



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

August 4, 2022

## Contents

## Page

1.0	Introduction.....	1
1.1	Purposes of this Report.....	1
1.2	Currency .....	2
1.3	Restrictions .....	3
1.4	Court Materials.....	3
2.0	Background .....	3
3.0	The Company's Activities.....	4
4.0	The Sale Process .....	6
4.1	Sale of Paris Properties.....	6
5.0	KERP.....	7
6.0	WEPP .....	8
7.0	Cash Flow.....	9
8.0	Company's Request for an Extension .....	9
9.0	Overview of the Proposal Trustee's Activities .....	9
10.0	Conclusion and Recommendation .....	11

## Appendices

### Appendix

### Tab

June 8 <sup>th</sup> Order.....	A
Affidavit of Larry Wolfman sworn May 31, 2022.....	B
Proposal Trustee's First Report dated June 3, 2022.....	C
Cash Flow Forecast and Management's Report on Cash Flow .....	D
Proposal Trustee's Report on Cash Flow.....	E

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**

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

**August 4, 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 (the "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").
2. On June 8, 2022, the Ontario Superior Court of Justice (Commercial List) (the "Court") granted an order (the "June 8<sup>th</sup> Order"), among other things,: (a) extending the time for the Company to file a proposal to August 15, 2022; (b) approving a key employee retention plan ("KERP") for two employees and a charge in the amount of \$120,000 to secure amounts payable under the KERP (the "KERP Charge"); (c) approving an interim lending agreement (the "Interim Lending Agreement") between the Company and Bank of Montreal ("BMO"), the Company's operating lender; and (d) approving an administrative charge for the Proposal Trustee and its counsel. A copy of the June 8<sup>th</sup> Order is provided in Appendix "A".
3. The principal purpose of these proceedings is to create a stabilized environment to provide the Company the opportunity to continue a sale process for its business and assets that was commenced prior to this proceeding (the "Sale Process"), or to restructure its business, so that it can present a proposal to its creditors.

## **1.1 Purposes of this Report**

1. The purposes of this Report are to:
  - a) provide background information about the Company;
  - b) summarize the Company's activities since the Filing Date;

- c) summarize the results to-date of the Sale Process;
- d) discuss a proposed increase in the KERP Charge to include additional employees in the KERP, whose retention will provide substantial assistance to the ongoing operations of the Company during these proceedings;
- e) provide background information to enable employees terminated in these proceedings to receive benefits under the Wage Earner Protection Program ("WEPP");
- f) report on the Company's updated weekly cash flow projections for the period August 1, 2022 to September 30, 2022 (the "Cash Flow Forecast");
- g) summarize the Proposal Trustee's activities since the Filing Date; and
- h) recommend that this Court make an order:
  - i. extending the deadline for the Company to file a proposal from August 15, 2022 to September 29, 2022;
  - ii. approving a \$60,000 increase in the KERP (from the \$120,000 currently approved) and a corresponding increase in the KERP Charge;
  - iii. confirming that the Company meets the criteria pursuant to section 3.2 of the regulations of the *Wage Earner Protection Program Act* (the "WEPPA") so that the employees terminated during these proceedings are eligible to receive benefits under the WEPP;
  - iv. providing the Proposal Trustee with the authority to communicate with customers directly regarding the Customer Agreements (as defined below) and collection of amounts owing by customers to the Company;
  - v. providing the Proposal Trustee with the authority to accept an offer for the Company's real property and to deal with the Company's customers, where the Proposal Trustee believes it is necessary and appropriate; and
  - vi. approving the Proposal Trustee's actions and activities, as described in this Report.

## 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 the Company's unaudited financial information, the books and records of the Company and discussions with representatives of the Company. The Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied upon 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 this proceeding are available on the Proposal Trustee's [website](#).

## 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. Morrie Wolfman was the President from that time until his retirement in 2019, when he appointed his son, Larry, 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 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. The head office is 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. At the commencement of the NOI proceedings, the Company had approximately 150 full-time employees, approximately half of which are unionized and work at the Manufacturing Facility.

7. As discussed below, the Company terminated 17 employees at the commencement of these proceedings. Another seven employees have resigned since the Filing Date. No unionized employees have been terminated.
8. The unionized employees 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).
9. The Company does not provide or administer a pension plan for its employees.
10. The Company's secured creditors include:
  - a) BMO, which was owed approximately \$3 million as of the Filing Date and has a general security interest over the Company's assets, including a mortgage on the Paris Properties. BMO's mortgage on the Paris Properties is subordinate to Pillar Capital Corp ("Pillar");
  - b) Pillar, which has a senior ranking mortgage registered against title to the Paris Properties and was owed approximately \$2 million as of the Filing Date. Pillar also has security over the Company's other assets, which ranks subordinate to BMO; and
  - c) Diazo, which was owed approximately \$921,000 as of the date of this Filing Date.<sup>1</sup>
11. Additional information about the Company and its background is included in the Affidavit of Larry Wolfman sworn May 31, 2022. A copy of this affidavit is provided in Appendix "B", without attachments.

### 3.0 The Company's Activities

1. The Company's activities since the Filing Date have included:
  - carrying on its business in the ordinary course;
  - communicating with suppliers to secure the ongoing supply of goods and services;
  - preparing letters to its customers that advise of the NOI filing and address the terms on which the Company is prepared to supply to them during these proceedings, including payment terms, price increases and setoff limitations (the "Customer Agreements");
  - corresponding with its customers to negotiate and finalize the Customer Agreements;

---

<sup>1</sup> Excluding any amounts owed for unpaid rent and accrued interest thereon, which may also be secured.

- addressing production and scheduling for all kitchens and cabinets to be manufactured during these proceedings;
  - attending management meetings with interested purchasers in the context of the Sale Process and responding to the information requests from these parties, including conducting tours of the Paris Properties and the showroom;
  - working with the Proposal Trustee generally to facilitate due diligence by interested parties in the Sale Process;
  - preparing, with the assistance of the Proposal Trustee, financial projections and corresponding extensively with the Proposal Trustee regarding same;
  - dealing with employee-related matters; and
  - reporting to BMO.
2. The Proposal Trustee has been working with the Company extensively regarding the Customer Agreements. The Customer Agreements address collection of existing accounts receivable, payment terms for sales during these proceedings, required price increases<sup>2</sup> and customer setoff rights. The Customer Agreements are required so that the Company can be reasonably assured that it will be paid for the kitchens and cabinets it produces and installs during these proceedings. The Customer Agreements provide the framework for the Company to continue to supply its customers on an uninterrupted basis.
3. The Proposal Trustee does not presently have the authority to deal directly with customers, including in respect of the Customer Agreements. The Proposal Trustee foresees instances where its direct involvement will be required. The Proposal Trustee is seeking the authority in the proposed order to directly correspond and negotiate with the Company's customers where it believes it is necessary to do so for the following reasons:
- the importance of collecting receivables on a timely basis so that the Company can continue to operate without disruption during these proceedings;
  - BMO supported the Company and the NOI process on the basis that the Customer Agreements would be in place;
  - BMO is supportive of the Proposal Trustee's direct involvement; and
  - KSV has extensive experience in dealing with customer matters in similar situations.

---

<sup>2</sup> These were required as the Company was incurring losses on the majority of its sales prior to these proceedings, resulting from significant raw material price increases and other factors.

## 4.0 The Sale Process

1. As summarized in the Proposal Trustee's First Report to Court dated June 3, 2022 (the "First Report"), KSV was retained by the Company in advance of these proceedings to, *inter alia*, carry out a sale process, as described in the First Report (the "Sale Process"). The Proposal Trustee has continued the Sale Process during these proceedings. A copy of the First Report, without appendices, is provided in Appendix "C".
2. Shortly following the Filing Date, the Proposal Trustee updated its marketing materials, consisting of an interest solicitation letter (the "Teaser") and a confidential information memorandum ("CIM"). The Proposal Trustee also updated a virtual data room (the "VDR") with current information regarding the Company.
3. The Proposal Trustee continued discussions with certain parties that had expressed an interest in the opportunity prior to these proceedings. The Proposal Trustee also contacted parties it identified through targeted industry research and was contacted by multiple parties who expressed an interest in the opportunity.
4. The Proposal Trustee granted access to the VDR to parties that executed a confidentiality agreement ("CA").
5. The Proposal Trustee has received 17 signed CAs as of the date of this Report. The Proposal Trustee has facilitated due diligence by all parties since the commencement of these proceedings, including coordinating management meetings, site tours and providing financial and other information.
6. The Proposal Trustee requested that interested parties submit bids by July 20, 2022 (the "Bid Deadline").
7. While no formal bids were submitted by the Bid Deadline, several parties advised the Proposal Trustee that they remain interested in an acquisition opportunity. Additionally, new parties have expressed an interest in performing due diligence since the Bid Deadline. As of the date of this Report, several parties are performing due diligence.

### 4.1 Sale of Paris Properties

1. In addition to the Sale Process, the Company retained Colliers International ("Colliers"), a realtor, to list the Paris Properties for sale in the event a going-concern transaction for the Company cannot be completed.
2. Marketing the Paris Properties for sale contemporaneously with the Sale Process is supported by BMO and Pillar.
3. Colliers has been marketing the Paris Properties for sale since early July 2022. The properties were listed for sale on MLS on July 26, 2022 with a combined asking price of \$4.85 million, based on guidance from Colliers.



4. The Proposal Trustee has been corresponding extensively with Colliers regarding the Paris Properties, including with respect to their appraised values, Colliers' marketing plan and interest from potential purchasers. The Company has already received several offers for the Paris Properties and, based on guidance from Colliers, expects to receive further offers given the strong levels of demand and limited supply of comparable properties in the Brantford and Brant County area.
5. The Proposal Trustee will work with Colliers and the Company to review offers and consider negotiations with interested parties. The Proposal Trustee's view is that a sale of the Paris Properties may present the best alternative for the Company in the event a going-concern sale of the business cannot be completed. The sale of the Paris Properties may result in material recoveries for the Company's stakeholders and the continuation of the employment for some or all of the employees at the Manufacturing Facility.
6. The Proposal Trustee believes it is appropriate that its authority be expanded to allow it to accept (subject to court approval) an offer for the Paris Properties, on behalf of the Company, if necessary, for the following reasons:
  - the importance of the Paris Properties to maximizing recoveries for stakeholders; and
  - BMO and Pillar are supportive of this relief as they supported these proceedings on the basis that a dual track process would be undertaken by the Company that provided it with the opportunity to conduct the Sale Process or to restructure, while also ensuring that downside risk was protected through a contemporaneous marketing of the Paris Properties and the negotiation of the Customer Agreements.

## 5.0 KERP

1. As noted above, the KERP approved by the Court pursuant to the June 8<sup>th</sup> Order was for two employees (the "KERP Employees"). Neither of the KERP Employees is related to the Company.
2. The Company has identified additional employees (the "Additional KERP Employees") that it believes are providing significant assistance to the Company during these proceedings and should be included in the KERP. In this regard, the Company is seeking a \$60,000 increase in the KERP Charge, from \$120,000 to \$180,000. The Additional KERP Employees have extensive knowledge of the business and would be difficult to replace if they resigned. The expanded KERP is intended to incentivize the Additional KERP Employees to assist the Company with its restructuring efforts to the conclusion of the process.
3. There is no proposed change in the ranking of the KERP Charge<sup>3</sup>.

---

<sup>3</sup> Pillar is unaffected as the KERP charge ranks subordinate to its interest.

4. The Additional KERP Employees are to be paid the entitlement under the KERP on the earlier of (i) December 31, 2022 and (ii) the last day of the Additional KERP Employee's employment with the Company.
5. The Proposal Trustee supports the revision to the KERP for the following reasons:
  - a) the continued involvement and cooperation of the Additional KERP Employees is important to the Company's business and operations;
  - b) the Proposal Trustee believes that the revised KERP will assist the Company to retain the Additional KERP Employees, which is in the interest of the Company and its stakeholders;
  - c) the amounts payable under the KERP are reasonable in the circumstances; and
  - d) BMO has been advised of the proposed revised KERP and is supportive of the relief sought. (The KERP Charge ranks in priority to BMO but not Pillar).

## **6.0 WEPP**

1. The Company terminated 17 employees at the commencement of these proceedings. These employees were paid their outstanding wages and vacation pay upon their termination but did not receive any payments for termination pay or severance.
2. The Proposal Trustee advised terminated employees of WEPP, which provides payment of outstanding eligible wages to terminated employees whose employer is subject to a WEPP qualifying insolvency proceeding.
3. With the Company's assistance, the Proposal Trustee calculated each terminated employee's entitlement under the WEPP and provided them with instructions on how to file a claim online.
4. Section 5(1) of the WEPPA provides that an individual is eligible to receive payment under the WEPPA if, among other things, (i) the individual is owed eligible wages by a former employer; (ii) the former employer is subject to proceedings under Division I of Part III of the BIA; and (iii) a court determines under subsection 5(5) that the criteria prescribed by the regulation is met.
5. Section 5(5) of the WEPPA provides that on application by any person in proceedings under Division I of Part III of the BIA, a court may determine that a former employee meets the criteria prescribed by the regulation. Section 3.2 of the WEPP regulations provides that "a court may determine whether the former employer is the former employer all of whose employees in Canada have been terminated other than any retained to wind down its business operations."
6. In the Proposal Trustee's view, it is appropriate for the Court to make an Order to confirm that the Company meets the criteria pursuant to section 5(5) of the WEPPA. This will enable any employees terminated during the proceedings to access their statutory entitlements with respect to unpaid termination and severance pay as the reason for their termination was to allow for a wind-down of the Company's business if a going-concern transaction could not be completed.

## 7.0 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 September 30, 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 “D”.
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 from accounts receivable collections. Projected disbursements during the Period are primarily for payroll and benefits, raw material purchases to complete kitchens and cabinets, installation costs and professional fees.
3. The Company’s financial projection reflects that it will be able to operate within the terms of the Interim Lending Agreement.
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 “E”.

## 8.0 Company’s Request for an Extension

1. The Company is seeking an extension of the time required to file a proposal from August 15, 2022 to and including September 29, 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 efforts and to 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 First Report have included, among other things, the following:
  - attending at Court on June 8, 2022 in connection with the Company’s request for the relief granted in the June 8<sup>th</sup> Order;

- corresponding extensively with the Company during this proceeding regarding, among other things, its customers, suppliers, financial forecasts, Sale Process and discussions with BMO;
- corresponding with Chaitons LLP, the Company's legal counsel, and Aird & Berlis LLP, the Proposal Trustee's counsel;
- assisting the Company's management in its dealing with its employees;
- monitoring the Company's sales, receipts and disbursements;
- assisting the Company to prepare a stakeholder communication plan, including letters to its employees and scripts to deal with its customers and vendors;
- corresponding with the Company regarding operational and Sale Process matters;
- reviewing and commenting, extensively, on the Customer Agreements;
- corresponding with the Company and certain of its vendors regarding payment terms and pre-filing amounts owing to them by the Company;
- corresponding with Colliers regarding the Paris Properties and arranging for the Paris Properties to be listed for sale;
- updating the Sale Process materials and carrying out the Sale Process;
- corresponding with interested parties regarding the Sale Process;
- reviewing the Company's delivery schedule for its customers;
- corresponding with an appraiser regarding the Company's machinery and equipment;
- responding to questions from the Company's vendors and customers;
- reviewing the Cash Flow Forecast and corresponding with the Company regarding same;
- providing updates to creditors, including BMO and Pillar;
- drafting this Report; and
- dealing with all other matters in these proceedings not specifically addressed above.

## 10.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Court make an order granting the relief set out in Section 1.1(1)(h) of this Report.

\* \* \*

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”**

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

THE HONOURABLE MR.

)

WEDNESDAY, THE 8<sup>TH</sup>

)

JUSTICE CAVANAGH

)

DAY OF JUNE, 2022

**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**

**ORDER**

**THIS MOTION**, made by The Sanderson-Harold Company Limited c.o.b. as Paris Kitchens (the “**Company**”), for an order, *inter alia*: (a) extending the time for the Company to file a proposal pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3 (the “**BIA**”); (b) approving an Administration Charge (as defined and described below); (c) approving the KERP and KERP Charge (as those terms are defined and described below); (d) approving the Term Sheet and Interim Lending Charge (as those terms are defined and described below); and (e) for certain other relief as described in the Company’s Notice of Motion, was heard this day virtually via videoconference as a result of the Covid-19 pandemic.

**ON READING** the Notice of Motion, the Affidavit of Larry Wolfman sworn on May 31, 2022 and the exhibits thereto (the “**Wolfman Affidavit**”) and the First Report of KSV Restructuring Inc. (“**KSV**”) in its capacity as proposal trustee of the Company (in such capacity, the “**Proposal Trustee**”) and the appendices thereto (the “**First Report**”) and the Supplement to

First Report of KSV (the “**Supplementary Report**”), and on hearing the submissions of counsel for the Proposal Trustee, for the Company, for Bank of Montreal (“**BMO**”), for Pillar Capital Corp. (“**Pillar**”), for U.B.C. Ontario Industrial Council; Carpenters Local 1072 (“**Carpenters Local**”) and such other counsel in attendance on the videoconference, as shown on the Participant Information Form, filed.

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Company’s Notice of Motion and Motion Record and of the First Report and Supplementary Report is hereby abridged and validated, and the manner of service thereof is hereby validated, so that this motion is properly returnable today, and hereby dispenses with further service thereof.

## **EXTENSION OF TIME TO FILE A PROPOSAL**

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal is hereby extended to August 15, 2022 (as that date may be extended by further order of the Court, the “**Proposal Extension Date**”).

## **NO INTERFERENCE WITH RIGHTS**

3. **THIS COURT ORDERS** that until the Proposal Extension Date, no individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Company, except with the written consent of the Company and the Proposal Trustee, or leave of this Court.



## **CONTINUATION OF SERVICES**

4. THIS COURT ORDERS that until the Proposal Extension Date, all Persons having oral or written agreements including purchase orders with the Company or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Company, are hereby restrained until further order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Company, and that the Company shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Company in accordance with normal payment practices of the Company or such other practices as may be agreed upon by the supplier or service provider and each of the Company and the Proposal Trustee, or as may be ordered by this Court.

## **ADMINISTRATION CHARGE**

5. THIS COURT ORDERS that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company (collectively, the “**Administrative Professionals**”) shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings. The Company is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company on a bi-weekly basis, or as they may otherwise agree.

6. **THIS COURT ORDERS** that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

7. **THIS COURT ORDERS** that the Administrative Professionals shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on all of the Company’s present and future assets, undertakings and property of every nature and kind whatsoever and wherever situate, including all proceeds thereof (collectively, the “**Property**”), which charge shall not exceed an aggregate amount of \$300,000 (before HST), as security for payment of their respective professional fees and disbursements incurred at their standard hourly rates, both before and after the making of this Order, in respect of this proceeding. The Administration Charge shall have the priority set out in paragraphs 16 and 18 hereof.

#### **INTERIM LENDING FACILITY AND CHARGE**

8. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and borrow under a credit facility on the terms and subject to the conditions set out in the Term Sheet between the Company and BMO (in such capacity, the “**Interim Lender**”) attached to the First Report (the “**Term Sheet**”) in order to finance the Company's working capital requirements in accordance with the Cash Flow Forecast (as defined and attached to the Term Sheet) and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$450,000 unless permitted by further Order of this Court.

9. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security

documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the Term Sheet or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the Interim Lender under and pursuant to the Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

10. **THIS COURT ORDERS** that the Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the “**Interim Lending Charge**”) on the Property, which charge shall not secure an obligation that exists before this Order is made. The Interim Lending Charge shall have the priority set out in paragraphs 16 and 18 hereof.

11. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lending Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the Interim Lending Charge, the Interim Lender, upon 7 days notice to the Company and the Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the Term Sheet, Definitive Documents and the Interim Lending Charge, including without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the Interim Lender to the Company against the obligations of the Company to the Interim Lender under the Term Sheet, the Definitive Documents or the Interim

Lending Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and

- (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

12. **THIS COURT ORDERS AND DECLARES** that the Interim Lender shall be treated as unaffected in any proposal filed by the Company under the BIA with respect to any advances made under the Definitive Documents and in furtherance thereof the Interim Lender, in its capacity as pre-filing lender and Interim Lender under the Term Sheet, shall be unaffected by the stay of proceedings but subject to paragraph 11 hereof.

13. **THIS COURT ORDERS** that the Company is hereby authorized to pay the Interim Lender, in accordance with the terms of the Term Sheet and the Definitive Documents, amounts owing under the Term Sheet and any and all amounts owing by the Company on account of the Pre-Filing Obligations (as defined in the Term Sheet), from funds on hand or from funds generated by post-filing sales of inventory or otherwise, excluding proceeds of sale of the Lands (as that term is defined in the Priority Agreement between BMO and Pillar dated December 8, 2021), to the extent such proceeds are insufficient to repay all amounts owed to Pillar in full in respect of Pillar's security on the Lands ("**Pillar Security**").

## **KERP**

14. **THIS COURT ORDERS** that the Company's key employee retention plan (the "**KERP**") described in First Report be and is hereby approved and the Company is authorized and directed to make the payments contemplated thereunder should the employees become entitled thereto in accordance with the terms and conditions of the KERP.

15. **THIS COURT ORDERS** that the beneficiaries of the KERP shall be entitled to the benefit of and are hereby granted a charge (the "**KERP Charge**") on the Property in the amount of \$120,000. The KERP Charge shall have the priority set out in paragraphs 16 and 18 hereof.

## **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

16. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Interim Lender's Charge and the KERP Charge (collectively, the "**Charges**"), as among them, shall be as follows with respect to the Property described below:

### **The Lands**

First – Administration Charge

Second – Pillar Security

Third – KERP Charge

Fourth – Interim Lending Charge

### **Property other than the Lands**

First – Administration Charge

Second – KERP Charge

Third – Interim Lending Charge

17. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

18. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person save and except for validly perfected purchase money security interests, liens and/or encumbrances in favour of each of (i) De Lage Landen Financial Services Canada Inc., (ii) Toyota Credit Canada Inc. and (iii) Carrier Truck Center Inc., granted in connection with certain equipment financing arrangements as at May 31, 2022 (being the date of filing of the Company’s notice of intention to file a proposal).

19. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee, the Interim Finance Lender and the beneficiaries of the KERP Charge and the Administration Charge, or further Order of this Court.

20. **THIS COURT ORDERS** that the Charges, the Term Sheet and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) the bankruptcy of the Company; (c) the provisions of any federal or provincial

statutes; or (d) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Company, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Company of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Company entering into the Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order, the Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

## **SEALING ORDER**

21. **THIS COURT ORDERS** that, subject to further order of this Court, Confidential Appendix “1” to the First Report shall be sealed and kept confidential.

## **PROPOSAL TRUSTEE'S ACTIVITIES**

22. **THIS COURT ORDERS** that the activities of the Proposal Trustee as set out in the First Report and Supplementary Report are hereby approved.

## **SERVICE AND NOTICE**

23. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the “**Rules**”), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <https://www.ksvadvisory.com/experience/case/paris>.

24. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Company and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Company’s creditors or other interested parties at their respective addresses as last shown on the records of the Company and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received



on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

## **GENERAL**

25. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

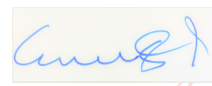
26. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the United States, to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

27. **THIS COURT ORDERS** that each of the Company or the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

28. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7)

days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

29. **THIS COURT ORDERS** that this Order is effective from today's date and it is made and enforceable without any need for entry or filing.



Digitally signed  
by Mr. Justice  
Cavanagh

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

Estate/Court File No.: 31-2835198

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**ORDER**

**CHAITONS LLP**

5000 Yonge Street, 10th Floor  
Toronto, Ontario M2N 7E9

**George Benchetrit (LSO #34163H)**

Tel: (416) 218-1141

E-mail: [george@chaitons.com](mailto:george@chaitons.com)

**Laura Culleton (LSO #82428R)**

Tel: (416) 218-1128

E-mail: [laurac@chaitons.com](mailto:laurac@chaitons.com)

**Lawyers for The Sanderson-Harold Company  
Limited c.o.b. as Paris Kitchens**

## **Appendix “B”**

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

**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**

**AFFIDAVIT OF LARRY WOLFMAN  
(affirmed May 31, 2022)**

I, LARRY WOLFMAN, of the City of Vaughan, in the Province of Ontario, MAKE OATH  
AND SAY AS FOLLOWS:

1. I am the President of The Sanderson-Harold Company Limited, c.o.b. as Paris Kitchens (the “**Company**”). As such, I have knowledge of the matters to which I depose in this affidavit, save and except for such facts or matters which are stated to be based on information and belief, and where so stated, I believe same to be true.
2. This affidavit is sworn in support of a motion by the Company seeking orders:
  - (a) approving the KERP<sup>1</sup> and granting the KERP Charge;
  - (b) approving the Interim Lending Facility and granting the Interim Lending Charge in favour of BMO;
  - (c) granting the Administration Charge to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel and the Company’s counsel;
  - (d) granting the Company’s request for an extension of the time required to file its proposal, from June 30, 2022, the date the current stay expires, to August 15, 2022; and

---

<sup>1</sup> All capitalized terms in this section not defined herein have the meaning defined below in this affidavit.

- (e) for certain other ancillary relief as set out in the Company's Notice of Motion.

## OVERVIEW OF THE COMPANY AND OPERATIONS

### The Company

3. The Company is a private company incorporated under the Ontario *Business Corporations Act* whose registered head office is located at 245 West Beaver Creek Rd. Unit #2, Richmond Hill, Ontario.

### The Business

4. The Company is a leader in the Canadian medium to high-end kitchen cabinet market. The "Paris Kitchens" business was established in 1902. In 1964, my father Morrie Wolfman acquired the business. I have been directly involved in the business for more than 45 years.

5. 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 (the "**GTA**") and Southern Ontario. The Company primarily services the GTA and Golden Horseshoe Area (Niagara Falls, Hamilton, Burlington, Oakville, etc.).

6. Over 90% of the Company's sales are to home builders. The balance of sales are in respect of high-end home renovations.

7. The Company owns a 110,000 square foot manufacturing facility located at 23 Railway Street, Paris, Ontario and a 9,888 square foot storage facility located nearby at 38 Spruce Street, Paris, Ontario (jointly, the "**Paris Properties**").

8. The Company's 4,000 square foot showroom and head office is located at 245 West Beaver Creek, Richmond Hill, Ontario, which is leased from a related party, Diazo Investments Limited ("**Diazo**").

## Employees

9. The Company employs approximately one hundred fifty (150) people. Of these employees, approximately half are unionized. Unionized employees are members of the U.B.C. Ontario Industrial Council; Carpenters Local 1072.

10. The Company does not provide or administer any pension plans for its employees.

11. Management is comprised of myself, Carolyn Iyer and Jocelyn Hu.

12. Ms. Iyer is the Company's Chief Operating Officer. She is familiar with all facets of the business through her progression from Junior Estimator to Director of Project Development in 2007 to Managing Director in 2014 to Chief Operating Officer in 2019. She continues to work on cost-saving initiatives, employee development, client relationships, and managing the operations of the business. Ms. Iyer commenced her employment with the Company in 1998.

13. Ms. Hu is the Company's Vice-President Finance. She has extensive experience in manufacturing, retail, wholesale, internet, and information technology. She is a Chartered Professional Accountant and holds certifications in human resource management. She focuses on internal controls and procedures, and cost-savings. She provides financial insights into the business which assist the senior management team in its strategic decisions. Ms. Hu commenced her employment with the Company in 2017.

## **THE COMPANY'S CREDITORS**

### BMO

14. The Company is currently indebted to the Bank of Montreal ("**BMO**") in the amount of approximately \$3 million in respect of a term loan and an operating line facility. As security for this debt, BMO holds (among other things) a general security interest ranking in first position over all of the Company's assets, other than the Paris Properties, over which it holds a mortgage ranking subordinate to Pillar (defined below). The Company has also guaranteed repayment of a related party loan owed to BMO.

### Pillar

15. 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.

### PPSA Registrations

16. A search of the Personal Property Security Registration System in Ontario (“**PPRS**”) as of May 23, 2022 shows that there are also registrations against the Company by Diazo and also in respect of certain specific equipment and vehicles. A copy of the PPRS search results is attached hereto as **Exhibit “A”**.

### Employee Liabilities

17. The Company is current in respect of payment of employee wages and vacation pay and amounts required to be remitted to governmental authorities for source deductions or otherwise.

### Other Indebtedness

18. Amounts owing to trade creditors total approximately \$1.7 million. 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.

## **CURRENT FINANCIAL POSITION**

19. The Covid-19 pandemic significantly impacted the construction industry, including the Company. Without limiting the generality of the foregoing, the Company has suffered financially as a result of the pandemic in the following respects:

- (a) supply chain disruptions - materials such as medium-density fibreboard, wood and wood products, white melamine, hinges, drawer slides, and hardware are in limited supply resulting in higher prices, longer lead times and challenges to deliver



projects on time. These materials are normally readily available;

- (b) shortages of skilled labour - a slowdown in immigration into Canada and Covid-19 government programs have exacerbated the pre-covid-19 labour shortage;
- (c) health and safety protocols - strict health and safety requirements, lockdowns, use of personal protective equipment, distancing, daily employee screening and quarantining contributed to manufacturing challenges and short-term cost increases. The Omicron Covid-19 variant resulted in site shutdowns in early 2022 resulting in constructions delays, which adversely affected the delivery of completed kitchens impacting cash flow, among other things; and
- (d) The Company has also experienced an increase in demand for renovations and home products. The ability to meet the demand has been stressed by the other key challenges described above.

20. The Company is addressing these challenges by updating timelines for delivery and revisiting pricing with customers. The Company believes these are near term challenges that should be resolved as the Covid-19 pandemic subsides. Nevertheless, the Company has incurred significant losses since the start of fiscal 2020. 2022 sales were affected by the onset of the Omicron variant and labour shortages. The variant and the labour shortage deferred a large percentage of the Company's sales, which impacted liquidity.

## **THE NOI PROCEEDING**

21. As noted above, the Company, like many other businesses, is experiencing financial difficulties as a result of the Covid-19 pandemic. As a result, on May 31, 2022 (the "**Filing Date**"), the Company filed a Notice of Intention to File a Proposal ("**NOI**") under the Bankruptcy and Insolvency Act (the "**NOI Proceeding**"). The NOI filing was necessary to provide stability to the Company and allow the opportunity to continue a sale process for its business that commenced prior to this proceeding.

22. KSV Restructuring Inc. ("**KSV**") is the trustee in the NOI Proceeding (the "**Proposal Trustee**").

### Cash Flows

23. The Proposal Trustee has assisted the Company in preparing a cash flow forecast (the “**Cash Flow Forecast**”) which sets out projected cash flows for the period ending August 19, 2022 (the “**Cash Flow Period**”), a copy of which I understand will be filed with the Court by the Trustee in connection with the Company’s motion.

24. As set out in the Cash Flow Forecast, the Company is expected to have sufficient liquidity to operate to the end of the Cash Flow Period provided that it continues to have access to interim financing made available by BMO, the details of which are set out below.

### Interim Financing

25. With the assistance of the Proposal Trustee, general terms have been discussed with BMO for interim financing during the Proposal Period which are expected to be captured in a written agreement (the “**Interim Lending Agreement**”), subject to Court approval.

26. I understand from the Proposal Trustee that it will be filing with the Court a copy of the Interim Lending Agreement, and that this agreement contains terms which are customary for a loan advanced as part of an insolvency proceeding, including the requirement for security ranking in priority to all existing charges, security interests and other encumbrances, other than the Administration Charge (the “**Interim Lending Charge**”). I also understand from the Proposal Trustee that BMO has agreed that the Interim Lending Charge can rank subordinate to Pillar’s mortgage against the Paris Properties.

27. The Company will have no prospect of making a viable proposal or restructuring its business if it does not obtain the contemplated financing.

28. I believe that BMO is the most logical lender given that it is the Company’s operating and term loan lender, and it has an existing first charge on the Companies’ non-real estate assets.

### Administration Charge

29. 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 “**Administration Charge**”). The professionals whose fees are to be secured by the Administration Charge have taken on, and will continue to take on, a critical role in this proceeding.

30. The Company has worked with the Proposal Trustee to estimate the proposed quantum of the Administration Charge and I believe it to be reasonable and appropriate in the circumstances. The amount of the Administration Charge contemplates that professionals are paid on a current basis during these proceedings.

#### KERP

31. The Company has developed a key employee retention plan, as described in the report to be filed by the Proposal Trustee (the “**KERP**”) to ensure the retention of Ms. Iyer and Ms. Hu, both of whom are long-term employees with deep knowledge of the business needed to allow it to continue to operate without disruption. The KERP has been developed to facilitate and encourage their participation in the business during the NOI Proceeding.

32. The Company is seeking approval of the KERP and the creation of a corresponding charge on the Company’s assets (the “**KERP Charge**”) in the amount of \$120,000 to secure the maximum amount payable under the KERP at any point in time. I understand that details of the KERP will be filed with the Court by the Proposal Trustee.

#### Extension of NOI Period

33. I understand that the Proposal Period is set to expire on June 30, 2022.

34. A 45-day extension of the Proposal Period would give the Company the time needed to move forward with implementation of the steps described above with a view to maximizing realizations for the benefit of the Company’s stakeholders and make progress towards achieving the terms of a proposal for consideration of the Company’s creditors.

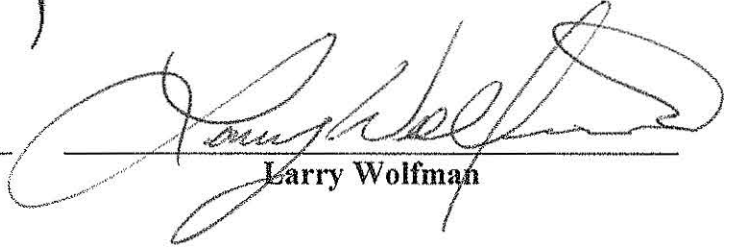
35. The Company will likely be able to make a viable proposal to its creditors if the extension is granted, particularly if a going-concern transaction is identified and completed.

36. I am not aware of any creditors who would be harmed by the extension of the Proposal Period by 45 days.

**AFFIRMED** remotely by Larry Wolfman of the City of Vaughan in the Regional Municipality of York, before me at the City of Toronto in the Regional Municipality of Metropolitan Toronto, on May 31, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits  
(or as may be)



Larry Wolfman

## **Appendix “C”**



**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

<b>Contents</b>	<b>Page</b>
1.0 Introduction.....	1
1.1 Purposes of this Report.....	1
1.2 Currency .....	2
1.3 Restrictions .....	2
1.4 Court Materials.....	2
2.0 Background .....	3
2.1 Financial Difficulties .....	3
2.2 Assets .....	4
2.3 Secured Creditors .....	5
2.4 Unsecured Creditors .....	5
3.0 KSV's Prior Role and Pre-Filing Efforts.....	5
4.0 KERP.....	6
4.1 Sealing.....	7
5.0 Cash Flow.....	7
6.0 Interim Lending Facility .....	8
6.1 Recommendation .....	9
7.0 Administration Charge .....	10
8.0 Company's Request for an Extension .....	11
9.0 Overview of the Proposal Trustee's Activities .....	11
10.0 Conclusion and Recommendation .....	12

## Appendices

<b>Appendix</b>	<b>Tab</b>
Certificate of Filing .....	A
Cash Flow Forecast, Management's Report on Cash Flow, Projected Margin .....	B
Proposal Trustee's Report on Cash Flow.....	C
Interim lending Agreement .....	D

## Confidential Appendices

KERP Terms.....	1
-----------------	---

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
	<u>6,703</u>

- 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 Agreement<sup>1</sup> 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;

---

<sup>1</sup> 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 “D”**

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

**Projected Cash Flow Statement**

For the Period Ending September 29, 2022

(Unaudited; \$CAD in 000's)

		Week Ending									
	Note	5-Aug	12-Aug	19-Aug	26-Aug	2-Sep	9-Sep	16-Sep	23-Sep	29-Sep	Total
<b>Receipts</b>											
Accounts receivable collections	2	693	500	513	543	558	467	506	540	571	4,891
Prepaid sale deposit collections	3	-	25	-	-	-	-	-	-	-	25
<b>Total Receipts</b>		693	525	513	543	558	467	506	540	571	4,916
<b>Disbursements</b>											
<b>Operating Disbursements</b>											
Payroll	4	205	64	248	70	249	80	238	71	219	1,445
Materials	5	229	209	209	209	209	196	196	196	196	1,849
Installation	6	141	-	235	-	273	-	214	-	285	1,147
Other	7	94	51	51	51	175	41	41	41	115	661
Debt Service	8	7	-	-	-	7	-	-	-	8	23
		676	324	742	330	913	317	689	308	825	5,125
<b>Other Disbursements</b>											
Professional fees	9	-	-	-	200	-	-	150	-	-	350
<b>Total Disbursements</b>		676	324	742	530	913	317	839	308	825	5,475
<b>Net Cash Flow</b>		17	201	(229)	13	(356)	150	(333)	232	(254)	(559)
<b>Operating facility, beginning</b>											
Add: Net cash flow		17	201	(229)	13	(356)	150	(333)	232	(254)	(559)
Less: BMO DIP advance		-	-	-	-	-	-	-	-	-	-
<b>Operating facility, ending</b>		(1,759)	(1,558)	(1,787)	(1,774)	(2,130)	(1,980)	(2,313)	(2,080)	(2,335)	(2,335)
<b>DIP facility, beginning</b>											
BMO DIP advance		-	-	-	-	-	-	-	-	-	-
<b>DIP facility, ending</b>		(134)	(134)	(134)	(134)	(134)	(134)	(134)	(134)	(134)	(134)
<b>Operating and DIP facility, ending</b>											
		(1,892)	(1,692)	(1,921)	(1,908)	(2,263)	(2,113)	(2,446)	(2,214)	(2,469)	(2,469)

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".

SANDERSON-HAROLD COMPANY LIMITED

Per: Larry Wolfman

Date: August 4, 2022

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

Per: Bobby Kofman

Date: August 4, 2022

**Purpose and General Assumptions**

1. The purpose of the projection is to present a forecast of the cash flow of Sanderson-Harold Company Limited (o/a Paris Kitchens) (the "Company") for the period ending September 29, 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 the sale.

**Most Probable**

4. Reflects payment of gross payroll and vacation pay.
5. Reflects payments to vendors in respect of materials required to complete sales.
6. Reflects payment of labour to install cabinets.
7. Reflects payment of operating costs, including utilities, trucking, waste removal and insurance.
8. Reflect interest on the operating facility.
9. 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 September 29, 2022.

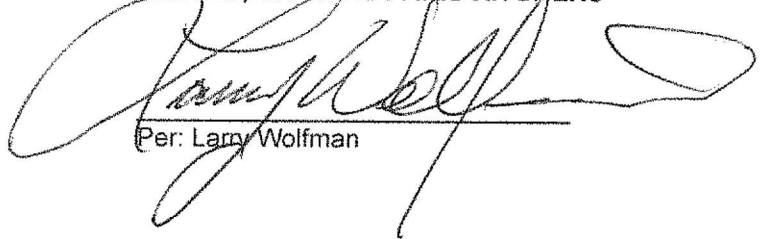
The hypothetical and probable assumptions are suitably supported and consistent with the purpose of the projection and the plans of the Company and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 2 to 9.

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 9. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, this 4<sup>th</sup> day of August, 2022.

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



Per: Larry Wolfman

## **Appendix “E”**



**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 3<sup>rd</sup> day of August, 2022, consisting of a weekly cash flow statement for the period August 1, 2022 to September 29, 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 2-9.

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 3<sup>rd</sup> day of August, 2022.

**KSV RESTRUCTURING INC.  
TRUSTEE**



Per: Mitch Vininsky