



**First Report to Court of
KSV Restructuring Inc. as Proposal
Trustee of The Sanderson-Harold
Company Limited c.o.b. as Paris
Kitchens**

June 3, 2022

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Court File No.: 31-2835198

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

COMMERCIAL LIST

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
THE SANDERSON-HAROLD COMPANY LIMITED, C.O.B. AS PARIS KITCHENS,
IN THE CITY OF VAUGHAN, IN THE PROVINCE OF ONTARIO**

**FIRST REPORT OF KSV RESTRUCTURING INC. AS PROPOSAL TRUSTEE OF
THE SANDERSON-HAROLD COMPANY LIMITED**

June 3, 2022

1.0 Introduction

1. This report ("Report") is filed by KSV Restructuring Inc. ("KSV"), in its capacity as proposal trustee (the "Proposal Trustee") in connection with a Notice of Intention to Make a Proposal ("NOI") filed on May 31, 2022 (the "Filing Date") by The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens (the "Company") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"). A copy of the certificate of filing issued by the Office of the Superintendent of Bankruptcy is provided in Appendix "A".
2. The principal purpose of this proceeding is 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 (a "Proposal").

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;
 - b) summarize KSV's principal activities before and since the Filing Date;
 - c) discuss the Company's need for interim financing, which is proposed to be provided pursuant to the terms of a term sheet dated June 2, 2022 between the Company and Bank of Montreal ("BMO"), the company's existing operating lender, which is to be calculated based on the Company's existing monthly margin formula on the operating facility plus an additional \$450,000 (the "Interim Lending Facility"), secured by a charge (the "Interim Lending Charge") over all of the Company's property, assets and undertakings (collectively, the "Property") in favour of BMO for its advances to the Company under the Interim Lending Facility, on the terms discussed below;

- d) discuss the rationale for a charge in the amount of \$300,000 on the Property (the “Administration Charge”) as protection for the fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel, Aird & Berlis LLP (“Aird & Berlis”), and the Company’s counsel, Chaitons LLP (“Chaitons”);
- e) summarize a proposed key employee retention plan (the “KERP”) for two of the Company’s employees and a proposed charge in the amount of \$120,000 to secure amounts payable under the KERP (the “KERP Charge”);
- f) set out the basis on which the Proposal Trustee is recommending a sealing order for the KERP terms, appended as Confidential Appendix “1” to this Report;
- g) report on the Company’s weekly cash flow projections for the period May 28, 2022 to August 19, 2022 (the “Cash Flow Forecast”);
- h) discuss the Company’s request for an extension of the deadline to file a Proposal from June 30, 2022 to August 15, 2022; and
- i) recommend that this Court grant the relief sought.

1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company’s representatives, the books and records of the Company and discussions with representatives of the Company. The Proposal Trustee has not performed an audit or otherwise attempted to verify the accuracy or completeness of the financial information relied on in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
2. The Proposal Trustee accepts no responsibility for any reliance placed by any third party on the Company’s financial information presented herein.
3. Future oriented financial information relied upon in this Report is based on the Company’s representatives’ assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

1.4 Court Materials

1. Court materials filed in these proceedings are available on the Proposal Trustee’s website at: <https://www.ksvadvisory.com/experience/case/paris>.

2.0 Background

1. The Company is privately owned and was incorporated under the *Business Corporations Act* (Ontario). It has been operating since 1902.
2. The Company has been owned by the Wolfman family since 1964, when Morrie Wolfman purchased it from the Harold brothers. Morrie Wolfman was the President from that time until his retirement in 2019, when he appointed his son Larry Wolfman as President.
3. The Company is a manufacturer of medium to high-end kitchen and bath cabinets. It 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 (“GTA”) and Southern Ontario.
4. The Company’s head office is located at 245 West Beaver Creek Rd, Unit #2, Richmond Hill, which it leases from Diazo Investments Limited (“Diazo”), a related party, which is comprised of 4,000 square feet and includes a showroom.
5. The Company owns a 110,000 square foot manufacturing facility located at 23 Railway Street, Paris (the “Manufacturing Facility”), and a 9,888 square foot storage facility located nearby at 38 Spruce Street, Paris (together with the Manufacturing Facility, the “Paris Properties”).
6. The Company presently has 150 full-time employees, half of which are unionized. The unionized employees at the Manufacturing Facility are members of United Brotherhood of Carpenters Ontario Industrial Counsel, Carpenters Local 1072 (foremen, persons ranked above foreman, office and sales staff are not union members). The Company does not provide or administer a pension plan for its employees.
7. The Company’s management team is comprised of Larry Wolfman, Carolyn Iyer and Jocelyn Hu.
8. Additional information about the Company and its background is included in the Affidavit of the Company’s President, Larry Wolfman sworn May 31, 2022 (the “Affidavit”) filed in support of the Company’s motion.

2.1 Financial Difficulties

1. The Covid-19 pandemic, rising material costs, supply chain issues and the ongoing construction strike have caused the Company to incur significant financial losses. As a result of these issues, the Company decided to initiate these proceedings by filing the NOI on May 31, 2022 in order to stabilize the business and focus its efforts on preserving value.

2. A summary of the Company's income statements for its fiscal years 2020 and 2021, and the four months ending April 30, 2022 is presented in the table below.

(\$; 000s)	Fiscal 2020 (audited)	Fiscal 2021 (unaudited)	4 months ending April 30, 2022 (unaudited)
Sales	16,911	23,337	5,755
Cost of sales	12,662	19,192	5,053
Gross margin	4,249	4,145	702
Net loss	(648)	(2,851)	(1,567)

3. As reflected above, the Company has incurred significant losses since the start of fiscal year 2020, with the onset of the Covid-19 pandemic.
4. The Company designs and manufactures custom kitchen and bath cabinetry for high-rise and low-rise developers. The margins on high-rise developments are significantly lower than on low-rise developments. The Company took on high-rise contracts during the pandemic, which has affected its profitability. These contracts are nearing completion and the Company is now focusing on its low-rise business.
5. The Company's sales thus far in 2022 have also been significantly affected by the onset of the Omicron Covid variant which emerged in January 2022 and resulted in construction delays on many developments. As a result, there was a deferral of a large percentage of the Company's sales, which contributed to the Company's liquidity pressures.
6. The Company has developed a business model that sees its financial results improve later this year and thereafter. Further information concerning the business plan is available to prospective purchasers in the ongoing sale process, as addressed below.

2.2 Assets

1. A summary of the Company's assets as at April 30, 2022 is provided below.

Description	Book Value (\$000s)
Accounts receivable	3,495
Inventory	1,905
Other assets	77
Fixed assets	1,226
	6,703

- a) Accounts receivable: comprised of amounts owing from customers for completed kitchens.
- b) Inventory: represents the estimated book value of the Company's raw material, work in progress and finished goods inventory at its plant.
- c) Other assets: largely comprised of prepaid assets.
- d) Fixed assets: primarily relates to the Manufacturing Facility building and the equipment located at that facility. The realizable value of this real property is expected to significantly exceed its net book value based on recently prepared appraisals obtained by the Company.

2.3 Secured Creditors

1. Pursuant to a recent search of registrations under the *Personal Property Security Act* (Ontario) (the “PPSA”), the Company’s primary secured creditors are as follows:
 - BMO, the Company’s current operating lender, was owed approximately \$3 million as of the date of this Report, which indebtedness is secured by a general security interest over the Company assets and a collateral charge on the Paris Properties (which collateral charge is subordinate only to Pillar). Interest and costs continue to accrue;
 - Pillar Capital Corp. (“Pillar”), which holds a mortgage registered against title to the Paris Properties and was owed approximately \$2 million as of the date of this Report. Interest and costs continue to accrue; and
 - Diazo, a related party, which owns the head office location. Diazo was owed approximately \$921,000 as of the date of this Report. Interest and costs continue to accrue.
2. The PPSA also reveals several registrations against the Company in favour of certain equipment and vehicle financiers with respect to specific equipment and/or motor vehicles. A copy of the PPSA search results against the Company is attached as Exhibit A to the Affidavit.
3. Aird & Berlis, independent counsel to the Proposal Trustee, is in the process of obtaining and reviewing the security documents held by the above secured creditors. As of the date of this Report, Aird & Berlis has completed its initial review of the security granted by the Company in favour of BMO and, subject to the normal assumptions and qualifications, Aird & Berlis is of the opinion that the BMO security is valid and enforceable in accordance with its terms.

2.4 Unsecured Creditors

1. According to the Company’s books and records, amounts owing to trade creditors at the Filing Date totaled approximately \$1.7 million.
2. The Company also has repayment obligations to the Government of Canada represented by the Minister responsible for Federal Economic Development Agency for Southern Ontario with respect to a \$1 million Regional Relief and Recovery Fund contribution.

3.0 KSV’s Prior Role and Pre-Filing Efforts

1. KSV Advisory Inc., an affiliate of KSV, was engaged by the Company as its financial advisor on July 22, 2021. KSV’s primary role at the time was to provide corporate finance services, including identifying transactions for either a sale or refinancing of the business.

2. In the context of its initial engagement, KSV prepared marketing materials, including an interest solicitation letter, a confidential information memorandum and a virtual data room.
3. The initial stage of the sale and refinancing process launched on October 14, 2021 and focussed on financial buyers and opportunities to provide additional liquidity to the Company. Pillar was identified as a source of financing through this process and a financing arrangement with Pillar was completed on December 13, 2021.
4. On April 1, 2022, KSV expanded the sale process to several strategic parties, including a limited number of direct competitors. As of the date of this Report, KSV continues to engage with parties who have expressed an interest in the business. The commencement of these proceedings will allow KSV to target a larger group of potential buyers, including a larger group of competitors.
5. KSV, in its capacity as Proposal Trustee, intends to continue the sale process during these proceedings. At this point in time, the Proposal Trustee does not intend to set a bid date for offers. It intends to continue to engage with prospective purchasers that have already been contacted, as well as new parties that will be contacted by it and parties that contact it, with a view to completing a transaction as soon as possible. A bid deadline will be established, if required, depending on the number of parties interested in pursuing a going-concern transaction.
6. KSV has discussed the sale process with BMO and Pillar. The Proposal Trustee is not aware of any opposition to the sale process on the above basis.

4.0 KERP

1. The KERP was developed by the Company, in consultation with the Proposal Trustee. The beneficiaries of the KERP (the “KERP Employees”) are not related to the Company. Mr. Wolfman is not participating in the KERP. A summary of the terms and names of the KERP Employees will be provided on or before this motion as Confidential Appendix “1”.
2. The KERP is structured to be paid in two installments, as follows: a) 50% paid four months following the Filing Date; and b) the balance to be paid upon the earlier of (i) December 31, 2022 and (ii) the last day of the KERP Employee’s employment with the Company.
3. The Company is seeking approval of the KERP and the creation of the corresponding KERP Charge in the amount of \$120,000 to secure the maximum amount payable under the KERP at any point in time. The KERP Charge is to rank subordinate to the Administration Charge but is to have priority over all other claims against the Company, consistent with the Administration Charge.
4. The KERP Employees are long-term employees for which there is no replacement. These individuals have deep knowledge of the business. KSV has worked closely with these individuals since first being retained. The KERP is intended to incentivize the KERP Employees to assist the Company with its restructuring efforts throughout the process.

5. The Proposal Trustee supports the KERP for the following reasons:
 - a) the continued involvement and cooperation of the KERP Employees is critical to the success of this proceeding;
 - b) the Proposal Trustee believes that the KERP will assist the Company to retain the KERP Employees, which is in the interest of stakeholders;
 - c) the amounts payable under the KERP are reasonable in the circumstances; and
 - d) BMO has been advised of the KERP and has not expressed any opposition to it. Pillar has also been advised of the KERP. As of the date of this Report, its position is not known to the Proposal Trustee.

4.1 Sealing

1. The Company is requesting an order sealing Confidential Appendix "1", which contains the KERP terms, as it contains personal, identifiable and commercially sensitive information, including the identity and proposed compensation of the KERP Employees. The Proposal Trustee believes it is appropriate to seal this appendix in the circumstances. The sealing of this type of commercially sensitive and personal information is typical in insolvency proceedings to avoid disruption to the debtor company and to protect the privacy of the KERP Employees.
2. The Proposal Trustee does not believe that any stakeholder will be prejudiced if the KERP information that will be contained in Confidential Appendix "1" is sealed.

5.0 Cash Flow

1. Pursuant to the BIA, the Company is required to prepare a cash flow forecast for the stay extension period. The Cash Flow Forecast is for the period ending August 19, 2022 (the "Period"), together with Management's Report on the Cash-Flow Statement as required by subsection 50.4(2)(c) of the BIA, is provided in Appendix "B".
2. The Cash Flow Forecast was prepared by the Company with the assistance of the Proposal Trustee. The Company's receipts during the Period are comprised of accounts receivable collections. Projected disbursements are primarily payroll and benefits, raw material and other inventory purchases required to complete orders and professional fees.
3. The Company has also prepared a projected margin position in respect of its operating line of credit with BMO (the "Projected Margin"). The Projected Margin reflects that the Company requires an over-advance of up to \$363,000 during the Period. A copy of the Projected Margin is also included in Appendix "B". The Interim Lending Facility is based on the Company's existing margin formula, plus \$450,000. BMO has advised the Proposal Trustee that it is prepared to fund the amounts required under the Interim Lending Facility, as set out in the Cash Flow Forecast.
4. Based on the Proposal Trustee's review of the Cash Flow Forecast, there are no material assumptions which seem unreasonable. The Proposal Trustee's Report on the Company's Cash Flow Statement as required by subsection 50.4(2)(b) of the BIA is attached as Appendix "C".

6.0 Interim Lending Facility

1. The Company and BMO have negotiated an interim financing agreement (the “Interim Lending Agreement”), pursuant to which BMO has agreed to extend interim financing to the Company in these proceedings, subject only to Court approval. The significant terms of the Interim Lending Agreement¹ are summarized below.
 - a) Lender: BMO
 - b) Description of Facility: Senior secured super-priority interim loan of up to a maximum amount of \$450,000.
 - c) Maturity Date: The earliest of: (i) December 31, 2022; (ii) the date on which the Borrower is in receipt of funds sufficient in amount to repay the Interim Lending Facility in full; (iii) such earlier date upon which repayment is required due to the occurrence of an Event of Default that is continuing, (iv) the date on which the stay of proceedings granted in the NOI proceedings expires or is terminated, including by Court order, and (v) the date on which the Restructuring Process is terminated for any reason. All amounts outstanding under the Interim Lending Facility are payable in full on the Maturity Date, including all accrued interest and other amounts, fees and costs.
 - d) Interest: calculated at the rate equal to the prime commercial lending rate of BMO plus 1.5% per annum (currently, 5.2%).
 - e) Other Fees: None
 - f) Security and Priority: all obligations under the Interim Lending Facility are to be secured by the Interim Lender’s Charge ranking in priority to all existing security interests other than Pillar’s mortgage against the Paris Properties, the Administration Charge and the KERP Charge.
 - g) Use of Proceeds: to provide the required working capital and to support the Company’s liquidity during these proceedings.
 - h) Covenants: to, among others, operate within the agreed Cash Flow Forecast.
 - i) Conditions: the only significant conditions precedent to the Interim Lending Facility is (i) receipt by the Lender of the approved Cash Flow Forecast, and (ii) an order approving the Interim Lending Facility and the granting of the Interim Lender’s Charge to be issued on or before June 8, 2022.
 - j) Events of Default: the following is a summary of certain of the material Events of Default:
 - i. the Borrower is subject to a bankruptcy order;

¹ Capitalized terms are as defined in the Interim Lending Agreement.

- ii. the issuance of an order in the this proceeding or otherwise staying, reversing, vacating or otherwise modifying either the Interim Lending Charge or any Orders in a manner which adversely impacts the rights and interests of the Lender (including, without limitation, if the priority of the Interim Lending Charge is varied without the consent of the Lender);
- iii. the sale, transfer, assignment, conveyance or lease of the Real Property or all or substantially all of the Borrower's property without the written consent of the Proposal Trustee and the Lender;
- iv. failure of the Company to pay any principal, interest, fees or any other amounts, in each case when due and owing hereunder; and
- v. failure of the Company to perform or comply with any term or covenant under the Interim Lending Agreement and such default shall continue unremedied for a period of three Business Days.

Upon the occurrence of an Event of Default, without any notice, protest, demand or other act on the part of BMO, all indebtedness of the Company to BMO under the Interim Lending Facility shall become immediately due and payable and BMO has the right to take all steps necessary to enforce its security.

2. It is a term of the Interim Lending Agreement that the Interim Lending Charge also secure the Pre-Filing Obligations, being any and all obligations of the Company to BMO arising prior to the Filing Date, and that the Company be entitled to use funds received from the Restructuring Process generated post-Filing Date from the sale of inventory, equipment, chattels or otherwise (but not from the real property to the extent that Pillar is not repaid in full), for which BMO has a perfected security interest, shall be directed or applied by the Company to permanently repay any Pre-Filing Obligations.
3. The Interim Lending Facility and the corresponding Interim Lending Charge will enhance the prospect that the Company will be able to successfully carry out and complete the sale process and file a Proposal in these proceedings.
4. A copy of the Interim Lending Agreement is provided in Appendix "D".

6.1 Recommendation

1. The Proposal Trustee has considered the factors set out in subsection 50.6(5) of the BIA with respect to the granting of an order for interim financing and a charge related thereto. The Proposal Trustee believes that the terms of the Interim Lending Facility are reasonable and that the Interim Lending Charge should be granted for the following reasons:
 - a) the Interim Lending Facility and the corresponding Interim Lending Charge enhance the prospect that the Company will be able to successfully complete a restructuring and file a Proposal in these proceedings;
 - b) the Company's intention is to attempt to complete a restructuring;

- c) the Cash Flow Forecast and the Projected Margin reflect that the Company will experience a liquidity crisis if additional funding is not provided, which will jeopardize its business. The Company will have no prospect of making a viable proposal or restructuring its business if it does not obtain the contemplated financing;
 - d) the Company has been working cooperatively with BMO and is of the view that it is the most logical lender for the Interim Lending Facility given it is the Company's operating and term loan lender, and it has a first charge on the assets subject to these facilities;
 - e) in the Proposal Trustee's view, no creditor will be materially prejudiced as a result of the Interim Lending Charge, including the "roll-up" structure of the Interim Lending Facility. No creditor is prejudiced by the structure of the facility as Aird & Berlis has confirmed the validity and enforceability of BMO's pre-filing security. The facility will assist to maximize recoveries for stakeholders and facilitate the continued operation of the business during this proceeding;
 - f) Pillar and Diazo are aware of the proposed Interim Lending Facility and neither has expressed any opposition to it; and
 - g) it is the Proposal Trustee's view that the terms of the Interim Lending Facility (interest rate of approximately 5.2% and no other fees) are well below market for facilities of this nature.
2. Based on the foregoing, the Proposal Trustee recommends that the Court issue an order approving the Interim Lending Facility and granting BMO a senior ranking charge for amounts advanced under the Interim Lending Facility, subject only to the Administration Charge, the KERP Charge and Pillar's charge against the Paris Properties, except for validly perfected purchase money security interests, liens and/or encumbrances in favour of certain equipment lessors.

7.0 Administration Charge

1. The Company is seeking an Administration Charge of \$300,000 in respect of the fees and expenses of the professionals incurred in connection with these proceedings. An Administration Charge is a standard feature of restructuring proceedings and is appropriate, in the Proposal Trustee's view, given the Company's lack of liquidity.
2. The Administration Charge is required in these proceedings as the professionals retained have not been paid retainers (other than a nominal retainer paid to Chaitons). The Administration Charge is to cover the unpaid fees and expenses of Chaitons, the Proposal Trustee and Aird & Berlis. Absent approval of the Administration Charge, the professionals are unlikely to be prepared to act.
3. The Proposal Trustee understands that BMO, as Interim Lender, consents to the Administration Charge, as contemplated by the Interim Lending Agreement. All PPSA registrants, Canada Revenue Agency and Ministry of Finance will be given notice of this motion out of an abundance of caution.

8.0 Company's Request for an Extension

1. The Company is seeking an extension of the time required to file a proposal from June 30, 2022 to August 15, 2022.
2. The Proposal Trustee supports the extension request for the following reasons:
 - the Company is acting in good faith and with due diligence;
 - the Company has indicated that it would likely be able to make a viable proposal to its creditors if the extension is granted;
 - the extension should not adversely affect or prejudice any group of creditors as the Company is projected to have funding to pay post-filing services and supplies in the amounts contemplated by the Cash Flow Forecast; and
 - it would provide the Company the additional time it requires to further advance its restructuring and continue the sale process, which is in the interest of all stakeholders.

9.0 Overview of the Proposal Trustee's Activities

1. The Proposal Trustee's activities since the Filing Date have included, among other things, the following:
 - monitoring the Company's sales, receipts and disbursements and corresponding with the Company regarding same;
 - assisting the Company to prepare a stakeholder communication plan, including letters to its employees;
 - assisting the Company's management at town hall meetings with employees at the outset of these proceedings;
 - updating sale process materials;
 - corresponding with the Company regarding supplier issues, including critical vendors;
 - meeting and corresponding with the Company regarding operational and sale process matters;
 - corresponding with BMO and its counsel;
 - corresponding with Pillar;
 - responding to calls and inquiries from creditors;
 - drafting this Report; and
 - dealing with all other matters in this proceeding not specifically addressed above.

10.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief being sought in the Company's motion.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS TRUSTEE *IN RE* THE PROPOSAL OF
THE SANDERSON-HAROLD COMPANY LIMITED, C.O.B. AS PARIS KITCHENS,
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2835198
Estate No. 31-2835198

In the Matter of the Notice of Intention to make a proposal of:

The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens

Insolvent Person

KSV RESTRUCTURING INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

May 31, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: June 01, 2022, 10:13

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

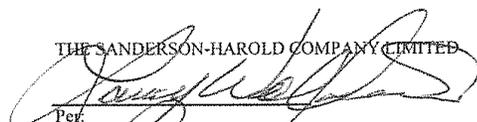
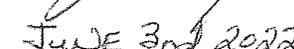
Canada

Appendix “B”

The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens
Projected Cash Flow Statement
For the Period Ending August 19, 2022
(Unaudited; \$CAD in 000's)

Note	Week Ending													Total
	3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug		
<i>Receipts</i>														
1														
Accounts receivable collections	2	115	226	379	524	383	748	729	713	699	567	513	474	6,070
Prepaid sale deposit collections	3	25	25	25	25	25	25	25	25	-	-	-	-	200
Total Receipts		140	251	404	549	408	773	754	738	699	567	513	474	6,270
<i>Disbursements</i>														
<i>Operating Disbursements</i>														
Payroll	4	60	259	60	242	60	275	60	273	60	219	60	165	1,792
Materials	5	86	100	100	100	100	43	43	43	43	43	23	23	744
Installation	6	-	88	-	174	-	248	-	266	-	190	-	114	1,080
Other	7	110	52	52	52	165	54	73	54	86	299	46	65	1,107
		256	498	212	568	325	620	176	635	189	750	128	367	4,723
<i>Other Disbursements</i>														
Professional fees	8	-	-	-	-	-	-	150	-	-	-	-	150	300
Total Disbursements		256	498	212	568	325	620	326	635	189	750	128	517	5,023
Net Cash Flow		(116)	(246)	192	(19)	83	153	428	103	511	(183)	385	(42)	1,247
Cash balance, beginning		(2,437)	(2,553)	(2,799)	(2,607)	(2,626)	(2,543)	(2,390)	(1,963)	(1,860)	(1,349)	(1,532)	(1,147)	(2,437)
Net cash flow		(116)	(246)	192	(19)	83	153	428	103	511	(183)	385	(42)	1,247
Cash balance, ending		(2,553)	(2,799)	(2,607)	(2,626)	(2,543)	(2,390)	(1,963)	(1,860)	(1,349)	(1,532)	(1,147)	(1,190)	(1,190)

The above financial projections are based on management's assumptions detailed in Appendix "1-1".
The note references correspond to the assumption numbers shown in Appendix "1-1".

THE SANDERSON-HAROLD COMPANY LIMITED

Per: _____

Date

KSV RESTRUCTURING INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL AND NOT

Per: _____
June 3, 2022
Date

Notes to Projected Statement of Cash Flow

For the Period Ending August 19, 2022

(Unaudited; \$C)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash flow of The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens (the "Company") for the period ending August 19, 2022 (the "Period").

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by the Company.

Hypothetical

2. Represents projected collections of sales and existing accounts receivables.
3. Represents prepaid deposits collected from customers in advance of order delivery.

Most Probable

4. Reflects payment of gross payroll and benefits.
5. Reflects payments to vendors in respect of materials required to complete sales.
6. Reflects payment of kitchen installation labour.
7. Reflects payment of operating costs including utilities, trucking, waste removal and insurance.
8. Reflects estimated professional costs for of the Proposal Trustee, its counsel and the Company's counsel.

**Report on Cash Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the BIA**

The management of The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens (the "Company") has developed the assumptions and prepared the attached statement of projected cash flow of the Company for the period ending August 19, 2022.

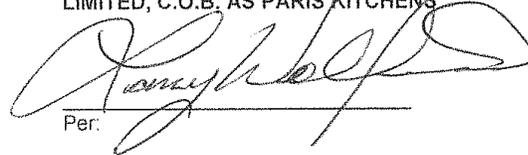
The hypothetical and probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 2 to 8.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 8. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 3rd day of June, 2022.

**THE SANDERSON-HAROLD COMPANY
LIMITED, C.O.B. AS PARIS KITCHENS**


Per: _____

The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens

Projected Margin Position

For the Period Ending August 19, 2022

(Unaudited; \$CAD in 000's)

	Note	Week Ending											
		3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug
<i>Accounts receivable</i>													
Accounts receivable - CAD		3,615	3,579	3,475	3,491	3,632	3,529	3,442	3,369	3,308	3,029	2,797	2,599
Less: Ineligibles	1	(1,421)	(1,407)	(1,366)	(1,373)	(1,428)	(1,387)	(1,353)	(1,325)	(1,301)	(1,191)	(1,100)	(1,022)
Net eligible		2,194	2,172	2,109	2,119	2,204	2,141	2,089	2,044	2,007	1,838	1,697	1,577
Advance rate		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Availability - Accounts receivable CAD		1,645	1,629	1,582	1,589	1,653	1,606	1,566	1,533	1,506	1,379	1,273	1,183
<i>Inventory</i>													
Inventory		2,125	2,146	2,142	2,052	1,962	1,794	1,626	1,458	1,290	1,239	1,171	1,103
Less: Ineligibles	2	(213)	(213)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)
Total Eligible inventory		1,913	1,933	1,927	1,837	1,747	1,579	1,411	1,243	1,075	1,024	956	888
Advance rate		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Availability - Inventory		956	966	964	919	873	789	705	621	537	512	478	444
Cap on Inventory availability		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Lessor of inventory availability and cap		956	966	964	919	873	789	705	621	537	512	478	444
Net collateral availability		2,602	2,595	2,545	2,508	2,527	2,395	2,272	2,155	2,043	1,891	1,751	1,627
Net collateral availability for borrowing purposes	3	2,437	2,437	2,437	2,569	2,569	2,569	2,569	2,569	2,508	2,508	2,508	2,508
Cap on total availability		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Net collateral availability		2,437	2,437	2,437	2,569	2,569	2,569	2,569	2,569	2,508	2,508	2,508	2,508
Operating facility		(2,553)	(2,799)	(2,607)	(2,626)	(2,543)	(2,390)	(1,963)	(1,860)	(1,349)	(1,532)	(1,147)	(1,190)
Margin surplus		(117)	(363)	(170)	(57)	26	179	607	709	1,159	975	1,360	1,318

Notes

- 1 Estimated to be ~39% of accounts receivable. Includes receivables aged over 90 days, being ~27% of total accounts receivable (based on the Company's April 30, 2022 margin limit) and priority payables (vacation pay, HST, payroll withholdings and other amounts). Priority payables totalled approximately \$431,000 as at April 30, 2022.
- 2 Primarily represents work-in-progress. Consistent with the April 2022 margin report provided to BMO on May 23, 2022.
- 3 Consistent with the terms of the existing operating loan facility (e.g. June's net collateral availability is determined based on the Company's April 25, 2022 margin report).

Appendix “C”

**Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

The attached statement of projected cash-flow of The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens (the "Company"), as of the 3rd day of June, 2022, consisting of a weekly cash flow statement for the period May 28, 2022 to August 19, 2022, has been prepared by the management of the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2-8.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated this 3rd day of June, 2022.

**KSV RESTRUCTURING INC.
TRUSTEE**



Per: Mitch Vininsky

Appendix “D”

INTERIM FINANCING TERM SHEET

Dated as of June 3, 2022

WHEREAS the Borrower (defined below) entered into an Amended and Restated Letter of Agreement with the Lender (as defined below) dated January 13, 2022 pursuant to which the Lender extended certain credit facilities to the Borrower to the maximum principal amount of \$4,780,000 (as amended from time to time, the “**Existing Loan Agreement**”) and as security for such obligations the Borrower executed certain security in favour of the Lender including, but not limited to, (i) a General Security Agreement dated November 27, 2002 over all of its present and after-acquired personal/movable property and (ii) a second ranking charge/mortgage (“**Lender Mortgage**”) registered as Instrument No. BC418985 on December 21, 2021 securing the principal sum of \$1,250,000 against the real property described in Schedule “A” attached hereto (the “**Real Property**”);

AND WHEREAS the Lender Mortgage ranks behind a mortgage against the Real Property securing the amount of \$2,000,000 registered in favour of Pillar Capital Corp. (the “**Pillar Mortgage**”), which Pillar Mortgage secures certain obligations of the Borrower to Pillar Capital Corp.;

AND WHEREAS on May 31, 2022 (the “**Filing Date**”), the Borrower filed a Notice of Intention to Make a Proposal pursuant to the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3, as amended (the “**BIA**”), bearing Court File No. 31-2835198, and KSV Restructuring Inc. was appointed as proposal trustee of the Borrower (in such capacity, the “**Proposal Trustee**”);

AND WHEREAS the Borrower intends to bring a motion in the Ontario Superior Court of Justice (In Bankruptcy)(the “**Court**”) for certain relief including, *inter alia*, approving the terms of this Term Sheet, in order to facilitate a restructuring of the Borrower’s business which includes a monetization of certain accounts receivable and a sale of the Real Property (the “**Restructuring Process**”);

AND WHEREAS the Borrower has requested that the Lender provide interim financing to fund the general operating and restructuring expenses (including professional fees and disbursements) during the Restructuring Process and the Lender has agreed to provide the Borrower with the Interim Lending Facility (as defined below) subject to and in accordance with the terms and conditions set out in this Term Sheet.

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

BORROWER:	The Sanderson-Harold Company Limited (the “ Borrower ”).
LENDER:	Bank of Montreal (the “ Lender ”).
PROPOSAL TRUSTEE:	KSV Restructuring Inc. (“ Proposal Trustee ”).
INTERIM LENDING FACILITY:	A facility (the “ Interim Lending Facility ”) in the maximum principal amount of \$450,000 (the “ Maximum Amount ”) subject to and upon the terms and conditions set out herein.

PURPOSE/ USE OF PROCEEDS:

To provide working capital to the Borrower for general operating, corporate and restructuring expenses (including professional fees and disbursements) incurred during the Restructuring Process as set out in the cash flow forecast prepared by the Borrower with the assistance of the Proposal Trustee, approved by the Lender and attached hereto as Schedule “B” as shall be updated weekly and approved by the Lender (the “**Cash Flow Forecast**”).

For certainty, the obligations of the Borrower to the Lender under the Interim Lending Facility shall be “**Post-Filing Obligations**” and any obligations of the Borrower to the Lender arising prior to the Filing Date are “**Pre-Filing Obligations**”.

Funds received from the Restructuring Process generated post-Filing Date from the sale of inventory, equipment, chattels or otherwise (excluding proceeds of sale of the Real Property to the extent such proceeds are insufficient to repay all amounts owed to Pillar in full), shall be directed or applied by the Borrower to permanently repay any Pre-Filing Obligations.

The Borrower may not use the proceeds of the Interim Lending Facility to pay any other pre-filing liabilities or obligations of the Borrower without the prior written consent of the Lender according to a Drawdown Notice (as defined below); provided that, no such consent is required for the Borrower to pay any amounts, pre-filing or otherwise, owing by the Borrower to the extent specifically identified in the Cash Flow Forecast or the Interim Lending Order.

The Borrower shall repay the Interim Lending Facility prior to the Maturity Date in accordance with the Cash Flow Forecast. Subject to the Pillar Mortgage, KERP Charge and Administration Charge, the following amounts shall be applied to repay amounts outstanding under the Interim Lending Facility:

- 100% of the net cash proceeds of all asset sales or other dispositions outside of the ordinary course of business by the Borrower.
- 100% of any insurance or condemnation proceeds received by the Borrower.

ADVANCES:

Advances under the Interim Lending Facility (“**Advances**”) shall be made upon request to the Lender in minimum tranches of \$50,000 on two (2) business days’ written notice to the Lender (a “**Drawdown Notice**”). The Drawdown Notice shall include a schedule of proposed payments, as approved by the Proposal Trustee, to be paid from the Advances. The aggregate amount of all Advances outstanding under the Interim Lending Facility shall not at any time exceed the Maximum Amount.

INTEREST RATE:

Interest shall accrue on the principal amount outstanding under the Interim Lending Facility at a rate equal to the prime commercial lending rate of Bank of Montreal (currently at 3.7%, as amended from time to time) plus 1.5% per annum, calculated and compounded monthly, not in advance, on the first day of each calendar month after date of the initial Advance.

Interest payable hereunder shall accrue and be due and payable on the Maturity Date without further notice, protest, demand or other act on the part of the Interim Lender.

COURT OFFICER:

The Proposal Trustee shall be authorized to have direct discussions with the Interim Lender, and the Interim Lender shall be entitled to receive information from the Proposal Trustee as may be requested by the Interim Lender from time to time. The Borrower acknowledges that counsel for the Proposal Trustee is Aird & Berlis LLP.

REPRESENTATIONS:

The Borrower represents and warrants to the Lender as of the date hereof, upon which the Lender is relying in entering into this Term Sheet, that:

1. The Borrower is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is qualified to carry on business in each jurisdiction in which it owns property or assets or carries on business.
2. The Borrower has good and marketable title to its property and assets, and no person has any agreement, option, or right to acquire an interest in such property other than in the ordinary course of business of the Borrower.
3. the transactions contemplated by this Term Sheet:
 - a. are within the powers of the Borrower;
 - b. have been duly authorized by all necessary corporate approval(s);
 - c. have been duly executed and delivered by or on behalf of the Borrower;
 - d. constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms;
 - e. do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the Lender's security; and
 - f. will not violate the charter documents or bylaws of the Borrower who has executed such documents or any applicable law relating to the Borrower.

4. the Cash Flow Forecast is based on good-faith estimates and assumptions believed by the Borrower to be reasonable at this time.
5. the Borrower has filed in a timely fashion all required tax returns and reports (except in respect of any prior fiscal period for which the due date for filing the applicable tax return has not yet occurred) and paid all required taxes and remittances, including all employee source deductions (including income taxes, employment insurance and Canada pension plans), harmonized taxes, goods and services taxes, sales taxes (both federal and provincial), payroll taxes and workers compensation payments, except for any taxes that are not yet due and payable or that are in dispute, in which case appropriate reserves have been made.
6. No (i) Event of Default (as defined below) has occurred; (ii) event which, with the passage of time or the giving of notice, would constitute an Event of Default has occurred.

CONDITIONS:

The effectiveness of the Interim Lending Facility and all obligations of the Lender to fund the Interim Lending Facility or make any Advances shall be subject to the completion of each of the following conditions precedent to the satisfaction of the Lender, in its sole and absolute discretion:

1. The Lender shall have received the Cash Flow Forecast, the operations of the Borrower shall be in compliance in all material respects (as determined by the Lender, in its sole and absolute discretion) with the Cash Flow Forecast and the timing and amount of any Advance shall be made in accordance with the Cash Flow Forecast and this Term Sheet;
2. The Court shall have issued the Interim Lending Order on or before June 8, 2022 in form and substance acceptable to the Lender on the terms outlined in this Term Sheet and shall be in full force and effect and, without the prior written consent of the Lender, shall not have been stayed, reversed, vacated, or otherwise amended, in any manner without the prior written consent of the Lender.
3. The Borrower shall have complied in all material respects with all applicable laws in relation to its business and in all respects with respect to the Interim Lending Order.
4. All representations and warranties of the Borrower under this Term Sheet are true and correct.

5. The Borrower shall have complied with all covenants under this Term Sheet.
6. Absence of any: (i) Event of Default, (ii) event that, with the passage of time or the giving of notice, would constitute an Event of Default, or (iii) material adverse change to the Borrower or its business which is not consented to by the Lender.
7. The Lender shall have received a Drawdown Notice in respect of the applicable Advance.

POSITIVE COVENANTS:

The Borrower covenants and agrees to:

1. Pay all indebtedness due and payable in connection with the Interim Lending Facility in accordance the Term Sheet and Cash Flow Forecast and other debts, liabilities or obligations in accordance with Cash Flow Forecast.
2. Maintain and preserve its existence, organization and status in its jurisdiction of formation and in each jurisdiction in which it carries on business.
3. Subject to the terms of the Interim Lending Order, Cash Flow Forecast and Restructuring Process, pay all or remit when due all statutory remittances, withholdings, taxes, wages, property taxes and other amounts that, if unpaid, would or may have the benefit of an encumbrance or deemed trust ranking in priority or *pari passu* to the security of the Lender.
4. Comply with the terms of the Interim Lending Order, the Cash Flow Forecast and all orders made in the BIA proceedings.
5. Keep the Lender informed on a timely basis of material events in the conduct of the business and the BIA proceedings.
6. Subject to the terms of the Interim Lending Order, comply with all applicable laws.
7. The Borrower shall be diligently and in good faith continuing their restructuring efforts under the Restructuring Process.

NEGATIVE COVENANTS:

Borrower covenants and agrees with the Lender that it shall not, without the prior written consent of the Lender:

1. Make any payments or create, incur or assume any obligations or indebtedness other than (a) obligations or indebtedness existing as of the date of this Term Sheet and disclosed to the Lender in writing, (b) obligations under the Interim Lending Facility, (c) post-filing trade payables or other post-filing unsecured obligations incurred in the ordinary course of

business in accordance with the Cash Flow Forecast the Interim Lending Order, or (d) obligations or indebtedness expressly provided for, or permitted to be incurred, in the Cash Flow Forecast, the Interim Lending Order, or any other order of the Court.

2. Create, incur or permit to exist any liens, security interests or encumbrances on any assets, property and undertaking of the Borrower other than (a) liens, security interests or other encumbrances in existence on the date hereof; (b) the Administration Charge (as defined in the Interim Lending Order) and the KERP Charge (as defined in the Interim Lending Order); and (c) the Interim Lending Charge.
3. Transfer, sell, lease, assign or otherwise dispose of any of the property, assets or undertaking of any of the Borrower except for: (a) the purpose of the Restructuring Process or (b) in accordance with the Cash Flow Forecast, the Interim Lending Order or any further orders in the BIA proceedings.
4. Apply for, or consent to, any order or any change or amendment to any order, issued in the BIA proceedings.
5. Apply for, or consent to, any order which stays, reverses, appeals, vacates, discharges, terminates or amends the Interim Lending Order.
6. Amend, replace or modify the Cash Flow Forecast.

MATURITY DATE:

The earliest of (“**Maturity Date**”):

- (i) December 31, 2022;
- (ii) the date on which the Borrower is in receipt of funds sufficient in amount to repay the Interim Lending Facility in full;
- (iii) such earlier date (the “**Termination Date**”) upon which repayment is required due to the occurrence of an Event of Default (as defined below) (subject to the Interim Lending Order) that is continuing;
- (iv) the date on which the stay of proceedings granted in the BIA proceedings expires or is terminated, including by Court order; and
- (v) the date on which the Restructuring Process is terminated for any reason.

The Maturity Date may be extended upon such additional terms and conditions as the Borrower, Proposal Trustee and the Lender may agree.

The Lender's commitment in respect of the Interim Lending Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Lending Facility, including all principal, accrued interest, fees and other amounts then unpaid with respect thereto, shall be due and payable in full on the Maturity Date without the Lender being required to make demand upon the Borrower or to give notice that the Interim Lending Facility has expired and the obligations thereunder are due and payable.

**INTERIM LENDING
CHARGE:**

All obligations of the Borrower under the Interim Lending Facility shall be secured by a Court-ordered charge over all present and after acquired property, assets and undertakings of the Borrower including, without limitation, the Real Property, granted by the Court under section 50.6(1) of the BIA (the "**Interim Lending Charge**"), in form and substance acceptable to the Lender in its sole and absolute discretion.

For certainty, Post-Filing Obligations shall be secured by both the Interim Lending Charge and the existing security held by the Lender. The Interim Lending Charge shall not secure any obligations other than the Post-Filing Obligations.

The Lender understands that the Borrower intends to seek Court approval of the Administration Charge in the amount of \$300,000 and the KERP Charge in the amount of \$120,000 (each as will be defined in the Interim Lending Order) as part of the Restructuring Process. The Lender agrees that the Interim Lending Charge shall rank subordinate to the Pillar Mortgage, Administration Charge KERP Charge, and that the Lender has consented to the quantum and terms of each of Administration Charge and the KERP Charge. The Lender's consent may be withheld at its sole and absolute discretion.

The Interim Lending Charge shall have first-ranking priority liens status, on all assets of the Borrower including, without limitation, the Real Property, subject only to (i) in respect of the Real Property only, the Pillar Mortgage, and (ii) in respect of all assets of the Borrower, the Administration Charge. The Interim Lending Charge will not be released until all amounts owing under the Interim Lending Facility are paid in full and the Lender has no further obligation to extend credit to the Borrower under the Interim Lending Facility.

All borrowings by the Borrower, and costs, fees and expenses of the Lender, and all other obligations owed to the Lender under the Interim Lending Facility shall be secured as described above.

**INTERIM LENDING
ORDER:**

The Borrower shall use its best efforts, as soon as practicable, and in any case by no later than June 8, 2022, to obtain an order of the Court authorizing the Borrower to enter into the Term Sheet, approving the terms of the Interim Lending Facility, and granting the Interim Lending Charge (in form and substance acceptable to the Lender in its sole and absolute discretion and as more particularly described below in this Term Sheet) (the “**Interim Lending Order**”), *provided, however*, that the Lender shall not be obligated to provide the Interim Lending Facility funding if any one or more of the following occurs:

- (a) the Interim Lending Order has been vacated, stayed or otherwise caused to become ineffective or is amended in a manner not acceptable to the Lender (such consent is not to be unreasonably withheld where any such amendment does not pertain to the Interim Lending Facility);
- (b) the use of the post filing collections from the Restructuring Process to repay the pre-filing claims (other than the Pre-Filing Obligations);
- (c) a default or Event of Default has occurred and is continuing under the Interim Lending Facility;
- (d) a material adverse change to the properties, assets, financial condition or the results of operations of Borrower, including the Real Property; and
- (e) the Court has not entered the Interim Lending Order on or before June 8, 2022.

The Interim Lending Order shall be in form and substance satisfactory to the Lender, which order shall, without limitation, include:

- (i) provisions approving this Term Sheet, Interim Lending Charge, and the Interim Lending Facility created herein and the execution and delivery by the Borrower of such other credit documentation as the Lender deems necessary or appropriate, as may reasonably be required;
- (ii) provisions authorizing and directing the Borrower and the Proposal Trustee to execute and deliver all such loan and security documents, registrations, filings and recordings, relating to the Interim Lending Facility, the Term Sheet and

all such security documents evidencing the Interim Lending Charge and the Term Sheet in such form and substance as the Lender may reasonably require;

- (iii) approving the use of the post filing collections from the Restructuring Process to repay the Pre-Filing Obligations;
- (iv) providing that the Interim Lending Charge shall be have the priority as provided for in this Term Sheet;
- (v) provisions permitting the Lender to register the Interim Lending Order on title to the Real Property;
- (vi) provisions providing that the Interim Lending Charge shall be valid, enforceable and effective to secure all of the obligations of the Borrower to the Lender in respect of the Interim Lending Facility without the necessity of the making of any registrations or filings and whether or not any other documents are executed by the Borrower and the Lender pursuant hereto (but for certainty, the Interim Lending Order shall permit the Lender to take such steps from time to time as it deems necessary or appropriate to file, register, record or perfect the Interim Lending Charge);
- (vii) provisions declaring that the granting of the Interim Lending Charge does not constitute conduct meriting an oppression remedy, settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions under any applicable federal or provincial legislation; and
- (viii) provisions restricting the granting of any additional liens, mortgages, charges, encumbrances, hypothecs, and security interests of any kind or nature whatsoever; or encumbrances on the assets of the Borrower, including the Real Property other than as permitted herein.

FEES AND EXPENSES:

There shall be no fees payable by the Borrower to the Lender in respect of the Interim Lending Facility.

Notwithstanding the aforementioned, the Borrower shall and hereby agrees to pay all of the Lender's out-of-pocket expenses (including the fees and expenses of its counsel, search and registration fees, etc.), whether or not the Restructuring Process is consummated and completed and whether incurred prior to or after the date of the Interim Lending Order, as well as all expenses of the Lender (including the fees and expenses of its counsel) in connection with the ongoing monitoring, interpretation, administration, protection and enforcement of the Interim Lending Facility (the "**Recoverable**

Expenses”). The Recoverable Expenses shall be secured by the Interim Lending Charge, as set out above.

EVENTS OF DEFAULT

The occurrence of any one or more of the following events, without the prior written consent of the Lender, shall constitute an event of default (“**Event of Default**”) under this Term Sheet:

- (a) the Borrower is subject to a bankruptcy order;
- (b) the issuance of an order in the BIA Proceedings or otherwise staying, reversing, vacating or otherwise modifying either the Interim Lending Charge or any Orders in a manner which adversely impacts the rights and interests of the Lender (including, without limitation, if the priority of the Interim Lending Charge is varied without the consent of the Lender);
- (c) the sale, transfer, assignment, conveyance or lease of the Real Property or all or substantially all of the Borrower’s property without the written consent of the Proposal Trustee and the Lender;
- (d) an event occurs that will, in the opinion of the Lender, impair the Borrower’s properties, assets, financial condition, operations or its ability to perform under the Term Sheet or any order of the Court;
- (e) the acceptance of any offer for the sale of all or any part of the Borrower’s property (outside the ordinary course of business) including the Real Property, without the Lender’s consent unless the total indebtedness owing by the Borrower under the Interim Lending Facility (including all fees and Recoverable Expenses) and other amounts owing to the Lender under the Existing Loan Agreement are to be paid in full in cash or other immediately available funds upon completion of the sale;
- (f) any representation or warranty made to the Lender by the Borrower, or any information provided to the Lender by the Borrower, is untrue or incorrect in any material respect;
- (g) failure of the Borrower to pay any principal, interest, fees or any other amounts, in each case when due and owing hereunder;
- (h) the Lender does not approve the weekly updated Cash Flow Forecast;

- (i) if the total outstanding advances under the Existing Loan Agreement, as supplemented by the Interim Lending Facility, exceeds the aggregate of (A) the Margin Limit for Facility #1- Existing under the Existing Loan Agreement plus (B) the Maximum Amount;
- (j) the Borrower or any officer and/or director of the Borrower has undertaken prior to the date hereof or undertakes or considers undertaking after the date hereof any actions with respect to its assets, business operations and/or capital structure which would, in the sole and absolute determination of the Lender, have a material adverse effect on the Interim Lending Charge including its priority or the Borrower or any of the assets of the Borrower subject to the Interim Lending Charge including the Real Property, including, without limitation, any change or series of changes in the ownership, control, existing senior operating management arrangements or governance of the Borrower that is not acceptable to the Lender, acting reasonably;
- (k) any material violation or breach of any Order upon receipt by the Borrower of notice from the Lender of such violation or breach;
- (l) the filing of any plan of reorganization, arrangement or liquidation to which the Lender does not consent;
- (m) failure of the Borrower to perform or comply with any other term, payment obligation or covenant under this Term Sheet and such default shall continue unremedied for a period of five (5) business days;
- (n) if a proceeding is commenced or consented to by the Borrower challenging the validity, priority, perfection or enforceability of any of this Term Sheet or any of the other documents executed and delivered in respect of the Interim Lending Facility; or
- (o) the appointment of a receiver, receiver-manager, interim receiver, trustee in bankruptcy, proposal trustee or similar trustee, without the consent of the Lender.

REMEDIES:

Upon the occurrence of an Event of Default, whether or not there is availability under the Interim Lending Facility, without any notice or demand whatsoever, the right of the Borrower to receive any Advance or other accommodation of credit shall be terminated, subject to any applicable notice provision in any Order and the cure period, if any, relevant to the applicable Event of Default.

Without limiting the foregoing upon further Order of the Court, the Lender shall have the right to exercise all other customary remedies available at law, in equity or by contract, including, without limitation, (i) the right to set off or combine any amounts then owing by the Lender to the Borrower against the obligations of the Borrower to the Lender and (ii) the right to realize on the collateral secured by, under or pursuant to the Interim Lending Charge (in whole or in part) including under the *Mortgages Act* (Ontario) or the *Personal Property Security Act* (Ontario) and to apply to the Court for the appointment of a receiver. No failure or delay by the Lender in exercising any of its rights, hereunder or at law shall be deemed a waiver of any kind, and the Lender shall be entitled to exercise such rights in accordance with the Term Sheet at any time.

The rights and remedies of the Lender hereunder are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise, including under the BIA.

ASSIGNMENT AND PARTICIPATION:

The Borrower shall not assign this Term Sheet or any of the provisions set out herein without the prior written consent of the Lender, which consent may be withheld in the sole and absolute discretion of the Lender. The Lender may, at any time and from time to time, assign, participate or sell all or a portion of its rights or obligations with respect to this Term Sheet to any person without the prior written consent of the Borrower.

FURTHER ASSURANCES:

The Borrower shall at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Lender may reasonably request for the purpose of giving effect to this Term Sheet and the transactions contemplated hereby.

AMENDMENTS, WAIVERS, ETC.:

No waiver or delay on the part of the Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the Lender. The Borrower and Lender may agree to amend the terms of this Term Sheet if agreed to in writing.

SEVERANCE:

If any term or provision of this Term Sheet is found, for any reason, to be invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision thereof or invalidate or render unenforceable such term or provision in any other jurisdiction.

COUNTERPARTS AND SIGNATURES:

This Term Sheet may be executed in any number of counterparts and by electronic means, each of which when executed and

delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same original instrument. Any party may execute this Term Sheet by signing any counterpart of it.

**ACCOUNTING TERMS
AND GAAP:**

Except as otherwise specifically provided herein, all accounting terms and all financial data not specifically or completely defined in this Term Sheet shall be construed in conformity with, GAAP. All calculations for the purposes of determining compliance with the covenants contained herein shall be made on a basis consistent with GAAP in existence as at the date hereof used in preparation of the financial statements of the Borrower. In the event of a change in GAAP the Borrower and the Lender shall negotiate in good faith to revise (if appropriate) such covenants to equitably reflect such accounting changes. Until the successful conclusion of any such negotiation and approval by the Lender, (a) all terms in this Term Sheet shall continue to be prepared, delivered and made on a basis consistent with GAAP in existence immediately prior to such adoption or change to GAAP, and (b) financial statements delivered by the Borrower pursuant to the terms of this Term Sheet shall be accompanied by a management-prepared reconciliation showing the adjustments made to calculate such financial covenants.

CURRENCY:

Unless specified otherwise, all dollar amounts expressed herein refer to the lawful currency of Canada.

NOTICE:

All notices, requests, consents, claims, demands, waivers and other communications hereunder (each, a “**Notice**”) shall be in writing and addressed by email of a PDF document to the addresses below. Notice is effective upon receipt by the receiving party.

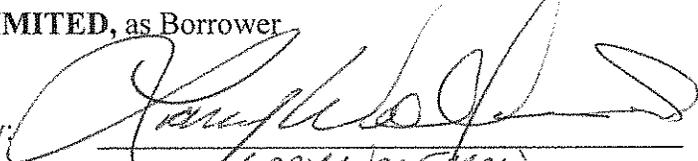
**GOVERNING LAW AND
JURISDICTION:**

This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

[SIGNATURE PAGES FOLLOW]

IN WITNESS HEREOF, the parties hereby executed this Term Sheet as of the 3rd day of June, 2022.

THE SANDERSON-HAROLD COMPANY LIMITED, as Borrower

By: 
Name: _____
Title: BARRY WOLFMAN
Email: PREIDENT
BARRYWOLFMAN@PARISKITCHENS.CA

BANK OF MONTREAL, as Lender

By: _____
Name: _____
Title: _____
Email: _____

Acknowledged by:

KSV RESTRUCTURING INC., in its capacity as Trustee *in re* the Proposal of the Borrower and not in its personal capacity

By: _____
Name: _____
Title: _____
Email: _____

IN WITNESS HEREOF, the parties hereby executed this Term Sheet as of the ____ day of June, 2022.

THE SANDERSON-HAROLD COMPANY LIMITED, as Borrower

By: _____
Name:
Title:
Email:

BANK OF MONTREAL, as Lender

By:  _____
Name: Michaela Wolf
Title: Senior Account Manager
Email: Michaela.wolf@bmo.com

Acknowledged by:

KSV RESTRUCTURING INC., in its capacity as Trustee *in re* the Proposal of the Borrower and not in its personal capacity

By: _____
Name:
Title:
Email:

IN WITNESS HEREOF, the parties hereby executed this Term Sheet as of the ____ day of June, 2022.

THE SANDERSON-HAROLD COMPANY LIMITED, as Borrower

By: _____
Name:
Title:
Email:

BANK OF MONTREAL, as Lender

By: _____
Name:
Title:
Email:

Acknowledged by:

KSV RESTRUCTURING INC., in its capacity as Trustee *in re* the Proposal of the Borrower and not in its personal capacity

By: 
Name: Mitch Vininsky
Title: Managing Director
Email: mvininsky@ksvadvisory.com

SCHEDULE "A"

THE REAL PROPERTY

Address: Brantford (township), ON
Registry: 2/Brant Land Registry Office
PIN: PIN# 320240-739
Legal description: PT LT 24, BLK 21, PL 492 PARIS; PT LT 32, CON 1, SOUTH DUMFRIES,
AS IN A224350 (SECONDLY) EXCEPT PT 1, 2R7375 COUNTY OF BRANT
PIN# 320240-739

and

Address: 38/SPRUCE ST//Paris, ON
Registry: 2/Brant Land Registry Office
PIN: 32024-0169 (LT)
Legal description: LT 10, S/S SPRUCE ST, TOWN OF PARIS; PT LT 9, S/S SPRUCE ST,
TOWN OF PARIS, AS IN A224350 (FIRSTLY); PARIS AMENDED
2001/05/23 LR1

SCHEDULE "B"
THE CASH FLOW FORECAST

Sanderson-Harold Company Limited (o/a Paris Kitchens)

Projected Cash Flow Statement

For the Period Ending September 2, 2022

(Unaudited; \$CAD in 000's)

	Note	Week Ending															Total	
		20-May	27-May	3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug	26-Aug		2-Sep
Receipts																		
1																		
Accounts receivable collections	2	210	125	115	226	379	524	383	748	729	713	699	567	513	474	441	412	7,258
Prepaid sale deposit collections	3	42	25	25	25	25	25	25	25	25	25	-	-	-	-	-	-	267
Total Receipts		252	150	140	251	404	549	408	773	754	738	699	567	513	474	441	412	7,525
Disbursements																		
<i>Operating Disbursements</i>																		
Payroll	4	60	286	60	259	60	242	60	275	60	273	60	219	60	165	60	165	2,363
Materials	5	160	37	86	100	100	100	100	43	43	43	43	43	23	23	23	23	987
Installation	6	-	190	-	88	-	174	-	248	-	266	-	190	-	114	-	114	1,384
Other	7	71	40	110	52	52	52	165	54	73	54	86	299	46	65	46	91	1,355
		291	554	256	498	212	568	325	620	176	635	189	750	128	367	128	393	6,089
<i>Other Disbursements</i>																		
Professional fees	8	-	-	-	-	-	-	-	-	150	-	-	-	-	150	-	-	300
Total Disbursements		291	554	256	498	212	568	325	620	326	635	189	750	128	517	128	393	6,389
Net Cash Flow		(39)	(404)	(116)	(246)	192	(19)	83	153	428	103	511	(183)	385	(42)	312	19	1,136
Cash balance, beginning		(1,994)	(2,033)	(2,437)	(2,553)	(2,799)	(2,607)	(2,626)	(2,543)	(2,390)	(1,963)	(1,860)	(1,349)	(1,532)	(1,147)	(1,190)	(877)	(1,994)
Net cash flow		(39)	(404)	(116)	(246)	192	(19)	83	153	428	103	511	(183)	385	(42)	312	19	1,136
Cash balance, ending		(2,033)	(2,437)	(2,553)	(2,799)	(2,607)	(2,626)	(2,543)	(2,390)	(1,963)	(1,860)	(1,349)	(1,532)	(1,147)	(1,190)	(877)	(858)	(858)

Notes:

- 1 Based on days sales outstanding of approximately 30 to 60 days starting in July. Assumes collections are lower in early June as the Company deals with its customers in the initial stages of a filing. Terms may be amended based on accommodation agreements to be negotiated at the outset of the process.
- 2 Assumes some developers are required to provide deposits in order to secure orders.
- 3 Assumes purchases decrease once contracts are terminated and completed.
- 4 Assumes there is no debt service during the period.
- 5 Estimated.

Sanderson-Harold Company Limited (o/a Paris Kitchens)

Projected Margin Position

For the Period Ending September 2, 2022

(Unaudited; \$CAD in 000's)

	Note	Week Ending															
		20-May	27-May	3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug	26-Aug	2-Sep
<i>Accounts receivable</i>																	
Accounts receivable - CAD		3,413	3,553	3,615	3,579	3,475	3,491	3,632	3,529	3,442	3,369	3,308	3,029	2,797	2,599	2,432	2,289
Less: Ineligibles	1	(1,342)	(1,397)	(1,421)	(1,407)	(1,366)	(1,373)	(1,428)	(1,387)	(1,353)	(1,325)	(1,301)	(1,191)	(1,100)	(1,022)	(956)	(900)
Net eligible		2,071	2,156	2,194	2,172	2,109	2,119	2,204	2,141	2,089	2,044	2,007	1,838	1,697	1,577	1,476	1,389
Advance rate		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Availability - Accounts receivable CAD		1,553	1,617	1,645	1,629	1,582	1,589	1,653	1,606	1,566	1,533	1,506	1,379	1,273	1,183	1,107	1,042
<i>Inventory</i>																	
Inventory		2,009	2,117	2,125	2,146	2,142	2,052	1,962	1,794	1,626	1,458	1,290	1,239	1,171	1,103	1,035	966
Less: Ineligibles	2	(213)	(213)	(213)	(213)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)
Total Eligible inventory		1,796	1,904	1,913	1,933	1,927	1,837	1,747	1,579	1,411	1,243	1,075	1,024	956	888	820	751
Advance rate		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Availability - Inventory		898	952	956	966	964	919	873	789	705	621	537	512	478	444	410	376
Cap on Inventory availability		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Lessor of inventory availability and cap		898	952	956	966	964	919	873	789	705	621	537	512	478	444	410	376
Net collateral availability		2,451	2,569	2,602	2,595	2,545	2,508	2,527	2,395	2,272	2,155	2,043	1,891	1,751	1,627	1,517	1,418
Net collateral availability for borrowing purposes	3	2,880	2,437	2,437	2,437	2,437	2,569	2,569	2,569	2,569	2,569	2,508	2,508	2,508	2,508	2,043	2,043
Cap on total availability		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Net collateral availability		2,880	2,437	2,437	2,437	2,437	2,569	2,569	2,569	2,569	2,569	2,508	2,508	2,508	2,508	2,043	2,043
Operating facility		(2,033)	(2,437)	(2,553)	(2,799)	(2,607)	(2,626)	(2,543)	(2,390)	(1,963)	(1,860)	(1,349)	(1,532)	(1,147)	(1,190)	(877)	(858)
Margin surplus		847	(0)	(117)	(363)	(170)	(57)	26	179	607	709	1,159	975	1,360	1,318	1,166	1,185

Notes

- 1 Estimated to be ~39% of accounts receivable. Includes receivables aged over 90 days, being ~27% of total accounts receivable (based on the Company's April 30, 2022 margin limit) and priority payables (vacation pay, HST, payroll withholdings and other amounts). Priority payables totalled approximately \$431,000 as at April 30, 2022.
- 2 Primarily represents work-in-progress. Consistent with the April 2022 margin report provided to BMO on May 23, 2022.
- 3 Consistent with the terms of the existing operating loan facility (e.g. June's net collateral availability is determined based on the Company's April 25, 2022 margin report).