the Company in preparing a cash flow forecast for the period ending August 19, 2022. The Company is expected to have sufficient liquidity to operate to the end of this period, provided that it continues to have access to interim financing made available by BMO as detailed in the motion materials.

The Company has developed a key employee retention plan, as described in the First Report of the Proposal Trustee (the "KERP") to ensure the retention of Carolyn Iyer and Jocelyn Hu. Ms. Iyer is the Company's Chief Operating Officer. Ms. Hu is the Company's Vice-President Finance.

With the assistance of the Proposal Trustee, the Company and BMO have negotiated an interim financing agreement pursuant to which BMO has agreed to extend interim financing up to a maximum amount of \$450,000 to the Company in this proceeding, subject to Court approval. Obligations under the interim lending facility are to be secured by a charge, in favour of BMO, over all of the Company's property, assets and undertakings ranking and priority to all existing security interests other than Pillar's mortgage against the Paris Properties, the Administration Charge and the KERP Charge.

The Company seeks an order granting a charge over its property securing the fees and disbursements of counsel to the Company, the Proposal Trustee and its counsel in the amount of \$300,000. The amount of the administration charge contemplates that professionals are paid on a current basis during these proceedings.

The time for the Company to file a proposal is set to expire on June 30, 2022. The Company requests a 45-day extension of this period which would give the Company the time needed to move forward with implementation of the necessary steps with a view to create a stabilized environment to allow the Company the opportunity to continue a sale process for its business that commenced prior to this proceeding and to formulate a proposal to its creditors.

I heard submissions from counsel for the Company and from counsel for the Proposal Trustee. The Proposal Trustee supports the requested order. There was no opposition to the requested form of Order.

I accept the submissions of counsel for the Company as set out in the Company's factum, at paras. 32-45. I am also satisfied that the test for a sealing order of a confidential supplement containing unredacted copies of the KERPs is satisfied. The confidential appendix contains the KERP terms which include personal, identifiable and commercially sensitive information, including the proposed compensation of the KERP employees. See *Canwest Global Communications Corp. (Re)*, 2009 CanLII 55114 (ONSC), at para. 52.

I am satisfied that the requested Order should be made.

Order to issue in form of Order signed by me today. This Order is without prejudice to the terms of the priority agreement between Pillar and BMO dated as of December 8, 2021, to the extent applicable.