

TAB 10

June 9, 2014

Natasha Sharpe

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1 EBITDA, the customer concentration issues have been
2 resolved, and if I had known about that at the time I
3 would've managed things quite differently. I wish
4 they had been honest with me.

5 819 Q. You would've put the company into
6 receivership?

7 A. No.

8 820 Q. Six days later you did.

9 A. No. Six days later I was informed that
10 Mr. Reider had ceased operations.

11 821 Q. What do you mean by "ceased operations"?

12 A. I was informed by my counsel that Mr.
13 Reider's counsel, Mr. Jim Grout, had been in touch to
14 say that Mr. Reider had ceased operations two days
15 earlier.

16 822 Q. Is that the entire substance? Someone
17 told you that someone had told them that? Did you go
18 out and look?

19 A. Did I personally go out and look?

20 823 Q. Did you or anyone?

21 A. I did not personally go out and look. I
22 didn't see any reason to disbelieve Mr. Grout.

23 824 Q. I'm showing you an assignment of contracts
24 document, May 23, 2013, between Bridging Capital Inc.
25 and 8527504 Canada Inc. which appears to assign

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- 1 contracts for \$1. Do you have a copy of that?
- 2 A. I do.
- 3 825 Q. Does this mean that 852 paid Bridging \$1
- 4 for millions of dollars worth of outstanding loans?
- 5 A. I don't think that's what it means.
- 6 826 Q. Bridging Capital Inc. had, by May 23,
- 7 2013, had lent money to Sun Pac. Correct?
- 8 A. Yes.
- 9 827 Q. Was it over \$1 million?
- 10 A. Yes.
- 11 828 Q. Over \$2 million?
- 12 A. Yes.
- 13 829 Q. Over \$3 million?
- 14 A. Sorry. I'm still stuck on the Furlani
- 15 thing. Sorry; go ahead.
- 16 830 Q. Between \$2 million or \$3 million had been
- 17 lent by Bridging to Sun Pac?
- 18 A. Yes.
- 19 831 Q. And 852 acquired that loan for \$1?
- 20 A. Yes. It was an internal restructure.
- 21 832 Q. So are the beneficial owners of 852 the
- 22 same as the same beneficial owners of Bridging
- 23 Capital Inc.?
- 24 A. Yes.
- 25 833 Q. What was the purpose of this assignment?

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1 A. We were doing an internal restructuring.

2 834 Q. What does an internal restructuring mean?

3 A. We were considering the possibility which
4 turned out that we couldn't do because of securities
5 laws relative to starting a new fund, but we didn't
6 actually end up doing any of that.

7 835 Q. So the people who signed on behalf of the
8 assignor and the assignee are the same people?

9 A. Yes.

10 836 Q. So this was basically simply positioning
11 8527504 Canada Inc. to become a vehicle for some type
12 of funding?

13 A. It never actually turned out to happen,
14 but there was a thought at that point that something
15 like that might, but it didn't.

16 MR. WIRES: Why don't we mark this as the next
17 exhibit, Exhibit 37.

18 --- EXHIBIT NO. 37: Assignment of contracts
19 made as of May 23, 2013 between Bridging
20 Capital Inc. and 8527504 Canada Inc.

21 BY MR. WIRES:

22 837 Q. If you would look at your affidavit
23 Exhibit P. If you could take a look at paragraph 2.
24 Is that an accurate statement?

25 A. Can you give me a number?

TAB 11

Exh. 37

*To Examination
of Natasha Shepe
June 9/2014*

ASSIGNMENT OF CONTRACTS

Assignment of Contracts is made as of May 23, 2013 between Bridging Capital Inc. (the "Assignor") and 8527504 Canada Inc. (the "Assignee").

WHEREAS the Assignor has agreed to assign to the Assignee all of the Assignor's right, title and interest in and to, and all benefits of the Assignor's contracts relating to the loan business conducted by the Assignor as of the date hereof, including all contracts listed on Schedule A hereto (the "Contracts"), and the Assignee has agreed to assume, perform and discharge, or cause to be assumed, performed and discharged, the obligations and liabilities of the Assignor under the Contracts;

NOW THEREFORE in consideration of the foregoing and the mutual agreements contained in this agreement (the receipt and adequacy of which are acknowledged), the parties agree as follows:

Section 1 Assignment.

The Assignor hereby assigns to the Assignee all of the Assignor's right, title and interest in and to, and all benefits of the Assignor under, the Contracts, for aggregate consideration equal to \$1.00.

Section 2 Assumption of Obligations.

The Assignee hereby assumes and agrees to perform and discharge, or cause to be performed and discharged, all the obligations and liabilities of the Assignor under the Contracts arising after the date hereof.

Section 3 Non-Assignable Contracts.

- (1) Notwithstanding Section 1 and Section 2 hereof, nothing in this agreement shall be construed as an attempt to assign any Contract that is not assignable, in whole or in part, without the consent of the other party or parties to such Contract or any other person, unless such consent has been given on terms satisfactory to the Assignee, acting reasonably.
- (2) The Assignor shall use its best efforts to obtain all consents, approvals and waivers that are required in order to assign the Contracts in accordance with their terms. The consents, approvals and waivers must be upon such terms as are acceptable to the Assignee, acting reasonably. The Assignee will cooperate in obtaining such consents, approvals and waivers.
- (3) In order that the Assignee may receive and realize the full benefit of any non-assigned agreements and contracts, the Assignor shall hold such agreements and contracts in trust for the Assignee; all benefits derived therefrom shall be

for the account of the Assignee and all moneys collected by or paid to the Assignor in respect thereof shall be held for and on behalf of the Assignee and shall be paid to the Assignee promptly upon request.

Section 4 Further Assurances.

The parties will, from time to time, do all such acts and things and execute and deliver all such agreements, documents and instruments as may be reasonably required to give effect to and carry out the provisions of this agreement.

Section 5 Binding Nature.

This agreement is binding on and enures to the benefit of the Assignor and Assignee and their respective successors and assigns.

Section 6 Governing Law.

This agreement is governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in Ontario.

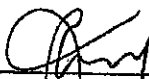
Section 7 Counterparts.

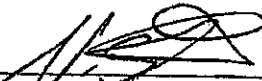
This agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Agreement.


8527504 CANADA INC.

BRIDGING CAPITAL INC.

By: 
Name: Jenny Coko
Title: Chief Executive Officer

By: 
Name: Natasha Sharpe
Title: Chief Executive Officer

By: 
Name: Natasha Sharpe
Title: President

By: 
Name: Jenny Coko
Title: Vice-President

Schedule A
Contracts to be Assigned

Sun Pac Foods Limited

TAB 12

1 DIP financing not pursued?

2 A. For probably a number of reasons, one of
3 which is they weren't willing to fund while we were
4 in good standing with them, why would they fund if
5 they didn't trust for all the reasons that Phillip
6 Taylor wrote in the letter, "Don't trust management,"
7 don't do this and don't do that? Why would they do
8 DIP financing?

9 510 Q. Because they said they would.

10 A. That doesn't mean anything when they've
11 already reneged on the agreement.

12 511 Q. But you didn't pursue that discussion, did
13 you?

14 A. Sure, I did. There was a discussion in
15 general that -- I shouldn't say Natasha through Len,
16 but I think it came up probably in a conversation, in
17 a phone conversation. It wasn't an option because in
18 my view, anyway, that Bridging wasn't genuine.

19 512 Q. Sorry; it wasn't genuine?

20 A. No.

21 513 Q. So you didn't think they really --

22 A. No.

23 514 Q. -- made a genuine offer --

24 A. No.

25 515 Q. -- for DIP financing?

TAB 13

May 22, 2014

Jenny Virginia Coco

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1 A. No, not my recollection.

2 213 Q. Can we agree that the purpose of the
3 forbearance agreement was to give Sun Pac an
4 opportunity to refinance?

5 A. Yes.

6 214 Q. And that they had until December 6,
7 2013 to refinance?

8 A. According to the documents you submitted
9 to me today and showed to me today, yes.

10 215 Q. They had until November 6th to have a
11 binding offer for the Breadcrumb division?

12 A. According to the documents you gave me
13 today, yes.

14 216 Q. We have a significant amount of reporting
15 to Mr. Kofman. Correct?

16 MR. CHAITON: She said she doesn't know what's
17 in those reports.

18 BY MR. WIRES:

19 217 Q. Who told you there wasn't proper
20 reporting? You've said that one of the reasons that
21 the company was put into receivership and you didn't
22 advance was financial reporting. Who told you that?

23 A. Cash flow projections were never achieved
24 is my recollection, and there was a cash drain of
25 about \$350 to \$400 a month and that was my

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1 656 Q. Could you? I'll ask your counsel.

2 MR. CHAITON: Facility C loan...

3 --- Off the record discussion.

4 MR. WIRES:

5 657 Q. The date of the forbearance agreement is
6 September 11th. Correct? And you advanced Facility
7 C on September 13th?

8 A. Yes.

9 658 Q. When did you have a loan committee meeting
10 to authorize the advance?

11 A. I'm not sure.

12 659 Q. Mr. Reider says that he gave up rights to
13 effectuate the forbearance and amending agreement.
14 Do you agree or disagree?

15 A. I'm not sure what that refers to.

16 660 Q. Do you agree that under the forbearance
17 agreement Bridging and 852 received more security
18 than they had before the agreement?

19 A. No, we didn't receive any additional
20 security.

21 661 Q. Did you get an option to purchase Sun Pac?

22 A. No, we didn't get an option to purchase
23 Sun Pac.

24 MR. CHAITON: You mean the sharing?

25 MR. RAPPOS: You mean McDowell's, not Sun Pac.

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1 MR. WIRES: No. Sun Pac; buy all the shares
2 of Sun Pac for \$1.

3 MR. RAPPOS: You mean McDowell Ovens?

4 MR. WIRES: No; the option agreement.

5 BY MR. WIRES:

6 662 Q. Exhibit G of the responding and reply
7 affidavit is an option agreement dated
8 September 11th.

9 A. That's not additional security. We
10 already had all the security. We already held the
11 GSA, we were already first-secured creditor. That's
12 not additional security.

13 663 Q. This is an agreement with Liquibrands to
14 buy out all the shares of Sun Pac.

15 A. That's not additional security.

16 664 Q. Did you have this before?

17 A. No. We had a general security agreement.
18 We had all the security of Sun Pac prior to that.

19 665 Q. Did you have an option agreement where the
20 optionor, Liquibrands, granted you or 852 an option
21 to purchase all the outstanding shares of Sun Pac for
22 \$10?

23 A. That's only if they didn't pay us out.
24 That's not additional security. They could've paid
25 us out at any time and eliminated that; that's not

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1 additional security. The only thing that we had was
2 security over Sun Pac. There's no additional
3 security in here.

4 666 Q. Did you have an option agreement to
5 acquire Liquibrands shares in Sun Pac before
6 September 11th?

7 A. No.

8 667 Q. So this is a new agreement?

9 A. But it's not additional security.

10 668 Q. This is a new agreement; you didn't have
11 an option agreement with Liquibrands to acquire all
12 the Sun Pac shares for \$10?

13 A. That's if they don't pay you out.

14 669 Q. If they don't pay.

15 A. If they don't pay. So it doesn't actually
16 get you anything in addition to what you already had.

17 670 Q. That's not my question. My question is:
18 You didn't have an option agreement to acquire all
19 the shares of Sun Pac for \$10?

20 A. No.

21 671 Q. But the forbearance agreement gave that to
22 you?

23 A. Yes.

24 672 Q. When you signed the forbearance agreement,
25 there wasn't a six-year exclusive potential

TAB 15

1 say the timelines are sped up.

2 434 Q. But you did that before in trying to find
3 replacement financing --

4 A. No, we weren't in distress because we had
5 an agreement with the lender going out at four months
6 or three and a half months.

7 435 Q. No, my point is that after they said they
8 weren't advancing Facility D you went looking for
9 replacement financing?

10 A. Yes, but now you're in distress. You're
11 not looking for a loan and carrying on business in
12 normal course.

13 436 Q. Is that the reason in your view that you
14 were unable to secure financing for \$1.2 million
15 after Facility D was not advanced?

16 A. Well, yes, I think it's a significant
17 reason why.

18 437 Q. Was that the reason given to you by
19 prospective lenders?

20 A. Oh yes. They can understand why Bridging
21 did not fund.

22 438 Q. Who were the lenders that indicated that
23 the reason why they weren't prepared to advance to
24 you was because of the distressed nature of --

25 A. Jim Shone would know that. He would be

TAB 16

Court File No. CV-13-10331-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

8527504 CANADA INC.

Applicant

and

SUN PAC FOODS LIMITED

Respondent

APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990 c. C. 43, AS AMENDED

NOTICE OF MOTION

Liquibrands Inc. (“**Liquibrands**”), in its capacity as creditor of Sun Pac Foods Limited (“**Sun Pac**”), will make a Motion before a Judge to be heard on July 18, 2014 at 10:00 a.m. at the Court House, 330 University Avenue, Toronto, Ontario, M5G 1E6.

PROPOSED METHOD FOR HEARING: The Motion is to be heard orally.

THE MOTION IS FOR:

1. An Order, if necessary, validating service of this Notice of Motion and Motion Record in the manner effected, abridging the time for service thereof and dispensing with service thereof on any party other than the parties served;

2. An Order directing the trial of an issue for a declaration that 8527504 Canada Inc. (“852”) and Bridging Capital Inc. (“Bridging”) breached the terms of a “Forbearance Agreement” among those parties, Sun Pac and Liquibrands as herein described; and, if the declaration be given, an Order:

- (a) lifting the stay of proceedings in Court File CV-13-00492612-0000 (“Action”) and for leave for Sun Pac and Liquibrands to continue the Action against 852 and Bridging;
- (b) declaring Liquibrands entitled to claim under its general security agreement in priority to claims by 852 and Bridging;
- (c) appointing msi Spergel Inc. (“Spergel”) as receiver of the remaining assets of Sun Pac for the purposes of advancing the litigation and disposing of the proceeds of realization and litigation; and
- (d) declaring that Liquibrands’ guarantee of Sun Pac debt is unenforceable;

3. An Order requiring Sun Pac’s current receiver, BDO Canada Limited (“BDO”), to pay the proceeds of realization of the assets of Sun Pac payable to 852 and/or Bridging into Court, or alternatively to be held in trust by counsel to BDO, pending a final decision of the Court on the declaration and the action thereafter, if any, or pending further Court order; and

4. Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background

5. Liquibrands is a privately held Canadian company.
6. Liquibrands acquired the shares of Sun Pac in November 2011 and is the sole shareholder of Sun Pac.
7. Sun Pac was a 100 year old privately-owned, Canadian manufacturer of private label and branded beverage products, including juices, natural teas, sports drinks, juice concentrates, frozen juices and other beverage products. The company also manufactured croutons and bread crumbs under the 'McDowell Ovens' banner and private label brands owned by various large Canadian retailers ("**Breadcrumbs Division**"). Sun Pac products were distributed throughout North America.
8. Liquibrands is wholly owned by Csaba Reider.
9. Mr. Reider was the sole officer and director of Sun Pac and is the sole officer and director of Liquibrands.
10. Sun Pac operated at 10 Sun Pac Boulevard, Brampton, Ontario housing production as well as refrigerated, frozen and dry warehousing. This property was leased from Menkes GTA Holdings Inc.
11. Bridging is a privately held Canadian company that provides financing to Canadian companies.
12. 852 is a company related to Bridging.

13. 852 put Sun Pac into receivership.

14. Until November 2013, Sun Pac had approximately 52 employees. Before the imminent receivership it was forced to lay off its employees. The employees were later terminated by BDO.

15. 852 and Bridging asked BDO to become the receiver over Sun Pac's assets and was appointed Receiver by court order in November 2013.

16. BDO also prepared a due diligence report for Sun Pac dated September 5, 2013 regarding the sale of the Breadcrumbs Division.

The Liquibrands Loan to Sun Pac

17. Pursuant to a Promissory Note between Liquibrands and Sun Pac dated May 1, 2012, Liquibrands loaned Sun Pac the amount of \$2,540,000.00, secured by a General Security Agreement dated May 1, 2012.

Loblaws Negotiations and the Lending Agreements with Bridging and 852

18. In March, 2012, Sun Pac entered into negotiations with Loblaws Inc. ("Loblaws"), Canada's largest food retailer, to manufacture for Loblaws carbonated juice, sports drinks and soft drinks. Negotiations continued during the winter and into the spring of 2013.

19. Sun Pac sought interim financing pending completion of the negotiations and approached Bridging. On October 1, 2012, Bridging provided Sun Pac with a revolving loan and on January 18, 2013, Bridging provided amended credit facilities to Sun Pac.

20. Liquibrands guaranteed \$1,000,000.00 of the Sun Pac loans.

21. The loans were purportedly assigned by Bridging to 852 in May 2013.
22. On August 13, 2013, Reider advised 852 and Bridging that he had reached agreement in principle with Loblaws.
23. On September 4, 2013, Sun Pac owed the defendants \$3,950,039.57. Sun Pac had a \$2,540,000.00 shareholders loan to Liquibrands. Apart from these debts, Sun Pac had no other debt other than ordinary course trade supplier invoices.
24. Although Sun Pac was not in default at the time and although the lenders were not calling their loan, 852 delivered Sun Pac a default notice to Sun Pac by fax, purportedly as a prerequisite to restructuring the credit facilities. Sun Pac, Liquibrands, Bridging and 852 then entered into a Forbearance Agreement and Amending Agreement dated September 11, 2013 (**“Forbearance Agreement”**).
25. The lenders agreed to finance Sun Pac and not to enforce their security subject to the terms of the Forbearance Agreement.
26. The credit facilities in the Forbearance Agreement included:
 - (a) Facility A: an operating credit line;
 - (b) Facility B: a demand, non-revolving loan in the amount of up to the lesser of (i) \$2,250,000.00 and (ii) 90% of the Equipment Appraisal;
 - (c) Facility C: a demand non-revolving loan of \$500,000.00; and
 - (d) Facility D: a loan in the amount of up to 2 times earnings before interest, taxes, depreciation and amortization (**“EBITDA”**) of the Breadcrumbs Division as

determined by BDO, less the amount advanced to Sun Pac under the Facility C Loan.

27. The lenders advanced the Facility C loan and continued to advance the Facility A loan up to the receivership of Sun Pac.

28. Sun Pac provided the lenders with full access to the plant, financial records, inventory and management and allowed them to exercise *de facto* control of Sun Pac to protect their security.

29. The Agreement anticipated execution of the Loblaws' contract, the sale of the Breadcrumbs Division and new financing to pay out the lenders by December 6, 2013.

30. Sun Pac signed an agreement with Loblaws dated September 24, 2013.

31. The contract with Loblaws creates potential gross revenue for Sun Pac in the amount of \$250,000,000.00 and a five year exit value of Liquibrands shares of approximately \$70,000,000.00.

32. Sun Pac entered into a letter of intent dated September 6, 2013 to sell the Breadcrumbs Division for \$3,000,000.00.

33. BDO prepared a report on the Breadcrumbs Division to satisfy the conditions for the advance of the Facility D loan.

34. Sun Pac met the conditions for an advance of \$1.1 million on the Facility D loan on October 1, 2013.

35. BDO prepared the report that quantified the amount due on the Facility D loan.

36. On October 4, 2013, the lenders refused to advance the Facility D Loan. They continued funding the Facility A operating line of credit.
37. Failure to fund the Facility D loan eliminated Sun Pac's working capital and caused Sun Pac to fail.
38. Sun Pac sought replacement and take out financing on short notice.
39. Sun Pac's management was restrained from entering agreements outside of the ordinary course of business, except with the prior written consent of the lenders. It could not market and sell the Breadcrumbs Division or accept any offer to purchase the Breadcrumbs Division; make any capital expenditures; encumber, sell, transfer, convey, lease or otherwise dispose of any assets out of the ordinary course of business; or modify any material contract without consent.
40. The lenders refused to amend the Forbearance Agreement or any of the lending agreements to allow Sun Pac to accept interim financing to repay the lenders.
41. Sun Pac was placed in receivership. The Loblaws contract is terminated by its terms; the employees' jobs were terminated once Sun Pac was placed into receivership; and the entire Sun Pac operation was liquidated.

The Action in Court File No. CV-13-00492612-0000

42. The plaintiffs assert:
 - (a) The defendant lenders (Bridging and 852) breached the Forbearance Agreement by failing to fund the Facility D loan.

- (b) The defendants refused to facilitate the replacement of Sun Pac's financing notwithstanding breach of their obligation to fund the Facility D loan.
- (c) The lenders security agreements and refusal to fund the Facility D loan eliminated Sun Pac's ability to find alternative financing, close the sale of the Breadcrumbs Division to repay its debt and continue operations in the ordinary course.
- (d) The lenders' management became *de facto* directors of Sun Pac and directed Sun Pac's operations solely in the defendants' interests, in bad faith, contrary to the defendants' contractual obligations, the reasonable expectations of the parties and commercially reasonable conduct.
- (e) The defendants' breach of their obligations to fund the Facility D loan caused Sun Pac to default on the lender's Facility A and C loan and eliminated working capital.
- (f) The lenders knew Sun Pac would be unable to continue as a going concern.
- (g) The lenders knew that their financing was intended to bridge the Loblaws contract negotiations and operations to fulfill the contract.
- (h) The lenders knew the financing provided working capital for Sun Pac pending permanent financing for the execution of Loblaws' contract.
- (i) Based on the defendants' access to Sun Pac's financial information they knew that failure to fund the Facility D loan would cause Sun Pac to cease operations.

- (j) The defendants owed the plaintiffs a duty of honesty and good faith in the performance of the Forbearance Agreement, in funding the Facility D loan and facilitating the financing necessary to repay the defendants and perform the retail food contract.
- (k) The lenders had an implied obligation to perform the lending agreements and Forbearance Agreement reasonably, honestly and in good faith; to not perform their obligations in a fashion that eviscerated the very purpose of the lending agreements and to use confidential business, operations and financial information for the purpose for which it was provided; in particular to monitor the execution of the Loblaws contract, the sale of the Breadcrumbs Division, and the refinancing of Sun Pac with long-term financing.
- (l) The defendants breached their duty of fair dealing and good faith in the performance of the contract.
- (m) As a result of the defendants' breach, the plaintiffs were unable to sell the Breadcrumbs Division, or start and complete the Loblaws' contract, and have and will suffer damages as herein claimed in loss of revenue to Sun Pac and loss of profits and dividends to Liquibrands.

The Receivership of Sun Pac

43. The Action was issued just prior to Sun Pac being placed into receivership by court order on November 12, 2013.

44. In the receivership order, Justice Mesbur ordered that:

3. *THIS COURT ORDERS that.... The Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:*

(j) to initiate, prosecute and continue the prosecution of any and all proceedings... now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

8. *THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.*

12. *THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post*

Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

Appointment of Receiver over Liquibrands

45. On January 16, 2014, 852 purported to appoint BDO as Receiver of Liquibrands.

Grounds for the Declaratory Relief Sought in the Trial of an Issue

46. Bridging and 852 elected to affirm the Forbearance Agreement and were not entitled to terminate the loan agreement as they continued to take interest and financing charges on the Facility A loan while failing to honour their commitment to make payment of their obligation under the Facility D loan and breached their good faith obligations

47. Pursuant to the principles set out in paragraphs 70-73 of *Barclays Bank PLC v. Devonshire Trust*, 2013 ONCA 494 (CanLII):

- (a) failure of the defendants to make the liquidity payments under Facility D was the cause of Sun Pac's insolvency and, therefore, the defendants should be prevented by their own wrongdoing from relying on Sun Pac's insolvency as an event of default and a ground for termination;
- (b) in continuing to take interest and financing charges from Sun Pac under Facility A, during the period when it alleged Sun Pac was insolvent, the defendants had

elected to affirm the contract and lost the right to rely on Sun Pac's insolvency as a ground of default; and

- (c) the defendants are not entitled to rely on their termination of the lending agreements since: (i) they had elected not to rely on Sun Pac's insolvency; (ii) they failed to make a timely payment of their liquidity obligation under Facility D before terminating the lending agreements; and (iii) they breached their good faith obligations.

It will be Just and Convenient to Appoint a New Receiver if Liquibrands Obtains a Declaration

48. Sun Pac is in default of its obligations to Liquibrands.

49. BDO provided the report on Sun Pac's Breadcrumbs Division in a written agreement with Sun Pac which was used to claim the Facility D loan.

50. BDO is a creditor of Sun Pac.

51. Reider and Liquibrands asked BDO as receiver whether it would continue the Action.

52. BDO has neglected or refused to proceed with the Action though it would benefit all creditors and BDO has advised Reider it is disposing of business records.

53. Liquibrands believes that, if it obtains a declaration in the trial of an issue, it is in the best interests of Sun Pac's stakeholders that a new receiver be appointed in order to, among other things, maximize value for Sun Pac's stakeholders.

54. Liquibrands proposes that Spergel be appointed as receiver. Spergel has agreed to accept the appointment on terms.
55. Section 101 of the *Courts of Justice Act*, R.S.O., c. C.43, as amended.
56. Section 248(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.
57. Rule 45.02 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg 194.
58. Such further and other grounds as the lawyers may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

- (a) Affidavit of Csaba Reider sworn April 3, 2014 and exhibits attached thereto;
- (b) Supplementary Affidavit of Csaba Reider sworn April 15, 2014 and exhibits attached thereto; and
- (c) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

April 28, 2014

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Lawyers for the moving party creditor,
Liquibrands Inc.

TO: SUN PAC FOODS LIMITED
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CSABA REIDER

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TO: **DEPARTMENT OF JUSTICE**
Ontario Regional Office
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130 King Street West, Suite 3400
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8527504 CANADA INC.
Applicant

-and-

SUN PAC FOODS LIMITED
Respondent

Court File No. CV-13-10331-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

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Lawyers for the moving party creditor, Liquibrands Inc.

TAB 17

Court File No.

CN-14-10543-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

8527504 CANADA INC.

Applicant

- and -

LIQUIBRANDS INC.

Respondent

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3, and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The Claim made by the Applicant appears on the following pages.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on Thursday, the 21st day of August, 2014 at 10:00 a.m., at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, you or an Ontario lawyer acting for you must forthwith prepare a Notice of Appearance in Form 38C prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your Notice of Appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than two days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. If you wish to oppose this Application but are unable to pay legal fees, legal aid may be available to you by contacting a local Legal Aid office.

Date: May ^{1 5th IN3} 8, 2014

Issued by:  **Natasha Brown**
Registrar

Address of Court Office:
330 University Avenue, 7th floor
Toronto, Ontario
M5G 1R7

TO: LIQUIBRANDS INC.
c/o Wires Jolley LLP
Barristers & Solicitors
90 Adelaide Street West
Suite 200
Toronto, Ontario
M5H 3V9

APPLICATION

1. The Applicant, 8527504 Canada Inc. (“852”), makes an application for:
 - (a) an order, substantially in the form included in the Application Record, appointing BDO Canada Limited (“BDO”) as receiver of the property, assets and undertaking of Liquibrands Inc. (“Liquibrands”); and
 - (b) such further and other relief as this Honourable Court may deem just.

2. The grounds for the application are:

The Parties

- (a) 852 is a company related to Bridging Capital Inc. (“Bridging Capital”). Bridging Capital is a Canadian company that provides middle-market commercial customers with alternative financing options to those offered by traditional lenders.
- (b) Liquibrands is an Ontario corporation. Mr. Csaba Reider is the sole director, officer and shareholder of Liquibrands.
- (c) In November 2011, Liquibrands acquired all of the shares of Sun Pac Foods Limited (“Sun Pac”), a Canadian manufacturer of private label and branded beverage products, including juices, natural teas, sports drinks, juice concentrates, frozen juices and other beverage products. Sun Pac also manufactured croutons and bread crumbs under the ‘McDowell Ovens’ banner and private label brands owned by various large Canadian retailers (the “Breadcrumbs Division”).

The Original Loans

- (d) Pursuant to an Amended and Restated Letter Agreement accepted by Sun Pac and Liquibrands on January 18, 2013 (the “**Loan Agreement**”), Bridging Capital provided demand credit facilities to Sun Pac (the “**Original Loans**”).
- (e) The Original Loans were secured by, among other things, a loan guarantee in the principal amount of \$1.0 million plus interest and costs (the “**Guarantee**”) and a general security agreement (the “**GSA**”) granted by Liquibrands in favour of Bridging Capital.
- (f) The Original Loans were assigned by Bridging Capital to 852 in May 2013.

Default Under the Original Loans

- (g) On September 5, 2013, Sun Pac was notified by 852 that it was in default under the Original Loans. 852 declared the entire amount of the indebtedness of Sun Pac to be immediately due and payable, and sent Sun Pac a Notice of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”).

Forbearance Agreement

- (h) At the request of Sun Pac and Liquibrands, the parties entered into a Forbearance Agreement as of September 11, 2013 (the “**Forbearance Agreement**”).

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- (i) The Forbearance Agreement was entered into to provide Mr. Reider with an opportunity to obtain alternative equity and debt financing for Sun Pac and to pursue a sale of the Breadcrumbs Division.
- (j) In the Forbearance Agreement, Liquibrands acknowledged and agreed that the Guarantee and GSA held by 852 were valid, binding and enforceable, and that it did not dispute its liability to 852 on any basis whatsoever.
- (k) The Forbearance Agreement also amended the Loan Agreement by adding two new credit facilities in favour of Sun Pac, a demand non-revolving loan of \$500,000 ("**Facility C Loan**") and a demand non-revolving loan in the amount of 2 times EBITDA of the Breadcrumbs Division less the aggregate amount advanced under the Facility C Loan ("**Facility D Loan**").
- (l) Liquibrands and Sun Pac acknowledged that all credit granted under the Loan Agreement and the Forbearance Agreement was being provided on a day to day, on demand basis only and that 852 was under no obligation whatsoever to extend credit pursuant to the Loan Agreement or the Forbearance Agreement beyond such day to day period.
- (m) An Event of Default under the Forbearance Agreement included the failure to deliver a binding sale agreement for the Breadcrumbs Division by November 6, 2013 and Sun Pac ceasing or threatening to cease to carry on business in the ordinary course.

- (n) Liquibrands irrevocably consented to the making of a bankruptcy order and the private or court appointment of a receiver or receiver and manager in respect of any or all of its property and assets upon the occurrence of an Event of Default under the Forbearance Agreement.

Default under the Forbearance Agreement

- (o) By letter dated October 10, 2013, 852's lawyers notified Sun Pac that for, *inter alia*, the reasons set out therein, 852 no longer had confidence in Sun Pac's management and determined there had been a material deterioration in the prospects and financial condition of Sun Pac.
- (p) Accordingly, pursuant to its rights under the Loan Agreement and the Forbearance Agreement, 852 notified Sun Pac that it would not be making any Facility D advances to Sun Pac and that the Facility D availability was thereby terminated.
- (q) Sun Pac and Liquibrands failed to deliver by November 6, 2013 a binding agreement for the sale of the Breadcrumbs Division which constituted an Event of Default under the Forbearance Agreement.
- (r) Sun Pac ceased operating its business on or about November 7, 2013, which constituted a further Event of Default under the Forbearance Agreement.

Receivership of Sun Pac

- (s) 852 commenced an urgent receivership application for the appointment of a receiver over all of the property, assets and undertaking of Sun Pac.

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- (t) At the time of the receivership application, Sun Pac was indebted to 852 in the approximate amount of \$3.1 million.
- (u) The receivership application was not opposed by Sun Pac or Liquibrands. BDO was appointed as receiver on November 12, 2013.
- (v) BDO has substantially completed the process of liquidating the assets of Sun Pac. According to BDO, the estimated distribution to be made to 852 is approximately \$400,000, leaving 852 with a shortfall of approximately \$2.7 million.

Demand

- (w) On April 7, 2014, 852 declared the entire amount of the indebtedness of Liquibrands under its Guarantee to be immediately due and payable, and sent Liquibrands a Notice of Intention to Enforce Security pursuant to section 244(1) of the BIA.

It Is Just and Convenient to Appoint a Receiver

- (x) Liquibrands is in default of its obligations to 852 and has previously consented to the appointment of a receiver by the Court in the event of a default. The GSA also grants 852 the ability to appoint a receiver in the event of a default.
- (y) 852 is the stakeholder with the largest economic interest in the property of Liquibrands and will suffer a substantial shortfall on its loans to Sun Pac.
- (z) 852 is in negotiations with parties interested in a potential transaction that may monetize Sun Pac's losses estimated to be approximately \$26 million.

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- (aa) 852 believes that it is in the best interests of 852 and Liquibrands's other stakeholders that a receiver be appointed in order to, among other things, participate in ongoing negotiations regarding a loss transaction that will be subject to the approval of the Court and be for the benefit of all of Liquibrands' stakeholders.
 - (bb) 852 proposes that BDO be appointed as receiver. BDO has agreed to accept the appointment.
 - (cc) Section 243 of the BIA, as amended and Section 101 of the *Courts of Justice Act*, R.S.O., c. C.43, as amended.
 - (dd) Such further and other grounds as counsel may advise and this Honourable Court permits.
3. The following documentary evidence will be used at the hearing of the application:
- (a) The Affidavit of Natasha Sharpe sworn April 11, 2014;
 - (b) Consent of BDO; and
 - (c) Such further and other evidence as counsel may advise and this Honourable Court permits.

Date: May 5, 2014

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Lawyers for the Applicant

8527504 CANADA INC.

Applicant

- and -

LIQUIBRANDS INC.

Respondent

Court File No.

CV-14-10543-0001

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at TORONTO

NOTICE OF APPLICATION

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Lawyers for the Applicant

TAB 18

Court File No. CV-13-10331-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

8527504 CANADA INC.

Applicant

- and -

SUN PAC FOODS LIMITED

Respondent

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3, and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

AFFIDAVIT OF NATASHA SHARPE
(sworn May 13, 2014)

I, NATASHA SHARPE, of the City of Toronto, in the Province of Ontario, DO
HEREBY MAKE OATH AND SAY AS FOLLOWS:

OVERVIEW

1. I am the President of Bridging Capital Inc., an affiliate of the Applicant, 8527504 Canada Inc. ("852"), and in such capacity I am familiar with the loan account of the Respondent, Sun Pac Foods Limited ("Sun Pac").¹ The facts set forth herein are within my personal knowledge or determined from the face of the documents attached hereto as exhibits and from information and advice provided to me from others. Where I have relied upon such information and advice from others, I verily believe it to be true.

¹ Any mention of 852 in this affidavit is a reference to 852 and/or Bridging Capital Inc. as applicable.

2. I swear this affidavit in response to the affidavit of Csaba Reider (“**Reider**”) sworn April 3, 2014 (the “**First Reider Affidavit**”) and the supplementary affidavit of Csaba Reider sworn April 15, 2014 (collectively, the “**Reider Affidavits**”), each delivered by Liquibrands Inc. (“**Liquibrands**”) in connection with its motion seeking a declaration that 852 breached the Forbearance Agreement (as defined below) and consequential relief, including the following declarations that:

- (a) Liquibrands’ guarantee of a portion of Sun Pac’s debt to 852 is unenforceable;
- (b) Liquibrands, as subordinate secured creditor, is entitled to receive the proceeds from the sale of Sun Pac’s property in priority to 852’s rights as senior secured creditor of Sun Pac; and
- (c) the stay of proceedings should be lifted to permit Sun Pac and Liquibrands to proceed with their action against 852.

3. 852 opposes the relief being sought by Liquibrands and disputes the allegations made against 852 in the Reider Affidavits. The fact that I have not specifically addressed or responded herein to one or more of the allegations should not be interpreted to mean that 852 agrees with or does not contest such allegations.

4. In a separate proceeding 852 is seeking the appointment of a receiver over all of Liquibrands’ property, assets and undertaking. The receivership application is scheduled to be heard at the same time as Liquibrands’ motion in this proceeding. This affidavit is also sworn in support of 852’s receivership application, in addition to my affidavit sworn April 11, 2014 (my “**First Affidavit**”).

5. Based on my review of the Reider Affidavits, it is my understanding that the crux of Liquibrands' position is that 852 acted capriciously, in bad faith and in breach of contract when it decided not to advance the Facility D loan to Sun Pac, and the failure to do so solely caused the demise of Sun Pac.

6. The Reider Affidavits are replete with incomplete information that is self-serving to the position taken by Liquibrands. As will be set out in greater detail below, 852 acted reasonably, responsibly and in accordance with its legal rights when it refused to advance Facility D to Sun Pac.

7. 852 did not advance and terminated the Facility D loan as a result of, among other things:
- (a) numerous defaults by Sun Pac that had been continuing;
 - (b) the inability of Sun Pac to raise additional equity and debt necessary for the company to continue operations;
 - (c) the failure of Sun Pac to make meaningful progress toward complying with the milestone of completing a sale of the Breadcrumbs Division (as defined in the First Reider Affidavit); and
 - (d) the fact that Sun Pac had a cash burn in excess of \$400,000 per month and 852 was not prepared to continue to fund any further operating losses and increase its exposure in the absence of reasonable assurances that Sun Pac would meet the milestones for the entering into of a binding sale agreement and completing the sale of the Breadcrumbs Division.

8. The existence of the defaults was known to Reider and communicated to him and Sun Pac management prior to the termination of Facility D. It was in these circumstances, and in accordance with its contractual rights, that 852 chose not to advance and terminated the Facility D loan. 852 subsequently attempted to work with Reider to find alternative solutions to salvage the Sun Pac business. However, Reider was unwilling to work with 852 to find an acceptable solution.

9. It was only after 852 became aware that Reider had shuttered Sun Pac's operations and terminated Sun Pac's employees without any notice or warning to 852 that 852 moved quickly to commence these proceedings and seek the appointment of a receiver over Sun Pac.

LIQUIBRANDS' SECURITY

10. The loan and security agreements entered into amongst the parties are set out in detail in my First Affidavit. In addition to a guarantee in the principal amount of \$1.0 million and a general security agreement, Liquibrands granted a Subordination, Assignment, Postponement and Standstill Agreement dated October 1, 2012 in favour of 852 (the "**Subordination Agreement**"), a copy of which is attached hereto and marked as **Exhibit "A"**.

11. Pursuant to the Subordination Agreement:

- (a) Liquibrands fully and unconditionally subordinated the security it held against Sun Pac to the security held by 852;
- (b) Liquibrands assigned all indebtedness owed to it by Sun Pac to 852;
- (c) Liquibrands agreed not to take any steps whereby the priority or rights of 852 might be delayed, defeated, impaired or diminished; and

- (d) Liquibrands agreed not to challenge, object to, compete with or impede in any manner any act taken or proceeding commenced by 852 in connection with the enforcement of 852's security against Sun Pac or realization of Sun Pac's property.

SUN PAC'S NEED FOR ADDITIONAL FINANCING

12. In paragraph 22 of the First Reider Affidavit, Reider alleges that 852 was the "architect" of a new agreement to advance working capital to Sun Pac, Sun Pac was not in default of its obligations to 852, and 852 was not calling or demanding repayment of its loan. Reider's allegations are incorrect and improperly characterize the circumstances.

13. Firstly, 852 did not initiate the discussions with Sun Pac to provide additional financing. It was Reider that requested a meeting with 852 that took place on August 29, 2013. During this meeting, Reider informed 852 that Sun Pac required additional financing to continue to operate. Reider indicated that Sun Pac was substantially late producing and delivering on most of its orders and was at risk of not being able to send any goods to Loblaws, one of its largest customers. Additionally, 852 was informed that Sun Pac's suppliers would no longer advance credit.

14. Reider requested that 852 provide overadvances (i.e. in excess of margin availability) under the existing credit facilities. I informed Reider that 852 was not prepared to provide such overadvances, but would consider providing further temporary funding to Sun Pac under a forbearance agreement if it was prepared to sell the Breadcrumbs Division to repay such additional funding.

15. Secondly, at no time did I inform Reider that Sun Pac was not in default and that 852 was not calling its loan. To the contrary, 852, through its counsel Chaitons LLP, demanded payment of all indebtedness owed to it by Sun Pac and delivered a notice of intention to enforce security on September 5, 2013. A copy of the letter and notice are attached as Exhibit "I" to the First Reider Affidavit.

REQUIREMENTS FOR ADDITIONAL FUNDING

16. Prior to 852 making demand for payment on September 5, 2013, I sent an e-mail to Reider and Jim Shone ("**Shone**") of Firepower Capital ("**Firepower**") on September 4, 2013. The e-mail set out a partial list of 852's requirements that were necessary for any additional financing to be provided to Sun Pac. Such requirements included receipt of a copy of a confidential information memorandum ("**CIM**") to be used by Firepower to raise additional equity for Sun Pac, receipt of a copy of a comprehensive list including contact information of everyone approached to date as potential equity investors and their response, and supporting details of the four parties most interested in providing equity and why Sun Pac believed they could close within 3-4 months of receipt of a Loblaws contract. Attached hereto and marked as **Exhibit "B"** is a copy of the e-mail.

17. Shone, the individual at Firepower that was leading the debt and equity financing efforts, responded with an e-mail dated September 5, 2013 and provided a copy of the CIM for equity financing and a listing of the potential equity investors that had been approached by Firepower. Attached hereto and respectively marked as **Exhibit "C"**, **Exhibit "D"** and **Exhibit "E"** are copies of Shone's e-mail, the CIM and the listing of potential equity investors.

18. As set out in the CIM, according to Firepower and based on information provided by Sun Pac management:

- (a) Sun Pac required \$2.0 million immediately to execute the orders on hand;
- (b) Sun Pac required \$3.0 million to normalize its accounts payable;
- (c) Sun Pac required \$23.0 million in total to return to profitability within 12 months;
- (d) major suppliers had capped credit in the first week of September 2013, and secondary suppliers were stretched beyond 200 days;
- (e) Sun Pac had limited working capital to purchase raw materials for \$1.2 million in outstanding purchase orders;
- (f) a sale of the Breadcrumbs Division was expected to be completed by the end of October 2013, with the sale proceeds to be used to repay 852 for the additional advances that were being discussed; and
- (g) Sun Pac had negative EBITDA of \$506,000 in July 2013 and forecasted negative EBITDA of \$404,000 in August 2013, \$187,000 in September 2013, and \$303,000 in October 2013.

19. As set out in the listing of potential equity investors, Shone confirmed that Firepower had commenced a limited survey of potential investors in the spring of 2013, and the majority of the parties (25) declined the opportunity outright, and the minority (13) declined taking further steps without a Loblaw's contract in hand.

20. As set out in the CIM, Sun Pac had been suffering significant losses in each month since Reider acquired the company in November 2011, which was clear from the following financial reports provided by Sun Pac:

- (a) Attached hereto as **Exhibit "F"** is a copy of a spreadsheet provided by Garth Rombough, VP Finance of Sun Pac, to my colleague Len Kofman, via e-mail on February 27, 2013, that sets out the losses incurred by Sun Pac in 2012; and
- (b) Attached hereto as **Exhibit "G"** is a copy of a profit and loss statement provided by Rombough to Kofman via e-mail on May 30, 2013 that shows that Sun Pac had:
 - (i) net income of (\$729,582) in January 2013;
 - (ii) net income of (\$552,124) in February 2013;
 - (iii) net income of (\$423,181) in March 2013; and
 - (iv) net income of (\$491,458) in April 2013.

FORBEARANCE AGREEMENT

21. A draft forbearance agreement was first sent to Reider by my colleague, Graham Marr, in an e-mail dated September 5, 2013 at 3:10 PM. Following negotiations amongst the parties and their legal counsel (Sun Pac and Liquibrands were represented by the law firm of Wildeboer Dellelce LLP), 852, Sun Pac and Liquibrands entered into the forbearance and amending agreement dated September 11, 2013 (the "**Forbearance Agreement**"). A copy of the Forbearance Agreement is attached as Exhibit "J" to the First Reider Affidavit.

Default and Demand Acknowledged by Sun Pac

22. Again, contrary to Reider's repeated allegations that Sun Pac was not in default and 852 had not demanded the loan, Sun Pac specifically acknowledged that it was in default of its obligations to 852 and 852 had demanded repayment of its indebtedness. The Forbearance Agreement set this out in relevant parts as follows:

RECITALS: ...

- D. Sun Pac is in default of its obligations contained in the Loan Agreement...
2. Recitals – The parties hereto acknowledge and agree that each of the foregoing recitals are true and accurate both in substance and in fact...
5. Default – Sun Pac acknowledges and agrees that it is in default of its obligations contained in the Loan Agreement...
9. Demand Letter and BIA Notice – Sun Pac acknowledges receipt of a demand letter sent on behalf of 852 dated September 6, 2013 (the "Demand") wherein 852 demanded immediate payment of Sun Pac's indebtedness to 852...

Facility D

23. Among other things, the Forbearance Agreement established the following two new credit facilities in favour of Sun Pact to be advanced at 852's discretion:

- (a) Facility C, which was to be a demand non-revolving loan in the amount of \$500,000 less fees; and
- (b) Facility D, which was to be a demand non-revolving loan in the maximum amount of 2 times EBITDA of the Breadcrumbs Division as determined by a report from BDO Canada ("BDO"), less the amount advanced under Facility C.

24. Facility C was advanced to Sun Pac in the amount of \$475,000 on or about September 13, 2013.

25. Reider alleges in the First Reider Affidavit that the only condition to the funding of Facility D was the delivery of the report from BDO that was satisfactory to 852, and that 852 had an obligation to advance the Facility D loan upon receipt of the report. That is not correct and ignores other pertinent terms of the Forbearance Agreement.

26. Section 10 of the Forbearance Agreement makes it clear that any credit provided by 852 to Sun Pac was being made on a day to day basis and that 852 was under no obligation whatsoever to extend credit pursuant to the amended and restated letter agreement dated January 17, 2013 (the "**Loan Agreement**") or the Forbearance Agreement. Section 10 provides:

... Notwithstanding the foregoing, the Obligors acknowledge that credit pursuant to the Loan Agreement and this Agreement is being provided on a day to day, on demand basis only and that **852 is and shall be under no obligation whatsoever to extend credit pursuant to the Loan Agreement or this Agreement** beyond such day to day period. The existing defaults and the rights of 852 arising from such defaults are not waived but are preserved. The continuation of credit is not and shall not be taken as an indication that 852 has waived or acquiesced to the existing defaults or to any other defaults and the right of 852 to immediately enforce the Security in accordance with its terms is unconditional [**emphasis added**].

27. Additionally, section 11 of the Forbearance Agreement provides that the addition of Facility C and Facility D was deemed to have amended the terms of the Loan Agreement, *mutatis mutandis*, a phrase which I have seen in other legal agreements and understand to mean that the provisions of the Loan Agreement would be amended as necessary to include the two new facilities set out in the Forbearance Agreement.

28. As a result, the addition of Facility C and Facility D were governed not just by the terms and conditions of the Forbearance Agreement but also the terms and conditions of the Loan Agreement. The Loan Agreement provides as conditions to the original availability of any facility and subsequent advances:

The availability of the Facility is subject to and conditional upon the following conditions:...

(viii) the Lender being satisfied that there had be no material deterioration in the financial condition of the Borrower or the Guarantor...

Each of the following is a condition precedent to any subsequent advance to be made hereunder:...

(vi) no other event shall have occurred that, in the Lender's sole discretion, acting reasonably, materially adversely affects or could materially adversely affect either: (i) the business, assets, liabilities, prospects, financial conditions or operations of the Borrower; or (ii) the value of the Collateral.

SALE OF BREADCRUMBS DIVISION

29. The Forbearance Agreement also had certain milestones that were to be complied with by Sun Pac, which included entering into a firm agreement for the sale of the Breadcrumbs Division by November 6, 2013, and the closing of the sale by December 6, 2013.

30. As referenced in the First Reider Affidavit, Sun Pac received a non-binding indicative offer (the "**Non-Binding Offer**") for the purchase of the Breadcrumbs Division on September 6, 2013 from Furlani's Food Corporation ("**Furlani**"). A copy of the Non-Binding Offer is attached as Exhibit "K" to the First Reider Affidavit.

31. The Non-Binding Offer makes it clear that it is "non-binding on either party" and had a target closing date of October 15, 2013.

32. In an e-mail dated October 2, 2013, Kofman requested that Shone provide an update on the sale of the Breadcrumbs Division to Furlani. Shone responded in an e-mail of that same date and indicated that Furlani was concerned about customer concentration in the Breadcrumbs Division. Additionally, Shone informed us, to our surprise, that Sun Pac had agreed to not engage any purchaser other than Furlani for a 4-week period, which was to expire in mid-October 2013. Accordingly, there were no other prospective purchasers. Attached hereto and marked as **Exhibit "H"** are copies of these e-mails.

33. This information was extremely troubling to 852. The Forbearance Agreement had a milestone that a binding sale agreement for the Breadcrumbs Division would be delivered by November 6, 2013. Unbeknownst to 852, Sun Pac had entered into exclusive negotiations with Furlani based on the Non-Binding Offer, and 4 weeks had passed since the execution of the Non-Binding Offer and the parties were no closer to proceeding with a transaction. There were no other interested parties as Sun Pac had limited its ability to sell the Breadcrumbs Division by entering into an exclusivity arrangement with Furlani.

34. Based on the information that had been provided, it appeared highly unlikely to 852 that Sun Pac would meet the milestones for the sale of the Breadcrumbs Division. As set out in the Forbearance Agreement, the sale of the Breadcrumbs Division was to be the sole source of funds for Sun Pac to repay any advances made under Facility C and Facility D.

DEFAULTS AND ISSUES OF CREDIBILITY

35. In the First Reider Affidavit, Reider makes reference to the meeting held on October 4, 2013 when he was informed that 852 would not be advancing then Facility D loan to Sun Pac. He also refers to the letter from 852's counsel dated October 11, 2013 that outlines the reasons

why Facility D was not advanced. Reider alleges in paragraphs 42 and 43 of the First Reider Affidavit that such issues were not made known to him prior to October 4, 2013 or that there were concerns held by 852 that would potentially result in 852 not funding Facility D. This is incorrect.

36. To the contrary, 852 had repeatedly discussed with representatives of Sun Pac a number of issues of concern throughout the course of its relationship with 852. In fact, on October 1, 2013, Kofman sent an e-mail to Rombough, with a copy to Reider and me, which asked Rombough to address issues that had been brought up repeatedly with Sun Pac. Kofman concluded his e-mail clearly stating "These issues are not trivial and will prove problematic when it comes to further funding's [sic]. Please let me know your plan for addressing all the above issues". Attached hereto and marked as **Exhibit "I"** is a copy of the e-mail.

37. The issues of concern listed by Kofman in his e-mail were as follows:

"Late reporting: we are past your deadline for both July and August reporting. You had committed to being caught up by this month but seemingly that has not occurred.

Draw requests not matching your expected draw: As an example you requested 600,000 in your draw request this week when you did not even have 175,000 of availability.

Orange Juice held in Freezer for more than 15 months: You had earlier informed us that this was being used in production and that you had sale orders for most of it. Based on this information we agreed to margin it. This inventory is still here 15 month later. As discussed given the issues surrounding this OJ (inability to sell into the US and the dated nature of the inventory) we will no longer be able to advance credit against this inventory.

Additionally with regards to this inventory (item#16837) our field examiners have just identified a new issue. This product which has been stored in the freezer for a period greater than 15 months has also increased in price per case from \$13.57 to \$15.92 or ~18%

over the past two months. This is very concerning as it seems that you have increased the value (and thus how much we are lending) on inventory which is quite old and has saleability issues. Please provide an explanation.”

38. The issue that was of particular concern to 852 was the matter related to the orange juice. 852 was first informed in the summer of 2012 that Sun Pac had previously encountered issues with certain orange juice concentrate that was created using oranges that had been grown in Brazil. Apparently, the Brazilian orange growers used certain pesticides that were banned by the U.S. FDA. As a result, a number of Sun Pac products had been removed and/or banned from the United States. Sun Pac retained a large amount of the “tainted” orange juice concentrate (the “Concentrate”) in its freezer.

39. Shone had informed me in an e-mail dated August 9, 2012, a copy of which is attached hereto and marked as Exhibit “J”, that:

“...Brazilian concentrate and finished goods can be sold into Canadian channels without an issue (the pesticide is not banned in Canada). So the raw materials of the Brazilian concentrate will be used in the Canadian channels...”

40. As part of the funds advanced by 852 to Sun Pac, the Concentrate was included as marginable inventory in Sun Pac’s borrowing base. As a result, 852 advanced approximately \$100,000 to Sun Pac against the reported value of the Concentrate on the basis of Sun Pac’s representations that the Concentrate was saleable.

41. Throughout the course of the relationship between Sun Pac and 852, various explanations had been provided by Reider and others at Sun Pac as to how the company intended to deal with the Concentrate. Reider first informed me that he intended to sell the Concentrate to cruise lines. He later indicated that instead of the cruise lines he would sell the Concentrate to

dollar stores and would use the Concentrate in the production of other goods. Reider repeatedly insisted that the Concentrate was saleable.

42. 852 did not have any visibility as to the status of the Concentrate in September 2013, as the last inventory field examination conducted by its examiner GDR Advisory Group (“GDR”), had taken place in April 2013 and the financial reporting provided by Sun Pac did not separate out the Concentrate. A field examination was scheduled and took place in September 2013.

43. On September 30, 2013, Kofman was informed by Jeffrey Sovran and Sean Rai of GDR via e-mail, a copy of which is attached hereto and marked as **Exhibit “K”**, of the following:

“Len,

Find attached results from the past two test counts at Sun Pac. One new issue has been identified with respect to product #16837 which has previously been documented as product which has been stored in the freezer of the company for a period greater than 15 months. Further to that issue which still remains and continues to be documented, it has been noted that product #16837 has also increased in price per case from \$13.57 to \$15.92 or ~18% over the past two months. Therefore, it appears as though the lender is not only lending upon the questionable product without reserve, but also lending upon the artificial increase in the price of the product as recorded by the company.

To ensure this was not indicative of a larger issue, I've reviewed the pricing of all other products recorded by the company over the past few months and note no further issues. This pricing issue results in a mere ~\$9k reserve, however when viewed in combination with the potential \$90k quality issue, further action may be required by the lender.”

44. This information was particularly concerning for 852. The Concentrate has not been sold over a period of 15 months, despite the repeated assurances that it would be. Sun Pac had already received \$100,000 against the value of the Concentrate previously, and they had now

increased the price of the Concentrate on its borrowing base and obtained an additional \$9,000 from 852 in respect of the tainted Concentrate.

45. Rombough responded to Kofman's e-mail on October 1, 2013 with a further explanation of how Sun Pac intended to use the Concentrate:

"As previously discussed... Our plan is to resume using the frozen OJ inventory into our production cycle ASAP and I have addressed this internally on more than one occasion with our production staff. As you will know from our weekly reporting we had previously used the OJ but had been temporarily forced to suspend its use primarily due to restraints in our planning cycle. And yes there are limitations to where we can use this product but the fact remains that we do have a use for it. Furthermore because it is in a frozen state the time frame is not relevant."

A copy of Rombough's e-mail is attached hereto and marked as **Exhibit "L"**.

46. It was in the context of the issues surrounding the Concentrate, the increasing unlikelihood of Sun Pac being able to complete a sale of the Breadcrumbs Division, and Sun Pac's continued financial distress that 852 made the decision to not advance Facility D. This decision was communicated to Reider at the meeting held on October 4, 2013.

FOLLOWING THE OCTOBER 4, 2013 MEETING

47. Reider's allegations contained in paragraphs 38 – 40 of the First Reider Affidavit are completely untrue and fabricated. At no time did I ever inform Reider that I was "thrown under the bus" or that I would have authorized the Facility D advance to Sun Pac but was overruled by Jenny Coco.

48. Throughout the remainder of the First Reider Affidavit, Reider makes unsubstantiated allegations that Sun Pac was crippled by 852's actions and that it had to cease operations as a

result. As noted above and in the information provided by Firepower and the financial statements provided by Sun Pac, Sun Pac was in extreme financial difficulties and did not have sufficient working capital to maintain operations, a situation that was unrelated to 852's decision not to advance Facility D.

49. Reider attempts to paint 852 as an uncooperative party that was not prepared to assist Sun Pac in trying to find a solution so that it could continue to operate. This could not be further from the truth. Following the termination of Facility D, 852 suggested a number of potential options to Sun Pac, such as 852 acting as a debtor-in-possession financier to Sun Pac in the context of a proposal proceeding to provide working capital to Sun Pac while it completed a sale of the Breadcrumbs Division, permitting other lenders to advance funds to Sun Pac on a subordinate basis, and 852 providing additional funding if it was provided with a guarantee from Reider and additional security.

50. To my knowledge, neither Reider nor Liquibrands invested additional funds in Sun Pac to keep it afloat while Sun Pac continued to pursue alternative financing options.

51. Reider also indicates that 852 refused to allow Sun Pac to obtain loans in priority to the advances made by 852 and questions the appropriateness of this decision. As an asset based lender that was facing a potential substantial shortfall on the loans it had made to Sun Pac, it was, in my view, appropriate, reasonable and responsible as a fiduciary to its investors that 852 not permit another lender to have a priority position in the circumstances.

52. Additionally, as noted in Reider's affidavit, 852 continued to provide financing to Sun Pac under its revolving credit facilities from and after October 4, 2013. This demonstrates 852's good faith and desire to work with Sun Pac without increasing its exposure.

53. In my view, the fact that Reider would not invest any of his own money into Sun Pac, and no other parties would advance funds unless they were granted priority over 852's security, belies Reider's position that the business was viable and valuable with the Loblaws contract in hand.

54. Additionally, following the October 4, 2013 meeting, Sun Pac continued its attempts to negotiate a sale of the Breadcrumbs Division to Furlani. However, Sun Pac made no material progress. In an e-mail from Shone dated October 10, 2013, a copy of which is attached hereto as Exhibit "M", 852 was advised as follows:

"...McDowell's: We had a delay due to issues on NDA and some of the obvious sensitive around customers. We sent them the BDO QOE report two days ago and have followed up today to move them to an APA. Unfortunately he has not been back to me before the Thursday noon deadline but will follow up by email once I hear back from him..."

55. I have been informed by Kofman that he subsequently had a conversation with Reider approximately three weeks later on October 31, 2013, when he was informed by Reider that any deal with Furlani was probably a week away from getting anything on paper and that there was an issue on the pay out to account for the risk of customer concentration. Attached hereto and marked as Exhibit "N" is a copy of Kofman's e-mail dated October 31, 2013.

56. As noted above, Reider shuttered Sun Pac's operations and terminated its employees without any notice or warning to 852. 852 was required to move quickly to seek the appointment of BDO as receiver. Reider's actions precluded the receiver from trying to preserve the business, preserve employment for the employees, and maximize the realizable assets of Sun Pac for the benefit of its stakeholders. As a result, the receiver was required to liquidate Sun Pac's assets,

and there is only approximately \$400,000 available to be distributed to 852 on account of its security. This is a significant loss to 852, as it advanced in excess of \$3.1 million to Sun Pac.

57. Additionally, neither Sun Pac nor Liquibrands opposed the receivership of Sun Pac. I have been informed by 852's legal counsel that counsel for Sun Pac and Liquibrands attended at the receivership hearing and did not oppose the receivership, did not allege any breach of the Forbearance Agreement or misconduct conducted by 852, did not challenge the fact that Sun Pac was indebted to 852, or seek to reserve its rights. Attached hereto and marked as **Exhibit "O"** is a copy of the Endorsement of Justice Mesbur dated November 12, 2013.

CONCLUSION

58. In summary, it is 852's position that there is no genuine issue requiring a trial and that leave should not be granted to Liquibrands and Liquibrands' motion should be dismissed. 852 acted in an appropriate, reasonable and responsible manner when it decided not to advance Facility D to Sun Pac and in accordance with its legal rights.

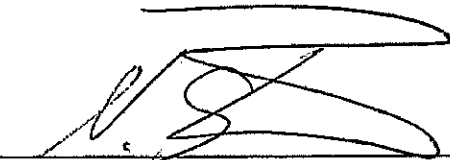
59. 852's also requests that BDO be appointed as receiver over all of Liquibrands' property, assets and undertaking, in order to facilitate a transaction for its losses to generate additional recoveries for stakeholders.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario,
this 13th day of May, 2014.

Kudinova

A Commissioner, Etc.

**Karina Kudinova, a Commissioner,
etc., Province of Ontario, while a
Student-at-Law.
Expires August 12, 2016.**



NATASHA SHARPE

THIS IS EXHIBIT "A" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014

Kudinova

A Commissioner etc.

SUBORDINATION, ASSIGNMENT, POSTPONEMENT AND STANDSTILL AGREEMENT

TO: Bridging Capital Inc. ("BCI")

Re: BCI loan to Sun Pac Foods Limited (the "Corporation")

WHEREAS the undersigned has been or may be granted security interests, claims, charges, liens or other encumbrances by the Corporation and has registered or may register such security interests, claims, charges, liens or other encumbrances against the Corporation, including, without limitation, under the *Personal Property Security Act* (Ontario) or other applicable personal property security legislation (the "**Security**");

AND WHEREAS BCI requires a security position in priority to the undersigned against all of the Corporation's present and after-acquired personal property, assets and undertakings as a condition to extending credit to the Corporation;

AND WHEREAS BCI has been or may be granted security interests, claims, charges, liens and other encumbrances by the Corporation and has registered or may register such security interest, claims, charges, liens and other encumbrances against the Corporation, including, without limitation, under the *Personal Property Security Act* (Ontario) or other applicable personal property security legislation (the "**BCI Security**");

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the undersigned, the undersigned hereby consents to the BCI Security granted by the Corporation to and in favour of BCI and acknowledges, covenants and agrees to and in favour of BCI: (a) that notwithstanding any priority provided by any principle of law, equity or statute or the relative order of execution, delivery, creation, grant, registration, advance, attachment, possession, perfection or non-perfection, default, demand, notice, crystallization, enforceability or enforcement of the BCI Security or the Security, or any other matter or thing whatsoever, the Security of the undersigned in and to any and all of the present and after-acquired personal property, assets and undertakings of the Corporation, and any and all proceeds therefrom, and any and all insurance claims and proceeds in connection therewith, which the undersigned may now have or hereinafter obtain and be perfected by any existing registrations under the *Personal Property Security Act* (Ontario) or any other personal property security legislation, or any subsequent registrations, shall be fully and unconditionally subordinated to the BCI Security in favour of BCI; (b) to give written notice to BCI of any default of the Corporation regarding any indebtedness, liability or obligation of the Corporation to the undersigned; (c) that it shall not, without BCI's prior written consent, which consent may be unreasonably withheld, take any steps whatsoever to enforce the Security (including, without limitation, asserting any rights of set-off or claims against any of the property, assets or undertakings of the Corporation, making any demand, accelerating any of the obligations, commencing any bankruptcy proceedings, foreclosure, sale, power of sale, taking of possession, giving in payment, appointing or making application to a court for an order appointing an agent or a receiver of receiver-manager over all or any part of the property, assets or undertakings of the Corporation or by any other means of enforcement thereof), unless and until the obligations of the Corporation to BCI have been indefeasibly paid and performed in full to the absolute and sole satisfaction of BCI; (d) to do all things and execute all documents which may be reasonably requested by BCI to give effect to this Subordination, Assignment, Postponement and Standstill Agreement; (e) that all present and future indebtedness and liability of the Corporation to the undersigned is hereby assigned by the undersigned to BCI and postponed to all obligations of the Corporation to BCI and any and all moneys received by the undersigned in respect thereof will be received in trust for and forthwith paid over to BCI; and (f) that it shall not take any steps whatsoever whereby the priority or rights

of BCI as established hereunder shall or might be delayed, defeated, impaired or diminished. Without limiting the generality of the foregoing, the undersigned shall not and shall not cause any other person to challenge, object to, compete with or impede in any manner any act taken or proceeding commenced by BCI in connection with the enforcement by BCI of the BCI Security or realization of any of the Corporation's personal property, assets, undertaking and collateral.

This Subordination, Assignment, Postponement and Standstill Agreement shall enure to the benefit of and be binding upon the parties hereto and BCI and their respective successors and assigns.

The undersigned hereby authorizes Chaitons LLP to register the necessary financing statement to record the subordination created herein.

It is specifically acknowledged and agreed that this agreement may be executed in several counterparts, each of which shall be deemed to be an original and that such separate counterparts shall together constitute one and the same agreement.

DATED this 1st day of October, 2012.

LIQUIBRANDS INC.

Per: 

Name: Csaba Reider

Title: President

I have authority to bind the Corporation.

THE UNDERSIGNED HEREBY ACKNOWLEDGES receipt of a copy of the foregoing Subordination, Assignment, Postponement and Standstill Agreement, accepts all of the terms and conditions contained therein and further agrees with BCI to give effect to all of the provisions thereof. The undersigned further acknowledges that nothing contained in this agreement shall confer any rights or benefits on the Corporation.

DATED this 1st day of October, 2012.

SUN PAC FOODS LIMITED

Per: 

Name: Csaba Reider

Title: President

I have authority to bind the Corporation.

THIS IS EXHIBIT "B" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014

Kudinova

A Commissioner etc.

5/13/2014 12:46 PM

1 of 3

Sam P. Rappos

From: N Sharpe
Sent: Wednesday, September 04, 2013 6:37 AM
To: 'creider@sunpac.com'; 'jshone@firepowercapital.com'
Subject: Re: update Loblaw

Follow Up Flag: Follow up
Flag Status: Flagged

Partial list of requirements prior to funding:

1. CIM for the equity raise for SunPac
2. Comprehensive list including contact information of everyone approached to date as potential equity partners and response
3. Supporting details of the four parties most interested and why SunPac believes they can close within 3-4 months of receipt of Loblaws contract
4. Loss of McDowell's impact on 1 and 3 above

It is likely that our investors will not authorize further funding this week on the basis of McDowell's without

A. A signed Loblaws contract OR

B. A dollar for dollar equity contribution eg we fund 250k and Csaba funds 250k until A is received OR

C. A registered first charge for the funded amount on assets not currently within the security package.

Natasha Sharpe

President | Bridging Finance Inc.

77 King St W | Suite 2925 | Toronto | ON | M5K 1K7

T: (416) 909-0301

nsharpe@bridgingfinance.ca

From: Csaba Reider [mailto:creider@sunpac.com]
Sent: Friday, August 30, 2013 11:15 AM
To: Jim Shone <jshone@firepowercapital.com>
Cc: N Sharpe
Subject: FW: update Loblaw

fyi

Cheers,

Csaba Reider
President & CEO
SunPac Foods Limited
Direct Line: 905-789-5160
Sun Pac Foods Plant Tour

Confidentiality Notice

5/13/2014 12:46 PM

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From: David Houlden [mailto:David.Houlden@loblaw.ca]
Sent: August-30-13 11:13 AM
To: Csaba Reider
Subject: RE:

Csaba, I am not in the office today.

I wasn't able to get anything yesterday. I have asked again this morning and will stay close to my computer all day.

David Houlden
extension 617528

From: Csaba Reider [mailto:creider@sunpac.com]
Sent: August 30, 2013 8:37 AM
To: David Houlden
Subject: RE:

David, please give me a call when you have a minute.

Cheers,

Csaba

Csaba Reider
President & CEO
SunPac Foods Limited
Direct Line: 905-789-5160
Sun Pac Foods Plant Tour

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From: David Houlden [mailto:David.Houlden@loblaw.ca]
Sent: August-28-13 4:46 PM
To: Csaba Reider
Subject: Sunpac

Csaba, note update below.

David Houlden
extension 617528

From: Carla Tidd
Sent: August 28, 2013 3:33 PM

5/13/2014 12:46 PM
To: David Houlden
Subject: RE: Sunpac

David,

I am truly sorry but I will not be able to provide you with the agreements today. Sean and I are still working through some final issues. I know you are eager to send them to Sun Pac and will get them to you as soon as possible.

Carla

Carla Tidd
Senior Manager, Contracts

1 President's Choice Circle | Brampton | Ontario | L6Y 5S5 T; (905) 459.2500 x.614756 | Email carla.tidd@loblaw.ca



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THIS IS EXHIBIT "C" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014

Kudinovai

A Commissioner etc.

5/13/2014 12:47 PM

1 of 4

Sam P. Rappos

From: Jim Shone ([jshone@firepowercapital.com])
Sent: Thursday, September 05, 2013 11:12 AM
To: N Sharpe
Cc: 'creider@sunpac.com'; Justin Barragan; Sebastien Douville
Subject: RE: update Loblaw
Attachments: Sun Pac - Innovation In Private Label Beverages (Sept 2013).pdf; 20130904 Sun Pac's Equity Financing Efforts v3.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Good Morning Natasha,

As requested please find attached and below the answers to your questions as well as information requested

1. CIM for the equity raise for SunPac – See attached
2. Comprehensive list including contact information of everyone approached to date as potential equity partners and response – see attached
3. Supporting details of the four parties most interested and why SunPac believes they can close within 3-4 months of receipt of Loblaws contract – see attached
4. Loss of McDowell's impact on 1 and 3 above – McDowell generated EBITDA of 777k in FY12, and is on track to do \$684k in FY13. A/R of \$178k and A/P of \$71k is expected at the close date. The non-core division of McDowell has not been discussed at any length with potential investors, either in discussions or in previous versions of the CIM. Further, because of the relative magnitudes of the losses to date, and the large swing to profitability in FY14, the impact of McDowell has not been thought to be significant. It is only discussed as a possible bridge in the fall of 2013.

If you require anything further please let us know

Jim Shone MBA CFA
 Vice President - Corporate Finance



11 Church St, Suite 200
 Toronto, ON, M5E1W1
 (P) (647) 260-4990
 (C) (416) 802-9655
 (F) (416) 861-0177
 Email: jshone@firepowercapital.com
www.firepowercapital.com

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From: N Sharpe [mailto:NSharpe@bridgingfinance.ca]
Sent: Wednesday, September 04, 2013 6:37 AM
To: 'creider@sunpac.com'; Jim Shone
Subject: Re: update Loblaw

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5/13/2014 12:47 PM

response

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Natasha Sharpe

President | Bridging Finance Inc.

77 King St W | Suite 2925 | Toronto | ON | M5K 1K7

T: (416) 909-0301

nsharpe@bridgingfinance.ca

From: Csaba Reider [<mailto:creider@sunpac.com>]

Sent: Friday, August 30, 2013 11:15 AM

To: Jim Shone <jshone@firepowercapital.com>

Cc: N Sharpe

Subject: FW: update Loblaw

fyi

Cheers,

Csaba Reider

President & CEO

SunPac Foods Limited

Direct Line: 905-789-5160

Sun Pac Foods Plant Tour

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Sent: August-30-13 11:13 AM

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extension 617528

5/13/2014 12:47 PM

3 of 4

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Csaba

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President & CEO
SunPac Foods Limited
Direct Line: 905-789-5160
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David Houlden
extension 617528

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Carla

Carla Tidd
Senior Manager, Contracts

1 President's Choice Circle | Brampton | Ontario | L6Y 5S5 T: (905) 459.2500 x.614756 | Email carla.tidd@loblaw.ca

5/13/2014 12:47 PM

4 of 4

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**THIS IS EXHIBIT "D" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014**

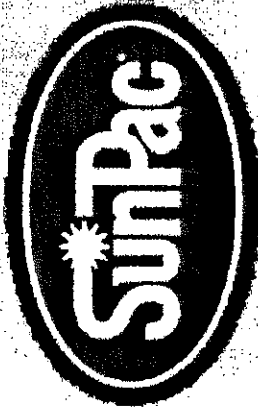
Kudinova

A Commissioner etc.

Sun Pac Foods Limited

**Canadian Beverage Manufacturer Set to Turn
the Corner with a 6-Year, \$260 Million Contract
Request for \$23,200,000 in new financing**

September 2013



FIREPOWER
C A P I T A L

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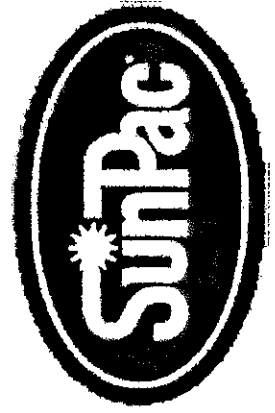
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Executive Summary

Canadian Beverage Manufacturer Set to Turn the Corner with a 6-Year, \$260 Million Contract: Request for \$23,200,000 in New Financing

- In November 2011, Mr. Csaba Reider, a successful entrepreneur and former C-level executive at Cott Beverages, purchased Sun Pac Foods Limited. **At the time, Sun Pac was in dire straights, after years of mismanagement and lack of interest from former owners.**
- Because of unexpected delays in securing new contracts, Sun Pac remains in a distressed financial situation. However, it now has clear visibility into annual sales of \$100+ million and a breakeven point in mid-2014. **A 6-year, \$260 million contract (in legalese) with one of Canada's largest retailers underpins this.**
- Adequate financing is the key to returning to profitability: **Sun Pac requires \$2 million immediately to execute on the orders on hand (suppliers have capped credit), and a total of \$23.2 million within 6 months to execute on its turnaround.**
- **Focused execution is expected to deliver \$62-72 million in EV within 3 years**





History: New ownership takes over Sun Pac in November 2011

Mr. Csaba Reider began to execute on his vision to bring innovation to manufacturing of Private Label beverages.

- In November 2011, **Mr. Csaba Reider, a successful entrepreneur and former C-level executive at Cott Beverages**, purchased Sun Pac Foods Limited.
 - From owners who had grown disinterested in the business and had no succession plan.
 - A decade without vision and innovation resulted in poor financial performance and an underutilized infrastructure.

- Mr. Reider made this move with the encouragement of many large purchasers of beverages, who were personal contacts of his.
 - These prospective customers were looking for alternatives to incumbent beverage manufacturers, whose service levels and pricing had deteriorated significantly.
 - They indicated they would move their business to Sun Pac.

- However, beverage manufacturing is a slow moving industry, and Sun Pac has faced significant delays in new customer wins, **including a 6-year \$260 million contract that has taken at least a year longer than expected to finalize**. Consequently, Sun Pac is facing financial difficulties.

Sun Pac's current financial situation requires immediate action

Sun Pac is in a distressed financial situation, but has visibility into \$100+ million in new contracts. Adequate financing is the key to returning to profitability.

		Pros
Sales	Sun Pac had to turn over a significant portion of old customer book, as they were \$ losers Beverage manufacturing is a slow-moving industry	\$260 million contract with Canada's largest grocer will be finalized in September 2013 Annualized dollar value of new contracts to start in August – October: \$1.1 million in contribution margin and includes POM and Loblaw (Isotonics)
Cash Flow	Negative EBITDA of \$506k in July, and forecasts of \$404k in Aug., \$187k in Sept. and \$303k in Oct.	Contracts in place to turn EBITDA positive by May 2014.
Suppliers (Working Capital)	Major suppliers are stretched to their maximums, and capped credit in the first week of September; secondary ones are stretched 200+ days. Sun Pac has limited working capital to purchase raw materials for \$1.2 million in outstanding POs. \$3 million is needed to normalize A/P.	Suppliers stretched so much for Sun Pac because of Mr. Reider transparent and constant communication with them. These relationships are decades-long and despite the difficult context, are not strained at this moment.
Rent	Rent is being paid for the entire facility (355,000 sq ft), even though 100,000 sq ft cannot be used by Sun Pac today.	Landlord is engaged to support success: <ul style="list-style-type: none"> - Reduced rent by \$100k for 3 months, in exchange for a \$0.5 / sq ft rent increase - With Sun Pac's help, is looking for a tenant for the unusable 100,000 sq ft portion, which could relieve Sun Pac of \$105k in monthly rent. It is also considering upgrading the space. - Waived rent in the event of a liquidation; this relaxed ABL reserve requirements by \$650k.
Non-Core Asset Divestiture	A non-core portion of Sun Pac (McDowell bread crumbs) is up for sale. By divesting McDowell, cash burn will increase by \$65k per month.	A buyer offered \$3.1 million cash for McDowell. It is expected to close in October. It provides run way until December 2013.
Lenders	High cost of ABL financing due to distressed situation	As a consequence of the landlord waiver, Sun Pac's ABL lender released \$650k from its reserve. The ABL lender may also advance \$1.5 million in September against the McDowell sale.

A new financing program for Sun Pac to turn the corner

Sun Pac requires \$2 million immediately to execute on the orders on hand, and \$23 million in total to return to profitability within 12 months.

Sources of Funds	Uses of Funds
Bridge Financing	Supplier credit is exhausted – cash is needed for purchases
Equity	Normalize working capital
Capital asset credit facility	Finance cash burn (2013 and 2014)
	Equipment purchases for CSD contract
	Contingency
Total	Phase 1 Total

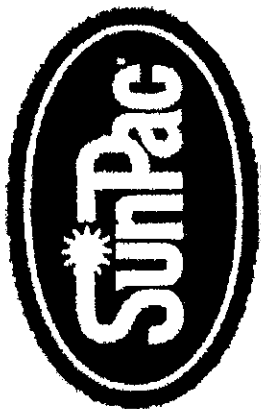
This new financing complements a \$1.7 million equipment loan, and a \$7.0 million ABL bridge facility, both already in place. This facility margins 90% of eligible accounts receivable and 75% of NOLV of eligible inventory.

Key Short-Term Assumptions

- The above financing program is in place by the end of December 2013
- The sale of McDowell is completed by the end of October 2013 for \$3.1 million.
- Current ABL lender extends \$1.5 million against proceeds of the McDowell sale by the end of Sept. 2013, and is repaid a month later when McDowell closes.
- The \$19 million financing for the spring water bottler acquisition (see slide 13) is considered separately, as it is set to remain independent from Sun Pac for the foreseeable future.

With financing in place, Sun Pac can execute on its vision

Mr. Reider and his team are ready to go!

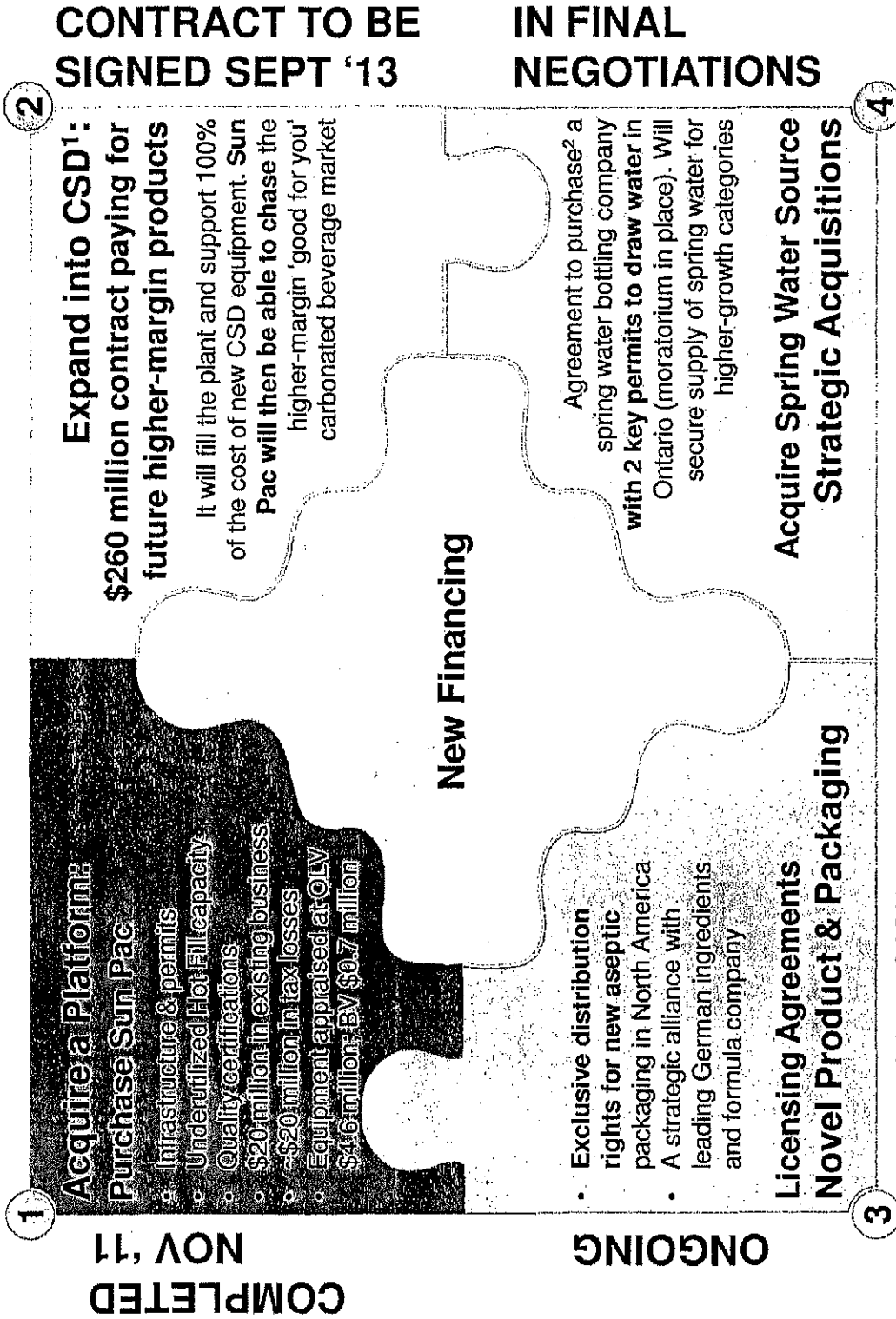


A new generation beverage
company *that brings higher-*
margin beverage innovation to
Private Labels.



A well-defined plan to deliver beverage innovation to private labels

Purchasing Sun Pac was the first 'puzzle piece' needed to execute on this vision. Financing is the last piece needed to complete the puzzle.



¹ Carbonated Soft Drinks
² Note that the \$19 million financing for the spring water bottler acquisition (see slide 13) is considered separately, as it is set to remain independent from Sun Pac for the foreseeable future.



Acquire a Platform – COMPLETED NOV. '11

Sun Pac Foods Limited delivers capacity, quality certifications, \$20 million in existing sales and a 60+ year track record of quality.

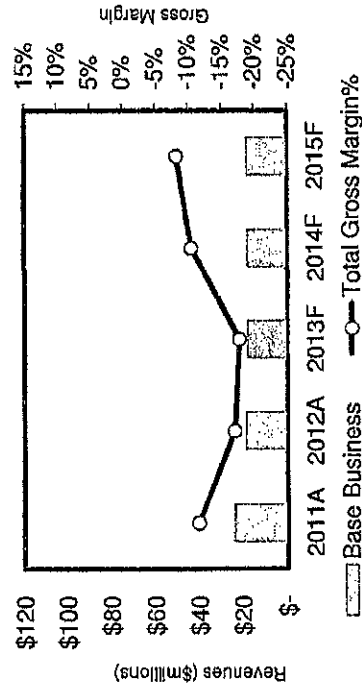
Why Sun Pac?

- Massively discounted assets that today would cost about \$60 million to replace, creating a significant barrier to entry.
- Excellent existing customer base generating \$20 million.
- 355,000 sq.ft. facility in Brampton, ON holds the highest industry quality certifications, a significant barrier to entry
- Large and prime location boasts warehouse and storage space coupled with close proximity to retailers, access to major highways and intermodal freight.
- It operates 5 Hot Fill production lines that can supply fast growing beverage categories in North America. Expansion opportunity as demand outstrips existing hot-fill capacity.
- Sun Pac is one of only two frozen juice producers in Canada.
- Approximately \$20 million in tax loss carry-forwards
- Appraisal on hand indicates equipment OLV of \$4.6 million vs. book value of \$0.7 million, which provides surplus of \$3.9 million as at Dec. 31, 2012

Existing Customer Portfolio



Sun Pac currently generates \$20 million in sales from legacy customers



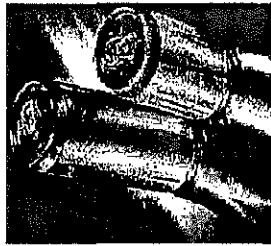
Total Gross Margin is Sales less COGS, factory burden, maintenance, fixed costs, warehousing, inventory reserve and freight

Expand into CSD – CONTRACT TO BE SIGNED SEPT '13

Major CSD production agreement propels volumes past breakeven, and provides foundation to chase higher-margin opportunities in 'good for you' carbonated drinks.

2

- Sun Pac and a major North American retailer are currently finalizing the **largest Private Label beverage contract in recent Canadian history**.
- Meanwhile, Sun Pac has won smaller contracts with this retailer worth \$6 million in new sales. It bodes well for this large contract.
- Contract volumes will absorb fixed costs and overhead, **drive margin expansion, operational efficiencies, financial flexibility, and product offerings**.
- This big win will be a testament to the **strength, reputation and execution ability of Sun Pac's management team**.
- Why not just win new Hot Fill business to achieve breakeven volumes? **A Hot Fill contract of similar size simply does not exist in the marketplace**. Hot Fill is a smaller market today than CSD and is dominated by Lassonde.



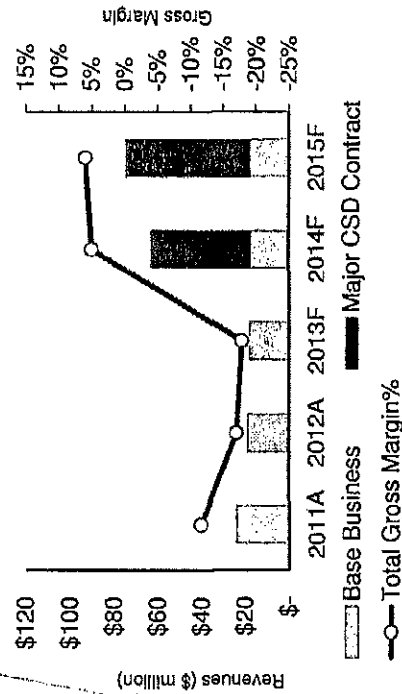
Capacity Fill

CSD contract provides threshold volumes needed to capitalize on growth categories

Major CSD contract details

- The 6-year agreement is expected to generate, over the 6-year period:
 - \$260 million in sales (\$56 million run rate)¹
 - \$37 million in EBITDA²
- **The contract is currently in the hands of the retailer's legal team.**
- Favorable "win-win" contract structure that guarantees lowest price, outlines minimum volumes and allow Sun Pac to pass on commodity pricing increases.

New volume underpins gross margin improvements in 2014 and 2015



Total Gross Margin is Sales less COGS, factory burden, maintenance, fixed costs, warehousing, inventory reserve and freight.

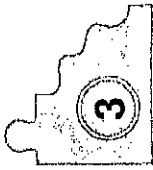
¹ Sales data provided by retailer
² EBITDA estimated by FPC and management

Novel Product & Packaging – ONGOING

Sun Pac is creating the ideal platform to capitalize on this profitable niche as Private Labels seek a manufacturer with new concepts to drive their sales.

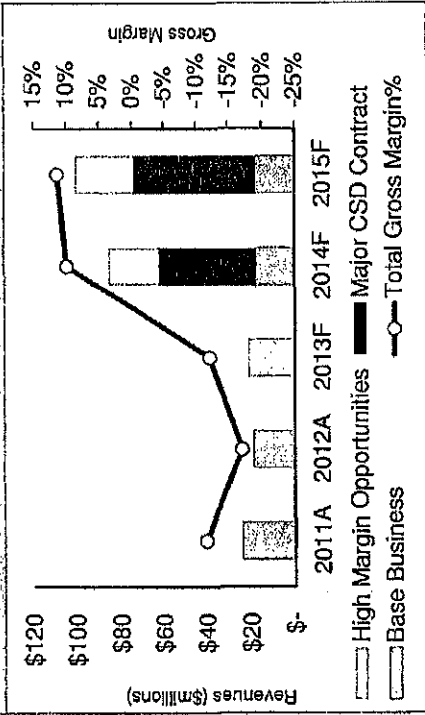
- **Sourcing and developing innovative product and packaging solutions** for the Private Label market is a critical value-add for Sun Pac's customers—they don't have the product development experience that national brands have.
- In order to gain preferential access to new products, Sun Pac has established strategic relationships with global leaders in ingredient and packaging innovation (primarily in Europe and Asia where high levels of competitiveness drive more innovation than in North America)
- Notably, Sun Pac has:
 - ❖ Forged an **alliance with Döhler**, a €1bn European company at the forefront of ingredients, recipes and packaging/format developments.
 - ❖ Secured **North American exclusive licensing** to Lamican's aseptic packaging. Lamican provides a sophisticated alternative to Tetra Pak's 40+ year old technology. The market in North America is estimated at \$750 million.¹
 - ❖ In **negotiations with Astrapouch**, a new consumer packaging solution not yet offered in Hot Fill/aseptic.
 - ❖ Sun Pac is in talks to produce **Talking Rain**, a 'good for you' carbonated beverage. It grew revenue 344% year over year to \$140 million in sales².

¹ Tetra Pak Annual Report 2011/2012
² BEVNET Magazine, January/February 2013



Key input and co-pack relationships

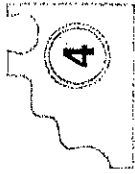
Innovation ignites gross margin, increasing to 11% of sales in 2015



Total Gross Margin is Sales less COGS, factory burden, maintenance, fixed costs, warehousing, inventory reserve and freight.

Strategic Acquisitions – IN FINAL NEGOTIATIONS

Signed LOI to purchase a \$20 million / year spring water bottler, which gives Sun Pac exclusive access to rare spring water sources in Ontario, and a key to growth



- Spring water as a beverage base has surged in popularity and leads all beverage category growth. The popularity of spring water can be seen in the success of products such as Talking Rain (344% YoY growth¹)
- **There is a moratorium on new spring water permits in Ontario:** Obtaining access to significant spring water volumes is extremely difficult, creating a defensible competitive advantage for Sun Pac.
- To gain control over this key input, Mr. Reider has entered into an agreement to **purchase the bottler, and is conditional only on financing** (a separate transaction)

Acquisition metrics

Total Consideration	\$19 million
Purchase Multiple	5.5x 2012 EBITDA 5.1x 5Y avg. EBITDA
Targeted close date	December 2013

Please note that none of the projections in this slide deck include the acquisition: Sun Pac and the spring water bottler will remain independent entities.

Acquisition Highlights

- Control over key supply of spring water: has valid Permits to Take Water from two sources (as issued by the Ministry of the Environment) allowing for the extraction of up to 657 million liters of water per year.
- Only drew 16% of its 2011 allowance.
- Best-in-class production facility with over \$34 million invested since 2005.
- Significant excess production capacity, with only 37% plant utilization in 2011.
- Strong presence in Canada's largest bottled water market (Ontario) with blue chip customers.
- Focus on serving Private Labels: 55% of sales to Private Labels.
- Synergies with regards to customer lists.



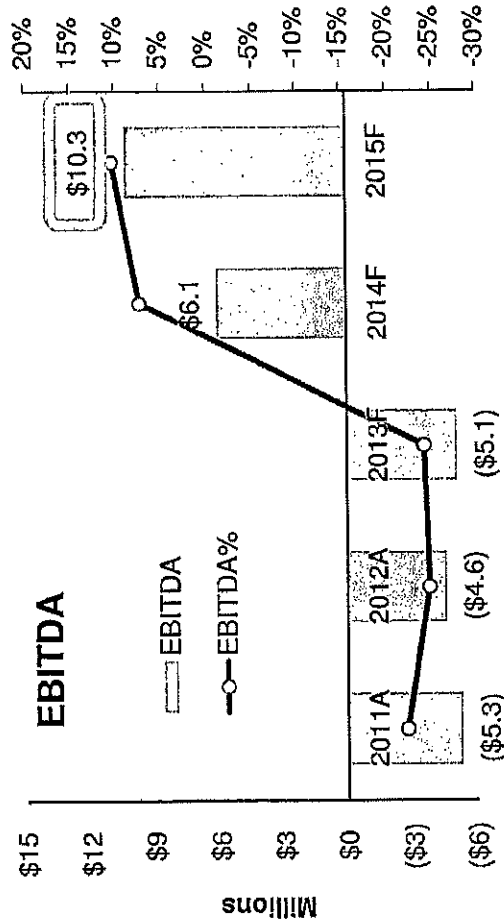
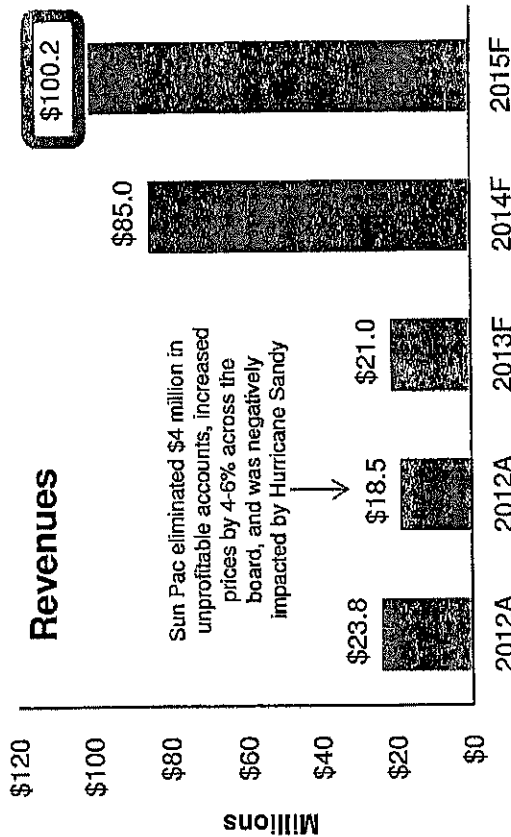
What does this mean for Sun Pac shareholders?

Focused execution should translate into a \$62-72 million valuation in 3 years

\$100 million in revenue by 2015

Sun Pac has visibility into a \$100 million net sales pipeline in 2015. These sales consist of:

- Existing Hot Fill business: \$18 million
- Major 6-year CSD Private Label contract: \$56 million
- Higher-margin opportunities with innovative products and packaging: \$26 million



\$10.3 million EBITDA supports a \$67 million valuation in 3 years' time

Strategics pay above average multiples for disruptive private players in the sector:

- Cott paid 7.1x EBITDA for Cliffstar in 2010¹
- Lassonde Industries paid 6.7x EBITDA in 2011 for Clement Pappas²

At an estimated exit multiple range of 6x to 7x EBITDA, Sun Pac could achieve an **exit of \$62 - \$72 million.**³

Sources and Footnotes:
 1 Cott: Investor Slideshow – Cliffstar Announcement, July 8 2010
 2 Lassonde: Acquisition of Clement Pappas and Company, Inc., July 2011
 3 Multiple adjustment for relative size of Sun Pac compared to the mentioned entities

These projections do NOT include the spring water bottler acquisition. 2011A EBITDA is normalized for acquisition-related expenses.





Financial results and projections

The financing of Sun Pac enables it to deliver on its turnaround and growth plans. The balance sheet ratios will be in line with industry ratios by the start of 2015.

BALANCE SHEET Sun Pac Foods Limited	2011	2012	2013F	2014F	2015F
Current Assets	12,785,002	4,228,960	17,161,788	16,529,380	22,579,880
Net PPE ¹	650,734	713,014	648,567	13,805,920	10,850,982
Total Assets	13,435,737	4,941,974	17,810,355	30,335,301	33,430,862
Current Liabilities	3,999,150	4,389,808	8,553,889	9,054,792	8,644,857
Long Term Liabilities	-	-	506,667	9,589,514	6,688,010
Shareholder's Loans	-	2,206,066	2,631,066	2,631,066	2,631,066
New Equity	-	-	12,000,000	12,484,800	12,989,186
Retained Earnings	9,436,587	(1,653,900)	(5,881,267)	(3,424,873)	2,477,743
Total Liabilities and Shareholder's Equity	13,435,737	4,941,974	17,810,354	30,335,300	33,430,861

Ratios

Current Ratio	3.2x	1.0x	2.0x	1.8x	2.6x
Debt to Equity ²	0.4x	8.0x	1.0x	1.6x	0.8x

¹ Appraisal on hand indicates OLV of \$4.6 million, which provides surplus of \$3.9 million as at December 31, 2012

² Debt includes Current & LT Liabilities; Equity includes Shareholder's Loans, New Equity and Retained Earnings & Share Capital

Risks and mitigating factors

Sun Pac is undeniably in a distressed financial position. There are indeed significant risks; however, these are largely mitigated as shown below:

Risk	Implication	Mitigation
<p>1 Capacity Utilization</p>	<ul style="list-style-type: none"> The 355,000 sq. ft. facility is one of the largest in Canada and will take a long time to 'fill up' 	<ul style="list-style-type: none"> Sun Pac just entered into a 6-year contract with one of Canada's leading grocers, which will take up 50%+ potential capacity
<p>2 Declining CSD Market</p>	<ul style="list-style-type: none"> The CSD market is in secular decline 	<ul style="list-style-type: none"> Traditional CSD is still a huge market; Private Labels and novel CSD products are bucking the trend and growing
<p>3 Ability to Execute</p>	<ul style="list-style-type: none"> Expanding a plant, and executing on new contracts is not a given 	<ul style="list-style-type: none"> Mr. Reider and the team he assembled have successfully launched 6 new beverage manufacturing lines, worth \$200 million.
<p>4 Significant Leverage</p>	<ul style="list-style-type: none"> In 2014, when most of the new equity will have been spent, leverage becomes an issue 	<ul style="list-style-type: none"> Growth in net income accelerates throughout the year, and shareholders' equity more than doubles
<p>5 Short-Term Working Capital</p>	<ul style="list-style-type: none"> Sun Pac has maxed its credit limits with its existing suppliers. 	<ul style="list-style-type: none"> Divesting of McDowell, a non-core asset, for \$3.1 million by the end of October will provide enough runway through the end of the year.

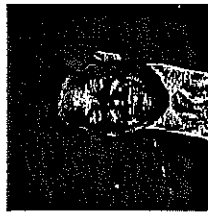




We look forward to your inquiries.

FirePower Capital's Corporate Finance Group is leading this transaction.

- SUN PAC IS A DISTRESSED BEVERAGE MANUFACTURER, WITH AN IMMEDIATE NEED FOR \$2 MILLION, AND \$23 MILLION WITHIN 6 MONTHS
- IT HAS A \$260 MILLION, 6-YEAR CONTRACT IN LEGALS FROM THE TOP GROCER IN CANADA AND VISIBILITY INTO \$100+ MILLION IN ANNUAL REVENUES



Corporate Finance

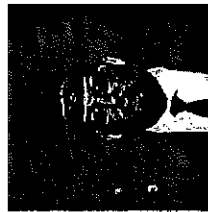
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FirePower Capital is a corporate finance advisory firm serving the lower middle-market across North America.

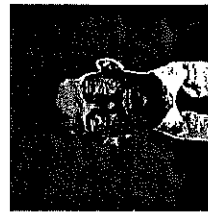
We assist small and medium-sized businesses with debt and M&A transactions.



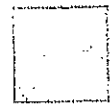
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FirePower Capital has excelled at growing successful businesses for over 30 years both directly through capital investments and indirectly by offering strategic guidance and advisory services.



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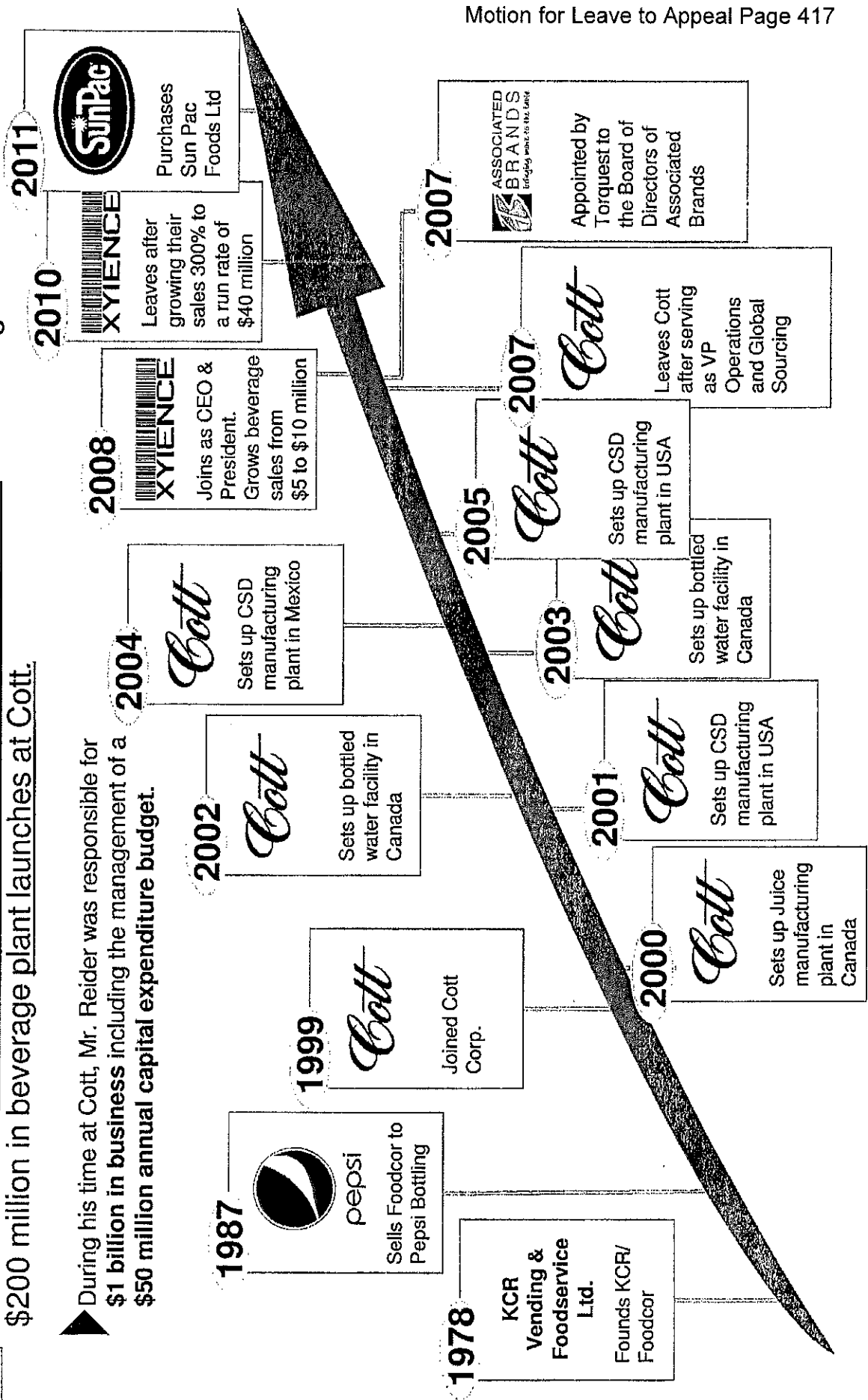
Appendices

- Talented management team
- How Sun Pac's strategy monetizes key industry drivers
 - Key industry drivers
 - Monetization plans

Talented management team with long track record of plant launches

Mr. Reider has successfully started and sold two businesses. He managed \$200 million in beverage plant launches at Cott.

During his time at Cott, Mr. Reider was responsible for \$1 billion in business including the management of a \$50 million annual capital expenditure budget.



Setting the path for a New Generation Beverage Company

Management's vision of *bringing higher-margin beverage innovation to Private Labels* monetizes fundamental developments in the non-alcoholic beverage industry.

Key Industry Drivers

The rise of Private Labels, at the expense of branded products

Categories are getting more specialized to suit fast changing tastes

North American production capacity is misaligned with consumer needs

Private Labels looking for suppliers that add value

An M&A environment rewarding manufacturers that validate new trends

How to Capitalize

Focused on the development and innovation of private label offerings within untapped segments in both product and packaging

Source and develop innovation in products and packaging, primarily from abroad

Acquire idle capacity that can be up-tooled quickly, and has highest quality certifications

Introduce them to novel products and packaging that yield new revenues for them

Take calculated risks on new, higher-growth products and packaging



Key industry drivers

Management finds opportunity in a transitional period for 'traditional' beverages.

The rise of Private Labels, at the expense of branded products

Private Label (PL) sales are expected to double in value by 2025 in North America, driven by:

- Consolidation in food retailing¹;
- Consumers trust PL products more than ever before
- PL companies playing catch up in North America where they make up 11% of the overall beverage market, compared to 19% in W. Europe³.

Categories are getting more specialized to suit fast changing tastes

Consumers are *moving away from traditional beverages & buying new categories requiring Hot Fill / aseptic* including:

- functional/ energy drinks;
 - good-for-you; and,
 - ethnic beverages (ready-to-drink teas, etc.).
- These categories are *experiencing double-digit growth*—driven by consumers' consciousness of health and performance and choice⁴.

Private Labels looking for suppliers that add value

Private Labels want alternative suppliers to the incumbents, and are looking to form win-win partnerships. Their customers are asking PLs for new products, but they do not have the same track record and experience of innovation as the national brands. They expect their suppliers to add that kind of value.

An M&A environment rewarding manufacturers that validate new trends

Incumbents are not nimble enough to tackle new higher-growth, niche beverage categories.

This not only provides ample opportunity to address these segments, but also exit options at attractive multiples.

North American production capacity is misaligned with consumer needs

Most new beverage products require "Hot Fill" production capabilities. Therefore, Private Labels are seeking Hot Fill capacity, but there is little such capacity available in North America⁴. Further, large manufacturers are unable to do small runs.

¹Soda production in the US, IBISWorld, January 2013
²DataMonitor, Defending Against Private Labels, Beverage-Digest, January 11, 2013
³Beverage-Digest, January 11, 2013
⁴Company management

How to capitalize on key industry drivers

Management crafted a clear vision and strategy to capitalize on these trends.

Win and structure agreements that further catalyze Private Labels' growth

Create a beverage manufacturing company that has a customer-driven culture and a long-term view. **Provide Private Labels with flexibility and transparency of contract terms and pricing.** Such qualities are rare in the current environment, which is dominated by a handful of companies that control most of the capacity

Source and develop innovation in products and packaging, primarily from abroad

Proactively seek new beverage trends through strategic partnerships in Europe and Asia, from where all major product and packaging developments originate (due to the competitiveness of the industry there)

- Seek innovation across ingredients, recipes, formulae, packaging, marketing, etc.

Introduce Private Labels to novel products & packaging that increase sales for them

Become a value-added partner to retailers through the development of Private Label beverage offerings, that meet the growing needs of a diversified population. To be leaders in identifying and anticipating what their customers will search for, and delivering new products and packaging to them in a 'turnkey' manner.

Take calculated risks on new, higher-growth products and packaging

Selectively manufacture new higher-growth products to gain specialized expertise. Large beverage companies have been acquiring mid-market private beverage producers whose footprint disrupts their ability to grow market share

- In July 2010, Cott acquired Cliffstar for 7.1x¹ EBITDA.
- The following summer, Lassonde purchased Clement Pappas for 6.7x EBITDA².

Acquire idle capacity that can be up-tooled quickly, with highest quality certifications

Acquire a facility and add/up-tool Hot Fill lines, as they are highly sought-after. **Many mid-market Hot Fill producers have already been bought by large incumbents.** Ensure the facility has a long quality track record with highest industry certifications and standards

¹ Cott: Investor Sideshow – Cliffstar Announcement, July 8 2010
²Lassonde: Acquisition of Clement Pappas and Company, Inc., July 2011

**THIS IS EXHIBIT "E" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014**

Kudinova

A Commissioner etc.

Re: Sun Pac's Equity Financing Efforts

From: Jim Shone
To: Natasha Sharpe
Cc: Csaba Reider

During early Spring 2013, FirePower Capital carried out a limited survey, to get a sense of the market's appetite for Sun Pac's new equity financing. Most parties (25) declined the opportunity outright; 13 others declined taking further steps without the Loblaw contract in hand. We therefore suspended our efforts before July.

While this initial market foray was unfruitful, we did connect with 13 investors who would be open to investigating the Sun Pac opportunity once the Loblaw contract is in hand. Generally, we believe the below investors have the capabilities to put money to work within 3-4 months because they are comfortable with turnaround situations. We here rank, to the best of our knowledge, the set of these equity investors:

Funder	Contact	Comments
Innovative Capital Holdings (FL)	Bob Stockard bstockard@innovativech.com (978) 764-4325	PE pros putting their own money to work in turnaround situations exclusively, no cheque size limit, could likely move within 3-4 months of receipt of Loblaw contract; Canada is not an issue
Quantum Capital (ON)	Andrew Blott ablott@quantumcapital.com (416) 572-2070	Large equity fund who would be interested with Loblaw contract, well known to Firepower
AUA PE Partners (NY)	Stephen Flyer steven.flyer@auaequity.com (212) 231-8680	Not typically in their wheelhouse, but expressed strong interest once the Loblaw contract is in place
Indus Limited (ON)	Kiran Kulkani kiran@induslimited.com (905) 670-2124 x28	HNW individual who could likely move quickly within 3-4 months of Loblaw contract
Avrio Capital (AB)	Mike McGee mmcgee@avrlocapital.com (403) 215-5525	Still very interested, but may move too slowly given what is in their pipeline right now (update Aug 2013)
Novacap (QC)	Marc Paiement mpaiement@novacap.ca (416) 892-0237	Preliminary discussion. Operationally-focused PE firm that will have appetite for a Sun Pac-type play.
Winona Capital Management (IL)	Dan Kipp dkipp@winonacapital.com (312) 334-8811	Interested with Loblaw contract
Balmoral Funds (CA)	David Shainberg dshainberg@balmoralfunds.com (310) 469-5772	Large turnaround firm in LA, looks for prior excellent performance "fallen stars", could likely move within 3-4 months of receipt of Loblaw contract; Canada is not an issue

Below are promising prospects that we have yet to contact:

Arbor Investments (IL)	A PE firm focused exclusively on Food & Beverage
GarMark Partners (CT)	Turnaround firm with experience in F&B
Z Capital Partners (IL)	PE firm that makes control investments in distressed middle market companies via complex deals
Waveland Investments (IL)	PE firm from Chicago that moves quickly in distressed situations

FirePower stands ready to re-engage these promising leads once the Loblaw contract hurdle is cleared. Meanwhile, we continue our search for active investors in the turnaround space.

**THIS IS EXHIBIT "F" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014**

Kudinova

A Commissioner etc.

5/13/2014 12:56 PM

1 of 1

Sam P. Rappos

From: G Rombough [grombough@sunpac.com]
Sent: Wednesday, February 27, 2013 3:24 PM
To: Len Kofman
Subject: Dec 2012 financials
Attachments: Sun Pac FS 2012.xlsx

Len, here are the Dec financials.

The new model is still evolving.

Cheers,

Garth Rombough
VP Finance

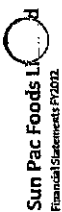
Sun Pac Foods Limited

10 Sun Pac Boulevard | Brampton ON | L6S 4R5

Direct: 905 789 5165 | Fax: 905 792 8490 | grombough@sunpac.com

Sun Pac Foods Plant Tour

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Sun Pac Foods LLC
Financial Statements FY2021

	10-21	11-21	12-21	1-22	2-22	3-22	4-22	5-22	6-22	7-22	8-22	9-22	10-22	11-22	12-22
NET SALES	1,553,418	1,284,142	1,859,684	1,518,815	1,850,085	1,443,338	1,540,373	1,577,815	1,393,770	1,433,340	1,513,008	1,483,844	1,483,844	1,483,844	1,483,844
Cost of Goods Sold	1,404,344	1,222,277	1,675,527	1,448,321	1,864,527	1,381,495	1,489,293	1,476,443	1,377,615	1,218,477	1,405,287	1,422,208	1,422,208	1,422,208	1,422,208
Contribution Margin	149,074	61,865	184,157	64,494	184,488	116,664	111,110	291,367	196,153	214,863	107,721	61,636	61,636	61,636	61,636
Factory Fixed Variable	(21,710)	(8,000)	(22,777)	(4,194)	(22,869)	5,716	19,839	27,815	28,075	(21,057)	47,874	28,584	28,584	28,584	28,584
Variable Contribution Margin	169,784	69,865	206,934	70,688	207,357	122,380	130,949	319,182	168,078	235,920	155,595	90,052	90,052	90,052	90,052
Total Reimburse	27,074	40,098	52,474	63,304	63,625	72,959	40,345	54,327	17,086	57,842	37,072	37,584	37,584	37,584	37,584
Total Fixed Cost	(27,384)	(32,284)	(32,655)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)
Total Variable Cost	(27,384)	(32,284)	(32,655)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)	(32,081)
Inventory Reserve	(23,002)	(146,659)	33,374	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)	(66,584)
Material Usage Variance	249,656	128,691	85,964	128,787	113,718	159,384	103,108	103,108	81,982	66,310	63,742	54,842	54,842	54,842	54,842
Freight	(187,378)	(64,351)	(482,704)	(49,621)	(157,543)	(319,229)	(304,127)	(433,756)	(353,759)	(314,203)	(381,481)	(35,691)	(35,691)	(35,691)	(35,691)
GROSS MARGIN	149,730	117,591	184,630	117,591	184,630	117,591	117,591	184,630	117,591	184,630	117,591	184,630	117,591	117,591	117,591
INCREMENTAL SIGMA BY COST CENTER															
Marketing	145,449	24,579	17,030	25,463	58,130	48,072	50,039	47,843	(22,960)	40,243	40,781	14,994	14,994	14,994	14,994
Sales	14,441	44,665	45,947	35,725	34,520	23,624	41,655	34,248	27,703	20,666	18,230	19,857	19,857	19,857	19,857
Finance & IT	3,140	42,619	24,574	41,842	39,214	35,587	62,249	52,206	27,681	26,805	76,724	53,639	53,639	53,639	53,639
General and Administrative	17,298	8,093	(67,602)	(17,468)	78,699	41,341	30,660	(12,181)	(52,529)	25,025	15,042	19,017	19,017	19,017	19,017
TOTAL INCREMENTAL SIGMA	211,551	392,718	153,538	(67,602)	214,702	339,653	359,884	311,016	(43,508)	387,941	144,688	330,307	330,307	330,307	330,307
OPERATING INCOME	(87,509)	(81,153)	(43,066)	(86,984)	(82,227)	(62,394)	(48,821)	(57,671)	(133,208)	(62,144)	(53,201)	(104,674)	(104,674)	(104,674)	(104,674)
Other Expense (Income)	(293,509)	(24,153)	(44,064)	(54,046)	(72,227)	(62,394)	(48,821)	(57,671)	(133,208)	(62,144)	(53,201)	(104,674)	(104,674)	(104,674)	(104,674)
NET INCOME	(381,018)	(105,306)	(87,130)	(141,030)	(154,454)	(124,788)	(97,642)	(115,342)	(266,416)	(124,288)	(106,402)	(209,348)	(209,348)	(209,348)	(209,348)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013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THIS IS EXHIBIT "G" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014

Kudinova

A Commissioner etc.

5/13/2014 12:59 PM

1 of 1

Sam P. Rappos

From: G Rombough [grombough@sunpac.com]
Sent: Thursday, May 30, 2013 5:06 PM
To: Len Kofman
Subject: April Financials
Attachments: April 2013 Bridging.pdf

Cheers,

Garth Rombough
VP Finance

Sun Pac Foods Limited

10 Sun Pac Boulevard | Brampton ON | L6S 4R5

Direct: 905 789 5165 | Fax: 905 792 8490 | grombough@sunpac.com

Sun Pac Foods Plant Tour

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Sun Pac Foods Limited
Business Analysis - Total

PROFIT & LOSS STATEMENT
Sun Pac

	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
Net Sales	1,313,406	1,083,844	1,526,053	1,511,694	1,449,572	1,523,900
Cost of Goods Sold	1,132,700	845,739	1,300,628	1,292,270	1,198,388	1,303,423
Contribution Margin	237,619	171,017	225,425	219,424	251,174	214,478
Factory Burden Variance	87,874	28,508	12,220	30,327	21,941	52,647
Variable Contribution Margin	92,832	209,597	213,205	189,096	229,233	161,831
Total Maintenance	87,072	37,598	62,495	47,833	36,504	34,788
Total Fixed Costs	289,959	275,143	351,907	341,605	347,405	343,868
Total Warehousing	31,512	(121,417)	17,132	14,766	4,238	9,035
Inventory Reserve	-	-	-	-	-	-
Freight	63,743	54,842	86,305	89,558	103,277	108,212
GROSS MARGIN	(381,455)	(36,569)	(304,632)	(304,664)	(282,190)	(334,073)
INCREMENTAL SG&A BY COST CENTER						
Marketing	40,761	14,994	48,090	17,547	21,250	34,232
Sales	18,310	39,657	40,160	43,592	61,423	47,041
Finance & IT	70,724	53,639	227,522	130,922	84,465	93,460
General and Administrative	21,333	219,817	109,177	55,359	(6,148)	(17,348)
TOTAL INCREMENTAL SG&A	151,129	328,107	424,950	247,460	160,990	157,385
OPERATING INCOME	(532,584)	(364,676)	(729,582)	(552,124)	(423,181)	(491,458)
One-Time Expense (Income)	-	-	-	-	-	-
NET INCOME	(532,584)	(364,676)	(729,582)	(552,124)	(423,181)	(491,458)
Preferred Dividends	-	-	-	-	-	-
ADJUSTMENT TO RETAINED EARNINGS	(532,584)	(364,676)	(729,582)	(552,124)	(423,181)	(491,458)
NET INCOME	(532,584)	(364,676)	(729,582)	(552,124)	(423,181)	(491,458)
Depreciation Plant	8,075	8,075	7,808	7,808	7,808	7,808
Depreciation Office	-	-	-	-	-	-
Interest and Financing Charges	18,091	15,903	185,599	93,330	42,506	46,549
One-Time Items	-	-	-	-	-	-
*EBITDA	(506,418)	(341,098)	(536,175)	(450,966)	(372,866)	(437,101)

Sun Pac Foods Limited
Business Analysis - Total

BALANCE SHEET
Sun Pac

	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
CURRENT ASSETS:						
Cash	186,122	443,805	1,285,169	363,925	390,214	280,903
Trade A/R	956,867	739,169	838,587	1,170,439	\$996,483	\$1,018,820
AFDA	(4,748)	8,697	(12,396)	(11,994)	(\$10,158)	(\$16,270)
Net Trade A/R	952,120	747,866	826,191	1,158,445	986,324	1,002,550
Inventory	-	-	-	-	-	-
Net Raw Materials	1,111,094	1,055,970	975,892	1,073,985	1,072,947	1,145,264
Net Finished Goods	1,055,899	1,086,021	1,028,181	837,589	1,022,207	845,015
Provision	(295,861)	(155,861)	(155,861)	(155,861)	(155,861)	(155,861)
Total Inventory	1,871,133	1,986,129	1,848,212	1,755,713	1,939,293	1,834,418
Misc Receivables	(73,594)	94,830	84,528	(13,685)	8,609	25,152
HST Receivable	167,249	158,345	195,998	319,910	309,484	321,501
Prepays	742,134	863,002	863,097	834,226	808,182	935,706
Short Term Loans	74,482	74,482	74,482	74,482	74,482	74,482
Other Current Assets	910,331	1,190,659	1,218,105	1,214,933	1,200,757	1,356,841
CURRENT ASSETS	3,919,705	4,368,459	5,177,677	4,459,016	4,516,588	4,474,712
LONG TERM ASSETS:						
Investments	190,000	190,000	190,000	190,000	190,000	190,000
Property, Plant & Equipment	13,644,831	13,645,927	13,678,565	13,678,565	13,683,305	13,683,305
Accum Dep'n	(13,112,879)	(13,122,913)	(13,133,288)	(13,142,533)	(13,151,778)	(13,161,023)
Net Property, Plant & Equipment	531,952	523,014	545,277	536,032	531,527	522,282
LONG TERM ASSETS	714,952	713,014	735,277	726,032	721,527	712,282
TOTAL ASSETS	4,641,657	5,081,472	5,912,954	5,219,048	5,238,115	5,186,994
CURRENT LIABILITIES:						
ABL Draw	510,871	845,821	311,516	542,742	737,822	911,949
A/P Trade	3,564,875	3,445,286	3,508,890	2,971,757	3,359,604	3,455,171
Accrued Liabilities	(39,378)	66,544	191,652	374,255	232,325	224,188
HST Payable	19	19	19	19	19	19
Payroll	(51,911)	209,897	208,558	202,241	228,414	236,504
Utilities	110,397	110,337	-	-	-	-
Current Portion of Long Term Debt	-	-	-	-	-	-
CURRENT LIABILITIES	4,094,812	4,677,844	4,220,635	4,091,014	4,558,184	4,827,831
Long Term LIABILITIES:						
Long Term Debt	-	-	1,682,524	1,682,524	1,682,524	1,682,524
Long Term Debt - Equipment	-	-	-	-	-	-
Shareholders' Loans	1,930,000	2,206,066	2,506,066	2,506,066	2,506,066	2,631,066
Total Long Term Liabilities	1,930,000	2,206,066	4,188,590	4,188,590	4,188,590	4,313,590
TOTAL LIABILITIES	6,024,812	6,883,910	8,409,225	8,279,604	8,746,774	9,141,421
SHAREHOLDERS' EQUITY:						
Share Capital	319,172	319,172	319,172	319,172	319,172	319,172
Preferred Shares	-	-	-	-	-	-
Contributed Surplus/Div	-	-	35,748	23,586	(1,334)	44,357
Retained Earnings	(1,702,327)	(2,121,610)	(2,851,192)	(3,403,316)	(3,826,497)	(4,317,955)
SHAREHOLDERS' EQUITY	(1,383,154)	(1,802,438)	(2,496,272)	(3,060,558)	(3,508,659)	(3,954,426)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	4,641,657	5,081,472	5,912,953	5,219,046	5,238,115	5,186,995

**THIS IS EXHIBIT "H" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014**

Kudinovei

A Commissioner etc.

5/13/2014 1:01 PM

1 of 2

Sam P. Rappos

From: Jim Shone [jshone@firepowercapital.com]
Sent: Wednesday, October 02, 2013 2:28 PM
To: Len Kofman
Cc: N Sharpe; Sebastien Douville; Justin Barragan
Subject: RE: Couple of Updates
Attachments: 20131002 Equity Funder Tracking v1.xlsx

Follow Up Flag: Follow up
Flag Status: Flagged

Hey Len,

Sorry for the delay, it is a very busy day and trying to get this done in the 10 minutes I have between scheduled meetings.

- 1) The equity update is attached and gives a detailed look at who we have sent the opportunity to and what the current status is with each. We have allocated the prospects into Tiers to give better perspective on our thoughts of likelihood of success. It should be kept in mind that we are 4 days into the process given the timing of the contract signing and our time it took to update things based on the contract details. We will provide this update to you each Thursday by noon to keep you up to date
- 2) Furlani's purchase of McDowell's: met with the principal yesterday to resolve some of their concerns in customer concentration and that seemed to be fine and they are looking at next steps to move forward. They seem comfortable with the validation of the numbers and we will be sending out the BDO report to them to finalize the financial due diligence. Putting together purchase documents and operational/customer/supplier due diligence will happen in parallel from here on in. They have exclusive for 4 weeks so there is no other interested parties until that exclusive period expires in mid-October. We will continue to give you this update as well by Thursday noon as long as you are OK with this format of informal feedback. If you would prefer in another format or would like different information, please let us know.

Let me know if there is anything else you need.

Jim Shone MBA CFA
Vice President - Corporate Finance



11 Church St, Suite 200
Toronto, ON, M5E1W1
(P) (647) 260-4990
(C) (416) 802-9655
(F) (416) 861-0177
Email: jshone@firepowercapital.com
www.firepowercapital.com

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From: Len Kofman [<mailto:lkofman@bridgingfinance.ca>]
Sent: Wednesday, October 02, 2013 11:05 AM
To: Jim Shone
Subject: Couple of Updates

5/13/2014 1:01 PM

Hi Jim,

I was hoping you would be able to provide me with updates on a couple of things.

- 1) Equity raise: Now that the Loblaws contract is in place would you be able to give us an update as to the progress of the raise? I am being asked questions like who are the interested parties, what stage are they at, can we see the equity deck, etc. and would like to be able to provide a full update
- 2) Sale of Bread Crumb Business: How are discussions going with Furiani and what is the current stage of his due diligence? What is his timing and are there any other interested parties?

I have been asked to provide this information with my thoughts on the BDO report so if you could give me a call or send me an email update as soon as possible that would be great.

Thanks

Len

Len Kofman

Director | **Bridging Finance Inc.**

77 King Street W | PO Box 322 | Suite 2925 | Toronto | ON | M5K 1K7

T: (416) 633-7902 X 1033 | C: (647) 234-1247

lkofman@bridgingfinance.ca

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This message has been scanned for viruses and dangerous content by **MailScanner**, and is believed to be clean.

**THIS IS EXHIBIT "I" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014**

Kudinova

A Commissioner etc.

5/13/2014 1:01 PM

Sam P. Rappos

From: Len Kofman
Sent: Tuesday, October 01, 2013 9:42 AM
To: 'G Rombough'; Graham Marr
Cc: creider@sunpac.com; N Sharpe
Subject: RE: Expected Draw

Follow Up Flag: Follow up
Flag Status: Flagged

As per the loan agreement we are obligated to fund by the end of business day and we will continue to meet those requirements. We try to fund as early as possible but at times other factors get in the way and we are not able to fund until the end of the day.

Garth additionally please address the following issues that have been brought up repeatedly:

- 1) Late reporting: we are past your deadline for both July and August reporting. You had committed to being caught up by this month but seemingly that has not occurred.
- 2) Draw requests not matching your expected draw: As an example you requested 600,000 in your draw request this week when you did not even have 175,000 of availability.
- 3) Orange Juice held in Freezer for more than 15 months: You had earlier informed us that this was being used in production and that you had sale orders for most of it. Based on this information we agreed to margin it. This inventory is still here 15 month later. As discussed given the issues surrounding this OJ (inability to sell into the US and the dated nature of the inventory) we will no longer be able to advance credit against this inventory.
- 4) Additionally with regards to this inventory (item#16837) our field examiners have just identified a new issue. This product which has been stored in the freezer for a period greater than 15 months has also increased in price per case from \$13.57 to \$15.92 or ~18% over the past two months. This is very concerning as it seems that you have increased the value (and thus how much we are lending) on inventory which is quite old and has saleability issues. Please provide an explanation.

These issues are not trivial and will prove problematic when it comes to further funding's. Please let me know your plan for addressing all the above issues.

Thanks
Len

From: G Rombough [mailto:grombough@sunpac.com]
Sent: October-01-13 8:52 AM
To: Len Kofman; Graham Marr
Cc: creider@sunpac.com
Subject: RE: Expected Draw

Len, yesterday's draw came in far too late so please ensure that going forward we don't get so close to the 4PM cut-off.

Due to yesterday's late funding I was unable to execute an important wire payment to a customer before the 4PM cut-off.

As we are paying for the use of those funds on the day of receipt I do expect the freedom to use them as needed that same day.

Cheers,

5/13/2014 1:01 PM

Garth Rombough
VP Finance

Sun Pac Foods Limited

10 Sun Pac Boulevard | Brampton ON | L6S 4R5
Direct: 905 789 5165 | Fax: 905 792 8490 | grombough@sunpac.com

Sun Pac Foods Plant Tour

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From: Len Kofman [<mailto:lkofman@bridgingfinance.ca>]
Sent: September-30-13 3:58 PM
To: G Rombough
Subject: RE: Expected Draw

We have approved already.

Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 3:56 PM
To: Len Kofman
Subject: RE: Expected Draw

I DON'T SEE TODAY'S DRAW IN MY ACCOUNT ??

From: Len Kofman [<mailto:lkofman@bridgingfinance.ca>]
Sent: September-30-13 2:32 PM
To: G Rombough
Subject: RE: Expected Draw

Until the cheque hits our blocked account I can not account for it.

I will go ahead without that one transaction.

Thanks
Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 2:29 PM
To: Len Kofman
Subject: RE: Expected Draw

Correct... I also sent you a scanned copy of the replacement cheque which was approx. \$1500 less

From: Len Kofman [<mailto:lkofman@bridgingfinance.ca>]
Sent: September-30-13 2:27 PM
To: G Rombough
Subject: RE: Expected Draw

Just so I understand, you are counting the cheque that was cancelled as if it hit your account and wasn't cancelled?

5/13/2014 1:01 PM

Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 2:24 PM
To: Len Kofman
Subject: RE: Expected Draw

90% and rounded.

Monitoring attached

Cheers,

Garth Rombough
VP Finance
Sun Pac Foods Limited
10 Sun Pac Boulevard | Brampton ON | L6S 4R5
Direct: 905 789 5165 | Fax: 905 792 8490 | grombough@sunpac.com

Sun Pac Foods Plant Tour

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From: Len Kofman [<mailto:lkofman@bridgingfinance.ca>]
Sent: September-30-13 2:20 PM
To: G Rombough
Subject: RE: Expected Draw

I am getting around 9000 less. Is your number including 100% advance on HST or 90%? Also did you round on the borrowing base?

Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 1:07 PM
To: Len Kofman
Subject: FW: Expected Draw

Just rec'd the attached copy of the replacement cheque for the NSF one below... there was a minor deduction for a QC issue.

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 12:58 PM
To: 'Len Kofman'
Subject: RE: Expected Draw

I'M EXPECTING: 158,039.28

I'M EXCLUDING THE NSF ITEM BELOW... ONE OF OUR US CUSTOMER ISSUED A CHEQUE AND THEN CANCELLED IT... THE REPLACEMENT IS ARRIVING THIS WEEK.

BANK OF MONTREAL Account no.: 04704795144, USD Account name: SUN PAC FOODS LTD

Date	Description	Reference Information	Debit	Credit
Sep 23, 2013	Direct Deposit, ED# 0038724857 MSP/DV			1,112.24
Sep 23, 2013	* Zero Balance Debit, 0002-4744-441ZERO BALANC E TRANSACTION		43,555.91	
Sep 26, 2013	Multi Branch Credit, 3520 VALUE DATE 27SEP			41,219.93
Sep 26, 2013	Returned item, RETURNED ITEMADVICE NUMBE R 300011		22,788.91	
Sep 26, 2013	Service Charge, RETURNED ITEM FEE001 CHEQ		7.00	
Sep 27, 2013	* Zero Balance Debit, 0002-4744-441ZERO BALANC E TRANSACTION		18,424.02	

End of transactions for the selected date range.

Total Debits and Credits	\$84,775.84	\$42,332.17
Total Debit and Credit Items	4	2

From: Len Kofman [mailto:lkofman@bridgingfinance.ca]
Sent: September-30-13 12:52 PM
To: G Rombough (grombough@sunpac.com)
Subject: Expected Draw

What is todays expected draw?

Len

Len Kofman
 Director | Bridging Finance Inc.
 77 King Street W | PO Box 322 | Suite 2925 | Toronto | ON | M5K 1K7
 T: (416) 633-7902 X 1093 | C: (647) 234-1247
 lkofman@bridgingfinance.ca

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THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014**

Kudunoveri

A Commissioner etc.

5/13/2014 1:01 PM

1 of 1

Sam P. Rappos

From: Jim Shone [jshone@firepowerfinancial.com]
Sent: Thursday, August 09, 2012 4:59 PM
To: Graham Marr; N Sharpe
Subject: Sun Pac Responses
Attachments: Statement of Claim (issued 2012.02.06).pdf; Statement of Defence and Counterclaim.pdf; Jordaan Ltr recd (2012.04.18) re Reply and Defence to Counterclaim.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

I talked to Garth and here are the responses;

- 1) FDA Inventory: This is really to do with inventory that is finished goods with US Labels. The reason this is important is that the Brazilian concentrate and finished goods can be sold into Canadian channels without an issue (the pesticide is not banned in Canada). So the raw materials of the Brazilian concentrate will be used in the Canadian channels while the finished goods could have an issue in that there are US labels but Canadian discount stores and other channels would be interested even with the US labels. They are looking right now at clearing that inventory out. Any additional details on how that would happen I think would be available on Monday when sales guys are back from vacation
- 2) Law Suit: Attached is the latest information
- 3) Cheques Held for wages: Not being held for any employees in the company. There are some cheques held for their HR staffing agency but they have always been fine with delayed payment and Sun Pac is relying less and less on these sources of human capital. Everything else is run through payroll. Maybe we need further clarification from field auditor

I hope this answers everything for now and apologies for the delay, I have been on calls with prospects all afternoon.

I am away on my summer vacation tomorrow but back on Monday if there is anything else you need.

Have a great weekend.

Jim Shone MBA CFA
Vice President
11 Church St, Suite 200
Toronto, ON, M5E1W1
(p) (416) 802-9655
(F) (416) 861-0177
Email: jshone@firepowerfinancial.com
www.firepowerfinancial.com



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DAY OF MAY, 2014

Kudrakov

A Commissioner etc.

5/13/2014 1:02 PM

1 of 1

Sam P. Rappos

From: Jeffrey J Sovran [jsovrans@gdradvisorygroup.com]
Sent: Monday, September 30, 2013 7:57 PM
To: Len Kofman
Cc: srai@gdradvisorygroup.com
Subject: Sunpac Count Results
Attachments: Sun Pac Inventory Count Sept 23 2013.xlsx; Sun Pac Inventory Count Sept 9 2013.xlsx

Follow Up Flag: Follow up
Flag Status: Flagged

Len,

Find attached results from the past two test counts at Sun Pac. One new issue has been identified with respect to product #16837 which has previously been documented as product which has been stored in the freezer of the company for a period greater than 15 months. Further to that issue which still remains and continues to be documented, it has been noted that product #16837 has also increased in price per case from \$13.57 to \$15.92 or ~18% over the past two months. Therefore, it appears as though the lender is not only lending upon the questionable product without reserve, but also lending upon the artificial increase in the price of the product as recorded by the company.

To ensure this was not indicative of a larger issue, I've reviewed the pricing of all other products recorded by the company over the past few months and note no further issues. This pricing issue results in a mere ~\$9k reserve, however when viewed in combination with the potential \$90k quality issue, further action may be required by the lender.

Regards,

Jeffrey J Sovran, CA
GDR Advisory Group

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Kudinova

A Commissioner etc.

5/13/2014 1:03 PM

Sam P. Rappos

From: G Rombough [grombough@sunpac.com]
Sent: Tuesday, October 01, 2013 11:25 AM
To: Len Kofman; Graham Marr
Cc: creider@sunpac.com; N Sharpe
Subject: RE: Expected Draw

Follow Up Flag: Follow up
Flag Status: Flagged

Len, happy to respond to your questions and trust you will find them helpful:

- 1) July is complete and I'm just finalizing the reporting template to send to Firepower, they usually turn it around quickly (day or two). We're working on August and should have it closed out in 2-3 weeks or sooner.
- 2) As previously discussed... I purposely increase the draw request to accommodate any late incoming wires (after the Friday reporting cut-off) and thereby maximize my weekly draw. This is very important for us as occasionally incoming wires will exceed \$100k.
- 3) As previously discussed... Our plan is to resume using the frozen OJ inventory into our production cycle ASAP and I have addressed this internally on more than one occasion with our production staff. As you will know from our weekly reporting we had previously used the OJ but had been temporarily forced to suspend its use primarily due to restraints in our planning cycle. And yes there are limitations to where we can use this product but the fact remains that we do have a use for it. Furthermore because it is in a frozen state the time frame is not relevant.
- 4) Re product 16837; the product in the freezer was produced in Mar-Apr of 2012 at which time its cost was approximately \$15.20/case. Even though the 16837 product in the freezer hasn't changed the SKU remained active in our system with ongoing production activity so any changes in cost are only a reflection of that activity and not a result of any manipulation. Since Mar-Apr 2012 the cost of Florida OJ concentrate has fluctuated resulting in variations to the monthly inventory value of product 16837... which have been predominantly below the initial value of \$15.20 per case. In July 2013 the cost of Florida OJ rose and our case cost increased to the \$15.92 which is \$0.70 or 5% over the initial cost of \$15.20 per case. As a result we did inadvertently overdraw by approximately \$1,600.

I hope this answers your questions and please let me know of any others.

Cheers,

Garth Rombough
VP Finance

Sun Pac Foods Limited

10 Sun Pac Boulevard | Brampton ON | L6S 4R5
Direct: 905 789 5165 | Fax: 905 792 8490 | grombough@sunpac.com

Sun Pac Foods Plant Tour

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From: Len Kofman [mailto:lkofman@bridgingfinance.ca]
Sent: October-01-13 9:42 AM
To: G Rombough; Graham Marr
Cc: creider@sunpac.com; N Sharpe
Subject: RE: Expected Draw

As per the loan agreement we are obligated to fund by the end of business day and we will continue to meet those requirements. We try to fund as early as possible but at times other factors get in the way and we are not able to fund until the end of the day.

5/13/2014 1:03 PM

Garth additionally please address the following issues that have been brought up repeatedly:

- 1) Late reporting: we are past your deadline for both July and August reporting. You had committed to being caught up by this month but seemingly that has not occurred.
- 2) Draw requests not matching your expected draw: As an example you requested 600,000 in your draw request this week when you did not even have 175,000 of availability.
- 3) Orange Juice held in Freezer for more than 15 months: You had earlier informed us that this was being used in production and that you had sale orders for most of it. Based on this information we agreed to margin it. This inventory is still here 15 month later. As discussed given the issues surrounding this OJ (inability to sell into the US and the dated nature of the inventory) we will no longer be able to advance credit against this inventory.
- 4) Additionally with regards to this inventory (item#16837) our field examiners have just identified a new issue. This product which has been stored in the freezer for a period greater than 15 months has also increased in price per case from \$13.57 to \$15.92 or ~18% over the past two months. This is very concerning as it seems that you have increased the value (and thus how much we are lending) on inventory which is quite old and has saleability issues. Please provide an explanation.

These issues are not trivial and will prove problematic when it comes to further funding's. Please let me know your plan for addressing all the above issues.

Thanks
Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: October-01-13 8:52 AM
To: Len Kofman; Graham Marr
Cc: creider@sunpac.com
Subject: RE: Expected Draw

Len, yesterday's draw came in far too late so please ensure that going forward we don't get so close to the 4PM cut-off.

Due to yesterday's late funding I was unable to execute an important wire payment to a customer before the 4PM cut-off.

As we are paying for the use of those funds on the day of receipt I do expect the freedom to use them as needed that same day.

Cheers,

Garth Rombough
VP Finance
Sun Pac Foods Limited
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Direct: 905 789 5165 | Fax: 905 792 8490 | grombough@sunpac.com

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From: Len Kofman [<mailto:kofman@bridgingfinance.ca>]
Sent: September-30-13 3:58 PM
To: G Rombough
Subject: RE: Expected Draw

We have approved already.

5/13/2014 1:03 PM

Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 3:56 PM
To: Len Kofman
Subject: RE: Expected Draw

I DON'T SEE TODAYS DRAW IN MY ACCOUNT ??

From: Len Kofman [<mailto:lkofman@bridgingfinance.ca>]
Sent: September-30-13 2:32 PM
To: G Rombough
Subject: RE: Expected Draw

Until the cheque hits our blocked account I can not account for it.

I will go ahead without that one transaction.

Thanks

Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 2:29 PM
To: Len Kofman
Subject: RE: Expected Draw

Correct... I also sent you a scanned copy of the replacement cheque which was approx. \$1500 less

From: Len Kofman [<mailto:lkofman@bridgingfinance.ca>]
Sent: September-30-13 2:27 PM
To: G Rombough
Subject: RE: Expected Draw

Just so I understand, you are counting the cheque that was cancelled as if it hit your account and wasn't cancelled?

Len

From: G Rombough [<mailto:grombough@sunpac.com>]
Sent: September-30-13 2:24 PM
To: Len Kofman
Subject: RE: Expected Draw

90% and rounded.

Monitoring attached

Cheers,

Garth Rombough
VP Finance

5/13/2014 1:03 PM

Sun Pac Foods Limited

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SWORN BEFORE ME THIS 13TH
DAY OF MAY, 2014

Kerdinova

A Commissioner etc.

Sam P. Rappos

From: Jim Shone [jshone@firepowercapital.com]
Sent: Thursday, October 10, 2013 11:59 AM
To: Len Kofman
Cc: N Sharpe
Subject: FW: Updated Equity Funder Report for Bridging
Attachments: 20131009 Equity Funder Tracking v2.xlsx

Hey Len,

Just under the wire, please find attached the update on the equity raise.

McDowell's: We had a delay due to issues on NDA and some of the obvious sensitive around customers. We sent them the BDO QOE report two days ago and have followed up today to move them to an APA. Unfortunately he has not been back to me before the Thursday noon deadline but will follow up by email once I hear back from him.

Thanks Len and if you need any additional details, please let me know.

Jim Shone MBA CFA
Vice President - Corporate Finance



11 Church St, Suite 200
Toronto, ON, M5E1W1
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www.firepowercapital.com

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From: Justin Barragan
Sent: Thursday, October 10, 2013 11:20 AM
To: Jim Shone
Cc: Sebastien Douville
Subject: Updated Equity Funder Report for Bridging

Jim,

Attached

Justin Barragan
Senior Associate



11 Church St, Suite 200
Toronto, ON, M5E1W1
(p) (647) 260-4987
(c) (647) 886-8551
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DAY OF MAY, 2014**

Kudineva

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Sam P. Rappos

From: Len Kofman
Sent: Thursday, October 31, 2013 4:14 PM
To: N Sharpe
Subject: Sun Pac Discussion

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Natasha,

Just summarizing the discussion with Csaba this morning :

1. Csaba asked if we were willing to take a haircut as all the potential short term lenders wanted us to
2. He suggested that since we collected \$760K we could take that as a haircut and still come out "whole"
3. I replied that I did not think there would be much appetite for that as we were confident that we would come out whole and taking a haircut when we have the collateral is hard
4. Additionally I mentioned that we had expenses and had a cost for the money we lend
5. I commented that we would support him as a DIP lender in theory if he wanted to pursue that avenue
6. He said that Furlani deal is probably a week away from getting anything on paper and that the issue was the pay out to account for the risk of customer concentration (i.e. one turn of the four turn being paid in a year)
7. I commented that I could push more if we had something on paper but without that and without a process there was little flexibility

Thanks
Len

Len Kofman
Director | Bridging Finance Inc.
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lkofman@bridgingfinance.ca

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DAY OF MAY, 2014**

Kudinova

A Commissioner etc.

8527504 CANADA INC.

Applicant

and

SUN PAC FOODS LIMITED

Respondent

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at TORONTO

APPLICATION RECORD

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

George Beuchetrit (LSUC #34163H)
Tel: 416-218-1141
Fax: 416-218-1841

Lawyers for the Applicant

Not 12/13

Mr. Beuchetrit for applicant

Mr. Beuchetrit for respondent

The Respondent's Note

appearing, Resubmitting

order to go in terms

I sought order & leave

to grant.

Murphy

8517504 CANADA INC.
Applicant

- and -

SUN PAC FOODS LIMITED
Respondent

Court File No. CV-13-10331-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at TORONTO

AFFIDAVIT OF NATASHA SHARPE
(sworn May 13, 2014)

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Toronto, Ontario
M2N 7E9

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Fax: 416-218-1849
E-mail: harvey@chaitons.com

Sam Rappos (LSUC #51399S)
Tel: 416-218-1137
Fax: 416-218-1837
E-mail: samr@chaitons.com

Lawyers for the Applicant

