

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NFC ACQUISITION GP INC., NFC ACQUISITION CORP. AND
NFC LAND HOLDINGS CORP.**

**APPLICATION RECORD OF
NFC ACQUISITION GP INC., NFC ACQUISITION CORP. AND
NFC LAND HOLDINGS CORP.
(Returnable January 17, 2012)**

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NFC Land Holdings Corp.,
New Food Classics and
NFC Acquisition L.P.

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**ONTARIO
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NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicants. The claim made by the applicants appears on the following pages.

THIS APPLICATION will come on for a hearing before the Judge presiding over the Commercial List on Tuesday, January 17, 2012, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A 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 2 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 January 17, 2012

Issued by _____
Local registrar

Address of 330 University Avenue
court office 7th Floor
Toronto, Ontario

APPLICATION

1. NFC Acquisition GP Inc., NFC Acquisition Corp. and NFC Land Holdings Corp. (collectively, the “Applicants”) make this application for relief and for an order (the “Initial Order”) substantially in the form included in the Application Record, *inter alia*:
 - (a) abridging the time for and validating service of this Notice of Application and the Application Record and dispensing with further service thereof;
 - (b) declaring that the Applicants are parties to which the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”), applies;
 - (c) declaring that New Food Classics (“NFC” or the “Company”) and NFC Acquisition L.P. (“Acquisition LP”) (NFC and Acquisition LP being the “Partnerships”, and together with the Applicants, the “NFC Entities”) shall, along with the Applicants, enjoy the benefits of the protections and authorizations provided by the Initial Order;
 - (d) appointing FTI Consulting Canada Inc. (“FTI”) as the Monitor, an officer of this Court, to monitor the business and financial affairs of the NFC Entities;
 - (e) staying all proceedings taken or that might be taken in respect of the NFC Entities, their directors and officers and the Monitor;
 - (f) authorizing the NFC Entities to obtain and borrow debtor-in-possession financing from the DIP Lender (as such term is defined in the Initial Order) under the DIP Agreement (as such term is defined in the Initial Order);
 - (g) granting the following priority charges over the property of the NFC Entities, to rank ahead in priority to the existing security interests of the Bank of Montreal and TD Capital Mezzanine Partners Management Ltd., but behind all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise in favour of any Persons that have not been served with notice of this application:

- (i) the Administration Charge (as such term is defined in the Initial Order) (to the maximum amount of \$350,000);
- (ii) the Directors' Charge (as such term is defined in the Initial Order) (to the maximum amount of \$3,000,000); and
- (iii) the DIP Lender's Charge (as such term is defined in the Initial Order); and
- (h) approving the terms and provisions of the Sale Process (as such term is defined in the Initial Order) and authorizing the NFC Entities and the Monitor to conduct the Sale Process.

2. The grounds for the application are:

- (a) because of the urgency of this application, it has not been possible to provide all interested parties with notice of this application;
- (b) each of the Applicants are entities to which the CCAA applies;
- (c) it is necessary to extend CCAA protection and relief to the Partnerships, as failure to do so would have a detrimental impact on, if not preclude entirely, the NFC Entities' restructuring and value of the NFC Entities' property and business;
- (d) *inter alia*, the NFC Entities cannot meet their liabilities as they come due and do not have sufficient cash to continue to fund their operations, and are, therefore, insolvent;
- (e) FTI has consented to act as Monitor in respect of the NFC Entities;;
- (f) a stay of proceedings will allow the NFC Entities to maintain operations while giving them the necessary time to facilitate the NFC Entities' restructuring and implementation of a sale process with respect to their property and business;
- (g) the NFC Entities require debtor-in-possession financing, as there would otherwise be insufficient monies to pay essential operating expenses and costs associated with these proceedings going forward, and such financing is integral to maximizing the value of the NFC Entities' property and business and will

enhance the prospects of a going concern sale, to the benefit of employees, customers and suppliers;

- (h) the size and complex nature of the NFC Entities' business requires the specialized legal and financial skill sets of the proposed beneficiaries of the Administration Charge, each of which will play a critical role in these proceedings in respect of the NFC Entities;
- (i) to ensure the ongoing stability of the NFC Entities' business during the CCAA period, the NFC Entities require the continued participation of their directors and officers, and the quantum of the Directors' Charge is reflective of certain prospective obligations for which the directors and officers of the NFC Entities could potentially be held personally liable;
- (j) the Sale Process will benefit the whole economic community, as it will provide the NFC Entities with an opportunity to preserve their business and continue as a going concern, resulting in continued employment for their employees, uninterrupted service to customers, and continued business for suppliers
- (k) such other grounds set forth in the Affidavit of Brian Cram, sworn January 16, 2012;
- (l) the provisions of the CCAA;
- (m) Rules 2.03, 3.02, 14.05, 16, 17 and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended;
- (n) Sections 106 and 137 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and
- (o) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. The following documentary evidence will be used at the hearing of the application:
- (a) the Affidavit of Brian Cram, sworn January 16, 2012;
 - (b) the Consent of FTI Consulting Canada Inc. to act as Monitor;
 - (c) the Pre-Filing Report of FTI dated January 16, 2012; and
 - (d) such other material as counsel may submit and may be permitted.

January 17, 2012

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NFC Land Holdings Corp.,
New Food Classics and
NFC Acquisition L.P.

NFC ACQUISITION GP INC., NFC ACQUISITION CORP., NFC LAND HOLDINGS CORP.,
NEW FOOD CLASSICS AND NFC ACQUISITION L.P. (THE "NFC ENTITIES")

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Monitor in respect of the NFC Entities

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Chief Restructuring Officer in respect of the NFC Entities

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NFC ACQUISITION GP INC., NFC
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ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

NOTICE OF APPLICATION
NFC ACQUISITION GP INC., NFC ACQUISITION
CORP. AND NFC LAND HOLDINGS CORP.
(Returnable January 17, 2012)

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TAB 2

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**AFFIDAVIT OF BRIAN CRAM
(sworn January 16, 2012)**

I, Brian Cram, of the City of London, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the President and Chief Executive Officer of New Food Classics ("NFC" or the "Company"). I have been employed by the Company since September, 2010, and have been employed in the food processing industry for 20 years. I am familiar with the day-to-day operations, business affairs, books and records of the Company and NFC Acquisition L.P. (together, the "Partnerships") and NFC Acquisition GP Inc., NFC Acquisition Corp. and NFC Land Holdings Corp. (collectively, the "Applicants", and together with the Partnerships, the "NFC Entities"). As such, I have personal knowledge of the matters to which I depose in this affidavit. Where I do not possess such personal knowledge, I have stated the source of my information and, in all such cases, do verily believe it to be true.

I. RELIEF SOUGHT

2. This Affidavit is sworn in support of an application of the Applicants for certain relief under the *Companies' Creditors Arrangement Act* (the "CCAA"), including, the granting of a

stay of proceedings by this Honourable Court to facilitate the NFC Entities' restructuring and implementation of a sale process with respect to their property and business.

3. The NFC Entities will also be seeking this Court's appointment of FTI Consulting Canada Inc. ("FTI") as monitor in the CCAA proceedings.

4. These measures are required, as set out in more detail herein, due to the current financial situation of the NFC Entities.

5. The NFC Entities believe that commencing proceedings under the CCAA will provide them with the stability they require to restructure their business and implement a sale process with respect to their property and business, all with a view to preserving value and maximizing recoveries for the NFC Entities' stakeholders and providing for the continuation of the business as a going concern.

II. OVERVIEW

6. NFC has a deep and rich history dating back to 1967. The Company is one of the most innovative Canadian food processing companies servicing major national retail and foodservice sales channels. NFC is a Canadian leader in private label value-added ground and formed meats with an estimated 40% market share of the frozen burgers sold in grocery stores. The Company has been a driving force behind the rapid growth of the private label frozen burger category and its focus on innovation and research and development has allowed it to consistently develop leading edge custom products. NFC currently serves a customer base of over 100 customers and enjoys excellent, long-standing relationships with industry leading customers.

7. In recent years, NFC has faced a deterioration in its financial performance and mounting losses. As discussed in greater detail below, it has been a challenge for NFC to adjust wholesale pricing to cover rapid increases in input costs attributable to meat protein commodity markets sitting at all-time highs, supply disruptions caused by a shortfall in North American cattle supplies and high oil prices impacting packaging and freight costs. The start-up costs to bring its St. Catharines, Ontario, manufacturing facility on-line, coupled with the expenses involved in closing its Calgary manufacturing facilities, were also significant and a substantial drain on NFC's cash position. As a result, the NFC Entities have been unable to meet various financial

and other covenants set out in its secured lending agreement and lack the liquidity needed to meet their ongoing payment obligations.

8. The NFC Entities have been unable to successfully restructure their operations and raise capital outside of formal insolvency proceedings and are now insolvent and unable to meet their liabilities as they become due. Without the protection of the CCAA, a shut-down of operations is inevitable, which would be detrimental to the NFC Entities' stakeholders, including their lenders, employees, suppliers and customers. CCAA protection will allow the NFC Entities to maintain operations while giving them the necessary time to facilitate a restructuring and the implementation of a sale process with respect to their property and business.

9. The NFC Entities' principal objective is to sell their assets and operations on the most favourable terms possible under the circumstances and to keep the business intact as a going concern to the greatest extent possible. To accomplish these objectives, the NFC Entities have proposed a sale process, as more fully described below. To preserve the value of the business through the sale process, the NFC Entities intend to balance: (i) the need to maintain a "business as usual" footing by minimizing any adverse impact of its restructuring on operations; and (ii) exercising operational conservatism during the sale process, including the avoidance of unnecessary cash outlays. For the reasons described herein, I believe that the prospect for achieving these objectives for the benefit of creditors and other stakeholders will be substantially enhanced and indeed, are only possible if this Court grants the relief requested.

III. HISTORY AND CORPORATE ORGANIZATION

(a) History

10. First headquartered in Calgary, Alberta, the Company began in 1967 as Centennial Packers ("Centennial") and operated as a beef slaughterhouse. In subsequent years, Centennial extended its product offerings into steak cutting, specialty ground products and burger production, before stopping slaughter operations to concentrate on steaking, burger production and specialty ground product offerings. NFC was formed in 2005 and was acquired by entities related to EdgeStone Capital Partners ("Edgestone"), a Toronto, Ontario based private equity firm, in 2006. Edgestone is one of Canada's leading private equity firms with excess of \$2.5 billion of funds committed to date from institutional and high net worth clients. Acquisition

Corp. entered into a services agreement with EdgeStone Capital Equity Fund II-A GP, L.P. on February 6, 2006, pursuant to which advisory services in the nature of strategic, operational, financial and capital market advisory services are provided to Acquisition Corp.

11. Prior to 2006, the business operated under the same umbrella as Centennial Foodservice, a foodservice distributor focused on protein products and serving food service clients across Western Canada.

12. NFC currently maintains two manufacturing facilities located in Saskatoon and St. Catharines, respectively, following the closure of its Brandon Street and 13A Street facilities in Calgary, Alberta in 2010.

13. In June, 2011, the Company relocated its headquarters from Calgary to Burlington, Ontario. This was done, in part, to move key management and sales personnel closer to the Company's major customers, which are themselves headquartered in Toronto.

(b) Corporate Organization

14. An organizational chart of the NFC group of entities is attached as Exhibit "A" hereto.

15. NFC is an Alberta General Partnership. Its registered office is located at 1122 International Boulevard, Suite 601, Burlington, Ontario. NFC is the sole shareholder of NFC Land Holdings Corp. ("Land Holdings"), which is organized under the *Canada Business Corporations Act*. Land Holdings' registered office is located at 2400, 525-8 Avenue S.W., Calgary, Alberta, which is the address of the law firm of Burnet Duckworth & Palmer LLP. Land Holdings was formerly known as Centennial Land Holdings Corp.

16. The partnership units of NFC are held by NFC Acquisition Corp. ("Acquisition Corp."), a corporation organized under the *Business Corporations Act* (Ontario), and NFC Acquisition L.P. ("Acquisition LP"), which was formed under the laws of the Province of Manitoba. Acquisition Corp.'s registered office is located at 1122 International Boulevard, Suite 601, Burlington, Ontario. Acquisition LP's registered office is located at 600-130 King Street West, Toronto, Ontario.

17. NFC Acquisition GP Inc. (“Acquisition GP”), a corporation organized under the *Business Corporations Act* (Ontario), holds partnership units in Acquisition LP. Acquisition GP’s registered office is also located at 1122 International Boulevard, Suite 601, Burlington, Ontario.

18. As more fully described below, the NFC Entities’ operations and assets are conducted and held, respectively, by NFC.

IV. THE NFC ENTITIES’ BUSINESS

19. NFC is an innovative Canadian food processing company servicing major national retail and foodservice sales channels. NFC’s dedicated team of product developers have created a unique, market-leading competitive position by combining distinctive flavour profiles, textures and appearance (home-style), and premium source ingredients (Angus beef, Prime-Rib) with proprietary manufacturing processes. As a result of its commitment to innovation, NFC currently markets approximately 300 products to the retail, club store, and mass merchandiser channels, as well as to leading restaurant operators and foodservice distributors.

20. NFC processes value-added meat and other meat-related products at its manufacturing facilities in Saskatoon, Saskatchewan, and St. Catharines, Ontario. The Saskatoon facility primarily produces ground and formed meats and steaking products and is one of the largest and most advanced burger plants in Canada, operating four burger production lines. Two of these lines utilize the technologically-advanced Formax 700 (“M700”) patty-forming equipment. The M700s achieve higher throughput and yield than predecessor technology and can be adjusted in a multitude of unique ways to enhance the quality and other attributes of the patties being produced. NFC is one of a select group of companies known to use this leading-edge equipment in North America. The plant was custom built in a modular format to be expansion-ready for future growth. The design allows for expansion without requiring current production lines to be shut down. The St. Catharines facility is the newer of the two facilities and produces cooked and value-added products.

21. For the year ended December 31, 2010, NFC had net sales of \$103,657,277 and a net loss of \$1,037,977. On a consolidated basis, for the nine months ended September 30, 2011, the NFC group of companies had approximate net sales of \$82,002,000 and an approximate net loss of \$8,112,000.

(a) *Product Lines*

22. Historically, frozen beef burgers had been NFC's primary product line, but over the last several years, the Company has extended into other protein categories (chicken, pork, lamb, seafood, soy), and a growing selection of cooked products and specialty appetizers. NFC's retail products are predominantly private label, offered under various store brand labels.

23. NFC has the following four major product lines:

- (a) ground and formed meats (e.g., ground beef, pork and lamb burgers);
- (b) convenience cooked or ready to eat products (e.g., cooked burgers and meatballs)
- (c) steaking (e.g., beef tenderloin and striploin steaks); and
- (d) value-added meat products (e.g., pork ribs).

(i) *Ground and Formed Meats*

24. Ground and formed meats is the largest product category and generates the majority of NFC's gross revenue. A significant portion of these sales are for burgers manufactured with proprietary formulations and processes. In particular, NFC is a Canadian leader in private label value-added ground and formed meats with an estimated 40% market share of the frozen burgers sold in grocery stores. The frozen burger market in Canada is a very well-developed and important retail category, representing approximately \$200 million in annual sales at retail.

(ii) *Convenience Cooked or Ready to Eat Products*

25. Convenience cooked or ready to eat products represent the second largest product category. The Cooked Products segment includes a full range of precooked food products produced through NFC's barbecue grilling, oven-cooking and deep-frying operations. This has been a growth segment for NFC due to increased demand by consumers for cooked, easy to prepare meals, and a foodservice focus on reducing cooking complexity, reducing "back of the house" labour costs and food safety issues.

(iii) Steaking

26. Steaking is NFC's third largest product category. The custom steak cutting product category consists primarily of custom premium steak cutting services for the foodservice segment. NFC focuses on processing top quality beef ingredients sourced from Canada, USA, Australia and New Zealand. NFC has a competitive advantage through its long tenured employee base of highly skilled master butchers. Additionally, NFC can provide value-added services, such as AAA aging programs, portion control, marinating and bacon wrapping. Steak cutting is less cyclical than NFC's ground and formed meats operations.

(iv) Value-added Meat Products

27. NFC's fourth largest product category is value-added specialty meat products. This category is comprised of mainly hand wrapped items and dry ribs. NFC's line of specialty products provides a complimentary product range to its customer base and leverages the Company's multi-species capabilities. The products do not exhibit the same seasonality as burgers, helping to mitigate sales cyclicalities.

(b) Customers and Suppliers

28. NFC has two primary distribution channels consisting of retail and food services. The retail sales channel comprises approximately 75% of NFC's gross sales, with the foodservice channel making up the remainder. Some of NFC's largest customers are Loblaw Companies Limited, Wal-Mart Canada and Sysco Canada. The majority of NFC's gross revenues are generated from these customers. NFC's largest customer generated approximately 42% of the Company's revenues while its top ten customers account for approximately 82% of revenues. NFC's customers have significant pricing power and NFC is largely forced to compete on cost, as profit margins have shrunk and price has become paramount. In addition, NFC does not have the benefit of strong branding and is highly dependent on the private label meat manufacturing business and, therefore, does not have significant pricing power. Additional capacity brought into the market by new entrants has further enhanced the buying power of customers.

29. NFC's largest suppliers are Lakeside Packers/Lakeside Farm Industries Limited, Cargill Canada and AFFCO New Zealand Ltd. These companies supply meat products to NFC, which are then further processed by NFC at its manufacturing facilities. Suppliers to the meat-focused

food processing industry have undergone substantial consolidation in recent years, leaving NFC with few sources of supply and reduced leverage in negotiating pricing and terms.

30. NFC's costs of goods sold include material costs, salaries and benefits, packaging, frozen or refrigerated storage, handling and overhead costs, such as utilities, sanitation, plant supplies, quality testing and insurance. Beef is the main raw material for NFC, representing 50-60% of total costs, and is purchased by NFC on a weekly basis at spot market prices. Beef prices depend on a number of factors, the world-wide demand for protein, the availability and size of cattle herds, and ultimately the pricing of cattle feed, making beef prices, in turn, reliant on corn prices. Factors such as global demand, weather conditions and import bans can also influence beef prices and have contributed to recent relative shortages of meat, which has resulted in higher input costs for NFC. These trends tend to be long-term in nature, as the cycle of herd size is measured in years.

(c) Cash Management

31. The NFC Entities maintain several Canadian dollar bank accounts in Toronto with the Bank of Montreal, its principal secured lender, and separate U.S. dollar bank accounts with Harris Bank.

32. In the ordinary course of business, the NFC Entities utilize an integrated, centralized cash management system to collect and disburse funds (collectively, the "Cash Management System"). The Cash Management System is similar to those commonly employed by corporate entities of comparable size and complexity to the NFC Entities and provides a cost-effective and efficient means of managing the NFC Entities' finances. Part of the Cash Management System includes a general account, through which customer and supplier payments are collected and disbursed, a payroll account, through which employee wages are disbursed and a revolver account, to which any balances in the other accounts are transferred on a daily basis. Petty cash accounts with small balances are also maintained by the NFC Entities. U.S. dollar transactions are processed through the U.S. dollar bank accounts with Harris Bank.

(d) Regulatory Oversight

33. Given the nature of the food processing industry, NFC is subject to regulatory oversight from several governmental and non-governmental organizations and agencies including the Canadian Food Inspection Agency, the United States Department of Agriculture, the Technical Standards and Safety Authority, Safe Quality Food Certification (“SQF”) the ISNA Halal Certification Agency, the Guelph Food Technology Centre (SQF Institute) and Steritech.

34. The Saskatoon facility has achieved SQF 2000 – Level 2 Certification. SQF is a means of ensuring a rigorous, credible food safety management system, and it is recognized internationally by retailers, foodservice providers and regulatory agencies. SQF incorporates such things as fundamental food safety controls appropriate for low-risk products and a comprehensive implementation of food safety and quality management systems development and auditing processes.

V. ASSETS OF THE NFC ENTITIES

35. Financial statements are prepared for NFC, Acquisition LP and VAP Holdings L.P. (“VAP”)¹, which is not involved in these proceedings, but is included on the attached organizational chart in respect of the NFC group of companies. Due to the NFC group of companies’ organizational structure as well as the nature of the assets and operations (or lack thereof) held by certain entities within such structure, there are no stand-alone audited financial statements available for Acquisition Corp., Acquisition GP and Land Holdings. As discussed herein, the NFC Entities conduct operations through NFC, and the operations of the NFC Entities are substantially intertwined. The other NFC Entities have been included in these proceedings, in part, due to the fact that they are guarantors under the Term Facility and the Non-Revolver Loan Facility (each, as defined below).

36. The most recent audited financial statements for each of NFC, Acquisition LP and VAP, being for the calendar year ending December 31, 2010, are attached as Exhibit “B” hereto.

¹ VAP was formed in 2006 under the laws of the Province of Manitoba, for the sole purpose of acquiring NFC. VAP formed Acquisition LP, a wholly-owned partnership, to act as an intermediary to acquire NFC. Effective February 3, 2006, VAP, through Acquisition LP, acquired a 99.999% interest in NFC. The remaining 0.001% interest was acquired by Acquisition Corp., the general partner for NFC, which is wholly owned by Acquisition LP.

Acquisition LP's financial statements are consolidated to include NFC, Acquisition Corp and Acquisition LP. VAP's financial statements are consolidated to include Acquisition LP (consolidated), Acquisition GP, VAP Holdings GP Inc. ("VAP GP") and VAP. Like VAP, VAP GP is not involved in these proceedings, but is included on the attached organizational chart in respect of the NFC group of companies.

37. When viewed in isolation, the financial statements and results in respect of the individual NFC Entities do not provide an accurate picture of the NFC Entities' current financial position due to such factors as where assets and liabilities (including bank and other debt) are held within the NFC group of companies. Instead, the unaudited consolidated financial statements of the NFC group of companies for the nine months ended September 30, 2011, attached as Exhibit "C" hereto, provide the most complete available picture of the NFC Entities' financial position. However, as a result of the receipt by the NFC Entities in early-October, 2011 of the funds from the sale and leaseback transaction in respect of the Saskatoon manufacturing facility, there has been a marked improvement in the NFC Entities' balance sheet since that time. Such funds were used by the NFC Entities to pay down certain debt, meaning that the NFC Entities' post-September 30, 2011 balance sheet shows no long-term debt owing to the Bank of Montreal and a reduced amount in respect of the revolver. Nevertheless, the overall financial position of the NFC Entities has continued to decline since September 30, 2011.

38. As of September 30, 2011, the NFC group of companies' total assets had a book value of approximately \$69,797,000. Accounts receivable stood at approximately \$10,290,000. The assets of the NFC group of companies consisted of the following:

	(in \$000s)
Assets	
Current Assets	
Cash	-
Accounts receivable	10,290
Inventory	18,860
Prepaid expenses	359
Current Assets	29,509
Capital Assets	32,322

Intangible Assets	7,966
Total Long Term Assets	40,288
Total Assets	69,797

(a) NFC**(i) Manufacturing Facilities****(A) Saskatoon**

39. In August, 2011, NFC completed a sale and leaseback of its Saskatoon manufacturing facility with an arm's-length party. The funds from this transaction were released to the Company in early-October. The purpose of this transaction was to improve NFC's balance sheet and the proceeds were used to pay down debt.

40. NFC leases 105,445 square feet of industrial space at 820 60th Street East, Saskatoon, Saskatchewan used primarily for producing ground and formed meat and steaking products. NFC's leases this premises from Nicola Crosby Real Estate Asset Management Ltd. The lease commenced on September 1, 2011 and runs for a 20 year term ending on October 1, 2031, with an option to renew for an additional 5 years.

(B) St. Catharines

41. NFC owns a 36,000 square foot manufacturing facility located at 17 Seapark Drive, St. Catharines, Ontario. This facility produces cooked and value-added products. It was purchased in August, 2010 and became operational in March, 2011.

(C) Calgary

42. NFC owns two plants in Calgary, though both have been closed. The plant located on 13A Street was mainly focused on steaking and seafood products before closing in August, 2010 when. The plant located on Brandon Street mainly produced cooked products and was closed in December, 2010. Both plants remain owned by NFC and neither have been sold as of the date hereof.

(ii) Head Office

43. NFC's head office is located at leased premises at 1122 International Boulevard, Suite 601, Burlington, Ontario. The Applicants lease this premises from BFI Canada Inc. The lease commenced on April 1, 2011 and ends on September 29, 2014.

44. NFC also has a sales and procurement office located at Unit A, 610 – 70th Avenue S.E., Calgary, Alberta. The Company's leases this premises from SREIT (Quest Glenmore) Ltd. The lease commenced on September 1, 2011 and ends on August 31, 2016.

(iii) Other Material Assets

45. The Company owns and leases various production equipment and machinery located at its facilities as well as computer equipment and software. NFC has entered into certain lease agreements with The Royal Bank of Canada in connection with leases for meat grinders, steak processing machines, hydrostatic scales and similar specialized equipment.

46. NFC licenses Kronos (used for hourly employee time capture), DigiFlex, ROI (used for product formula optimization), and Ceridian Payroll software products as well as various products from Microsoft. NFC has entered into a lease agreement with Dell Financial Services Canada in connection with certain computer equipment.

(iv) Land Holdings

47. NFC is the sole shareholder of Land Holdings. Land Holdings has no assets and does not conduct any operations.

(b) Acquisition LP

48. As described above, Acquisition LP was formed on January 23, 2006 under the laws of the Province of Manitoba, for the sole purpose of acquiring NFC. Effective February 3, 2006, Acquisition LP, acquired a 99.999% interest in NFC. The remaining 0.001% interest was acquired by Acquisition Corp., the general partner for NFC, which is wholly owned by Acquisition LP.

49. Acquisition LP's sole activity is holding its general partnership interest in NFC.

(c) Acquisition Corp.

50. Acquisition Corp.'s sole asset is its general partnership interest in NFC.

(d) Acquisition GP

51. Acquisition GP is the general partner of Acquisition LP, and its sole asset is such general partnership interest. It is also the sole shareholder of Acquisition Corp. It has no other activities.

(e) Land Holdings

52. Land Holdings has no assets and does not conduct any operations.

VI. INDEBTEDNESS AND LIABILITIES OF THE APPLICANTS

53. As of September 30, 2011, the NFC group of companies' total liabilities had a book value of approximately \$58,392,000. As described below, the non-operating entities within the NFC group of companies have no significant liabilities aside from their debt under the Term Facility, the Non-Revolving Loan Facility and the EdgeStone Notes (each, as defined below). The liabilities of the NFC group of companies consisted of the following:

	(in \$000s)
<u>Liabilities</u>	
Current Liabilities	
Bank overdraft	21,957
Accounts payable	10,283
Accrued expense	3,366
Current portion of BMO LTD	2,520
Current portion of capital lease	-
Current Liabilities	38,125
TD Bank Mezzanine Debt	12,100
Bank of Montreal Long Term Debt	4,150
Capital Lease	1,517
Shareholder' Loan	2,500
Long Term Liabilities	20,267
Total Liabilities	58,392

(a) Term Facility

54. Acquisition LP is the borrower under the Second Amended and Restated Credit Agreement effective as of October 31, 2011 (the "Term Facility") by and between Acquisition LP, the other Applicants as guarantor subsidiaries, Bank of Montreal as lender and administrative agent and the other banks, financial institutions and other persons from time to time parties thereto as lenders. The maximum facility limit of the Term Facility is \$21,000,000. The Term Facility is secured by, *inter alia*: (i) a debenture in the amount of \$100,000,000, constituting a first-ranking security interest in the NFC Entities' assets; (ii) an assignment of property insurance; and (iii) a general security agreement.

55. As of January 13, 2012, the principal amount of the Term Facility outstanding, exclusive of accrued interest, costs and other amounts payable thereunder, was approximately \$16,413,073 million.

(b) Non-Revolving Loan Facility

56. Acquisition LP is the borrower under the Second Amended and Restated Senior Subordinated Credit Agreement effective as of October 31, 2011 (the "Non-Revolving Loan Facility") by and between Acquisition LP, the other Applicants as guarantor subsidiaries, the lenders from time to time parties thereto as lenders and TD Capital Mezzanine Partners Management Ltd. as administrative agent for the lenders. The principal amount of the Non-Revolving Loan Facility is \$12,100,000. The Non-Revolving Loan Facility is secured by, *inter alia*: (i) a debenture in the amount of \$25,000,000, constituting a second-ranking security interest in the NFC Entities' assets; (ii) an assignment of property insurance; and (iii) a general security agreement.

57. As of January 13, 2012, the principal amount of the Non-Revolving Loan Facility outstanding, exclusive of accrued interest, costs and other amounts payable thereunder, was approximately \$12,100,000 million.

(c) EdgeStone Notes

58. Acquisition LP is the debtor under the Amended and Restated Subordinated Note dated September 10, 2010 (the "2010 Note") by and between Acquisition LP and EdgeStone Capital

Equity Fund II-A GP, Inc. as lender. The 2010 Note is in the amount of \$1,000,000, bears interest at 14% per annum and has no fixed repayment terms, but is repayable on demand subject to the subordination provisions contained therein.

59. Acquisition LP is also the debtor under the Subordinated Note dated February 2, 2011 (the "2011 Note" and together with the 2010 Note, the "EdgeStone Notes") by and between Acquisition LP and EdgeStone Capital Equity Fund II-A L.P. as lender. The 2011 Note is in the amount of \$1,500,000, bears interest at 18% per annum and has no fixed repayment terms, but is repayable on demand subject to the subordination provisions contained therein.

(d) Accounts Payable

60. As of September 30, 2011, the NFC group of companies had accounts payable of approximately \$10,283,000, the vast majority of which is owed to trade creditors. These trade debts are unsecured and relate to goods and services supplied to NFC by trade creditors. Some of NFC's largest trade creditors are Westco Multitemp Distribution Centres Inc., Kerry Savory – Canada, Canadian Contract Cleaning, Impact Construction Limited and K-Dac Expedite.

61. As of November 26, 2011, the NFC Entities owed arrears in the amount of \$1,662,748.78 to Westco Multitemp Distribution Centres Inc., which may give rise to a commercial lien in respect of inventory held in Saskatoon, Saskatchewan. In addition the NFC Entities owed arrears in the amount of \$101,648.22 to Millard Refrigerated Services Inc., which may give rise to a repair and storage lien in respect of inventory held in Ontario.

(e) Litigation

62. MWS Solutions Inc. has registered Claims for Liens against NFC's St. Catharines manufacturing facility under the *Construction Lien Act* (Ontario) in connection with a dispute regarding a supply and installation agreement.

(f) Environmental

63. A Phase 1 Environmental Assessment was conducted in 2010 at the site of the St. Catharines manufacturing facility. An approximate 10 square meter area was identified as a potential issue of environmental concern. In 2011, the site was excavated and verification soil

samples were taken to determine that oil residues were removed. Following the receipt of confirmatory soil samples by NFC, the site was backfilled with clean soil.

64. A Phase 1 Environmental Assessment was conducted in 2010 at the site of the Saskatoon manufacturing facility. Based on the results and information reviewed, it was determined that historical land use and adjacent property activities represent a reduced risk for subsurface impacts in connection with the site and no further work was recommended.

(g) PPSA Registrations

65. Attached and marked as Exhibit "D" are summaries prepared by the NFC Entities' counsel, Torys LLP, and their agents of registrations made against the NFC Entities pursuant to the *Personal Property Security Act* (or the equivalent provincial legislation) of Ontario, Alberta, Manitoba and Saskatchewan.

VII. DIRECTORS AND OFFICERS

66. All board meetings of the NFC Entities are held in Toronto. The minute books for Acquisition GP, Acquisition Corp. and Land Holdings are also stored and maintained in Toronto at the offices of the NFC Entities' counsel.

VIII. EMPLOYEES

67. As of January 9, 2012, the NFC Entities had approximately 298 unionized and salaried employees. Of these, approximately 85 people (69 unionized and 16 salaried) are employed at the St. Catharines manufacturing facility, approximately 178 (146 unionized and 32 salaried) people are employed at the Saskatoon manufacturing facility and approximately 35 people are employed in sales and general administration capacities. All employees are employed by NFC.

68. Due to the seasonal nature of NFC's business which coincides with the Canadian barbeque season, production is ramped up at the beginning of the year and typically ramped down in late-summer. Employees are temporarily laid off during non-peak production times as a result.

69. There is a collective agreement in place between NFC and United Food & Commercial Workers Union, Local 1400 in respect of the Saskatoon manufacturing facility dated November 8, 2011 that took effect on November 1, 2011 and runs until October 31, 2014.

70. There is also a collective agreement in place between NFC and United Food and Commercial Workers Canada, Local 175 in respect of the St. Catharines manufacturing facility that took effect on August 1, 2010 and runs until October 31, 2013. This agreement was originally entered into by Pinty's Delicious Foods Inc. (St. Catharines) ("Pinty's"), the former owner of the St. Catharines manufacturing facility prior to Pinty's and NFC entering into an agreement of purchase and sale made on August 18, 2010 in respect of the St. Catharines manufacturing facility.

71. NFC maintains Group Life, Accidental Death and Dismemberment, Dependent Life, Short-Term Disability, Long-Term Disability, Contact Employee Assistance Program, Extended Health Care, Global Medical Assistance Program/Best Doctors, and Dental Care plans and benefits coverage for its employees, all of which are underwritten by Great-West Life.

72. NFC's executive employees are eligible to join a group registered retirement savings plan, and NFC makes contributions to such plans. As of January 13, 2012 NFC is current with respect to these contributions.

73. NFC's non-unionized employees are eligible to join both deferred profit sharing plans (administered by Sun Life) and group registered retirement savings plans. NFC makes contributions to the deferred profit sharing plans. As of January 13, 2012 NFC is current with respect to these contributions.

74. NFC's unionized employees in Saskatchewan are also eligible to join both deferred profit sharing plans (administered by Sun Life) and group registered retirement savings plans. NFC makes contributions to the deferred profit sharing plans pursuant to the collective agreement in place. As of January 13, 2012 NFC is current with respect to these contributions.

75. NFC's unionized employees in St. Catharines participate in the Canadian Commercial Workers Industry Pension Plan, a multi-employer defined contribution plan. NFC makes

contributions to such plan pursuant to the collective agreement in place. As of January 13, 2012 NFC is current with respect to these contributions.

76. The Cash Flow (as defined below) provides for the payment of the necessary pension plan contributions.

77. It is the intention of the NFC Entities to pay wages and honour vacation pay in the ordinary course.

IX. RECENT FINANCIAL DIFFICULTIES AND THE NFC ENTITIES' INSOLVENCY

(a) History of Challenges Facing the Company

78. NFC has faced significant and growing financial difficulties in recent years, especially since the end of 2010, for the reasons described below.

79. It has been a challenge for NFC to adjust wholesale pricing to cover rapid increases in costs attributable to meat protein commodity markets sitting at all-time highs, supply disruptions caused by a large shortfall in North American cattle supplies and high oil prices impacting packaging and freight costs. Meat prices began their climb in late 2010, before commencing a nearly vertical ascent in January and February of 2011, defying all forecasts. However, many annual customer contracts were negotiated prior to this steep rise in costs, eroding NFC's margins and leaving it in a precarious financial position.

80. The volatility of input costs has made passing on these costs to customers a challenge, as there is lag between when NFC must pay its suppliers and when it can renegotiate contracts with its customers to reflect such cost increases. There is no developed beef futures market, so given the necessity of purchasing meats at spot rates on commodity markets, NFC must continually focus on managing its customer pricing in response. There have also been several key customer defections over the last few years that have negatively impacted NFC's sales.

81. A further challenge comes from the fact that the Canadian further-processed protein industry is highly fragmented with numerous small players, whereas the retail and foodservice customers they serve are more concentrated. Canada's relatively consolidated grocery industry provides retailers with significant power to influence pricing. In the current market environment,

retailers are aggressively seeking to reduce the aggregate number of suppliers and drive cost improvements from their supply chain across all categories, hindering the ability of NFC and other industry players to pass along cost increases to customers. The concentration of meat supply has also been a factor in changing working capital requirements, as many suppliers are requiring NFC to pre-pay for meat, while NFC's customers have been using their own market power to stretch the Company's receivables.

82. In addition, start-up costs and unexpected cost overruns to bring the St. Catharines manufacturing facility on-line, coupled with the expenses involved in closing the Calgary manufacturing facilities, were also significant and were a substantial drain on NFC's cash position. The St. Catharines manufacturing facility was originally projected to open in February, 2011, but technical issues, including faulty engineering work, delayed the opening to April, 2011. Even after opening, there were start-up inefficiencies that led to the facility operating over budget, such as decreased yields and the need for increased labour costs to make up for delays and other technical inefficiencies.

(b) Responses to Challenges

83. In response to the financial difficulties described above, through 2010 and 2011, NFC has undertaken extensive efforts to develop meaningful improvements to its business, including strengthening its sales team and expanding production capacity in existing plants through productivity improvements, including better financial reporting systems and data management, appointing food industry veterans to key management positions, including my hiring in September, 2010, and completing a plant consolidation designed to drive significant cost benefits through lower operating costs and reduced overhead.

84. NFC's decision to move its head office to Burlington in April, 2011, was, in part, driven by a desire to position the Company to recruit quality management and personnel as well as to locate closer to its major customers.

85. Throughout 2011, NFC discussed the need for wholesale price increases with its customers due to the higher input costs and, in some cases, were allowed to increase their wholesale prices but at significantly lower levels than the input cost increases. Beginning in October, 2011, NFC also began actively discussing future price increases and more equitable

pricing mechanisms with its customers due to the magnitude of the higher input costs experienced in 2011 and expected to continue in 2012, though such price increases will only be implemented in 2012. To offset the effect of customer defections in prior years, NFC has worked to diversify its customer base and gain new business from existing customers, which has partially offset decreases in gross profit.

86. Given the industry headwinds and the other factors described above, to date, these operational responses have been largely unsuccessful.

87. There has been a widespread desire among meat processing industry players to consolidate that goes back to as early as 2006. However, for a number of reasons, including the fact that many businesses are family-owned, there has been a dearth of consummated transactions. Beginning in May, 2011, NFC was involved in direct negotiations with a competitor and potential strategic partner, with the goal of negotiating a merger agreement. Such a merger would have helped NFC's negotiating power and provided for operational and logistical synergies. The NFC Entities were responsive to all due diligence/informational requests and did everything possible to support a transaction with this potential strategic partner. Despite their best efforts, negotiations concluded in December, 2011 without an agreement, as both entities needed to evaluate the performance of their businesses in the difficult market. The value of the NFC Entities' business precipitously declined during such period, and continues to do so, as a result of the NFC Entities' worsening liquidity situation.

88. Efforts have been made to secure funding and raise additional capital. As part of the merger discussions discussed above, NFC was involved in extensive refinancing discussions with potential lenders in 2011. Unfortunately, these discussions coincided with NFC's declining financial performance, and despite several near successes, they did not result in any signed commitments. Aside from the successful August, 2011 sale and leaseback transaction involving the Saskatoon manufacturing facility, the proceeds of which were used to pay down debt, efforts to raise additional capital were unsuccessful. In addition, the NFC Entities' existing shareholders declined to invest further funds in the business. Therefore, the management of the NFC Entities are of the view that no additional financing is available to the NFC Entities (other than the DIP Facility defined and described in greater detail below).

(c) *Default under Term Facility*

89. As a result of NFC's financial challenges, the NFC Entities have been unable to meet various financial and other covenants set out in the Term Facility and do not have the liquidity needed to meet their ongoing payment obligations. As at November 26, 2011, the NFC Entities were in default under the Term Facility. Such defaults included: (i) the NFC Entities' borrowings exceeding the permitted borrowing base; (ii) the existence of commercial and repair and storage liens that are not permitted encumbrances on the NFC Entities' property; and (iii) circumstances that require increased borrowing in excess of the permitted borrowing base, constituting a material adverse effect. Through cross-default provisions in the Non-Revolver Loan Facility, the NFC Entities are also in default under this agreement.

90. On December 23, 2011, the NFC Entities entered into a forbearance agreement (the "Forbearance Agreement") with the Bank of Montreal in connection with the Term Facility, whereby the Bank of Montreal and the other lenders agreed to forbear from exercising their rights as a result of continuing defaults under the Term Facility. The forbearance extended to January 6, 2012 (the "Forbearance Period"). Pursuant to the Forbearance Agreement, the NFC Entities were required to, *inter alia*, retain FTI as a financial advisor to, *inter alia*: (i) develop a plan for a sale process; (ii) conduct a full financial analysis of the business; and (iii) assist in the preparation of cash flows.

91. Pursuant to the terms of a First Extension and Amendment to Forbearance Agreement dated January 6, 2012, the Forbearance Period was subsequently extended to January 16, 2012. Pursuant to the terms of a Second Extension and Amendment to Forbearance Agreement dated January 13, 2012, the Forbearance Period was extended for a second time to January 18, 2012.

92. The funding provided by the Bank of Montreal to the NFC Entities to date is significantly in excess of that permitted by the borrowing base calculations. The NFC Entities are overdrawn and do not have the means to repay the amounts owing under the Term Facility, or their other secured obligations. Despite being overdrawn, the NFC Entities would require additional funding in order to continue as a going concern. The Bank of Montreal has informed the NFC Entities that it is not prepared to provide additional funding to the NFC Entities, save and except

the DIP financing discussed hereinafter in the context of a CCAA proceeding for the purpose of effecting a sale of the business as a going concern.

93. Accordingly, the NFC Entities are insolvent. The NFC Entities cannot meet their liabilities as they come due and do not have sufficient cash to continue to fund their operations. Without the protection of the CCAA, a shut-down of operations is inevitable, which would be extremely detrimental to the NFC Entities' lenders, employees, suppliers, and customers. CCAA protection will allow the NFC Entities to maintain operations so as to implement a sale process with respect to their property and business.

X. THE NEED FOR COURT PROTECTION

94. Without additional funding in the form of DIP financing and a stay of proceedings in the context of a CCAA filing, the NFC Entities cannot continue to operate.

95. NFC's next regular payroll for all its existing employees must be funded by no later than January 18, 2012. Other upcoming urgent expenditures include meat purchases, spice additives, packaging, storage, refrigeration and nitrogen costs.

96. During the period in which the restructuring and sale process is undertaken, in order to protect the relative positions of all the creditors of the NFC Entities as of the date of commencement of these proceedings, it is essential that the rights and remedies of the NFC Entities' creditors be stayed and that future cash flow be applied to pay for goods and services purchased after the commencement of these proceedings as well as the costs, including professional fees, incurred as part of the restructuring. In the absence of a stay, creditors of the NFC Entities would be in a position to take precipitous steps that could result in the bankruptcy and liquidation of the NFC Entities, seriously impair potential recoveries for creditors and virtually eliminate the possibility that the business of the NFC Entities can be sold as a going concern, for the benefit of creditors, remaining employees, suppliers and other stakeholders.

97. Among other things, preservation of the status quo will, ideally, assist in the preservation of the business, including satisfying NFC's principal customers with respect to the stability of the restructuring process in place and the prospects for continuing the business as a going concern.

98. The CCAA process provides the best possible framework for the NFC Entities, with the assistance of FTL, the proposed monitor in the proceedings, to attempt to restructure the Applicant with the most positive potential outcome for the creditors and other stakeholders.

(a) Cash Flows

99. As at January 13, 2012, the NFC Entities' consolidated cash balance was approximately \$(16,413,075). With the assistance of FTL, the NFC Entities have conducted a cash flow analysis to determine the amounts required to fund the NFC Entities' operations for the next 13 weeks, assuming the relief sought is granted. Attached as Exhibit "E" is the cash flow projection for the NFC Entities for such period (the "Cash Flow").

(b) DIP Loan

100. In order to continue to operate during these proceeding, it is apparent from the Cash Flow that the NFC Entities require debtor-in-possession financing, as there would otherwise be insufficient monies to pay essential operating expenses and costs associated with these proceedings going forward. As a result, the NFC Entities negotiated with the Bank of Montreal regarding its interest in providing ongoing financing to the NFC Entities required in connection with these proceedings.

101. The Bank of Montreal is prepared to advance a debtor-in-possession loan (the "DIP Facility") on a first-ranking secured basis (subject to an Administration Charge up to a maximum amount of \$350,000, a Directors' and Officers' Charge up to a maximum amount of \$3,000,000 and permitted encumbrances) to provide the necessary funding to the NFC Entities in accordance with the Cash Flow. The NFC Entities seek a charge on the assets, property and undertakings of the NFC Entities to secure the DIP Facility (the "DIP Charge").

102. A copy of the Super-Priority, Senior Secured Debtor-in-Possession Credit Facility Letter Loan Agreement among Acquisition LP, as borrower, the other NFC Entities, as guarantors, and the Bank of Montreal, as lender (in such capacity, the "DIP Lender") in respect of the proposed DIP Facility is attached as Exhibit "F". One of the conditions of the DIP Agreement is the obtaining by the NFC Entities of an initial CCAA order approving the DIP Agreement, in form and substance satisfactory to the Bank of Montreal and its counsel.

103. The current commitment amount of the DIP Facility is \$3,500,000. Further credit approval by the DIP Lender is required to increase the commitment amount from \$3,500,000 to \$10,500,000. Notwithstanding the period covered by the Cash Flow, after February 21, 2012, there shall be no availability for further borrowings under the DIP Facility if, *inter alia*: (i) the DIP Lender declares that a Sales Process Default (as such term is defined in the DIP Agreement) has occurred; or (ii) the DIP Lender has failed to give written notice in its sole and absolute discretion that it is satisfied with the Sale Process to such date, which coincides with the start of the ramp up in NFC operations and meat input purchases necessary for the Canadian barbeque season.

104. Under the terms of the DIP Agreement, the DIP Facility bears interest at the Prime Rate (as such term is defined in the DIP Agreement) plus 6% per annum. There is a DIP Commitment Fee (as such term is defined in the DIP Agreement) of \$150,000 and a monitoring fee of \$10,000 per month.

105. The purposes of the DIP Facility are to: (i) provide for working capital for and for other general corporate purposes, as set out in the Cash Flow; (ii) pay the fees and expenses associated with the DIP Facility; (iii) pay costs and expenses in connection with these proceedings, as set out in the Cash Flow (including the deposit with the Monitor of the premium due in respect of any director and officer insurance contemplated by the Cash Flow, which the Monitor shall be irrevocably authorized to remit to the applicable insurer upon receipt of a direction from the NFC Entities).

106. The DIP Facility terminates at the earliest of: (i) March 30, 2011; (ii) the effective date of a plan of compromise and arrangement of the NFC Entities pursuant to the CCAA; (iii) upon acceleration of the DIP Facility in accordance with the terms of the DIP Agreement or upon the occurrence of a Specified Event of Default (as such term is defined in the DIP Agreement); and (iv) upon any actual or asserted invalidity, impairment or unenforceability of the guarantee of any of the NFC Entities in their capacities as guarantors under the DIP Agreement.

(c) Sale Process

107. The NFC Entities seek approval of a sale process (the "Sale Process") to market and sell their property and business, which Sale Process has been negotiated and developed by the NFC

Entities and FTI, and to which the Bank of Montreal has agreed. The terms and provisions of the Sale Process are more fully described in the Pre-Filing Report of FTI, dated January 16, 2012.

108. The NFC Entities are contemplating the following timeline in connection with this process:

ACTION	DEADLINE
Submission of Expressions of Interest	January 30, 2012
Submission of Final Proposals	February 13, 2012
Selection of Preferred Proposal	February 17, 2012
Closing (Outside Date)	March 30, 2012

109. This accelerated Sale Process is necessitated by the timing of the Canadian barbeque season ramp up and the conditions of the DIP Agreement. However, the universe of likely qualified buyers for the going concern operations of the NFC Entities is known and consists principally of parties who are already manufacturing and supplying similar products to NFC's major customers. These parties are familiar with manufacturing operations such as those owned by the NFC Entities and have a history of dealings with NFC's major customers, enabling them to conduct accelerated due diligence and complete an acquisition in a timely fashion.

110. The Sale Process, including the proposed timeline, are designed to maximize the value received for the NFC Entities' assets and to facilitate a fair and open process in which all interested parties may participate, with a view to preserving value and maximizing recoveries for the NFC Entities' stakeholders, while minimizing any adverse impact on customers, employees and other stakeholders.

111. The NFC Entities are satisfied that the sale process proposed is appropriate in the circumstances and will result in the market for the NFC Entities' property and business being suitably canvassed.

(d) Other Court-Ordered Charges

112. As discussed in greater detail below, the NFC Entities seek certain Court-ordered charges on the assets, property and undertakings of the NFC Entities, in addition to the DIP Charge. It is

the NFC Entities' intention that none of the court-ordered charges described herein will prime existing PPSA registrants, aside from the existing positions of the Bank of Montreal and TD Capital Mezzanine Partners Management Ltd., who shall be provided with notice of these proceedings.

(i) Administration Charge

113. The NFC Entities seek a charge on the assets, property and undertakings of the NFC Entities in the maximum amount of \$350,000 to secure the fees and disbursements incurred in connection with services rendered to the NFC Entities both before and after the commencement of the CCAA proceedings by counsel to the NFC Entities, FTI (if appointed) and FTI's counsel (the "Administration Charge").

114. The NFC Entities worked with FTI to estimate the proposed quantum of the Administration Charge and believe it to be reasonable and appropriate in view of the complexities of the NFC Entities' CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

(ii) Directors' and Officers' Charge

115. To ensure the ongoing stability of the NFC Entities' business during the CCAA period, the NFC Entities require the continued participation of their directors and officers.

116. The NFC Entities are seeking typical provisions staying all proceedings against the directors and officers of the NFC Entities with respect to all claims against the directors or officers that relate to any obligations of the NFC Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers of the NFC Entities.

117. There is an existing claims-made insurance policy with respect to directors' and officer's liability. However, as of the date hereof, the insurer has not admitted coverage with respect to liabilities of the NFC Entities for which the directors may be personally liable and there is potential ambiguity in respect of the extent of coverage for certain liabilities. In the present circumstances, it is not possible to obtain at reasonable cost further coverage that is satisfactory. Accordingly, the NFC Entities are seeking a charge in favour of present directors, former directors during the sixty (60) day period prior to the date of the Initial Order and officers on the

assets, property and undertakings of the NFC Entities in the maximum amount of \$3,000,000 (the "Directors' and Officers' Charge") that will allow the NFC Entities to continue to benefit from the expertise and knowledge of their directors and officers.

118. The quantum of the proposed Directors' and Officers' Charge has been considered by FTI and negotiated by the NFC Entities and The Bank of Montreal. The NFC Entities believe the Directors' and Officers' Charge is reasonable in the circumstances.

(e) The Monitor

119. FTI has consented to act as the Court-appointed Monitor of the NFC Entities, subject to Court approval.

120. FTI is a trustee within the meaning of Section 2 of the *Bankruptcy and Insolvency Act*, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

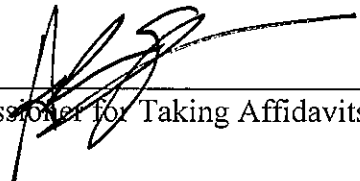
121. FTI has been working with the NFC Entities and its advisors in the lead-up to these proceedings and has familiarity with the NFC Entities' business and operations. FTI is experienced with this type of proceeding, and is well suited to the role of Court-appointed Monitor in these proceedings.

122. FTI, as proposed monitor, has advised me that it is supportive of the relief being sought in favour of the NFC Entities and the existence and amounts of the DIP Charge, the Administration Charge and the Directors' and Officers' Charge.

XI. SUMMARY

123. The NFC Entities believes that the protections and inherent flexibility of the CCAA process and business advantages of a debtor-in-possession proceeding will enhance the prospects of the NFC Entities' restructuring and implementation of a sale process, all with a view to preserving value and maximizing recoveries for the NFC Entities' stakeholders.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario,
this 16th day of January, 2012.



Commissioner for Taking Affidavits

ADAM SLAVENS



BRIAN CRAM

TAB A

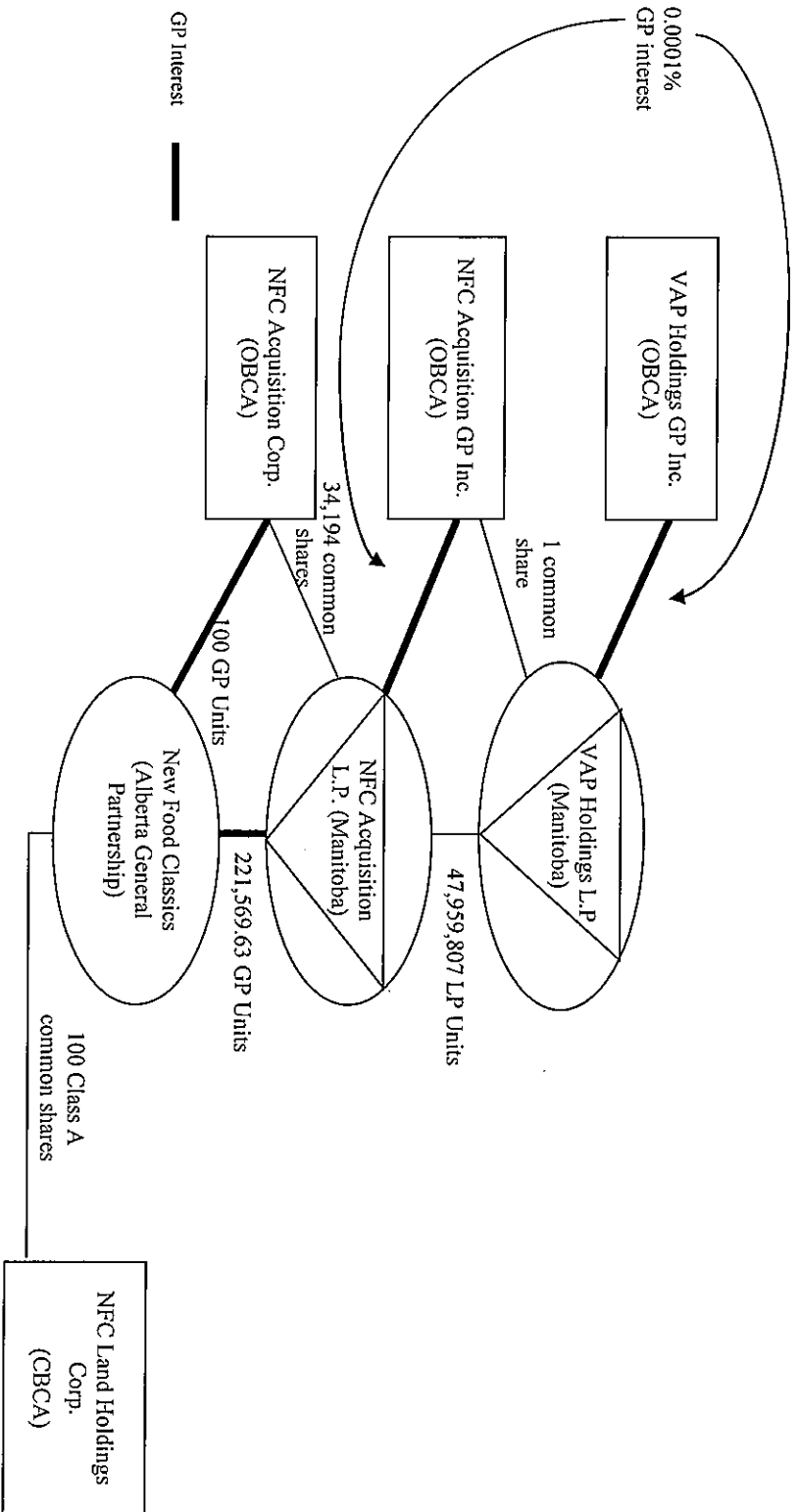
This is Exhibit "A" referred to in the
Affidavit of Brian Cram
sworn before me, this 16th
day of January, 2012

A handwritten signature in black ink, appearing to read 'ASLAVENS', with a long horizontal flourish extending to the right.

A Commissioner, Etc.

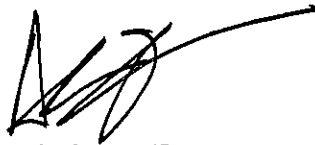
ADAM SLAVENS

NFC GROUP OF COMPANIES ORGANIZATIONAL CHART



TAB B

This is Exhibit "B" referred to in the
Affidavit of Brian Cram
sworn before me, this 16th
day of January, 2012

A handwritten signature in black ink, appearing to read "ASLAVENS", with a long horizontal stroke extending to the right.

A Commissioner, Etc.

ADAM SLAVENS



Consolidated Financial Statements of

VAP HOLDINGS L.P.

(A Partnership)

Year ended December 31, 2010



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INDEPENDENT AUDITORS' REPORT

To the Partners

We have audited the accompanying consolidated financial statements of VAP Holdings L.P. which comprise the consolidated balance sheet as at December 31, 2010, the consolidated statements of income (loss), partners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of VAP Holdings L.P. as at December 31, 2010, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
May 31, 2011
Calgary, Canada

VAP HOLDINGS L.P.

(A Partnership)

Consolidated Balance Sheet

As at December 31, 2010 with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Accounts receivable	\$ 6,472,438	\$ 7,722,662
Inventory (note 3)	14,439,019	16,399,230
Prepaid expenses	202,816	144,989
	<u>21,114,273</u>	<u>24,266,881</u>
Intangible assets (note 4)	8,743,090	9,790,800
Property, plant and equipment (note 5)	21,461,595	27,470,552
Assets held for sale (note 5)	5,944,206	-
	<u>\$ 57,263,164</u>	<u>\$ 61,528,233</u>

Liabilities and Partners' Equity

Current liabilities:		
Bank indebtedness (note 6)	\$ 11,182,270	\$ 6,773,716
Accounts payable and accrued liabilities	7,517,728	8,332,165
Current portion of long-term debt (note 6)	2,699,780	4,496,777
Current portion of obligation under capital lease (note 7)	201,412	547,263
	<u>21,601,190</u>	<u>20,149,921</u>
Long-term debt (note 6)	14,589,633	17,289,663
Obligation under capital leases (note 7)	1,517,128	1,517,128
	<u>37,707,951</u>	<u>38,956,712</u>
Partners' equity	19,555,213	22,571,521
Contingency and subsequent events (notes 6 and 14)		
	<u>\$ 57,263,164</u>	<u>\$ 61,528,233</u>

See accompanying notes to consolidated financial statements.

Approved by the Partnership:

_____ Partner

_____ Partner

VAP HOLDINGS L.P.

(A Partnership)

Consolidated Statement of Income (Loss)

For the year ended December 31, 2010, with comparative figures for 2009

	2010	%	2009	%
Sales	\$ 103,657,277	100.00	\$ 125,742,901	100.00
Cost of sales	92,974,968	89.69	119,220,563	94.81
	10,682,309	10.31	6,522,338	5.19
Expenses:				
Administration	2,907,927	2.81	6,751,930	5.37
Selling	2,243,075	2.16	2,633,414	2.09
Research and development	687,964	0.66	865,923	0.69
	5,838,966	5.63	10,251,267	8.15
Income before interest, other administration costs and amortization	4,843,343	4.67	(3,728,929)	(2.97)
Interest	1,005,373	0.97	600,503	0.48
Interest on long-term debt	1,924,611	1.86	2,060,833	1.64
Other administration costs (note 8)	350,000	0.34	350,000	0.28
Amortization of intangible assets	1,047,709	1.01	1,050,587	0.84
Amortization of property, plant and equipment	3,061,942	2.95	3,702,566	2.94
Loss on asset impairment	74,174	0.07	929,797	0.74
Restructuring costs	2,395,842	2.31	-	-
	9,859,651	9.51	8,694,286	6.91
Net loss	\$ (5,016,308)	(4.84)	\$ (12,423,215)	(9.88)

See accompanying notes to consolidated financial statements.

VAP HOLDINGS L.P.

(A Partnership)

Consolidated Statement of Partners' Equity

For the year ended December 31, 2010 with comparative figures for 2009

	2010	2009
Balance, beginning of year	\$ 22,571,521	\$ 34,994,736
Contributions (note 12)	2,000,000	-
	24,571,521	34,994,736
Net loss	(5,016,308)	(12,423,215)
Balance, end of year	\$ 19,555,213	\$ 22,571,521

See accompanying notes to consolidated financial statements.

VAP HOLDINGS L.P.

(A Partnership)

Consolidated Statement of Cash Flows

Year ended December 31, 2010 and comparative figures for 2009

	2010	2009
Cash was provided by (used in)		
Operations:		
Net income (loss)	\$ (5,016,308)	\$(12,423,215)
Add items not affecting cash		
Amortization of intangible assets	1,047,709	1,050,587
Amortization of property, plant and equipment	3,061,942	3,702,566
Asset impairment	74,174	929,797
	(832,483)	(6,740,265)
Changes in non-cash working capital:		
Accounts receivable	1,250,224	806,818
Inventory	1,960,211	7,951,716
Prepaid expenses	(57,827)	156,914
Accounts payable and accrued liabilities	(814,437)	705,737
	1,505,688	2,880,920
Financing:		
Repayment of long-term debt	(4,497,027)	(4,384,644)
Repayment of capital lease	(345,851)	(375,975)
Increase in bank indebtedness	4,408,555	4,103,801
	(434,323)	(656,818)
Investments:		
Additions to property, plant and equipment	(1,071,365)	(2,224,102)
Cash inflow		
	-	-
Cash, beginning of year		
	-	-
Cash, end of year		
	\$ -	\$ -
Supplemental cash flow information:		
Interest paid	\$ 2,929,984	\$ 2,661,336
Non-cash issuance of VAP units	\$ 2,000,000	\$ -

See accompanying notes to consolidated financial statements.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 1

For the year ended December 31, 2010 with comparative figures for 2009

1. Nature of operations:

VAP Holdings L.P. (a limited Partnership) ("VAP", or the "Partnership") was formed on January 23, 2006 under the laws of the Province of Manitoba, for the sole purpose of acquiring New Food Classics ("NFC"), a partnership. In anticipation of the acquisition of NFC, VAP formed a wholly-owned Partnership, NFC Acquisition LP ("NFCLP") to act as an intermediary to acquire NFC.

Effective February 3, 2006, VAP, through NFCLP, acquired 99.999% interest in NFC. The remaining 0.001% interest was acquired by NFC Acquisition Corp., the general partner for NFC, which is wholly owned by NFCLP.

NFC was originally formed on July 30, 2005 under the laws of the Province of Alberta for the purpose of carrying on the operations of processing value-added meat, seafood and other related meat products in the provinces of Alberta and Saskatchewan.

Under the provisions of the Income Tax Act (Canada), the income tax consequences for a Partnership are deemed to be those of the partners individually and, as such, are not reflected in this consolidated financial statement.

2. Significant accounting policies:

(a) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes materials, interest, labour and manufacturing overhead and is determined primarily on a first-in, first-out basis.

(b) Principles of consolidation:

The consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiaries, NFCLP, NFC and NFC Acquisition Corp. All related party transactions have been eliminated.

(c) Amortization:

Amortization on property, plant and equipment is provided using the declining balance method at the following annual rates:

Assets	Rate
Plant facilities	5%
Machinery and equipment	10-20%
Furniture and fixtures	20%
Computer hardware and software	30%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 2

For the year ended December 31, 2010 with comparative figures for 2009

2. Significant accounting policies (continued):

(d) Foreign currency translation:

Transactions denominated in US\$ have been translated to Canadian dollars at the rates of exchange prevailing at the individual transaction dates. Monetary balance sheet items are translated at the rate of exchange prevailing at the balance sheet date with gains and losses recorded in statement of income (loss).

(e) Revenue recognition:

Product sales are recognized at the time the product is shipped to the customer, when all contractual obligations have been satisfied, and when collection is reasonably assured. Sales rebates and other allowances are recorded at the time revenue is recognized and are based upon contract terms and anticipated claims.

(f) Research and development:

Research costs are expensed as incurred. Product development costs are expensed as incurred.

(g) Intangible assets:

Intangible assets with a finite life are accounted for at cost. They consist of trademarks, proprietary technology and customer relationships, which are amortized on a straight-line basis over its estimated remaining life as follows:

Assets	Rate
Trademarks	4 years
Proprietary technology	8 years
Customer relationships	7.5 to 15 years

Intangible assets with indefinite service life representing trade names are accounted for at cost and are not amortized. Trade names are tested for impairment annually or more frequently if changes in the circumstances indicate a potential impairment.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 3

For the year ended December 31, 2010 with comparative figures for 2009

2. Significant accounting policies (continued):

(h) Financial instruments:

Accounting and disclosure standards have been issued relating to financial instruments that are otherwise applicable to the Partnership. Adoption of these new standards is optional for non-publicly accountable enterprises, and as a result, the Partnership has elected not to adopt these standards.

The Partnership may utilize interest rate swap contracts to manage the risk associated with fluctuations in interest rates.

The Partnership adopted Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 13, "Hedging Relationships" (AcG-13"), which deals with the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Gains and losses associated with risk management activities that meet hedge accounting criteria are recorded as adjustments to the interest expense in the same period as the hedged item. If correlation ceases, the hedged item is sold or cancelled prior to the termination of the related hedging item, any unrealized gain or loss on the hedging item is immediately recognized through the income statement. Financial instruments that are not designated as hedges under the guideline are recorded on the balance sheet as either an asset or liability with the change in fair value recognized through the income statement.

(i) Financing costs:

Financing costs incurred during the period are expensed in the year incurred.

(j) Share-based compensation:

The Partnership's management incentive plan is described in note 11. No compensation expense associated with the partnership units granted to management has been recognized to date because the fair value of the options granted is not determinable as the outcome of contingent factors triggering the exercise of the options are unknown and would require significant estimation.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 4

For the year ended December 31, 2010 with comparative figures for 2009

2. Significant accounting policies (continued):

(k) Measurement uncertainty:

The provision for product claims is based on management's best estimates of recovery from their customers.

The valuation of property, plant and equipment is based on management's best estimates of the future recoverability of these assets. The amounts recorded for amortization of the property, plant and equipment are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

The valuation of inventory is based on management's best estimates of the provision for slow-moving and obsolete inventory. The amount recorded for the provision is based on management's best estimates of the net realizable value of the related inventory.

The valuation of intangible assets is based on management's best estimates of its current and future usefulness of its trademarks, proprietary technology, and customer relationships.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statement of changes in such estimates in future periods could be significant.

(l) Future accounting and reporting changes:

On December 15, 2009, Canada's Accounting Standards Board ("AcSB") issued new accounting standards for private enterprises ("ASPE "). Previously, the AcSB had announced that International Financial Reporting Standards ("IFRS") will be required for Canada's publicly accountable enterprises and would be optional for private enterprises. Both sets of standards are effective for fiscal years commencing on or after January 1, 2011 with early adoption permitted.

The Partnership intends to adopt ASPE effective for the year commencing January 1, 2011. The impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 5

For the year ended December 31, 2010 with comparative figures for 2009

3. Inventory:

	2010	2009
Product	\$ 13,222,589	\$ 15,026,146
Supplies	1,216,430	1,373,084
	<u>\$ 14,439,019</u>	<u>\$ 16,399,230</u>

Included in Product inventory is a provision for slow moving and obsolete inventory of \$48,740 (2009 - \$214,901). During the year, the amount of inventory included in cost of sales was \$61,946,178 (2009 - \$83,812,905).

During the year ended December 31, 2010 an amount of \$44,840 (2009 - \$903,322) was recorded as a write down from cost to net realizable value.

During the year ended December 31, 2010 an amount of \$426,766 (2009 - \$nil) has been written off and disposed of related to plant closures.

4. Intangible assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Trade names ⁽¹⁾	\$ 1,447,102	\$ -	\$ 1,447,102	\$ 1,447,102
Trademarks	47,917	47,917	-	999
Proprietary technology	2,635,451	1,619,704	1,015,747	1,345,177
Customer relationships	9,775,128	3,494,887	6,280,241	6,997,522
	<u>\$13,905,598</u>	<u>\$ 5,162,508</u>	<u>\$ 8,743,090</u>	<u>\$ 9,790,800</u>

⁽¹⁾ non-amortized indefinite life intangible asset

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 6

For the year ended December 31, 2010 with comparative figures for 2009

5. Property, plant and equipment:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,374,632	\$ -	\$ 2,374,632	\$ 2,374,632
Land under construction	110,000	-	110,000	-
Plant facilities	18,014,888	6,425,399	11,589,489	11,859,137
Plant facilities under construction	1,342,555	-	1,342,555	45,901
Machinery and equipment	35,313,382	24,547,267	10,766,115	12,752,404
Machinery and equipment under construction	906,861	-	906,861	67,692
Furniture and fixtures	442,476	350,416	92,060	114,167
Computer hardware and software	1,236,758	1,049,297	187,461	252,789
Computer hardware and software under implementation	33,564	-	33,564	-
Leasehold improvements	99,872	96,808	3,064	3,830
Assets held for sale	(11,885,581)	(5,941,375)	(5,944,206)	-
	\$47,989,407	\$ 26,527,812	\$21,461,595	\$27,470,552

Included in the cost of land is \$1,517,128 (2009 - \$1,517,128) held under a capital lease. The cost of facilities and machinery and equipment includes \$1,909,739 (2009 - \$2,518,449) held under various capital leases. Accumulated depreciation for facilities and machinery and equipment includes \$1,152,523 (2009 - \$1,358,433) related to the capital leases.

NFC purchased a manufacturing facility in St. Catharines Ontario on August 18, 2010 in exchange for the issuance of 4,309,807 VAP partnership units to the seller at a price of \$0.46406 per unit for a total subscription price of \$2 million. This transaction resulted in an equity contribution of \$2M in NFC Acquisition L.P. from VAP Holding L.P. and an equity contribution of \$2M in New Food Classics from NFC Acquisition L.P.

In 2010, Brandon Street and 13A Street facilities have been permanently closed. Both facilities have been listed for sale and the net book value of the assets held for sale is \$5,944,206.

As a result of these plant closures, NFC was required to repay a portion of a grant received in 2009 for capital expenditures totaling \$92,118.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 7

For the year ended December 31, 2010 with comparative figures for 2009

6. Long-term debt:

	2010	2009
Term Facility, to a maximum of \$21,000,000, of which \$3,409,633 has been drawn upon under the prime option interest rate. As at December 31, 2010, the interest rate was at 5.25%. The facility is secured by a debenture in the amount of \$100,000,000, constituting a first ranking security interest in the Partnership's assets, assignment of property insurance and general security agreement, with quarterly reduction of the advance principal at 2% during the first year, with 3.5%, 4% and 4.5% for the remaining 3 years respectively, maturing February 6, 2011 (see note 14).	\$ 3,409,633	\$ 7,709,050
Non-Revolving Loan Facility, bears interest at 10% per annum payable quarterly, secured by a debenture in the amount of \$25,000,000, constituting a second rank security interest in the Partnership's assets, assignment of property insurance and general security agreement, maturing August 6, 2011 (see note 14)	12,100,000	12,100,000
Capex Facility, to a maximum of \$5,000,000, of which \$779,780 has been drawn upon. The interest rate is at prime plus margin range of 3.5% – 2% based on the Partnership meeting certain financial targets. The facility is secured under the same terms as the first facility described above, and matures on Feb 6, 2011 (see note 14).	779,780	1,977,390
Edestone Loan, bears interest at 14% per annum The loan has no fixed repayment terms but is repayable on demand, subject to the subordination provision being met. The loan is a related party of New Food Classics.	1,000,000	-
	17,289,413	21,786,440
Less: portion due within one year	2,699,780	4,496,777
	<u>\$ 14,589,633</u>	<u>\$ 17,289,663</u>

The Partnership also has a Operating Facility to the lesser of \$24,000,000 or such lesser amount as described on the operating facility and the borrowing base as determined from time to time. The Operating Facility bears interest at prime plus a factor based on the Partnership meeting certain financial targets, and is secured by a charge against working capital. At December 31, 2010 the interest rate was at 5.0% (2009 - 5.0%) and the outstanding balance was \$11,182,270 (2009 - \$6,773,716).

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 8

For the year ended December 31, 2010 with comparative figures for 2009

6. Long-term debt (continued):

The estimated principal repayments over period to maturity are as follows based on the revised agreements signed February 2, 2011 (see note 14):

2011	\$ 2,699,780
2012	1,489,800
2013	13,099,833
	<hr/>
	\$ 17,289,413

Subsequent to year-end, the Partnership signed amended and restated senior and subordinated credit agreements with its lenders (note 14). As at December 31, 2010, the Partnership was in compliance with its financial covenants from the credit agreement signed on February 2, 2011. As at March 31, 2011, the Partnership was in violation of certain financial covenants outlined within the credit agreements signed on February 2, 2011 (note 14(d)).

On August 18, 2010, NFCLP entered into a debt agreement whereby the majority unit holder provided NFCLP with \$1 million in exchange for subordinated debt bearing interest at 14% per annum. The loan has no fixed repayment terms but is repayable on demand, subject to the subordination provisions being met. The funds were used to pay down NFCLP's existing debt.

7. Obligation under capital lease:

The Partnership has entered into various capital lease arrangements for equipment and land.

The obligation under capital lease of land bears interest at 6.4% per annum, is secured by the leased land, and is repayable at the option of the Partnership on or before November 14, 2015. Payments during the term of the lease represent the interest portion only, with the full principal amount due upon acquisition of the land on or before November 14, 2015.

The obligations under capital lease of facilities and machinery and equipment bear interest at 4.72% per annum.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 9

For the year ended December 31, 2010 with comparative figures for 2009

7. Obligation under capital lease (continued):

The total future minimum lease payments over the remaining term of these leases are as follows:

Year ending:	
2011	\$ 302,291
2012	96,717
2013	96,717
2014	96,717
2015	1,517,128
Less: imputed interest	(391,030)
Present value, minimum lease payments	1,718,540
Less: current portion	201,412
	<u>\$ 1,517,128</u>

8. Related Party Transactions:

Other administration costs consist of management fees and other reimbursable direct costs incurred by the parent company. Under terms of the bank credit agreement, \$350,000 (2009 - \$350,000) is classified as Other Administration, with the balance reported in Administration. Total costs incurred during the year were \$491,239 (2009 - \$454,991).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

9. Significant customers:

During the year, the Partnership sold product to two customers representing 41% and 8%, respectively, of total sales (2009 - 43% and 13%). Accounts receivable from these customers at December 31, 2010 were \$2,453,819, and \$nil, respectively (2009 - \$2,968,372 and \$nil).

10. Financial instruments:

(a) Fair values:

The fair values of accounts receivable, accounts payable and accrued liabilities, and obligation under capital leases approximate their carrying values because of their short-term nature or because they bear interest at market rates.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 10

For the year ended December 31, 2010 with comparative figures for 2009

10. Financial instruments (continued):

(a) Fair values (continued):

The Partnership has entered into interest swap agreement to manage its interest rate exposure on floating rate debt. As at December 31, 2010, the Partnership has \$4,970,000 (2009 - \$8,026,667) of floating rate bank debt swapped against fixed rate debt with an interest rate of 4.55% (2009 - 4.55%) per annum plus applicable stamping fees. This agreement expires January 31, 2011. The fair value of the unrealized loss relating to the interest swap is \$14,125 (2009 - \$257,043).

The fair value of the long-term debt bearing interest at 10% approximates its carrying value as the risk associated with its underlying security requires a higher interest rate to offset the risk and similar terms are available. The fair value of all other long-term debt approximates its carrying value as the terms and conditions of borrowing arrangements are comparable to current market terms for similar loans.

(b) Credit risk:

The Partnership is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The Partnership monitors the credit risk and credit rating of customers on a regular basis. The maximum credit risk exposure is the carrying value of the accounts receivable.

(c) Interest rate risk:

The Partnership is exposed to interest rate cash flow risk to the extent that its long-term debt bears interest at variable interest rates.

(d) Foreign currency risk:

The Partnership is exposed to foreign exchange rate fluctuations for sales and purchases denominated in foreign currency. Management reduces this risk by entering into foreign exchange forward contracts. At period-end, the Partnership has no foreign exchange forward contracts outstanding.

11. Long term incentive plan:

In 2007, the Partnership introduced a long-term incentive plan ("LTIP") for certain members of management and other employees. Each of the participants were given a certain number of LTIP units that vest over 5 years, and are only exercisable upon a liquidity event with a value that represents at least an 8% compounded rate of growth in the enterprise value from the grant date.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 11

For the year ended December 31, 2010 with comparative figures for 2009

11. Long term incentive plan (continued):

A liquidity event is defined as:

- (i) a direct or indirect sale of all or substantially all VAP Holding L.P. (a limited partnership) ("VAP") Partnership equity to an arm's length party
- (ii) a direct or indirect sale of all or substantially all of VAP LP's assets to an arm's length party
- (iii) merger or combination of VAP, where the initial LPs hold less than 50% of the surviving entity
- (iv) direct or indirect public offering of VAP units

Upon this liquidity event, units are granted to employees with no additional consideration required. The LTIP pool represents 12% of all fully diluted units, of which 9.3% has been allocated to management. No compensation expense has been recorded in 2010 relating to the LTIP (2009 - \$nil).

12. Partners' contribution:

As at December 31, 2010, there were 50,103,611 partnership units outstanding (2009 – 46,443,803). During the year, 4,309,807 VAP partnership units were issued to Pinty's Delicious Food at a price of \$0.46406 per unit for a total subscription price of \$2 million, received in the form of property and equipment (2009 – no units were issued).

In 2008, 1,682,066 Partnership units were issued for cash consideration of \$655,000 and \$978,128 in promissory notes receivable. The Partnership recorded the loans as a reduction to partners' equity. The promissory notes are secured by the purchased Partnership units, and accrue interest at 8% per year.

13. Capital Management:

The Partnership manages capital using annual budgeting and long range plans. Management relies on these plans to ensure adequate cash is on hand to meet current and future capital requirements and to meet banking covenants.

The Company's capital structure may be adjusted from time to time in order to maintain the flexibility to adjust to changes in economic conditions and to respond to foreign exchange, credit, and other risks.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 12

For the year ended December 31, 2010 with comparative figures for 2009

13. Capital Management (continued):

The Partnership is subject to externally imposed capital requirements on its First Amended and Restated Credit Agreement.

1. Current Ratio;
2. Average Senior Funded Debt Ratio;
3. Average Total Funded Debt Ratio;
4. Fixed Charge Coverage Ratio
5. Minimum EBITDA

The Partnership is subject to externally imposed capital requirements on its First Amended and Restated Senior Subordinated Credit Agreement.

1. Average Senior Funded Debt;
2. Average Total Funded Debt;
3. Fixed Charge Coverage Ratio.
4. Minimum EBITDA

As at December 31, 2010, the Partnership was in compliance with its banking covenants from the latest agreement signed on February 2, 2011 (see note 14).

14. Contingency and subsequent events:

(a) New credit agreement:

On February 2, 2011, NFCLP signed the First Amended and Restated Credit Agreement, due June 30, 2013. This senior loan agreement contains interest rates at prime plus an applicable margin ranging from 3.5% to 1.75% based on the Partnership meeting certain financial targets. The agreement contains four significant loan facilities secured by a debenture in the principal amount of \$100,000,000, constituting a First-Ranking Security Interest in and to the property of the Partnership:

- i. Operating Facility, a revolving loan to the lesser of \$24,000,000 or such lesser amount as described on the operating facility and the borrowing base as determined from time to time.
- ii. Term Facility to a maximum of \$3,409,632, with a quarterly reduction amount of \$480,000 in 2011, and \$650,000 thereafter.
- iii. Capex Facility to a maximum of \$779,780 with quarterly reductions of the advanced principle at \$299,403.

VAP HOLDINGS L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 13

For the year ended December 31, 2010 with comparative figures for 2009

14. Contingency and subsequent events:

(a) New credit agreement (continued):

- iv. Carve-Out Facility to a maximum of \$5,000,000. The quarterly reduction of the advanced principle is \$300,000 plus all proceeds on the sale of the two Calgary plants (in excess of \$1,400,000 per plant) is required to be applied to the repayment of the Carve-Out Facility.

(b) On February 2, 2011, NFCLP signed the First Amended and Restated Senior Subordinated Credit Agreement, due September 30, 2013, with one loan facility secured by a debenture in the amount of \$25,000,000, constituting a second rank security interest in the Partnership's assets, along with an assignment of property insurance and a general security agreement:

- i. Non-revolving Loan Facility to a maximum of \$12,100,000 bears interest at 10% per annum payable quarterly.

(c) On February 2, 2011, the majority unit-holder provided NFCLP with \$1.5 million in exchange for fully subordinated debt, bearing interest at 18% per annum. These funds were used to pay-down the Operating Facility and have no fixed repayment terms.

(d) Covenant violation:

As at March 31, 2011, the Partnership was in violation of the following financial covenants related to its First Amended and Restated Credit Agreement.

- i. Current Ratio;
- ii. Average Senior Funded Debt Ratio;
- iii. Average Total Funded Debt Ratio;
- iv. Minimum EBITDA.

As at March 31, 2011, the Partnership was in violation of the following financial covenants related to its First Amended and Restated Senior Subordinated Credit Agreement:

- i. Average Senior Funded Debt;
- ii. Average Total Funded Debt;
- iii. Minimum EBITDA.

One of the available options of the lender under the credit agreements, in the event of a covenant violation, is for the lender to demand immediate repayment of amounts owed under these facilities. At the date of completion of these financial statements, May 31, 2011, management was in discussions with the lenders and although ultimate resolution of these covenant violations remains uncertain, the Partnership and the lenders are working towards a resolution that, if accepted, would result in a restructuring of the facilities and associated covenants.

Consolidated Financial Statements of

NFC ACQUISITION L.P.

(A Partnership)

Year ended December 31, 2010



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INDEPENDENT AUDITORS' REPORT

To the Partners

We have audited the accompanying consolidated financial statements of NFC Acquisition L.P. which comprise the consolidated balance sheet as at December 31, 2010, the consolidated statements of income (loss), partners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NFC Acquisition L.P. as at December 31, 2010, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
May 31, 2011
Calgary, Canada

NFC ACQUISITION L.P.

(A Partnership)
Consolidated Balance Sheet

December 31, 2010 and comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Accounts receivable	\$ 6,472,438	\$ 7,722,662
Inventory (note 3)	14,439,019	16,399,230
Prepaid expenses	202,816	144,989
	<u>21,114,273</u>	<u>24,266,881</u>
Due from Partner (note 4)	112,799	112,799
Intangible assets (note 5)	8,743,090	9,790,800
Property, plant and equipment (note 6)	21,461,595	27,470,552
Assets held for sale (note 6)	5,944,206	-
	<u>\$ 57,375,963</u>	<u>\$ 61,641,032</u>

Liabilities and Partners' Equity

Current liabilities:		
Bank indebtedness (note 7)	\$ 11,182,270	\$ 6,773,716
Accounts payable and accrued liabilities	7,517,728	8,332,165
Current portion of long-term debt (note 7)	2,699,780	4,496,777
Current portion of obligations under capital lease (note 8)	201,412	547,263
	<u>21,601,190</u>	<u>20,149,921</u>
Long-term debt (note 7)	14,589,633	17,289,663
Obligations under capital lease (note 8)	1,517,128	1,517,128
	<u>37,707,951</u>	<u>38,956,712</u>
Partners' equity	19,668,012	22,684,320
Contingency and subsequent events (notes 7 and 15)		
	<u>\$ 57,375,963</u>	<u>\$ 61,641,032</u>

See accompanying notes to consolidated financial statements.

Approved by the Partnership:

Partner

Partner

NFC ACQUISITION L.P.

(A Partnership)

Consolidated Statement of Income (Loss)

Year ended December 31, 2010 and comparative figures for 2009

	2010	%	2009	%
Sales	\$ 103,657,277	100.00	\$ 125,742,901	100.00
Cost of sales	92,974,968	89.69	119,220,563	94.81
	10,682,309	10.31	6,552,338	5.19
Expenses:				
Administration	2,907,927	2.81	6,751,930	5.37
Selling	2,243,075	2.16	2,633,414	2.09
Research and development	687,964	0.66	865,923	0.69
	5,838,966	5.63	10,251,267	8.15
Income before interest, other administration costs and amortization	4,843,342	4.67	(3,728,929)	(2.97)
Interest	1,005,373	0.97	600,503	0.48
Interest on long-term debt	1,924,611	1.86	2,060,833	1.64
Other administration costs (note 9)	350,000	0.34	350,000	0.28
Amortization of intangible assets	1,047,709	1.01	1,050,587	0.84
Amortization of property, plant and equipment	3,061,942	2.95	3,702,566	2.94
Loss on asset impairment	74,174	0.07	929,797	0.74
Restructuring costs	2,395,842	2.31	-	-
	9,859,651	9.51	8,694,286	6.91
Net loss	\$ (5,016,308)	(4.84)	\$ (12,423,215)	(9.88)

See accompanying notes to consolidated financial statements.

NFC ACQUISITION L.P.

(A Partnership)

Consolidated Statement of Partners' Equity

Year ended December 31, 2010 and comparative figures for 2009

	2010	2009
Balance, beginning of year	\$ 22,684,320	\$ 35,107,535
Contributions (note 13)	2,000,000	-
Less: Redemptions	-	-
	24,684,320	35,107,535
Net loss	(5,016,308)	(12,423,215)
Balance, end of year	\$ 19,668,012	\$ 22,684,320

See accompanying notes to consolidated financial statements.

NFC ACQUISITION L.P.

(A Partnership)

Consolidated Statement of Cash Flows

Year ended December 31, 2010 and comparative figures for 2009

	2010	2009
Cash was provided by (used in)		
Operations:		
Net income (loss)	\$ (5,016,308)	\$(12,423,215)
Add items not affecting cash		
Amortization of intangible assets	1,047,709	1,050,587
Amortization of property, plant and equipment	3,061,942	3,702,566
Asset impairment	74,174	929,797
	(832,483)	(6,740,265)
Changes in non-cash working capital:		
Accounts receivable	1,250,224	806,818
Inventory	1,960,211	7,951,716
Prepaid expenses	(57,827)	156,914
Accounts payable and accrued liabilities	(814,437)	705,737
	1,505,688	2,880,920
Financing:		
Repayment of long-term debt	(4,497,027)	(4,384,644)
Repayment of capital lease	(345,851)	(375,975)
Increase in bank indebtedness	4,408,554	4,103,801
	(434,323)	(656,818)
Investments:		
Additions to property, plant and equipment	(1,071,365)	(2,224,102)
Cash inflow	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Supplemental cash flow information:		
Interest paid	\$ 2,929,984	\$ 2,661,336
Non-cash investment	\$ 2,000,000	\$ -

See accompanying notes to consolidated financial statements.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements

Year ended December 31, 2010 and comparative figures for 2009

1. Nature of operations:

NFC Acquisition L.P. (a limited Partnership) ("NFCLP", or the "Partnership") was formed on January 23, 2006 under the laws of the Province of Manitoba, for the sole purpose of acquiring New Food Classics ("NFC") partnership.

Effective February 3, 2006, NFCLP, acquired 99.999% interest in NFC. The remaining 0.001% interest was acquired by NFC Acquisition Corp., the general partner for NFC, which is wholly owned by NFCLP.

NFC was originally formed on July 30, 2005 under the laws of the Province of Alberta for the purpose of carrying on the operations of processing value-added meat, seafood and other related meat products in the provinces of Alberta and Saskatchewan.

Under the provisions of the Income Tax Act (Canada), the income tax consequences for a Partnership are deemed to be those of the partners individually and, as such, are not reflected in this consolidated financial statement.

2. Significant accounting policies:

(a) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes materials, interest, labour and manufacturing overhead and is determined primarily on a first-in, first-out basis.

(b) Principles of consolidation:

The consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiaries, NFC and NFC Acquisition Corp. All related party transactions have been eliminated.

(c) Amortization:

Amortization on property, plant and equipment is provided using the declining balance method at the following annual rates:

Assets	Rate
Plant facilities	5%
Machinery and equipment	10-20%
Furniture and fixtures	20%
Computer hardware and software	30%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 2

Year ended December 31, 2010 and comparative figures for 2009

2. Significant accounting policies (continued):

(d) Foreign currency translation:

Transactions denominated in US\$ have been translated to Canadian dollars at the rates of exchange prevailing at the individual transaction dates. Monetary balance sheet items are translated at the rate of exchange prevailing at the balance sheet date with gains and losses recorded in statement of income (loss).

(e) Revenue recognition:

Product sales are recognized at the time the product is shipped to the customer, when all contractual obligations have been satisfied, and when collection is reasonably assured. Sales rebates and other allowances are recorded at the time revenue is recognized and are based upon contract terms and anticipated claims.

(f) Research and development:

Research costs are expensed as incurred and product development costs are expensed as incurred.

(g) Intangible assets:

Intangible assets with a finite life are accounted for at cost. They consist of trademarks, proprietary technology and customer relationships, which are amortized on a straight-line basis over its estimated remaining life as follows:

Assets	Rate
Trademarks	4 years
Proprietary technology	8 years
Customer relationships	7.5 to 15 years

(g) Intangible assets:

Intangible assets with indefinite service life representing trade names are accounted for at cost and are not amortized. Trade names are tested for impairment annually or more frequently if changes in the circumstances indicate a potential impairment.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 3

Year ended December 31, 2010 and comparative figures for 2009

2. Significant accounting policies (continued):

(h) Financial instruments:

Accounting and disclosure standards have been issued relating to financial instruments that are otherwise applicable to the Partnership. Adoption of these new standards is optional for non-publicly accountable enterprises, and as a result, the Partnership has elected not to adopt these standards.

The Partnership may utilize interest rate swap contracts to manage the risk associated with fluctuations in interest rates.

The Partnership adopted Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 13, "Hedging Relationships" (AcG-13"), which deals with the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Gains and losses associated with risk management activities that meet hedge accounting criteria are recorded as adjustments to the interest expense in the same period as the hedged item. If correlation ceases, the hedged item is sold or cancelled prior to the termination of the related hedging item, any unrealized gain or loss on the hedging item is immediately recognized through the income statement. Financial instruments that are not designated as hedges under the guideline are recorded on the balance sheet as either an asset or liability with the change in fair value recognized through the income statement.

(i) Financing costs:

Financing costs incurred during the period are expensed in the year incurred.

(j) Share-based compensation:

The Partnership's management incentive plan is described in note 12. No compensation expense associated with the partnership units granted to management has been recognized to date because the fair value of the options granted is not determinable as the outcome of contingent factors triggering the exercise of the options are unknown and would require significant estimation.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 4

Year ended December 31, 2010 and comparative figures for 2009

2. Significant accounting policies (continued):

(k) Measurement uncertainty:

The provision for product claims is based on management's best estimates of recovery from their customers.

The valuation of property, plant and equipment is based on management's best estimates of the future recoverability of these assets. The amounts recorded for amortization of the property, plant and equipment are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

The valuation of inventory is based on management's best estimates of the provision for slow-moving and obsolete inventory. The amount recorded for the provision is based on management's best estimates of the net realizable value of the related inventory.

The valuation of intangible assets is based on management's best estimates of its current and future usefulness of its trademarks, proprietary technology, and customer relationships.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statement of changes in such estimates in future periods could be significant.

(l) Future accounting and reporting changes:

On December 15, 2009, Canada's Accounting Standards Board ("AcSB") issued new accounting standards for private enterprises ("ASPE"). Previously, the AcSB had announced that International Financial Reporting Standards ("IFRS") will be required for Canada's publicly accountable enterprises and would be optional for private enterprises. Both sets of standards are effective for fiscal years commencing on or after January 1, 2011 with early adoption permitted.

The Partnership intends to adopt ASPE effective for the year commencing January 1, 2011. The impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 5

Year ended December 31, 2010 and comparative figures for 2009

3. Inventory:

	2010	2009
Product	\$ 13,222,589	\$ 15,026,146
Supplies	1,216,430	1,373,084
	<u>\$ 14,439,019</u>	<u>\$ 16,399,230</u>

Included in product inventory is a provision for slow moving and obsolete inventory of \$48,740 (2009 - \$214,901). During the year, the amount of inventory included in cost of sales was \$61,946,178 (2009 - \$83,812,905).

During the year ended December 31, 2010 an amount of \$44,840 (2009 - \$903,322) was recorded as a write down from cost to net realizable value.

During the year ended December 31, 2010 an amount of \$426,766 (2009 - \$nil) has been written off and disposed of related to plant closures.

4. Due from partner:

The amount due from VAP Holdings L.P. is due on demand, unsecured, non-interest bearing and has no fixed terms of repayment. NFCLP has agreed with VAP Holdings L.P. they will not demand this receivable before January 1, 2012.

5. Intangible assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Trade names ⁽¹⁾	\$ 1,447,102	\$ -	\$ 1,447,102	\$ 1,447,102
Trademarks	47,917	47,917	-	999
Proprietary technology	2,635,451	1,619,704	1,015,747	1,345,177
Customer relationships	9,775,128	3,494,887	6,280,241	6,997,522
	<u>\$13,905,598</u>	<u>\$ 5,162,508</u>	<u>\$ 8,743,090</u>	<u>\$ 9,790,800</u>

⁽¹⁾ Non-amortized indefinite life intangible asset

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 6

Year ended December 31, 2010 and comparative figures for 2009

6. Property, plant and equipment:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,374,632	\$ -	\$ 2,374,632	\$ 2,374,632
Land under construction	110,000	-	110,000	-
Plant facilities	18,014,888	6,425,399	11,589,489	11,859,137
Plant facilities under construction	1,342,555	-	1,342,555	45,901
Machinery and equipment	35,313,382	24,547,267	10,766,115	12,752,404
Machinery and equipment under construction	906,861	-	906,861	67,692
Furniture and fixtures	442,476	350,416	92,060	114,167
Computer hardware and software	1,236,758	1,049,297	187,461	252,789
Computer hardware and software under implementation	33,564	-	33,564	-
Leasehold improvements	99,872	96,808	3,064	3,830
Assets held for sale	(11,885,581)	(5,941,375)	(5,944,206)	-
	<u>\$ 47,989,407</u>	<u>\$ 26,527,812</u>	<u>\$ 21,461,595</u>	<u>\$ 27,470,552</u>

Included in the cost of land is \$1,517,128 (2009 - \$1,517,128) held under a capital lease. The cost of facilities and machinery and equipment includes \$1,909,759 (2009 - \$2,518,449) held under various capital leases. Accumulated depreciation for facilities and machinery and equipment includes \$1,152,523 (2009 - \$1,358,433) related to the capital leases.

NFC purchased a manufacturing facility in St. Catharines Ontario on August 18, 2010 in exchange for the issuance of 4,309,807 VAP partnership units to the seller at a price of \$0.46406 per unit for a total subscription price of \$2 million. This transaction resulted in an equity contribution of \$2M in NFC Acquisition L.P. from VAP Holding L.P. and an equity contribution of \$2M in New Food Classics from NFC Acquisition L.P.

In 2010, Brandon Street and 13A Street facilities have been permanently closed. Both facilities have been listed for sale and the net book value of the assets held for sale is \$5,944,206.

As a result of these plant closures, NFC was required to repay a portion of a grant received in 2009 for capital expenditures totaling \$92,118.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 7

Year ended December 31, 2010 and comparative figures for 2009

7. Long-term debt:

	2010	2009
Term Facility, to a maximum of \$21,000,000, of which \$3,409,633 has been drawn upon under the prime option interest rate. As at December 31, 2010, the interest rate was at 5.25%. The facility is secured by a debenture in the amount of \$100,000,000, constituting a first ranking security interest in the Partnership's assets, assignment of property insurance and general security agreement, with quarterly reduction of the advance principal at 2% during the first year, with 3.5%, 4% and 4.5% for the remaining 3 years respectively, maturing February 6, 2011 (see note 15)	\$ 3,409,633	\$ 7,709,050
Non-Revolving Loan Facility, bears interest at 10% per annum payable quarterly, secured by a debenture in the amount of \$25,000,000, constituting a second rank security interest in the Partnership's assets, assignment of property insurance and general security agreement, maturing August 6, 2011 (see note 15).	12,100,000	12,100,000
Capex Facility, to a maximum of \$5,000,000, of which \$779,780 has been drawn upon. The interest rate is at prime plus margin range of 3.5% – 2% based on the Partnership meeting certain financial targets. The facility is secured under the same terms as the first facility described above, and matures on Feb 6, 2011 (see note 15).	779,780	1,977,390
Edgestone Loan, bears interest at 14% per annum The loan has no fixed repayment terms but is repayable on demand, subject to the subordination provision being met. The loan is a related party of New Food Classics.	1,000,000	-
	17,289,413	21,786,440
Less: portion due within one year	2,699,780	4,496,777
	<u>\$ 14,589,633</u>	<u>\$ 17,289,663</u>

The Partnership also has an Operating Facility to the lesser of \$24,000,000 or such amount as described on the operating facility and the borrowing base as determined from time to time. The Operating Facility bears interest at prime plus a factor based on the Partnership meeting certain financial targets, and is secured by a charge against working capital. At December 31, 2010 the interest rate was at 5.0% (2009 - 5.0%) and the outstanding balance was \$11,182,270 (2009 - \$6,773,716).

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 8

Year ended December 31, 2010 and comparative figures for 2009

7. Long-term debt (continued):

The estimated principal repayments over period to maturity are as follows based on the revised agreements signed February 2, 2011 (see note 15):

2011	\$ 2,699,780
2012	1,489,800
2013	13,099,833
	<hr/>
	\$ 17,289,413

Subsequent to year-end, the Partnership signed amended and restated senior and subordinated credit agreements with its lenders (note 15). As at December 31, 2010, the Partnership was in compliance with its financial covenants from the credit agreements signed on February 2, 2011. As at March 31, 2011, the Partnership was in violation of certain financial covenants outlined within the credit agreements signed on February 2, 2011 (note 15(d)).

On August 18, 2010, the Partnership entered into a debt agreement whereby the majority unit holder provided the Partnership with \$1 million in exchange for subordinated debt bearing interest at 14% per annum. The loan has no fixed repayment terms but is repayable on demand, subject to the subordination provisions being met. The funds were used to pay down NFCLP's existing debt.

8. Obligation under capital lease:

The Partnership has entered into various capital lease arrangements for facilities, equipment and land.

The obligation under capital lease of land bears interest at 6.4% per annum, is secured by the leased land, and is repayable at the option of the Partnership on or before November 14, 2015. Payments during the term of the lease represent the interest portion only, with the full principal amount due upon acquisition of the land on or before November 14, 2015.

The obligations under capital lease of facilities and machinery and equipment bear interest at 4.72% per annum.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 9

Year ended December 31, 2010 and comparative figures for 2009

8. Obligation under capital lease (continued):

The total future minimum lease payments over the remaining term of these leases are as follows:

Year ending:	
2011	\$ 302,291
2012	96,717
2013	96,717
2014	96,717
2015	1,517,128
Less: imputed interest	(391,030)
Present value, minimum lease payments	1,718,540
Less: current portion	201,412
	<u>\$ 1,517,128</u>

9. Related Party Transactions:

Other administration costs consist of management fees and other reimbursable direct costs incurred by the parent company. Under terms of the bank credit agreement, \$350,000 (2009 - \$350,000) is classified as Other administration, with the balance reported in Administration. Total costs incurred during the year were \$491,239 (2009 - \$454,991).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

10. Significant customers:

During the year, the Partnership sold product to two customers representing 41% and 8%, respectively, of total sales (2009 - 43% and 13%). Accounts receivable from these customers at December 31, 2010 were respectively \$2,453,819 and \$nil (2009 - \$2,968,372 and \$nil).

11. Financial instruments:

(a) Fair values:

The fair values of accounts receivable, accounts payable and accrued liabilities, and obligations under capital leases approximate their carrying values because of their short-term nature or because they bear interest at market rates.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 10

Year ended December 31, 2010 and comparative figures for 2009

11. Financial instruments (continued):

(a) Fair values:

The Partnership has entered into an interest swap agreement to manage its interest rate exposure on floating rate debt. As at December 31, 2010, the Partnership has \$4,970,000 (2009 - \$8,026,667) of floating rate bank debt swapped against fixed rate debt with an interest rate of 4.55% (2009 - 4.55%) per annum plus applicable stamping fees. This agreement expired January 31, 2011. The fair value of the unrealized loss relating to the interest swap is \$14,125 (2009 - \$257,043).

The fair value of the long-term debt bearing interest at 10% approximates its carrying value as the risk associated with its underlying security requires a higher interest rate to offset the risk and similar terms are available. The fair value of all other long-term debt approximates its carrying value as the terms and conditions of borrowing arrangements are comparable to current market terms for similar loans.

(b) Credit risk:

The Partnership is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The Partnership monitors the credit risk and credit rating of customers on a regular basis. The maximum credit risk exposure is the carrying value of the accounts receivable.

(c) Interest rate risk:

The Partnership is exposed to interest rate cash flow risk to the extent that its long-term debt bears interest at variable interest rates.

The Partnership is exposed to interest rate price risk to the extent that its long-term debt bears interest at a fixed rate.

(d) Foreign currency risk:

The Partnership is exposed to foreign exchange rate fluctuations for sales and purchases denominated in foreign currency. Management reduces this risk by entering into foreign exchange forward contracts. At year-end, the Partnership had no foreign exchange forward contracts outstanding.

12. Long term incentive plan:

In 2007, the Partnership introduced a long-term incentive plan ("LTIP") for certain members of management and other employees. Each of the participants were given a certain number of LTIP units that vest over 5 years, and are only exercisable upon a liquidity event with a value that represents at least an 8% compounded rate of growth in the enterprise value from the grant date.

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 11

Year ended December 31, 2010 and comparative figures for 2009

12. Long term incentive plan (continued):

A liquidity event is defined as:

- (i) A direct or indirect sale of all or substantially all VAP Holding L.P. (a limited partnership) ("VAP") Partnership equity to an arm's length party
- (ii) A direct or indirect sale of all or substantially all of VAP LP's assets to an arm's length party
- (iii) Merger or combination of VAP, where the initial LPs hold less than 50% of the surviving entity
- (iv) Direct or indirect public offering of VAP units

Upon this liquidity event, units are granted to employees with no additional consideration required. The LTIP pool represents 12% of all fully diluted units, of which 9.3% has been allocated to management. No compensation expense is recorded in 2010 relating to the LTIP (2009 -\$nil).

13. Partners' contribution:

NFC purchased a manufacturing facility in St. Catharines Ontario on August 18, 2010 in exchange for the issuance of 4,309,807 VAP partnership units to the seller at a price of \$0.46406 per unit for a total subscription price of \$2 million.

14. Capital Management:

The Partnership manages capital using annual budgeting and long range plans. Management relies on these plans to ensure adequate cash is on hand to meet current and future capital requirements and to meet banking covenants.

The Company's capital structure may be adjusted from time to time in order to maintain the flexibility to adjust to changes in economic conditions and to respond to foreign exchange, credit, and other risks.

The Partnership is subject to externally imposed capital requirements on its First Amended and Restated Credit Agreement.

1. Current Ratio;
2. Average Senior Funded Debt Ratio;
3. Average Total Funded Debt Ratio;
4. Fixed Charge Coverage Ratio
5. Minimum EBITDA

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 12

Year ended December 31, 2010 and comparative figures for 2009

14. Capital Management (continued):

The Partnership is subject to externally imposed capital requirements on its First Amended and Restated Senior Subordinated Credit Agreement.

1. Average Senior Funded Debt;
2. Average Total Funded Debt;
3. Fixed Charge Coverage Ratio.
4. Minimum EBITDA

As at December 31, 2010, the Partnership was in compliance with its banking covenants from the latest agreements signed on February 2, 2011 (see note 15).

15. Contingency and subsequent events:

- a) On February 2, 2011, NFCLP signed the First Amended and Restated Credit Agreement, due June 30, 2013. This senior loan agreement contains interest rates at prime plus an applicable margin ranging from 3.5% to 1.75% based on the Partnership meeting certain financial targets. The agreement contains four significant loan facilities secured by a debenture in the principal amount of \$100,000,000, constituting a First-Ranking Security Interest in and to the property of the Partnership:
 - i. Operating Facility, a revolving loan to the lesser of \$24,000,000 or such lesser amount as described on the operating facility and the borrowing base as determined from time to time.
 - ii. Term Facility to a maximum of \$3,409,632, with a quarterly reduction amount of \$480,000 in 2011, and \$650,000 thereafter.
 - iii. Capex Facility to a maximum of \$779,780 with quarterly reductions of the advanced principle at \$299,403.
 - iv. Carve-Out Facility to a maximum of \$5,000,000. The quarterly reduction of the advanced principle is \$300,000 plus all proceeds on the sale of the two Calgary plants (in excess of \$1,400,000 per plant) is required to be applied to the repayment of the Carve-Out Facility.
- b) On February 2, 2011, NFCLP signed the First Amended and Restated Senior Subordinated Credit Agreement, due September 30, 2013, with one loan facility secured by a debenture in the amount of \$25,000,000, constituting a second rank security interest in the Partnership's assets, along with an assignment of property insurance and a general security agreement:

NFC ACQUISITION L.P.

(A Partnership)

Notes to Consolidated Financial Statements, page 13

Year ended December 31, 2010 and comparative figures for 2009

15. Contingency and subsequent events (continued):

(b) (continued)

- i. Non-revolving Loan Facility to a maximum of \$12,100,000 bears interest at 10% per annum payable quarterly.

(c) Cash infusion:

On February 2, 2011, the majority unit-holder provided NFCLP with \$1.5 million in exchange for fully subordinated debt, bearing interest at 18% per annum. These funds were used to pay-down the Operating Facility and have no fixed repayment terms.

(d) Covenant violation:

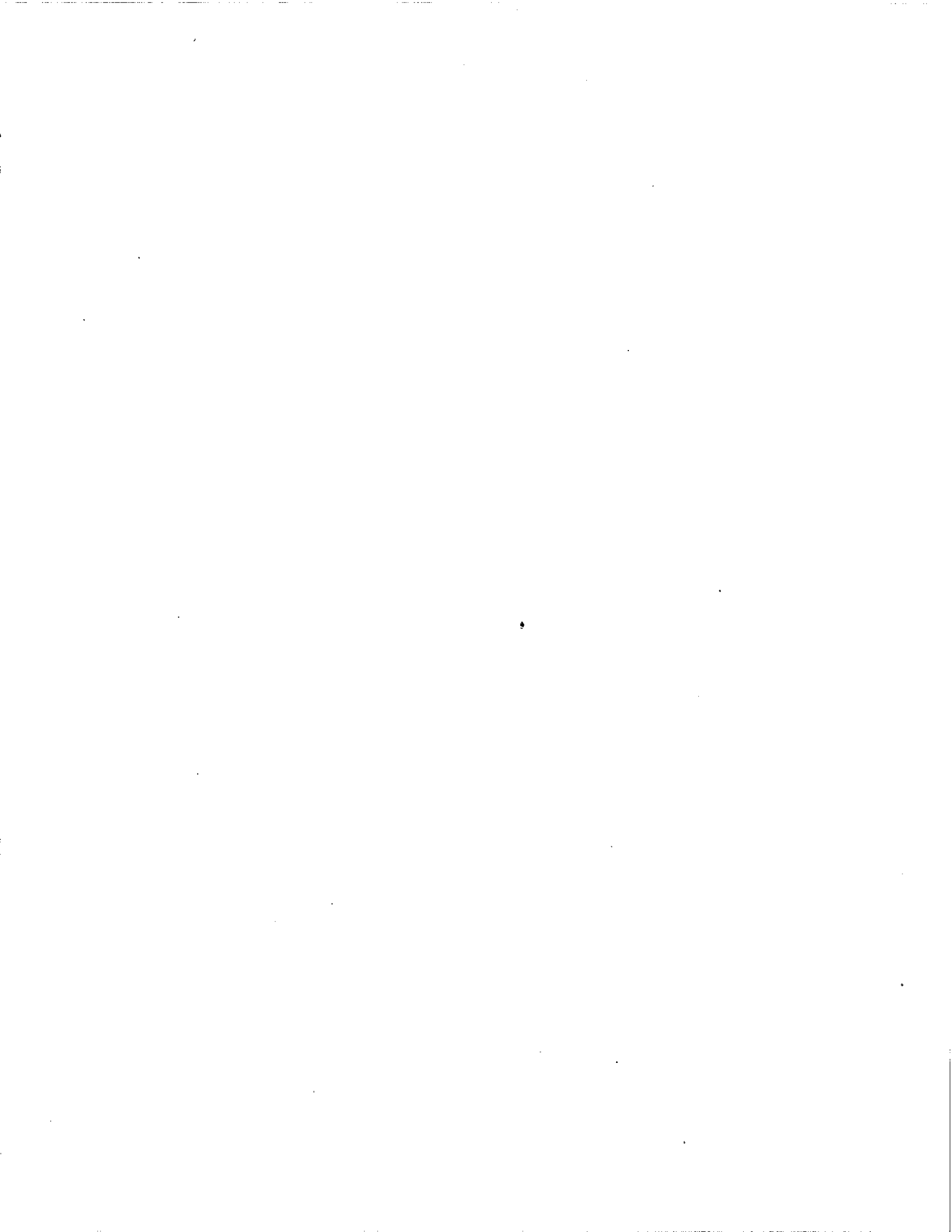
As at March 31, 2011, the Partnership was in violation of the following financial covenants related to its First Amended and Restated Credit Agreement:

- i. Current Ratio;
- ii. Average Senior Funded Debt Ratio;
- iii. Average Total Funded Debt Ratio;
- iv. Minimum EBITDA.

As at March 31, 2011, the Partnership was in violation of the following financial covenants related to its First Amended and Restated Senior Subordinated Credit Agreement.

- i. Average Senior Funded Debt;
- ii. Average Total Funded Debt;
- iii. Minimum EBITDA.

One of the available options of the lender under the credit agreements, in the event of a covenant violation, is for the lender to demand immediate repayment of amounts owed under these facilities. At the date of completion of these financial statements, May 31, 2011, management was in discussions with the lenders and although ultimate resolution of these covenant violations remains uncertain, the Partnership and the lenders are working towards a resolution that, if accepted, would result in a restructuring of the facilities and associated covenants.





Financial Statements of

NEW FOOD CLASSICS

(A Partnership)

Year ended December 31, 2010



KPMG LLP
Chartered Accountants
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Calgary AB T2P 4B9

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INDEPENDENT AUDITORS' REPORT

To the Partners

We have audited the accompanying financial statements of New Food Classics which comprise the balance sheet as at December 31, 2010, the statements of income (loss), partners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Food Classics as at December 31, 2010, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
May 31, 2011
Calgary, Canada

NEW FOOD CLASSICS

(A Partnership)

Statement of Income (Loss)

Year ended December 31, 2010, with comparative figures for 2009

	2010	%	2009	%
Sales	\$ 103,657,277	100.00	\$ 125,742,901	100.00
Cost of sales	92,974,968	89.69	119,220,563	94.81
	10,682,309	10.31	6,522,338	5.19
Expenses:				
Administration	2,907,927	2.81	6,751,929	5.37
Selling	2,243,075	2.16	2,633,415	2.09
Research and development	687,964	0.66	865,923	0.69
	5,838,966	5.63	10,251,267	8.15
Income before interest, other administration costs and amortization	4,843,343	4.68	(3,728,929)	(2.97)
Interest	119,587	0.12	152,362	0.12
Other administration costs (note 7)	350,000	0.34	350,000	0.28
Amortization of property, plant and equipment	2,941,717	2.84	3,548,599	2.82
Loss on asset impairment	74,174	0.07	929,797	0.74
Restructuring costs	2,395,842	2.32	-	-
Net loss	\$ (1,037,977)	(1.00)	\$ (8,709,687)	(6.93)

See accompanying notes to financial statements.

NEW FOOD CLASSICS

(A Partnership)

Statement of Partners' Equity

Year ended December 31, 2010, with comparative figures for 2009

	NFC Acquisition L.P. 99.999%	NFC Acquisition Corp. 0.001%	Total
Balance, December 31, 2008	\$ 66,870,853	\$ 669	\$ 66,871,522
Net loss in 2009	(8,709,600)	(87)	(8,709,687)
Balance, December 31, 2009	58,161,253	(582)	58,161,835
Net loss in 2010	(1,037,967)	(10)	(1,037,977)
Contributions (note 5)	2,000,000		2,000,000
Balance, December 31, 2010	\$ 59,123,286	\$ 572	\$ 59,123,858

See accompanying notes to financial statements.

NEW FOOD CLASSICS

(A Partnership)

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash was provided by (used in):		
Operations:		
Net income (loss)	\$ (1,037,977)	\$(8,709,687)
Add item not affecting cash:		
Amortization and impairment charge	3,015,891	4,478,396
	<u>1,977,914</u>	<u>(4,231,291)</u>
Changes in non-cash working capital:		
Accounts receivable	1,250,224	806,818
Inventory	1,960,211	7,951,716
Prepaid expenses	(57,827)	156,914
Accounts payable and accrued liabilities	(814,436)	705,737
	<u>2,338,172</u>	<u>9,621,185</u>
	<u>4,316,086</u>	<u>5,389,894</u>
Financing:		
Repayment of capital lease	(345,851)	(375,975)
Investments:		
Due from partner	(3,434,641)	(2,274,771)
Additions to property, plant and equipment, net	(1,071,365)	(2,224,102)
	<u>(4,506,006)</u>	<u>(4,498,873)</u>
Cash	(535,771)	515,046
Cash beginning of year	568,712	53,666
Cash, end of year	<u>\$ 32,941</u>	<u>\$ 568,712</u>
Supplemental cash flow information:		
Interest paid	\$ 119,587	\$ 152,362
Non-cash contribution	\$ 2,000,000	\$ -

See accompanying notes to financial statements

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 1

Year ended December 31, 2010, with comparative figures for 2009

1. Nature of operations:

New Food Classics (a Partnership) ("NFC" or the "Partnership") was formed under the laws of the Province of Alberta for the purpose of carrying on the operations of processing value-added meat, seafood and other related meat products in the provinces of Alberta and Saskatchewan.

Effective at the close of business on January 28, 2006, the partners of NFC sold their interest in NFC to a new ownership group on February 3, 2006. The new partners are NFC Acquisition Corp. and NFC Acquisition L.P. Under the terms of the Partnership Agreement, the profit and losses are to be allocated to the partners as follows:

NFC Acquisition L.P.	99.999%
NFC Acquisition Corp.	0.001%

NFC Acquisition Corp. acts as the general partner to the Partnership.

These financial statements present only the assets, liabilities, revenue and expenses of New Food Classics.

Under the provisions of the Income Tax Act (Canada), the income tax consequences for a Partnership are deemed to be those of the partners individually and, as such, are not reflected in these financial statements.

2. Significant accounting policies:

(a) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes materials, interest, labour and manufacturing overhead and is determined primarily on a first-in, first-out basis.

(b) Amortization:

Amortization on property, plant and equipment is provided using the declining balance method at the following annual rates:

Plant facilities	5%
Machinery and equipment	10-20%
Furniture and fixtures	20%
Computer hardware and software	30%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 2

Year ended December 31, 2010, with comparative figures for 2009

2. Significant accounting policies (continued):

(c) Foreign currency translation:

Transactions denominated in US\$ have been translated to Canadian dollars at the rates of exchange prevailing at the individual transaction dates. Monetary balance sheet items are translated at the rate of exchange prevailing at the balance sheet date with gains and losses recorded in statement of income (loss).

(d) Revenue recognition:

Product sales are recognized at the time the product is shipped to the customer, when all contractual obligations have been satisfied, and when collection is reasonably assured. Sales rebates and other allowances are recorded at the time revenue is recognized and are based upon contract terms and anticipated claims.

(e) Research and development:

Research costs are expensed as incurred and product development costs are expensed as incurred.

(f) Financial instruments:

Accounting and disclosure standards have been issued relating to financial instruments that are otherwise applicable to the Partnership. Adoption of these standards is optional for non-publicly accountable enterprises, and as a result, the Partnership has elected not to adopt these standards.

(g) Share-based compensation:

The Partnership's management incentive plan is described in note 11. No compensation expense associated with the partnership units granted to management has been recognized to date because the fair value of the options granted is not determinable as the outcome of contingent factors triggering the exercise of the options are unknown and would require significant estimation.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 3

Year ended December 31, 2010, with comparative figures for 2009

2. Significant accounting policies (continued):

(h) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values.

Goodwill is not amortized, but is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess. As a result of the current year's assessment no impairment loss has been recognized.

(i) Measurement uncertainty:

The provision for product claims is based on management's best estimates of recovery from their customers.

The valuation of property, plant and equipment is based on management's best estimates of the future recoverability of these assets. The amounts recorded for amortization of the property, plant and equipment are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

The valuation of inventory is based on management's best estimates of the provision for slow-moving and obsolete inventory. The amount recorded for the provision is based on management's best estimates of the net realizable value of the related inventory.

The valuation of goodwill is based on management's projections of the future cash flows from operations on a discounted basis. Estimates of future cash flows are based on current economic conditions of the industry and requires management's best estimate of the future economics of the industry.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statement of changes in such estimates in future periods could be significant.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 4

Year ended December 31, 2010, with comparative figures for 2009

2. Significant accounting policies (continued):

(j) Future accounting and reporting changes:

On December 15, 2009, Canada's Accounting Standards Board ("AcSB") issued new accounting standards for private enterprises ("ASPE"). Previously, the AcSB had announced that International Financial Reporting Standards ("IFRS") will be required for Canada's publicly accountable enterprises and would be optional for private enterprises. Both sets of standards are effective for fiscal years commencing on or after January 1, 2011 with early adoption permitted.

The Partnership intends to adopt ASPE effective for the year commencing January 1, 2011. The impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time

3. Inventory:

	2010	2009
Product	\$ 13,222,589	\$ 15,026,146
Supplies	1,216,430	1,373,084
	<u>\$ 14,439,019</u>	<u>\$ 16,399,230</u>

Included in product inventory is a provision for slow moving and obsolete inventory of \$48,740 (2009 - \$214,901). During the year, the amount of inventory included in cost of sales was \$61,946,178 (2009 - \$83,812,905).

During the year ended December 31, 2010 an amount of \$44,840 (2009 - \$903,322) was recorded as a write down from cost to net realizable value.

During the year ended December 31, 2010 an amount of \$426,766 (2009 - \$nil) has been written off and disposed of related to plant closures.

4. Due from partner:

The amount due from NFC Acquisition L.P. is due on demand, unsecured, non-interest bearing and has no fixed terms of repayment. NFC has agreed with NFC Acquisition L.P. they will not demand this receivable before January 1, 2012.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 5

Year ended December 31, 2010, with comparative figures for 2009

5. Property, plant and equipment:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,374,632	\$ -	\$ 2,374,632	\$ 2,374,632
Land under construction	110,000	-	110,000	-
Plant facilities	18,014,888	6,425,399	11,589,489	11,859,137
Plant facilities under construction	1,342,555	-	1,342,555	45,901
Machinery and equipment	32,423,531	23,543,032	8,880,499	10,746,558
Machinery and equipment under construction	906,861	-	906,861	67,692
Furniture and fixtures	442,476	350,416	92,060	114,167
Computer hardware and software	1,236,758	1,049,297	187,461	252,789
Computer hardware and software under implementation	33,564	-	33,564	-
Leasehold improvements	99,872	96,808	3,064	3,830
Assets held for sale	(11,885,581)	(5,941,375)	(5,944,206)	-
	\$ 45,099,556	\$ 25,523,577	\$ 19,575,979	\$ 25,464,711

Included in the cost of land is \$1,517,128 (2009 - \$1,517,128) held under a capital lease. The cost of facilities and machinery and equipment includes \$1,909,739 (2009 - \$2,518,449) held under various capital leases. Accumulated depreciation for facilities and machinery and equipment includes \$1,152,523 (2009 - \$1,358,433) related to the capital leases.

NFC purchased a manufacturing facility in St. Catharines Ontario on August 18, 2010 in exchange for the issuance of 4,309,807 VAP partnership units to the seller at a price of \$0.46406 per unit for a total subscription price of \$2 million. This transaction resulted in an equity contribution of \$2M in NFC Acquisition L.P. from VAP Holding L.P. and an equity contribution of \$2M in NFC from NFC Acquisition L.P.

In 2010, Brandon Street and 13A Street facilities have been permanently closed. Both facilities have been listed for sale and the net book value of the assets held for sale is \$5,944,206 (note 14(a)).

As a result of these plant closures, NFC was required to repay a portion of a grant received in 2009 for capital expenditures totaling \$92,118.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 6

Year ended December 31, 2010, with comparative figures for 2009

6. Obligations under capital lease:

The Partnership has entered into various capital lease arrangements for equipment and land.

The obligation under capital lease of land bears interest at 6.4% per annum, is secured by the leased land, and is repayable at the option of the Partnership on or before November 14, 2015. Payments during the term of the lease represent the interest portion only, with the full principal amount due upon acquisition of the land on or before November 14, 2015.

The obligations under capital lease of facilities and machinery and equipment bears interest at 4.7% per annum.

The total future minimum lease payments over the remaining term of these leases are as follows:

Year ending:	
2011	\$ 302,291
2012	96,717
2013	96,717
2014	96,717
2015	1,517,128
Less: imputed interest	(391,030)
Present value, minimum lease payments	1,718,540
Less: current portion	201,412
	<hr/> \$ 1,517,128 <hr/>

7. Related Party Transactions:

Other administration costs consist of management fees and other reimbursable direct costs incurred by the parent company. Under terms of the bank credit agreement, \$350,000 (2009 - \$350,000) is classified as Other Administration, with the balance reported in Administration. Total costs incurred during the year were \$491,239 (2009 - \$454,991).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 7

Year ended December 31, 2010, with comparative figures for 2009

8. Guarantees:

NFC has guaranteed, and has provided security relating to, a loan facility assumed by NFC Acquisition L.P. as follows:

- (a) Operating Facility up to a maximum of \$24,000,000, maturing February 6, 2011, and which has an outstanding balance of \$11,215,211 as at December 31, 2010.
- (b) Term Facility up to a maximum of \$21,000,000 maturing February 6, 2011, which has an outstanding balance of \$3,409,633 as at December 31, 2010.
- (c) Capex Facility of \$5,000,000 maturing February 6, 2011, which has an outstanding balance of \$779,780 as at December 31, 2010
- (d) Non-Revolver Loan Facility maturing August 6, 2011, which has an outstanding balance of \$12,100,000 as at December 31, 2010.

The assets of the Partnership are available for the purposes of satisfying such obligations.

The Partnership has provided security to the lender of NFC Acquisition L.P. including a debenture in the principal amount of \$100,000,000, constituting a First-Ranking Security Interest in and to the property of the Partnership, and a debenture in the principal amount of \$25,000,000, constituting a Second-Ranking Security Interest in and to the property of the Partnership, along with an assignment of property insurance and a general security agreement.

On February 2, 2011, NFC guaranteed, and has provided security relating to, two loan agreements entered into by NFC Acquisition L.P. As at March 31, 2011, NFC Acquisition L.P. was in violation of certain financial covenants outlined within these agreements (see note 14).

9. Significant customers:

During the year, the Partnership sold product to two customers representing 41% and 8%, respectively, of total sales (2009 - 43% and 13%). Accounts receivable from these customers at December 31, 2010 were \$2,453,819 and \$nil, respectively (2009 - \$2,968,372 and \$nil).

10. Financial instruments:

(a) Fair values:

The fair values of accounts receivable, accounts payable and accrued liabilities, and obligations under capital lease approximate their carrying values because of their short-term nature or because they bear interest at market rates.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 9

Year ended December 31, 2010, with comparative figures for 2009

10. Financial instruments (continued):

The fair value of the guarantees approximates its carrying value as the terms and conditions are comparable to current market conditions or are due in a relatively short period of time.

The fair value of the amount due from partner is not determinable due to its related party nature and uncertainty as to the timing of repayments.

(b) Credit risk:

The Partnership is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The Partnership monitors the credit risk and credit rating of customers on a regular basis. The maximum credit risk exposure is the carrying value of the accounts receivable.

(c) Foreign currency risk:

The Partnership is exposed to foreign exchange rate fluctuations for sales and purchases denominated in foreign currency. Management reduces this risk by entering into foreign exchange forward contracts. At December 31, 2010, the Partnership had no foreign exchange forward contracts outstanding.

11. Long term incentive plan:

In 2007, the Partnership introduced a long-term incentive plan ("LTIP") for certain members of management and other employees. Each of the participants were given a certain number of LTIP units that vest over 5 years, and are only exercisable upon a liquidity event with a value that represents at least an 8% compounded rate of growth in the enterprise value from the grant date. A liquidity event is defined as:

- (i) A direct or indirect sale of all or substantially all of VAP Holding L.P.'s (100% owner of NFC Acquisition LP) partnership equity to an arm's length party
- (ii) A direct or indirect sale of all or substantially all of VAP Holding LP's assets to an arm's length party
- (iii) Merger or combination of VAP Holding L.P., where the initial LPs hold less than 50% of the surviving entity
- (iv) Direct or indirect public offering of VAP Holding L.P. units

Upon this liquidity event, units are granted to employees with no additional consideration required. The LTIP pool represents 12% of all fully diluted units, of which 9.3% has been allocated to management. No compensation expense is recorded in 2010 relating to the LTIP (2009 -\$nil).

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 10

Year ended December 31, 2010, with comparative figures for 2009

12. Contingencies:

The Partnership was named as defendant in a lawsuit, seeking to recover damages sustained due to wrongful dismissal. The lawsuit was settled outside of arbitration and the final settlement which occurred on December 21, 2010 amounted to \$50,000. This amount is included in accounts payable as at December 31, 2010.

13. Capital Management:

The Partnership manages capital using annual budgeting and long range plans. Management relies on these plans to ensure adequate cash is on hand to meet current and future capital requirements and to meet cash requirements of its partners.

The Company's capital structure may be adjusted from time to time in order to maintain the flexibility to adjust to changes in economic conditions and to respond to foreign exchange, credit, and other risks.

14. Contingency and subsequent events:

(a) Credit agreement:

On February 2, 2011, NFC guaranteed, and has provided security relating to, two credit agreements entered into by NFC Acquisition L.P. as follows:

- i. Operating Facility up to a maximum of \$24,000,000, maturing June 30, 2013.
- ii. Term Facility up to a maximum of \$3,409,632 maturing June 30, 2013.
- iii. Capex Facility to a maximum of \$779,780 maturing June 30, 2013.
- iv. Carve-out Facility to a maximum of \$5,000,000 maturing June 30, 2013.
- v. Non-Revolving loan in the amount of \$12,100,000 maturing September 13, 2012.

The assets of the Partnership are available for the purposes of satisfying such obligations.

The Partnership has provided security to the lender of NFC Acquisition L.P. including a debenture in the principal amount of \$100,000,000, constituting a First-Ranking Security Interest in and to the property of the Partnership, and a debenture in the principal amount of \$25,000,000, constituting a Second-Ranking Security Interest in and to the property of the Partnership, along with an assignment of property insurance and a general security agreement.

These guarantees replace the guarantees disclosed in note 8.

NEW FOOD CLASSICS

(A Partnership)

Notes to Financial Statements, page 11

Year ended December 31, 2010, with comparative figures for 2009

14. Contingency and subsequent events (continued):

(b) Covenant violation on guaranteed credit agreements:

As at December 31, 2010, NFC Acquisition L.P. was in compliance with its financial covenants outlined within the credit agreement signed on February 2, 2011.

As at March 31, 2011, NFC Acquisition L.P. was in violation of the following financial covenants related to its First Amended and Restated Credit Agreement:

- i. Current Ratio;
- ii. Average Senior Funded Debt Ratio;
- iii. Average Total Funded Debt Ratio;
- iv. Minimum EBITDA.

As at March 31, 2011, NFC Acquisition L.P. was in violation of the following financial covenants related to its First Amended and Restated Senior Subordinated Credit Agreement.

- i. Average Senior Funded Debt;
- ii. Average Total Funded Debt;
- iii. Minimum EBITDA.

One of the available options of the lender under the credit agreements, in the event of a covenant violation, is for the lender to demand immediate repayment of amounts owed under these facilities. At the date of completion of these financial statements, May 31, 2011, NFC Acquisition L.P. was in discussions with the lenders and although ultimate resolution of these covenant violations remains uncertain, NFC Acquisition L.P. and the lenders are working towards a resolution that, if accepted, would result in a restructuring of the facilities and associated covenants.

TAB C

This is Exhibit "C" referred to in the
Affidavit of Brian Cram
sworn before me, this 16th
day of January, 2012

A handwritten signature in black ink, appearing to read "AS" with a long horizontal stroke extending to the right.

A Commissioner, Etc.

ADAM SLAVENS

VAP Holdings LP
(C\$ thousands)

Three months ending

2-Apr-11

2-Jul-11

30-Sep-11

CONSOLIDATED INCOME STATEMENT

Net Sales	16,573	39,126	26,303
Cost of Goods Sold	16,167	36,689	24,683
Gross Margin	<u>406</u>	<u>2,437</u>	<u>1,620</u>
Research & Development	88	188	210
Selling & Marketing	511	557	643
Administration	834	1,030	1,170
EBITDA	<u>(1,026)</u>	<u>663</u>	<u>(403)</u>
Interest Expense & Standby Fees	787	1,030	902
Depreciation & Amortization	980	987	497
EdgeStone Administration Fee	87	89	186
Exceptional Expenses	811	445	543
Total Other & Exceptional Expenses	<u>2,664</u>	<u>2,552</u>	<u>2,129</u>
Net Income / (Loss)	<u><u>(3,691)</u></u>	<u><u>(1,889)</u></u>	<u><u>(2,532)</u></u>

VAP Holdings LP
(C\$ thousands)

<i>Three months ending</i>	2-Apr-11	2-Jul-11	30-Sep-11
BALANCE SHEET			
Accounts Receivable	8,123	17,503	10,290
Inventory	19,242	18,349	18,860
Prepaid Expense	301	130	359
Total Current Assets	<u>27,666</u>	<u>35,982</u>	<u>29,509</u>
Capital Assets	29,372	29,721	32,322
Intangible Assets	8,484	8,225	7,966
Total Long Term Assets	<u>37,857</u>	<u>37,946</u>	<u>40,288</u>
Total Assets	<u>65,523</u>	<u>73,928</u>	<u>69,797</u>
Current Liabilities			
Bank Overdraft	16,653	24,825	21,957
Accounts Payable	9,223	10,956	10,283
Accrued Expense	1,296	2,585	3,366
Current Portion of BMO Debt	3,000	2,701	2,520
Current Portion of Capital Lease	124	53	-
Total Current Liabilities	<u>30,297</u>	<u>41,120</u>	<u>38,125</u>
Long Term Liabilities			
BMO Debt	5,410	4,930	4,150
TD Bank	12,100	12,100	12,100
Capital Lease	1,517	1,517	1,517
Shareholders' Loan	2,500	2,500	2,500
Total Long Term Liabilities	<u>21,527</u>	<u>21,047</u>	<u>20,267</u>
Shareholders' Capital	<u>13,699</u>	<u>11,761</u>	<u>11,406</u>
Total Liabilities and Shareholders' Equity	<u>65,523</u>	<u>73,928</u>	<u>69,797</u>

VAP Holdings LP
(C\$ thousands)

Three months ending

2-Apr-11

2-Jul-11

30-Sep-11

CASH FLOW STATEMENT

Operating Activities

Net Income / (Loss)	(3,691)	(1,889)	(2,532)
Depreciation and Amortization	980	987	497
Change in Accounts Receivable	(1,650)	(9,380)	7,213
Change in Inventory	(4,803)	893	(511)
Change in Prepaid Expense	(99)	172	(230)
Change in Accounts Payable	4,326	1,733	(673)
Change in Accrued Expense	(1,324)	1,289	781
Total Operating Activities	(6,262)	(6,195)	4,546

Financing Activities

Change in Long Term Debt	6,644	(851)	(1,014)
Change in Shareholders' Equity	(991)	(49)	(8)
Total Financing Activities	5,653	(900)	(1,022)

Investing Activities

Capital Expenditures	(4,863)	(1,077)	(655)
Total Investing Activities	(4,863)	(1,077)	(655)

Total Change in Funds

(5,471)	(8,172)	2,868
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TAB D

This is Exhibit "D" referred to in the
Affidavit of Brian Cram
sworn before me, this 16th
day of January, 2012

A handwritten signature in black ink, appearing to read "ASLAVENS", with a long horizontal stroke extending to the right.

A Commissioner, Etc.

ADAM SLAVENS

NEW FOOD CLASSICS

Personal Property Security Act ("PPSA")

I have reviewed the PPSA registrations (file currency: January 3, 2012) which disclose the following financing statements and financing change statements filed under the PPSA.¹

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
1.	2-3	671136462	NEW FOOD CLASSICS 601-1122 INTERNATIONAL BLVD., BURLINGTON, ON L7L 6Z8	MCAP LEASING INC. 5575 NORTH SERVICE RD., STE 300, BURLINGTON, ON L7L 6M1	20110630171380775681 2011/06/30	3	E, A, O	OFFICE EQUIPMENT AS DESCRIBED ON LEASES, FROM TIME TO TIME LEASED BY THE SECURED PARTY TO THE DEBTOR AND ANY PROCEEDS THEREOF, TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS
2.	4-5	668022552	NEW FOOD CLASSICS 15, 17 SEAPARK DRIVE, ST. CATHERINES, ON L2M 6S5	MCAP LEASING LIMITED PARTNERSHIP 5575 NORTH SERVICE RD., STE 300, BURLINGTON, ON L7L 6M1	20110303133319022311 2011/03/03	5	E	PHOTOCOPIER(S) TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND

¹ CG = Consumer Goods, I = Inventory, E = Equipment, BD = Book Debts, A = Accounts, O = Other, MV = Motor Vehicle

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (years)	Collateral Classification	Comments
3.	6	622310238	NEW FOOD CLASSICS 4211-13A STREET SE, CALGARY, AB T2G 3J6 NFC ACQUISITION CORP. 4211-13A STREET SE, CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FL., 1 FIRST CDN. PLACE, 100 KING ST. W., TORONTO, ON M5A 1X1	20060127104015293716 2006/01/27	10	I, E, A, O, MV	IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR ANY DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL
4.	7	622322631	NEW FOOD CLASSICS 4211-13A STREET	TD CAPITAL MEZZANINE PARTNERS	20060127144915301993 2006/01/27	10	I, E, A, O, MV	

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (years)	Collateral Classification	Comments
			SE, CALGARY, AB T2G 3J6 NFC ACQUISITION CORP. 4211-13A STREET SE, CALGARY, AB T2G 3J6	MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2				

NFC ACQUISITION CORP

Personal Property Security Act ("PPSA")

I have reviewed the PPSA registrations (file currency: January 3, 2012) which disclose the following financing statements and financing change statements filed under the PPSA:¹

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (Years)	Collateral Classification	Comments
1.	2	622310238	NEW FOOD CLASSICS 4211-13A STREET SE, CALGARY, AB T2G 3J6 NFC ACQUISITION CORP. 4211-13A STREET SE, CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FL., 1 FIRST CDN. PLACE, 100 KING ST. W., TORONTO, ON M5A 1X1	20060127104015293716 2006/01/27	10	I, E, A, O, MV	
2.	3	622310247	NFC ACQUISITION CORP. 4211-13A STREET SE, CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FL., 1 FIRST CDN. PLACE, 100 KING ST. W., TORONTO, ON M5A 1X1	20060127104015293717 2006/01/27	10	I, E, A, O, MV	
3.	4	622322631	NEW FOOD CLASSICS	TD CAPITAL MEZZANINE	20060127144915301993	10	I, E, A, O, MV	

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No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
4.	5	622322649	4211-13A STREET SE, CALGARY, AB T2G 3J6 NFC ACQUISITION CORP. 4211-13A STREET SE, CALGARY, AB T2G 3J6	PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2	2006/01/27 20060127144915301994 2006/01/27	10	I, E, A, O, MV	

NFC ACQUISITION GP INC.

Personal Property Security Act ("PPSA")

I have reviewed the PPSA registrations (file currency: January 3, 2012) which disclose the following financing statements and financing change statements filed under the PPSA.¹

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
1.	2-4	669676653	NFC ACQUISITION L.P. 17 SEAKPARK DRIVE, ST. CATHARINES, ON L2M 6S5 NFC ACQUISITION GP INC. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5	LIFTCAPITAL CORPORATION 300 THE EAST MALL, SUITE 401, TORONTO, ON M9B 6B7	20110506170214621757 2011/05/06	7	E, O	MATERIAL HANDLING EQUIPMENT TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS, AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND

¹ CG = Consumer Goods, I = Inventory, E = Equipment, BD = Book Debts, A = Accounts, O = Other, MV = Motor Vehicle

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
2.	5-7	669676662	<p>NFC ACQUISITION L.P. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5</p> <p>NFC ACQUISITION GP INC. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5</p>	LIFTCAPITAL CORPORATION 300 THE EAST MALL, SUITE 401, TORONTO, ON M9B 6B7	20110506170214621758 2011/05/06	5	E, O	<p>INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT)</p> <p>MATERIAL HANDLING EQUIPMENT TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS, AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT)</p>

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
3.	8-10	669676671	NFC ACQUISITION L.P. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5 NFC ACQUISITION GP INC. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5	LIFTCAPITAL CORPORATION 300 THE EAST MALL, SUITE 401, TORONTO, ON M9B 6B7	20110506170214621759 2011/05/06	5	E, O	MATERIAL HANDLING EQUIPMENT TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS, AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT)
4.	11	659580885	NFC ACQUISITION GP INC. SUITE 3000, 79 WELLINGTON	BANK OF MONTREAL, AS AGENT 19TH FLOOR, 100 KING	20100303144018627275 2010/03/03	6	I, E, A, O, MV	

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (years)	Collateral Classification	Comments
5.	12	622364859	STREET WEST, TORONTO, ON M5K 1N2 NFC ACQUISITION L.P. 4211-13A STREET SE, CALGARY, AB T2G 3J6 NFC ACQUISITION GP INC. 4211-13A STREET SE, CALGARY, AB T2G 3J6	STREET WEST, TORONTO, ON M5X 1A1 TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2	20060130194015317980 2006/01/30	10	I, E, A, O, MV	
6.	13	622310211	NFC ACQUISITION L.P. 4211-13A STREET SE, CALGARY, AB T2G 3J6 NFC ACQUISITION GP INC. 4211-13A STREET SE, CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FL., 1 FIRST CDN. PLACE, 100 KING ST. W., TORONTO, ON M5A 1X1	20060127104015293714 2006/01/27	10	I, E, A, O, MV	AMENDED BY FINANCING CHANGE STATEMENT REGISTERED AS REGISTRATION NO. 200601031452304182 TO AMEND INCORRECT NAME ENTERED FOR DEBTOR ON PAGE 1 LINE 3 TO NFC ACQUISITION L.P.
7.	15	622310229	NFC ACQUISITION GP INC.	BANK OF MONTREAL, AS AGENT	20060127104015293715 2006/01/27	10	I, E, A, O, MV	

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
8.	16	622322622	4211-13A STREET SE, CALGARY, AB T2G 3J	19TH FL., 1 FIRST CDN. PLACE, 100 KING ST. W., TORONTO, ON M5A 1X1	20060127144915301992 2006/01/27	10	I, E, A, O, MV	
			NFC ACQUISITION GP INC. 4211-13A STREET SE, CALGARY, AB T2G 3J6	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2				

NFC ACQUISITION L.P.

Personal Property Security Act ("PPSA")

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No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
1.	2-4	669676653	NFC ACQUISITION L.P. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5 NFC ACQUISITION GP INC. 17 SEAPARK DRIVE, ST. CATHARINES ON L2M 6S5	LIFTCAPITAL CORPORATION 300 THE EAST MALL, SUITE 401, TORONTO, ON M9B 6B7	20110506170214621757 2011/05/06	7	E, O	MATERIAL HANDLING EQUIPMENT TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS, AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND

¹ CG = Consumer Goods, I = Inventory, E = Equipment, BD = Book Debts, A = Accounts, O = Other, MV = Motor Vehicle

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
2.	5-7	669676662	<p>NFC ACQUISITION L.P. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5</p> <p>NFC ACQUISITION GP INC. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5</p>	<p>LIFTCAPITAL CORPORATION 300 THE EAST MALL, SUITE 401, TORONTO, ON M9B 6B7</p>	<p>20110506170214621758 2011/05/06</p>	5	E, O	<p>INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT)</p> <p>MATERIAL HANDLING EQUIPMENT TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS, AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT)</p>

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/Renewal Period (years)	Collateral Classification	Comments
3.	8-10	669676671	NFC ACQUISITION L.P. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5 NFC ACQUISITION GP INC. 17 SEAPARK DRIVE, ST. CATHARINES, ON L2M 6S5	LIFTCAPITAL CORPORATION 300 THE EAST MALL, SUITE 401, TORONTO, ON M9B 6B7	20110506170214621759 2011/05/06	5	E, O	MATERIAL HANDLING EQUIPMENT TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS, AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING, WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT)
4.	11	659580849	NFC ACQUISITION L.P. SUITE 600, 130 KING STREET	BANK OF MONTREAL, AS AGENT 19TH FLOOR, 100 KING	20100303144018627274 2010/03/03	6	I, E, A, O, MV	

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (years)	Collateral Classification	Comments
5.	12	622364859	WEST, TORONTO, ON M5X 1A6 NFC ACQUISITION L.P. 4211-13A STREET SE, CALGARY, AB T2G 3J6 NFC ACQUISITION GP INC. 4211-13A STREET SE, CALGARY, AB T2G 3J6	STREET WEST, TORONTO, ON M5X 1A1 TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2	20060130194015317980 2006/01/30	10	I, E, A, O, MV	
6.	13	622310211	NFC ACQUISITION L.P. 4211-13A STREET SE, CALGARY, AB T2G 3J6 NFC ACQUISITION GP INC. 4211-13A STREET SE, CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FL., 1 FIRST CDN. PLACE, 100 KING ST. W., TORONTO, ON M5A 1X1	20060127104015293714 2006/01/27	10	I, E, A, O, MV	AMENDED BY FINANCING CHANGE STATEMENT REGISTERED AS REGISTRATION NO. 20060103145215304182 TO AMEND INCORRECT NAME ENTERED FOR DEBTOR ON PAGE 1 LINE 3 TO NFC ACQUISITION L.P.

NFC LAND HOLDINGS CORP

Personal Property Security Act ("PPSA")

I have reviewed the PPSA registrations (file currency: January 3, 2012) which disclose the following financing statements and financing change statements filed under the PPSA.¹

No registrations are reported in this enquiry response.

¹ CG = Consumer Goods, I = Inventory, E = Equipment, BD = Book Debts, A = Accounts, O = Other, MV = Motor Vehicle

NEW FOOD CLASSICS

Personal Property Registry (Alberta) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR.

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	2	Z03398112	NEW FOOD CLASSICS 4211-13A STREET SE CALGARY, AB T2G 3J6 NFC ACQUISITION CORP. 4211-13A STREET SE CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 100 KING STREET WEST TORONTO, ON M5A 1X1	06012518780 2006/01/25	2016/01/25	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PARTICULARS PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE SECURED PARTY SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO ONTARIO M5A 1X1

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
2.	4	Z03398112	NEW FOOD CLASSICS 4211-13A STREET S.E. CALGARY, AB T2G 3J6 NFC ACQUISITION CORP. 4211-13A STREET S.E. CALGARY, AB T2G 3J6	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2	06013012957 2006/01/30	2016/01/30	ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. PARTICULARS COMPLETE NAME FOR SECURED PARTY 0001 TO READ: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT
3.	5	Z03398112	NEW FOOD CLASSICS 4043 BRANDON STREET S.E. CALGARY, AB T2G 4A7 NEW FOOD CLASSICS 4211-13A STREET S.E. CALGARY, AB T2G 3J6	REISER (CANADA) CO. 1549 YORKTON COURT, UNIT #4 BURLINGTON, ON L7P 5B7	08110522101 2008/11/05	2013/11/05	1 (ONE) REPAK RE20/4 HORIZONTAL FORM/FILL/SEAL VACUUM PACKAGING MACHINE PROCEEDS: ACCOUNTS, MONEY, INTANGIBLES, GOODS, INSURANCE PROCEEDS, SECURITIES AND DOCUMENTS OF TITLE (ALL AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT (ALBERTA)).

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
4.	6	Z03398112	NEW FOOD CLASSICS 4211 13A ST SE CALGARY, AB T2G 3J6 NEW FOOD CLASSICS 820-60TH ST SASKATOON, SK S7K 8G8 (CURRENT BY 10051325729)	MCAP LEASING INC. 5575 NORTH SERVICE RD, STE 300 BURLINGTON, ON L7L 6M1 MCAP LEASING LIMITED PARTNERSHIP 5575 NORTH SERVICE ROAD, SUITE 300 BURLINGTON, ON L7L 6M1	10051203854 2010/05/12	2015/05/12	OFFICE EQUIPMENT AS DESCRIBED ON LEASES, FROM TIME TO TIME LEASED BY THE SECURED PARTY TO THE DEBTOR AND ANY PROCEEDS THEREOF, TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS
5.	8	Z03398112	NEW FOOD CLASSICS 4211 13A ST SE CALGARY, AB T2G 3J6	GE VFS CANADA LIMITED PARTNERSHIP 2300 MEADOWVALE BLVD, SUITE 200 MISSISSAUGA, ON L5N 5P9	11020814997 2011/02/08	2017/02/08	ALL GOODS WHICH ARE TELEPHONES TOGETHER WITH ALL REPLACEMENTS AND SUBSTITUTIONS THEREOF AND ALL PARTS, ACCESSORIES, ACCESSIONS AND ATTACHMENTS THERETO AND ALL PROCEEDS THEREOF, INCLUDING ALL PROCEEDS WHICH ARE ACCOUNTS, GOODS, CHATTEL PAPER, SECURITIES, DOCUMENTS OF TITLE,

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
							INSTRUMENTS, MONEY, INTANGIBLES, CROPS OR INSURANCE PROCEEDS (REFERENCE LEASE NO. 8492244-001)

NFC ACQUISITION CORP.

Personal Property Registry (Alberta) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR.

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	2	Z03398115	NFC ACQUISITION CORP. 4211-13A STREET SE CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 100 KING STREET WEST TORONTO, ON M5A 1X1	06012518772 2006/01/25	2016/01/25	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PARTICULARS PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE SECURED PARTY SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO ONTARIO M5A 1X1

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
2.	3	Z03398115	NEW FOOD CLASSICS 4211-13A STREET SE CALGARY, AB T2G 3J6 NFC ACQUISITION CORP. 4211-13A STREET SE CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 100 KING STREET WEST TORONTO, ON M5A 1X1	06012518780 2006/01/25	2016/01/25	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PARTICULARS PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE SECURED PARTY SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO ONTARIO M5A 1X1
3.	5	Z03398115	NEW FOOD CLASSICS 4211-13A STREET S.E. CALGARY, AB T2G 3J6 NFC	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS 79 WELLINGTON STREET WEST,	06013012957 2006/01/30	2016/01/30	ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. PARTICULARS

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
4.	6	Z03398115	ACQUISITION CORP. 4211-13A STREET S.E. CALGARY, AB T2G 3J6	6TH FLOOR, TORONTO, ON M5K 1A2	06013013047 2006/01/30	2016/01/30	COMPLETE NAME FOR SECURED PARTY 0001 TO READ: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. PARTICULARS COMPLETE NAME FOR SECURED PARTY 0001 TO READ: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT

NFC ACQUISITION GP INC.

Personal Property Registry (Alberta) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR.

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	2	Z03398110	NFC ACQUISITION L.P. 4211-13A STREET SE CALGARY, AB T2G 3J6 NFC ACQUISITION GP INC. 4211-13A STREET SE CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 100 KING STREET WEST TORONTO, ON M5A 1X1	06012518749 2006/01/25	2016/01/25	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PARTICULARS PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE DEBTOR SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO ONTARIO M5A 1X1 PLEASE NOTE THAT

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
2.	4	Z03398110	NFC ACQUISITION GP INC. 4211-13A STREET SE CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 100 KING STREET WEST TORONTO, ON M5A 1X1	06012706492 2006/01/27	2016/01/27	<p>BLOCK 0001 OF THE PARTICULARS DETAILS ABOVE SHOULD READ: ADDITIONAL INFORMATION PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE SECURED PARTY SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO, ONTARIO M5X 1A1 THIS BLOCK 0002 HEREBY REPLACES BLOCK 0001 OF THE PARTICULARS DETAILS ABOVE (CURRENT BY 06013025033)</p> <p>ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.</p> <p>PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL</p>

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
							<p>PROPERTY OF THE DEBTOR.</p> <p>PARTICULARS</p> <p>PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE DEBTOR SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO ONTARIO M5A 1X1</p> <p>PLEASE NOTE THAT BLOCK 0001 OF THE PARTICULARS DETAILS ABOVE SHOULD READ: ADDITIONAL INFORMATION</p> <p>PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE SECURED PARTY SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING</p>

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
3.	6	Z03398110	NFC ACQUISITION L.P. 4211-13A STREET S.E. CALGARY, AB T2G 3J6 NFC ACQUISITION GP INC. 4211-13A STREET S.E. CALGARY, AB T2G 3J6	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2	06013012718 2006/01/30	2016/01/30	STREET WEST TORONTO, ONTARIO M5X 1A1 THIS BLOCK 0002 HEREBY REPLACES BLOCK 0001 OF THE PARTICULARS DETAILS ABOVE (CURRENT BY 06013025413) ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. PARTICULARS COMPLETE NAME FOR SECURED PARTY 0001 TO READ: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT
4.	7	Z03398110	NFC ACQUISITION GP INC. 4211-13A STREET S.E. CALGARY, AB T2G 3J6	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON	06013012841 2006/01/30	2016/01/30	ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. PARTICULARS COMPLETE NAME

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
				M5K 1A2			FOR SECURED PARTY 0001 TO READ: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT

NFC ACQUISITION L.P.

Personal Property Registry (Alberta) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR.

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	2	Z03398107	NFC ACQUISITION L.P. 4211-13A STREET SE CALGARY, AB T2G 3J6 NFC ACQUISITION GP INC. 4211-13A STREET SE CALGARY, AB T2G 3J6	BANK OF MONTREAL, AS AGENT 100 KING STREET WEST TORONTO, ON M5A 1X1	06012518749 2006/01/25	2016/01/25	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PARTICULARS PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE DEBTOR SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO ONTARIO M5A 1X1 PLEASE NOTE THAT

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
2.	4	Z03398107	NFC ACQUISITION L.P. 4211-13A STREET SE CALGARY, AB T2G 3J6 NFC ACQUISITION	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON	06013012718 2006/01/30	2016/01/30	BLOCK 0001 OF THE PARTICULARS DETAILS ABOVE SHOULD READ: ADDITIONAL INFORMATION PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE SECURED PARTY SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO, ONTARIO M5X 1A1 THIS BLOCK 0002 HEREBY REPLACES BLOCK 0001 OF THE PARTICULARS DETAILS ABOVE (CURRENT BY 06013025033) ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. PARTICULARS COMPLETE NAME

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
			GP INC. 4211-13A STREET SE CALGARY, AB T2G 3J6	M5K 1A2			FOR SECURED PARTY 0001 TO READ: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT

NFC LAND HOLDINGS CORP.

Personal Property Registry (Alberta) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR:

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	2	Z03398116	CENTENNIAL LAND HOLDINGS CORP. 1, 4412 MANILLA ROAD S.E. CALGARY, AB T2G 4B7 (DELETED BY 06101230941)	BANK OF MONTREAL MAIN FLOOR, 340 - 7TH AVENUE S.W. CALGARY, AB T2P 0X4	02052325186 2002/05/23	N/A INFINITY	LAND CHARGE
2.	3	Z03398116	NFC LAND HOLDINGS CORP. 1, 4412 MANILLA ROAD S.E. CALGARY, AB T2G 4B7 (CURRENT BY 06101230941)	BANK OF MONTREAL, AS AGENT 100 KING STREET WEST TORONTO, ON M5A 1X1	06012518798 2006/01/25	2016/01/25	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PROCEEDS: ALL PRESENT AND

No.	Page No.	Search ID No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
			(DELETED BY 06101037221) NFC LAND HOLDINGS CORP 4211-13A STREET SE CALGARY, AB T2G 3J6 (DELETED BY 06101722095) NFC LAND HOLDINGS CORP. 4211-13A STREET SE CALGARY, AB T2G 3J6 (CURRENT BY 06101722095)				AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PARTICULARS PLEASE NOTE THAT THE FULL NAME AND ADDRESS OF THE SECURED PARTY SHOULD READ AS FOLLOWS: BANK OF MONTREAL, AS AGENT 19TH FLOOR 1 FIRST CANADIAN PLACE 100 KING STREET WEST TORONTO ONTARIO M5A 1X1
3.	5	Z03398116	CENTENNIAL LAND HOLDINGS CORP. 4211-13A STREET SE CALGARY, AB T2G 3J6 (DELETED BY 06101126818) NFC LAND HOLDINGS CORP.	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON M5K 1A2	06013013245 2006/01/30	2016/01/30	ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY. PARTICULARS COMPLETE NAME FOR SECURED PARTY 0001 TO READ: TD CAPITAL MEZZANINE

No.	Page No.	Search No.	Search ID	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
				4211-13A STREET SE CALGARY, AB T2G 3J6 (CURRENT BY 06101126818)				PARTNERS MANAGEMENT LTD., AS AGENT

NEW FOOD CLASSICS

Personal Property Registry (Manitoba) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR:

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	1	10176618352	NEW FOOD CLASSICS 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6 THIS REGISTRATION IS JOINTLY REGISTERED WITH THESE BUSINESS DEBTORS: NFC ACQUISITION CORP. NFC ACQUISITION L.P.	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON CANADA M5K 1A2	200601537906 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER- ACQUIRED PERSONAL PROPERTY.
2.	1	10176618352	NEW FOOD CLASSICS 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G	BANK OF MONTREAL, AS AGENT 19TH FLOOR, 1 FIRST CANADIAN PLACE, 100	200601534605 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER- ACQUIRED PERSONAL

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
			3J6 THIS REGISTRATION IS JOINTLY REGISTERED WITH THESE BUSINESS DEBTORS: NFC ACQUISITION CORP. NFC ACQUISITION L.P.	KING STREET WEST TORONTO, ON CANADA M5A 1X1			PROPERTY.

NFC ACQUISITION CORP.

Personal Property Registry (Manitoba) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR.

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	1	10176618415	NFC ACQUISITION CORP. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6 THIS REGISTRATION IS JOINTLY REGISTERED WITH THESE BUSINESS DEBTORS: NEW FOOD CLASSICS NFC ACQUISITION L.P.	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON CANADA M5K 1A2	200601537906 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
2.	2	10176618415	NFC ACQUISITION CORP. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON	200601535806 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
3.	2	10176618415	3J6 NFC ACQUISITION CORP. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6 THIS REGISTRATION IS JOINTLY REGISTERED WITH THESE BUSINESS DEBTORS: NEW FOOD CLASSICS NFC ACQUISITION L.P.	STREET WEST, 6TH FLOOR, TORONTO, ON CANADA M5K 1A2 BANK OF MONTREAL, AS AGENT 19TH FLOOR, 1 FIRST CANADIAN PLACE, 100 KING STREET WEST TORONTO, ON CANADA M5A 1X1	200601534605 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
4.	3	10176618415	NFC ACQUISITION CORP. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FLOOR, 1 FIRST CANADIAN PLACE, 100 KING STREET WEST TORONTO, ON	200601532106 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
				CANADA M5A IXI			

NFC ACQUISITION GP INC.

Personal Property Registry (Manitoba) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR:

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	1	10176618316	NFC ACQUISITION GP INC. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON CANADA M5K 1A2	200601536500 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
2.	1	10176618271	NFC ACQUISITION GP INC. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FLOOR, 1 FIRST CANADIAN PLACE, 100 KING STREET WEST TORONTO, ON CANADA M5A 1X1	200601532807 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

NFC ACQUISITION L.P.

Personal Property Registry (Manitoba) ("PPR")

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR.

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
1.	1	10176618271	NFC ACQUISITION L.P. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ON CANADA M5K 1A2	201101623403 2011/02/01	2021/02/01	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
2.	1	10176618271	NFC ACQUISITION L.P. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FLOOR, 1 FIRST CANADIAN PLACE, 100 KING STREET WEST TORONTO, ON CANADA M5A 1X1	201101622407 2011/02/01	2021/02/01	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
3.	2	10176618271	NFC ACQUISITION L.P. 4211-13A STREET SE	TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS	200601537906 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
4.	3	10176618271	CALGARY, ALBERTA CANADA T2G 3J6 THIS REGISTRATION IS JOINTLY REGISTERED WITH THESE BUSINESS DEBTORS: NEW FOOD CLASSICS NFC ACQUISITION CORP.	AGENT 79 WELLINGTON STREET WEST, 6TH FLOOR, TORONTO, ONTARIO CANADA M5K 1A2	200601535300 2006/01/27	2016/01/27	ACQUIRED PERSONAL PROPERTY. THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
5.	3	10176618271	NFC ACQUISITION L.P. 4211-13A STREET SE CALGARY, ALBERTA CANADA T2G 3J6	BANK OF MONTREAL, AS AGENT 19TH FLOOR, 1 FIRST CANADIAN	200601534605 2006/01/27	2016/01/27	THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED

No.	Page No.	Inquiry No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Expiry Date	Comments
6.	4	10176618271	<p>ALBERTA CANADA T2G 3J6</p> <p>THIS REGISTRATION IS JOINTLY REGISTERED WITH THESE BUSINESS DEBTORS: NEW FOOD CLASSICS NFC ACQUISITION CORP.</p>	<p>PLACE, 100 KING STREET WEST TORONTO, ON CANADA M5A 1X1</p>	<p>200601530901</p> <p>2006/01/27</p>	2016/01/27	<p>PERSONAL PROPERTY.</p> <p>THE SECURITY INTEREST IS TAKEN IN ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.</p>

NFC LAND HOLDINGS CORP.

Personal Property Registry (Manitoba) (“PPR”)

I have reviewed the PPR registrations (file currency: January 4, 2012) which disclose the following financing statements and financing change statements filed under the PPR:

No registrations are reported in this inquiry response.



MACPHERSON LESLIE
& TYERMAN LLP
LAWYERS

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Canada S4P 4E9
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January 10, 2012

Via Email & Courier

Adam Slavens
Torys LLP
79 Wellington Street West
Toronto, ON M5K 1N2

Dear Mr. Slavens:

Re: NFC Acquisition L.P. - Searches
Our File: 004960-0560

Further to your January 4, 2012 correspondence, we confirm we have conducted searches in the Province of Saskatchewan with respect to the entities listed in the attached schedule (the "Entities").

This report should be read having regard to the date of each of the searches we have conducted.

The results are as follows:

Personal Property Registry

No registrations have been made with respect to personal property at the Personal Property Registry for Saskatchewan against the Entities effective as of January 4, 2012, except for the following:

Registration No.: 122975751
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: BANK OF MONTREAL, AS AGENT
Debtor 1: NFC ACQUISITION L.P.
Debtor 2: NFC ACQUISITION GP INC.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL
PROPERTY OF THE DEBTORS AND PROCEEDS
THEREOF.

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Registration No.: 122976804
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT
Debtor 1: NFC ACQUISITION L.P.
Debtor 2: NFC ACQUISITION GP INC.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTORS AND PROCEEDS

Registration No.: 122975824
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: BANK OF MONTREAL, AS AGENT
Debtor: NFC ACQUISITION GP INC.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND PROCEEDS THEREOF.

Registration No.: 122977054
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT LTD., AS AGENT
Debtor: NFC ACQUISITION GP INC.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND PROCEEDS THEREOF.

Registration No.: 122855236
Registration Date: December 15, 2005
Registration Expiry: December 15, 2015
Secured Party: ROYAL BANK OF CANADA
Debtor 1: NEW FOOD CLASSICS
General Property: ALL PRESENT AND AFTER ACQUIRED EQUIPMENT OF WHATEVER KIND AND WHEREVER SITUATE, (INCLUDING ALL PARTS, ACCESSORIES, ATTACHMENTS, SPECIAL TOOLS, ADDITIONS AND ACCESSIONS THERETO) ALL AS FURTHER DESCRIBED UNDER ALL LEASE SCHEDULES ATTACHED TO THE MASTER LEASE AGREEMENT DATED 05/06/05 FROM TIME TO TIME AND ALL



PROCEEDS THEREOF, ACCRETIONS THERETO AND
SUBSTITUTIONS THEREFOR.

Registration No.: 122975808
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: BANK OF MONTREAL, AS AGENT
Debtor 1: NEW FOOD CLASSICS
Debtor 2: NFC ACQUISITION CORP.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL
PROPERTY OF THE DEBTORS AND PROCEEDS
THEREOF.

Registration No.: 122976951
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT
LTD., AS AGENT
Debtor 1: NEW FOOD CLASSICS
Debtor 2: NFC ACQUISITION CORP.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL
PROPERTY OF THE DEBTORS AND PROCEEDS
THEREOF.

Registration No.: 122975793
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: BANK OF MONTREAL, AS AGENT
Debtor 1: NFC ACQUISITION CORP.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL
PROPERTY OF THE DEBTOR AND PROCEEDS
THEREOF.

Registration No.: 122976901
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT
LTD., AS AGENT
Debtor: NFC ACQUISITION CORP.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL
PROPERTY OF THE DEBTOR AND PROCEEDS
THEREOF.



Registration No.: 122975816
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: BANK OF MONTREAL, AS AGENT
Debtor: NFC LAND HOLDINGS CORP.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL
PROPERTY OF THE DEBTOR AND PROCEEDS
THEREOF.

Registration No.: 122977012
Registration Date: January 27, 2006
Registration Expiry: January 27, 2016
Secured Party: TD CAPITAL MEZZANINE PARTNERS MANAGEMENT
LTD., AS AGENT
Debtor: NFC LAND HOLDINGS CORP.
General Property: ALL PRESENT AND AFTER-ACQUIRED PERSONAL
PROPERTY OF THE DEBTOR AND PROCEEDS
THEREOF.

Registration No.: 118120815
Registration Date: May 29, 2002
Registration Expiry: May 29, 2012
Secured Party: BANK OF MONTREAL
Debtor 1: CENTENNIAL LAND HOLDINGS CORP.
Debtor 2: CENTENNIAL LAND HOLDINGS CORP.
General Property: ALL OF THE DEBTOR'S PRESENT AND AFTER-
ACQUIRED PERSONAL PROPERTY

Sheriff

No writs of execution have been registered against the Entities at the Office of the Sheriff, Judicial Centre of Regina (11:30 a.m. January 5, 2012).

No writs of execution have been registered against the Entities at the Office of the Sheriff, Judicial Centre of Saskatoon (12:33 p.m. January 5, 2012).

Saskatchewan Writ Registry

A search of the Information Services Corporation of Saskatchewan indicates that, as of January 4, 2012 there were no writs of execution registered against the Entities in the Saskatchewan Writ Registry.

We have conducted searches for writs of execution at the Judicial Centres of Regina and Saskatoon only. These searches would not reveal writs of execution registered or actions



commenced in any other judicial centres. If the Entities carry on business or own significant assets in any other judicial centre in Saskatchewan, we would recommend performing searches in such judicial centres. These judicial centres include: Battleford, Estevan, Swift Current, Humboldt, Melfort, Moose Jaw, Prince Albert, Weyburn, Wynyard and Yorkton.

If you have any questions or require anything further, please do not hesitate to contact us.

Yours truly,

MacPherson Leslie & Tyerman LLP

Per:


Braden Marianchuk

enclosure

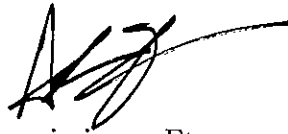


Schedule "A"

1. NFC Acquisition L.P.
2. NFC Acquisition GP Inc.
3. New Food Classics
4. NFC Acquisition Corp.
5. NFC Land Holdings Corp.
6. Centennial Land Holdings Corp.

T A B E

This is Exhibit "E" referred to in the
Affidavit of Brian Cram
sworn before me, this 16th
day of January, 2012

A handwritten signature in black ink, appearing to read 'ASLAVENS', with a long horizontal stroke extending to the right.

A Commissioner, Etc.

ADAM SLAVENS

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NFC ACQUISITION G.P. INC., NFC ACQUISITION CORP.
AND NFC LAND HOLDINGS CORP.

(the "Applicants")

REPORT ON CASH FLOW STATEMENT
(paragraph 10.2(b) of the CCAA)

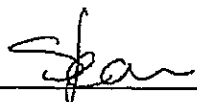
The management of NFC Acquisition GP Inc., NFC Acquisition Corp. and NFC Land Holdings Corp. (collectively, the "Applicants" and together with NFC Acquisition L.P., and New Food Classics, "NFC") has developed the assumptions and prepared the attached statement of projected cash flow of NFC as of the 16th day of January 2012, consisting of a 13 week cash flow for the period January 16, 2012 to April 13, 2012 (the "January 16 Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the projections as described in Note 1 to the cash flow, and the probable assumptions are suitably supported and consistent with the plans of NFC and provide a reasonable basis for the January 16 Cash Flow. All such assumptions are disclosed in Notes 2 to 6.

Since the January 16 Cash Flow is based on future events, actual results will vary from the information presented and the variations may be material.

The January 16 Cash Flow has been prepared solely for the purpose outlined in Note 1, using the probably and hypothetical assumptions set out in Notes 2 to 6. Consequently readers are cautioned that the January 16 Cash Flow may not be suitable for other purposes.

Dated at Toronto this 16th day of January 2012.



[Name] Stephane Jean
[Position] VP, Finance.
New Food Classics

New Food Classics
WEEKLY CASH FLOW FORECAST

Week Ending	Week 1 1/20/2012	Week 2 1/27/2012	Week 3 2/3/2012	Week 4 2/10/2012	Week 5 2/17/2012	Week 6 2/24/2012	Week 7 3/2/2012	Week 8 3/9/2012	Week 9 3/16/2012	Week 10 3/23/2012	Week 11 3/30/2012	Week 12 4/6/2012	Week 13 4/13/2012	13 Week Total
Operating Cash Flows														
Cash Inflows														
AR Collections	1,006,240	1,097,303	1,072,955	1,567,068	1,717,058	1,617,068	1,948,729	1,424,400	1,424,400	1,424,400	1,380,724	1,838,459	2,339,459	19,247,272
Total Cash Inflows	1,006,240	1,097,303	1,072,955	1,567,068	1,717,058	1,617,068	1,948,729	1,424,400	1,424,400	1,424,400	1,380,724	1,838,459	2,339,459	19,247,272
Cash Outflows														
AP Trade	1,201,450	1,359,704	1,410,975	1,499,564	1,589,143	2,007,792	2,112,287	2,338,318	2,460,172	2,464,591	2,189,064	2,020,641	1,993,241	24,592,080
Payroll & Benefits	597,390	633,398	314,387	61,124	6,321	6,321	594,885	116,094	640,710	5,599	674,688	680,224	680,224	4,349,305
Rent & Utilities	6,335	71,158	97,130	97,218	69,630	74,321	84,087	81,599	84,916	86,949	94,134	483,672	133,789	1,485,094
Share	28,874	29,153	29,153	29,153	29,153	29,153	29,153	29,153	29,153	29,153	29,153	29,153	29,153	380,000
Commodity	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	450,000
Total Cash Outflows	2,032,042	1,437,201	2,869,644	1,869,001	2,337,117	2,135,455	3,251,091	2,589,931	3,251,167	2,594,048	2,379,084	2,571,103	2,992,890	31,994,128
Net Operating Cashflow	(1,025,802)	(340,897)	(1,313,929)	(695,949)	(620,103)	(518,387)	(1,302,362)	(1,165,533)	(1,827,767)	(1,169,648)	(1,297,449)	(732,720)	(653,432)	(12,746,856)
Restruabling Costs														
Professional Fees	170,000	170,000	155,000	145,000	145,000	145,000	105,000	65,000	65,000	65,000	50,000	50,000	50,000	1,365,000
KERP	170,000	170,000	155,000	145,000	145,000	145,000	105,000	65,000	65,000	65,000	50,000	50,000	50,000	1,365,000
Total Restruabling Costs	340,000	340,000	310,000	290,000	290,000	290,000	210,000	130,000	130,000	130,000	100,000	100,000	100,000	2,730,000
Net Cash Flow	(1,365,802)	(680,897)	(1,623,929)	(985,949)	(915,103)	(763,387)	(1,512,362)	(1,300,533)	(1,957,767)	(1,234,648)	(1,397,449)	(832,720)	(753,432)	(15,476,856)
Operating Revolver Balance														
Net Cashflow	16,910,733	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	16,510,733
DIP Funding	1,995,802	519,997	1,493,929	240,940	665,709	633,965	1,997,323	1,227,551	1,877,795	1,219,648	1,647,240	782,730	616,432	14,101,856
Ending Revolver Balance	(305,534)	(519,997)	(1,493,929)	(240,940)	(665,709)	(633,965)	(1,997,323)	(1,227,551)	(1,877,795)	(1,219,648)	(1,647,240)	(782,730)	(616,432)	(13,112,589)
Cumulative DIP Funding	(695,534)	(1,215,531)	(2,709,460)	(3,401,400)	(4,067,109)	(4,699,174)	(6,196,501)	(7,424,052)	(9,291,847)	(10,511,495)	(12,158,944)	(13,892,214)	(15,708,646)	(17,200,000)

- Notes
- The purposes of this Cash Flow Forecast is to determine the liquidity requirements for New Food Classics during the CCAA Proceedings.
 - Operating receipts (cash flows) forecast in the forecast are based on management's historical analysis as well as an understanding of the Company's customer base under the current economic conditions and the present situation.
 - AP Trade is based on management's best estimates.
 - Payroll associated benefit costs, rent, utilities and taxes, interest costs and other operating expenses are to remain based on historical analysis, current price levels and management forecast.
 - Based on historical purchasing patterns and management forecast, management does not forecast any capital expenditures for the period during the CCAA Proceedings.
 - Estimator restructuring costs are based on projected costs associated with legal and professional fees relating to the CCAA Proceedings.

TAB F

This is Exhibit "F" referred to in the
Affidavit of Brian Cram
sworn before me, this 16th
day of January, 2012

A handwritten signature in black ink, appearing to read 'AS' with a long horizontal stroke extending to the right.

A Commissioner, Etc.

ADAM SLAVENS

LETTER LOAN AGREEMENT

**SUPER-PRIORITY, SENIOR SECURED
DEBTOR-IN-POSSESSION CREDIT FACILITY**

January 16, 2012

NFC Acquisition L.P.
1122 International Boulevard
Suite 601
Burlington, Ontario
L7L 6Z8

Dear Sirs/Mesdames:

We understand that NFC Acquisition L.P. (the "**Borrower**"), with certain of its subsidiaries (collectively, the "**CCAA Debtors**"), will apply for relief as a debtor company under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") pursuant to an order (the "**CCAA Initial Order**") of the Superior Court of Justice (Commercial List) of Ontario (the "**CCAA Court**").

The Borrower seeks adequate financial resources to proceed with its restructuring until it receives the proceeds from a sale of assets and the receipt of such proceeds is expected by March 30, 2012, at the latest. Given the extended timing of the receipt of the proceeds of such sale, the Borrower has requested that Bank of Montreal provide as a bridge a debtor-in-possession credit facility to the Borrower for the period until the anticipated closing of such sale so that the Borrower and the Subsidiary Guarantors have access to the necessary liquidity to fund their working capital requirements and to pay for certain expenses during such period.

For purposes of (i) providing for working capital and for other general corporate purposes of the Borrower and the Subsidiary Guarantors, (ii) paying fees and expenses associated with this Financing and (iii) paying costs and expenses in connection with the CCAA Debtors' proceeding pursuant to the CCAA (the "**CCAA Case**"), Bank of Montreal is pleased to offer its commitment to provide to the Borrower up to \$10,500,000 (the "**Commitment Amount**") of senior secured financing (the "**DIP Facility**" or the "**Financing**") during the course of the CCAA Case, subject to the terms and conditions set forth or referred to in this letter loan agreement (as amended, restated and supplemented from time to time, this "**Agreement**").

Capitalized terms used in this Agreement but not otherwise defined shall have the respective meanings given to them in Schedule A hereto. Each of the Schedules to this Agreement form part of and are integral to this Agreement.

THE PARTIES

- Borrower:** NFC Acquisition L.P. (the "**Borrower**")
- Lender:** Bank of Montreal (together with its successors and permitted assigns, the "**Lender**")
- Subsidiary Guarantors:** The following subsidiaries of the Borrower shall guarantee the Obligations of the Borrower (collectively, the "**Subsidiary Guarantors**"):
- (i) NFC Acquisition GP Inc.;
 - (ii) New Food Classics, an Alberta general partnership;
 - (iii) NFC Acquisition Corp.; and
 - (iv) NFC Land Holdings Corp.

THE DIP FACILITY

- DIP Facility:** The Lender hereby makes available a DIP Facility of up to \$10,500,000 to the Borrower upon the terms and conditions hereof. The DIP Facility shall be made available by way of Loans bearing interest at a rate equal to the Prime Rate plus 6% per annum in accordance with the terms and conditions of this Agreement.
- Purpose:** The proceeds of the Loans advanced under the DIP Facility shall be used only for the following purposes:
- (i) to provide for working capital for and for other general corporate purposes of the Borrower and the Subsidiary Guarantors as specifically set out in the Initial CCAA Cash Flow;
 - (ii) to pay fees and expenses associated with the DIP Facility, including without limitation all reasonable legal and other out-of-pocket expenses incurred by the Lender in connection with the execution, maintenance and enforcement of this Agreement and the other DIP Loan Documents (collectively, the "**DIP Expenses**"); and
 - (iii) to pay costs and expenses in connection with the CCAA Case as specifically set out in the Initial CCAA Cash Flow (including, for greater certainty,

the deposit with the Monitor of the premium due in respect of any director and officer insurance contemplated by the Initial CCAA Cash Flow, which the Monitor shall be irrevocably authorized to remit to the applicable insurer).

The Borrower shall not transfer any proceeds of the Loans to any subsidiary or Affiliate other than the Subsidiary Guarantors.

None of the proceeds of the Loans shall directly be used in any way, to (i) repay any of the obligations under the Existing Credit Facilities; or (ii) repay any of the obligations or liabilities of one or more of the CCAA Debtors where such obligation or liability arose at any time prior to the granting of the CCAA Initial Order without the prior written consent of the Monitor and the Lender.

Availability:

Subject to the satisfaction of the Initial Availability Conditions (as set forth below), the DIP Facility shall be available to the Borrower, up to but excluding the Maturity Date, by way of multiple borrowings.

Each borrowing of Loans under the DIP Facility shall be subject to the satisfaction of the Drawdown Conditions (as set forth below).

The Borrower acknowledges and agrees that the only credit facility available to it for further drawings is the DIP Facility. The amount of any borrowing available from time to time and at any time under the DIP Facility shall be limited to the lesser of:

- (i) in respect of the then applicable week, (x) 120% of the "Cumulative DIP Funding" amount for such week in the Initial CCAA Cash Flow, minus (y) the principal amount outstanding under the DIP Facility as at the date of submission of the applicable Borrowing Request; and
- (ii) \$3,500,000 less the aggregate borrowings to date under the DIP Facility PROVIDED the said \$3,500,000 amount increases to \$10,500,000 if the Lender issues the Sales Process Satisfaction Notice and Lender's credit approval referred to below under the heading "Borrower Acknowledgement" is granted.

For greater certainty, in no event shall the aggregate borrowings under the DIP Facility exceed whichever of the \$3,500,000 and the \$10,500,000 cap is applicable at that time.

Provided that in the event a Sales Process Default is declared by the Lender, availability immediately thereafter and without further notice whatsoever will be reduced to zero unless and until a replacement cash flow replacing the Initial CCAA Cash Flow is agreed to between the CCAA Debtors and the Lender in writing (the DIP Lender being under no obligation to agree to such replacement cash flow).

Notwithstanding the Initial CCAA Cash Flow covers the period from January 16, 2012 to April 13, 2012, after February 21, 2012, there shall be no availability for further borrowings under the DIP Facility if (x) a Sales Process Default has been declared by the Lender or (y) the Lender has failed to give written notice in its sole and absolute discretion that it is satisfied with the Sale Process to date on or before February 21, 2012 (the "**Sales Process Satisfaction Notice**"). For further certainty, such satisfaction shall include satisfaction with an agreement of purchase and sale referred to in Section 22 of Schedule D hereto.

Notwithstanding any other provision of this Agreement, the Lender shall not be obligated to make any advance (and the Borrower shall not request any borrowing to be made) to the extent that, after giving effect to any borrowing requested, the aggregate principal amount of all Obligations owing by the Borrower to the Lender under the DIP Documents, whether direct or contingent, would exceed the Commitment Amount.

Loans under the DIP Facility will cease to be available and the Lender shall have no further obligation to advance Loans to the Borrower (i) if the Further Availability Conditions (as set forth on page 12 below) have not been satisfied or waived within 29 days of the issuance of the Initial CCAA Order or (ii) on and after the occurrence of a Specified Event of Default or a Termination Event; provided that the Lender, in its sole discretion, may advance Loans in the amount of any interest, fees or expenses then due and payable, which Loans shall be deemed to have been requested by the Borrower, and apply the proceeds of such Loans to the payment of such interest, fees or expenses.

Any amounts borrowed and repaid under the DIP Facility may be re-borrowed, but only up to the limits provided for under Availability above.

**Borrower
Acknowledgement:**

The Borrower acknowledges that the Lender currently has credit approval for a Commitment Amount of \$3,500,000 and further credit approval is required to increase the Commitment Amount

from \$3,500,000 to \$10,500,000 in order to provide availability under the DIP Facility subsequent to February 21, 2012 in excess of \$3,500,000.

Minimum Amounts: Each Loan under the DIP Facility shall be in a minimum amount of \$100,000 (or the available undrawn amount of the Commitment Amount if it is less than \$100,000) and, if in excess of such amount, in multiples of \$50,000.

Notice of Borrowing: The Borrower shall provide to the Lender a borrowing request in the form attached as Schedule E (a "**Borrowing Request**"), in which, among other things, the Borrower shall represent and warrant to the Lender that all of the Drawdown Conditions have been satisfied, at least 2 Business Days prior to each borrowing of Loans under the DIP Facility.

Disbursement of Loan Proceeds: The proceeds of all Loans advanced to the Borrower pursuant to this Agreement shall be paid to the Borrower's current operating account maintained with the Lender (which is also the Borrower's current operating account in connection with its Existing Credit Facilities with the Lender) (the "**Loan Account**").

Term, Termination and Repayment: All Obligations hereunder shall be repaid in full and the DIP Facility shall terminate at the earliest of (each, a "**Termination Event**"):

- (i) March 30, 2011 (the "**Maturity Date**");
- (ii) the effective date of a plan of compromise and arrangement of the CCAA Debtors pursuant to the CCAA;
- (iii) upon acceleration of the DIP Facility in accordance with the terms hereof or upon the occurrence of a Specified Event of Default; and
- (iv) upon any actual or asserted invalidity, impairment or unenforceability of the guarantee of any Subsidiary Guarantor.

Evidence of Borrowings: The Lender's accounts and records shall constitute, in the absence of manifest error, prima facie evidence of the indebtedness of the Borrower to the Lender.

PAYMENT, INTEREST RATES AND FEES

Interest Payment Dates: Interest on the Loans advanced hereunder shall accrue daily and

shall be payable in arrears on each Interest Payment Date at the rate applicable to such Loans.

Account for Payment:

Each payment under this Agreement shall be made for value on the day the payment is due, provided that if that day is not a Business Day, the payment shall be due on the immediately preceding Business Day (unless otherwise specified herein). All interest and other fees shall continue to accrue until payment has been received by the Lender. The Lender shall debit the Loan Account in the amount of each payment due hereunder at or before 12:00 noon (Toronto time) on the day that such payment is due.

Applicable Rates:

Each Loan shall bear interest at the Prime Rate plus 6% per annum. Any change in the Prime Rate shall cause an immediate adjustment of the interest rate applicable to the Loans, without the necessity of any notice to the Borrower.

Overdue Payments:

In the event that the Borrower fails to make any payment hereunder when due, as a late charge, interest on such overdue payment shall accrue at an annual rate equal to the interest rate otherwise applicable hereunder in respect of such payment plus 2% per annum, from the due date thereof to the date of actual payment. If there is no interest rate specified hereunder in respect of any such payment, then the per annum interest rate for such payment shall be deemed to be the Prime Rate plus 8% per annum.

Provisions Relating to Interest Payments:

Calculation of Interest. Any and all interest payable hereunder shall accrue from day to day and the amounts thereof shall be calculated on the basis of a year of 365 days.

Interest Act Disclosure. Solely for purposes of the *Interest Act* (Canada), (i) whenever any interest or fee under this Agreement is calculated using a rate based on a year other than 365 days, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to the applicable rate multiplied by a fraction, the numerator of which is the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends and the denominator of which is 365 (ii) the rates of interest under this Agreement are nominal rates and not effective rates or yields and (iii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement.

Criminal Rate of Interest. If any provision of this Agreement or the DIP Loan Documents would obligate the Borrower to make any payment of interest or other amount payable to the Lender in

an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Lender of interest at a criminal rate and any such amounts actually paid by the Borrower in excess of the adjusted amount shall be forthwith refunded to the Borrower.

Miscellaneous. Interest payable under this provision is payable both before and after any or all of default, demand and judgement.

Voluntary Prepayment: The Borrower shall have the right to prepay any or all of the Loans at any time without premium or penalty.

Mandatory Prepayments: The Borrower shall be required to make mandatory prepayments of the outstanding Loans to the extent of 100% of the net cash proceeds of:

- (i) sales of assets of the Borrower and Subsidiary Guarantors other than sales of working capital Collateral in the ordinary course of business; and
- (ii) insurance proceeds in respect of Collateral in the case where the insured Collateral is considered a total loss.

Such mandatory prepayments shall be applied as a permanent reduction of the DIP Facility and the Commitment Amount shall reduce by an amount equal to such prepayment. Any excess shall be held by the Monitor to be disbursed pursuant to court order. Under no circumstances shall the proceeds of such sale or such insurance proceeds be used for the working capital purposes of any Loan Party.

Monitoring Fee: The Borrower shall pay a monitoring fee of \$10,000 per month to the Lender from the date of this Agreement until the DIP Facility has been repaid in full and cancelled, in arrears on the last Business Day of each month and on the Termination Date. The Borrower agrees the monitoring fees will be fully earned when payable.

Commitment Fee: The Borrower shall pay a DIP Commitment Fee of \$150,000 (which Borrower agrees is fully earned) payable on the earlier of

(x) the sale of all or substantially all of the Collateral, and (y) the occurrence of a Termination Event..

**Access to Books and
Records and Appraisals:**

Each Loan Party will permit a reasonable number of representatives designated by the Lender, upon reasonable prior notice and during normal business hours, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants. The Lender and its representatives shall also be permitted to conduct periodic field examinations of the Collateral and conduct appraisals of same. The reasonable costs and expenses of all matters referred to in this paragraph shall be for the account of the Borrower.

SECURITY AND PRIORITY

Security:

To secure all Obligations of the Borrower and each of the Subsidiary Guarantors under or in connection with the DIP Facility, the Lender shall be granted and will receive, pursuant to the CCAA Order and the DIP Loan Documents, a fully perfected first ranking (except as otherwise contemplated herein) security interest and court-ordered superpriority charge on (such security interest and charge, collectively, the "**DIP Liens**") all of the existing and after acquired real and personal, tangible and intangible, assets of the Borrower and the Subsidiary Guarantors, including, without limitation, all cash, cash equivalents, bank accounts, accounts, other receivables, chattel paper, contract rights, inventory, instruments, documents, securities (whether or not marketable), equipment, fixtures, real property interests, franchise rights, patents, tradenames, trademarks, copyrights, intellectual property, general intangibles, capital stock, investment property, supporting obligations, letter of credit rights, causes of action and all substitutions, accessions and proceeds of the foregoing, wherever located, including insurance or other proceeds (collectively, the "**Collateral**").

Carve-Out:

Notwithstanding the foregoing, the DIP Liens in the Collateral shall be subject and subordinate to:

- (i) an administration charge ordered by the CCAA Court (the "**Administration Charge**") in an aggregate amount not exceeding \$350,000 for the payment of (x) allowed and unpaid professional fees and disbursements incurred by professionals retained by the Borrower and its subsidiaries in respect of the CCAA Case and the associated business and financial restructuring and (y) allowed professional

fees and disbursements of the Monitor appointed in the CCAA Case, including allowed legal fees and expenses of such monitor on terms reasonably satisfactory to the Lender;

- (ii) a directors' charge (a "**Directors' Charge**") in favour of the directors and officers of the Borrower and its respective subsidiaries in an amount not to exceed \$3,000,000 and upon terms reasonably satisfactory to the Lender; and
- (iii) purchase money security interests, warehousemen's liens and construction liens to the extent that they rank prior to the liens securing the Existing Credit Facilities.

**Permitted
Encumbrances:**

All Collateral shall be free and clear of other liens, encumbrances and claims, except for the following (collectively, the "**Permitted Encumbrances**"):

- (i) charges, including without limitation the Administration Charge and the Directors' Charge, created under the CCAA Order;
- (ii) existing validly perfected liens granted by the Borrower and the Subsidiary Guarantors prior to the date the CCAA Order is entered (the "**CCAA Order Date**"), which shall rank after the DIP Liens save and except those liens referred to in subsection (iii) under the "Carve-Out" heading above shall rank prior to the DIP Liens; and
- (iii) those Liens listed on Schedule B hereto.

Notwithstanding the foregoing or anything to the contrary contained in this Agreement or any DIP Loan Document (including any provision for, reference to, or acknowledgement of, any Lien or Permitted Encumbrance), nothing herein and no approval by the Lender of any Lien or Permitted Encumbrance (whether such approval is oral or in writing) shall be construed as or deemed to constitute a subordination by the Lender of any security interest or other right, interest or Lien in or to the Collateral or any part thereof in favour of any Lien or Permitted Encumbrance or any holder of any Lien or Permitted Encumbrance, except to the extent specifically set forth herein or in such approval.

CONDITIONS TO EFFECTIVENESS AND AVAILABILITY

Initial Availability Conditions:

The effectiveness of the DIP Facility and the Lender's obligation to advance the initial Loan hereunder shall be subject to and conditional upon the satisfaction of the following:

- (i) receipt of a copy of the CCAA Order, in form and substance satisfactory to the Lender and the Lender's counsel, providing for relief under the CCAA for the Borrower and the Subsidiary Guarantors, the appointment of the Monitor as court appointed monitor in the CCAA Case and approving and authorizing the DIP Facility and the granting of the DIP Liens, and which CCAA Order (i) shall authorize extensions of credit in amounts not in excess of \$10,500,000, (ii) shall authorize the payment by the Loan Parties of all of the DIP Expenses provided for in respect of the DIP Facility in this Agreement, (iii) shall not have been vacated, reversed, modified, amended or stayed, and (iv) the Monitor shall be appointed the sales agent in connection with the supervision of the Sales Process;
- (ii) each of this Agreement and the other DIP Loan Documents shall have been duly executed and delivered to the Lender;
- (iii) the Loan Account shall have been opened by the Borrower;
- (iv) receipt by the Lender of satisfactory results of Lien searches in each of the jurisdictions where the Borrower and the Subsidiary Guarantors are organized and where assets of Borrower or Subsidiary Guarantors are located, and such searches shall reveal no liens or encumbrances on any of the Collateral other than Permitted Encumbrances;
- (v) receipt by the Lender of a certificate and/or certificates of each Loan Party or its general or managing partner, as applicable, signed on behalf of such Person by its respective President, Chief Executive Officer, Treasurer or Secretary, dated the Effective Date (the statements made in which certificate shall be true on and as of the Effective Date), certifying as to the accuracy and completeness

of the resolutions of the board of directors or of the shareholders (or persons performing similar functions) of such Loan Party or its general or managing partner, as applicable, attached to such certificate, approving the filing with the CCAA Court of the Borrower's filing pursuant to the CCAA, the DIP Facility and each of the DIP Loan Documents, and that such resolutions are in effect and have not been rescinded or amended;

- (vi) receipt by the Lender of the Initial CCAA Cash Flow;
- (vii) no Default, Specified Event of Default or Termination Event under the DIP Loan Documents shall have occurred and be continuing;
- (viii) delivery of all such agreements, acknowledgements and filings that the Lender may deem necessary or desirable in order to perfect and protect the DIP Liens, including without limitation, receipt by the Lender of any items required from the Loan Parties under the personal property legislation of all jurisdictions that the Lender may deem necessary or desirable in order to perfect and protect the DIP Liens in the Collateral created or purported to be created hereunder or under the DIP Loan Documents, in each case completed in a manner reasonably satisfactory to the Lender;
- (ix) the Lender being named, or the Lender being satisfied that it shall promptly be named, as additional insured under the liability insurance coverages maintained by the Loan Parties and a loss payee on any casualty insurances in existence and required by the Lender, including insurance with respect to any real property Collateral; and
- (x) such other documents, conditions or evidences as the Lender may request, acting reasonably.

**Further Availability
Conditions:**

The Lender's obligation to advance Loans to the Borrower under this Agreement shall be subject to and conditional upon the satisfaction of the following on or before 29 days after the date of issuance of the CCAA Initial Order:

- (i) the Initial Availability Conditions shall continue to be satisfied;
- (ii) the term of the stay of proceedings against the CCAA Debtors shall have been extended by the CCAA Court (the "CCAA Extension Order") beyond the term initially set out in the CCAA Initial Order, and the CCAA Extension Order shall be in full force and effect without any variation, amendment, stay or other modification to which Lender has not consented in writing in its sole discretion;
- (iii) receipt by the Lender of the current Weekly Cash Flow Report; and
- (iv) payment of all accrued and unpaid fees in respect of the DIP Facilities and DIP Expenses.

Drawdown Conditions:

The obligation of the Lender to make a Loan to the Borrower on any date is subject to the satisfaction of the following conditions:

- (i) the Loan requested pursuant to the Borrowing Request shall comply with the Availability requirements hereunder (it being understood that the Initial CCAA Cash Flow provides for a first Loan of \$483,712 to be disbursed during the week ending January 27, 2012);
- (ii) receipt by the Lender of a duly executed Borrowing Request;
- (iii) the representations and warranties contained in each of the DIP Loan Documents shall be correct in all material respects on and as of such date, before and after giving effect to such Loan (or continuance), as though made on and as of such date, other than any such representations or warranties that, by their terms, refer to a specific date other than the date of such Loan (or continuance);
- (iv) the Loan Parties shall not be in any breach of any covenant under this Agreement or the other DIP Loan Documents;
- (v) each of the Orders (if applicable) shall not have been

vacated, reversed, modified, amended or stayed in any respect without the prior written consent of the Lender;

- (vi) no Default, Specified Event of Default or Termination Event under the DIP Loan Documents shall have occurred or be continuing.

REPRESENTATIONS; COVENANTS; EVENTS OF DEFAULT

Representations and Warranties: See Schedule C.

Covenants: See Schedule D.

Specified Events of Default: The occurrence of any of the following shall constitute a "Specified Event of Default" under this Agreement:

- (i) failure of the Borrower to pay (i) the principal of any Loan when due (including any mandatory prepayments thereof) or (ii) any interest on any Loan or any other amount within two business days after such interest or other amount becomes due;
- (ii) the Borrower or any other Loan Party shall fail to observe or perform any term, covenant or condition contained in this Agreement or any other DIP Loan Document (including, without limitation, compliance with the sales milestones provided for in Section 22 of Schedule D hereto);
- (iii) any representation or warranty made or deemed made by or on behalf of any Loan Party in or in connection with any DIP Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any DIP Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed to be made;
- (iv) any of the Orders are stayed, vacated or otherwise cease to be in full force and effect or are modified or amended without the Lender's prior written consent in a manner which could be detrimental to the interests of the Lender;

- (v) the Borrower or its subsidiaries becomes subject to a proceeding under the *Bankruptcy and Insolvency Act* (Canada) or equivalent bankruptcy statutes or the Borrower or Subsidiary Guarantor shall file a motion or other pleading seeking the dismissal of the CCAA Case;
- (vi) any material provision (as determined by the Lender in its sole discretion) of any DIP Loan Document shall for any reason cease to be valid and binding on or enforceable against any Loan Party intended to be a party to it, or any such Loan Party shall so state in writing;
- (vii) any change, event, violation or circumstance which, when considered individually or when aggregated with other changes, events, violations or circumstances, occurs which is or would reasonably be expected to have a Material Adverse Effect;
- (viii) the failure of the Borrower to repay the DIP Facility on or before March 30, 2012;
- (ix) the aggregate principal amount of the Obligations are greater than the Commitment Amount and the Borrower does not pay that excess amount within one (1) Business Day;
- (x) the Monitor reports to the CCAA Court that there has been a material adverse change in respect of any Loan Party or the CCAA Case;
- (xi) the Lender declares (without the requirement of any notice) at any time on or after February 13 to and including February 21, 2012 (a "**Sales Process Default**") that it is not satisfied in its sole and absolute discretion with the Sales Process including, without limitation, that it is not satisfied with any of the agreements of purchase and sale referred to in Section 22 of Schedule D; or
- (xii) any Loan Party defaults in any payment on its due date of any amount payable by it after the Effective Date in respect of services provided or goods received by such Loan Party after the Effective Date,

whether to the Lender or otherwise, in an amount in excess of \$25,000 for any single transaction or \$100,000 in the aggregate, other than amounts which such Loan Party is disputing in good faith.

Remedies:

Upon the occurrence of a Specified Event of Default or Termination Event, whether or not there is availability under the DIP Facility, without any notice or demand whatsoever, the right of the Borrower to receive any Loan or other accommodation of credit shall be terminated, unless the Lender agrees to waive the event within one Business Day of becoming aware of its occurrence and subject to any applicable notice provision in any Order in the case of remedies against Collateral and the Lender shall be entitled, in addition to all other remedies at law and under any security or other agreement, to sweep the Loan Account and to apply any credit balance in such Loan Account against any outstanding Obligations owing to the Lender, in any order as the Lender may determine in its sole discretion.

Without limiting the foregoing, upon the occurrence of a Specified Event of Default or Termination Event, the Lender shall have the right to exercise all other customary remedies, including, without limitation, the right to realize on all Collateral, to apply to the court for the appointment of a court appointed receiver and to call upon the Monitor to file a report regarding the status of the DIP Facility.

PROTECTIVE PROVISIONS

Increased Costs:

If, due to either (i) the introduction of or any change in or in the interpretation of any Requirement of Law or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to the Lender of agreeing to make or of making, funding or maintaining any Loans, then the Borrower shall from time to time, upon demand by the Lender, pay to the Lender additional amounts sufficient to compensate the Lender for such increased costs; provided, however, that the Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different lending office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of the Lender, be otherwise disadvantageous to the Lender. A certificate as to the amount of such increased cost, submitted to the Borrower by the Lender, shall be conclusive and binding for all purposes,

absent manifest error.

If the Lender determines that compliance with any Requirement of Law or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by the Lender and that the amount of such capital is increased by or based upon the existence of the Lender's commitment to lend hereunder, then, upon demand by the Lender, the Borrower shall pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate the Lender in the light of such circumstances, to the extent that the Lender reasonably determines such increase in capital to be allocable to the existence of the Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower by the Lender shall be conclusive and binding for all purposes, absent manifest error.

Indemnity:

The Borrower and the Subsidiary Guarantors will indemnify and hold harmless the Lender and each of its affiliates and their respective officers, directors, employees, agents and advisors (each, an "**Indemnified Person**") from and against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including reasonable legal fees and disbursements and other costs of investigation or defence, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under the DIP Facility, the DIP Loan Documents or the use of the proceeds thereof, and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder or thereunder and any actions or failures to act in connection therewith including the taking of any enforcement actions by the Lender, including any and all environmental liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the DIP Loan Documents save and except in the case of gross negligence or wilful misconduct of an Indemnified Person.

Taxes:

All payments made by the Borrower or the Subsidiary Guarantors to the Lender under this Agreement and the other DIP Loan Documents shall be free and clear of any present or future Taxes whatsoever (other than income and franchise taxes in the jurisdiction of the Lender's applicable lending office). The Lender will use reasonable efforts (consistent with its internal policies and

legal and regulatory restrictions and so long as such efforts would not otherwise be disadvantageous to the Lender) to minimize to the extent possible any applicable Taxes and the Borrower will indemnify the Lender for such Taxes paid by the Lender.

MISCELLANEOUS

Expenses:

The DIP Expenses shall be paid by the Borrower and shall be secured by the DIP Liens. Such expenses shall be payable whether or not the DIP Facility closes.

Notice:

All notices and other communications provided for hereunder shall be in writing (including via facsimile communication) and mailed, telecopied or delivered: if to the Borrower or any Subsidiary Guarantor, at 1122 International Boulevard, Suite 601, Burlington, Ontario, L7L 6Z8, Attention: Brian Cram, fax number (289) 636-3027 with a copy to Torys LLP, counsel to the Borrower, at its address at Suite 3000, 79 Wellington Street West, T.D. Centre, Toronto, Ontario, M5K 1N2, Attention: David Bish, fax number (416) 865-7380; if to the Lender, at its address at 7th Floor, First Canadian Place, 100 King St West, Toronto, M5X 1H3, Attention: Stanley Julien and Junior Del Brocco, fax number 416.359.7796 with a copy to Gowling Lafleur Henderson LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5, Attention: David Cohen, fax number 416.862.7661; with a copy being provided to the Monitor in the case of notices or other communications to the Borrower or the Lender, at 79 Wellington Street West, Suite 2010, P.O. Box 104, Toronto, Ontario, M5K 1G8, Attention: Paul Bishop, fax number (416) 649-8101, with a further copy to Fasken Martineau DuMoulin LLP, counsel to the Monitor, at its address at 333 Bay Street, Suite 2400, Bay Adelaide Centre, Toronto, Ontario, M5H 2T6, Attention Edmond Lamek, fax number (416) 364-7813; or, as to the Borrower, any Subsidiary Guarantor, the Lender, or the Monitor, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telegraphed or telecopied, be effective three Business Days after being deposited in the mail, first class postage prepaid or confirmed as received when sent by telecopier, respectively.

Right of Set-Off:

Subject to the Orders, upon the occurrence and during the continuance of any Specified Event of Default or Termination Event, the Lender and each Affiliate of the Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and otherwise apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the

Lender or such Affiliate to or for the credit or the account of the Borrower or any Subsidiary Guarantor against any and all of the Obligations now or hereafter existing under this Agreement or the DIP Loan Documents, irrespective of whether the Lender shall have made any demand under this Agreement or such DIP Loan Documents and although such obligations may be unmatured. The Lender agrees promptly to notify the Borrower or applicable Subsidiary Guarantors after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lender and its respective Affiliates under this provision are in addition to other rights and remedies (including, without limitation, other rights of set-off) that the Lender and its respective Affiliates may have.

Governing Law:

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and the parties shall attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

Entire Agreement:

This Agreement, the DIP Loan Documents and all documents contemplated by or delivered under or in connection with this Agreement and the DIP Loan Documents, constitute the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, negotiations, discussions, undertakings, representations, warranties and understandings, whether written or verbal.

Amendments:

No amendment, supplement, restatement or termination of any provision of this Agreement is binding unless it is in writing and signed by each party to this Agreement.

Waivers:

No failure to exercise, and no delay in exercising, on the part of the Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude the exercise of any other right, remedy, power or privilege.

**Assignment and
Enurement:**

This Agreement shall enure to the benefit of and be binding on the parties hereto and their successors and permitted assigns. The Borrower may not assign its rights or obligations under this Agreement or the DIP Loan Documents without the prior written consent of the Lender. The Lender may assign its Loans under the DIP Facility and its rights and interests under this Agreement and the other DIP Loan Documents and customary participation rights will be available.

Voting:

If the Lender assigns any part of its Loans under the DIP Facility and its rights and interests under this Agreement and the other DIP Loan Documents in accordance with the terms of this Agreement, including by way of subrogation, then any action expressed to be taken or discretion expressed to be exercised hereunder by the Lender shall require the unanimous consent of the Lender and all such assignees or subrogated parties.

Counterparts:

This Agreement may be executed and delivered by way of facsimile or pdf and in any number of counterparts each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

Time of the Essence:

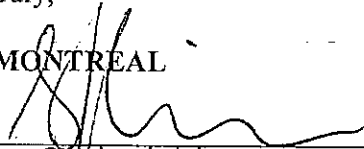
For each provision of this Agreement, time is of the essence.

[SIGNATURE PAGE FOLLOWS]

If the foregoing is acceptable to you, please confirm your acceptance of the terms and conditions as set forth herein by executing and delivering this Agreement to the Lender by no later than 9:00 pm (Toronto time) on January 16, 2012.

Yours very truly,

BANK OF MONTREAL

Per: 
Name: Stanley J. Julien
Title: National Director
Special Accounts Management Unit

ACKNOWLEDGED, AGREED AND ACCEPTED
this _____ of January _____, 2012 by:

NFC ACQUISITION L.P., a debtor and a debtor-
in-possession, as Borrower, by its general partner
NFC ACQUISITION GP INC.

Per: _____
Name: _____
Title: _____

NFC ACQUISITION GP INC., as
Subsidiary Guarantor

Per: _____
Name: _____
Title: _____

I have the authority to bind the Corporation

NEW FOOD CLASSICS, as Subsidiary Guarantor
by its managing partner **NFC ACQUISITION
CORP.**

Per: _____
Name: _____
Title: _____

I have the authority to bind the Corporation

NFC ACQUISITION CORP., as Subsidiary
Guarantor

Per: _____
Name: _____
Title: _____

I have the authority to bind the Corporation

If the foregoing is acceptable to you, please confirm your acceptance of the terms and conditions as set forth herein by executing and delivering this Agreement to the Lender by no later than 5:00 pm (Toronto time) on January 16, 2012.

Yours very truly,

BANK OF MONTREAL

Per: _____
Name: _____
Title: _____

ACKNOWLEDGED, AGREED AND ACCEPTED
this _____ of January _____, 2012 by:

NFC ACQUISITION L.P., a debtor and a debtor-in-possession, as Borrower, by its general partner
NFC ACQUISITION GP INC.

Per: _____
Name: _____
Title: _____

NFC ACQUISITION GP INC., as
Subsidiary Guarantor

Per: _____
Name: _____
Title: _____

I have the authority to bind the Corporation

NEW FOOD CLASSICS, as Subsidiary Guarantor
by its managing partner **NFC ACQUISITION
CORP.**

Per: _____
Name: _____
Title: _____

I have the authority to bind the Corporation

NFC ACQUISITION CORP., as Subsidiary
Guarantor

Per: _____
Name: _____
Title: _____

I have the authority to bind the Corporation

If the foregoing is acceptable to you, please confirm your acceptance of the terms and conditions as set forth herein by executing and delivering this Agreement to the Lender by no later than 5:00 pm (Toronto time) on January 16, 2012.

Yours very truly,

BANK OF MONTREAL

Per: _____
Name: _____
Title: _____

ACKNOWLEDGED, AGREED AND ACCEPTED
this _____ of January _____, 2012 by:

NFC ACQUISITION L.P., a debtor and a debtor-
in-possession, as Borrower, by its general partner
NFC ACQUISITION GP INC.


Per: _____
Name: _____
Title: _____

NFC ACQUISITION GP INC., as
Subsidiary Guarantor

Per: _____
Name: _____
Title: _____

I have the authority to bind the Corporation

NEW FOOD CLASSICS, as Subsidiary Guarantor
by its managing partner **NFC ACQUISITION
CORP.**

Per: 
Name: BRIAN CRAM
Title: PRESIDENT AND CEO


I have the authority to bind the Corporation

NFC ACQUISITION CORP., as Subsidiary
Guarantor

Per: 
Name: BRIAN CRAM
Title: PRESIDENT AND CEO

I have the authority to bind the Corporation

NFC LAND HOLDINGS CORP., as Subsidiary
Guarantor

Per: 
Name: Samuel Duder
Title:

I have the authority to bind the Corporation

Schedule A – Definitions and Interpretation

SECTION 1 - DEFINITIONS

1.1 Definitions.

In this Agreement, capitalized terms shall have the meanings given to them in the body of the Agreement, and:

- (1) **Affiliate** means, as to any Person, any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with such Person or is a director or officer of such Person.
- (2) **Business Day** means a day on which banks are open for business in the City of Toronto, but does not include a Saturday, Sunday or holiday in the Province of Ontario. Each Business Day will end at 4:00 p.m. (Toronto time) on that day.
- (3) **Control** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies, or the dismissal or appointment of management, of a Person, whether through the ability to exercise voting power, by contract or otherwise.
- (4) **Default** means any event or condition that constitutes a Specified Event of Default or Termination Event or that upon notice, lapse of time or both would, unless cured or waived, become a Specified Event of Default or Termination Event.
- (5) **DIP Loan Documents** means, collectively, the following agreements, each of which shall be in form and substance satisfactory to the Lender in its sole discretion:
 - (a) this Agreement; and
 - (b) an Acknowledgement from (i) the Subsidiary Guarantors that the prior guarantees issued by them support the Obligations (as that term is defined in this Agreement) in addition to the indebtedness and obligations under the Existing Credit Facilities with the Lender, and (ii) from the Borrower and the Subsidiary Guarantors that all security issued by them in connection with the Existing Credit Facilities with the Lender secure the Obligations (as that term is defined in this Agreement) in addition to the indebtedness and obligations under the Existing Credit Facilities with the Lender.
- (6) **Effective Date** means the date upon which all of the Initial Availability Conditions have been satisfied or waived.
- (7) **Environmental Laws** means all treaties, laws, rules, regulations, codes, ordinances, orders, decrees, directives, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, the preservation or reclamation of natural resources, the generation, management, Release of, or exposure to, any Hazardous Material or to occupational health and safety matters.

(8) **Existing Credit Facilities** means those credit facilities provided for in (i) a Second Amended and Restated Credit Agreement dated as of October 31, 2011 between the Borrower, the Subsidiary Guarantors, the lenders party thereto and the Lender, as administrative agent, which are subject to a Forbearance Agreement between the same parties dated December 23, 2011 and amended by First Extension and Amendment to Forbearance Agreement dated January 6, 2012, and (ii) Second Amended and Restated Senior Subordinated Credit Agreement dated as of October 31, 2011 between the Borrower, the Subsidiary Guarantors, the lenders party thereto and TD Capital Mezzanine Partners Management Ltd., as administrative agent.

(9) **Governmental Authority** means the government of Canada, or any other nation, or any political subdivision thereof, whether state, provincial, territorial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

(10) **Hazardous Materials** means (i) any petroleum products or by-products and all other hydrocarbons, coal ash, radon gas, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, chlorofluorocarbons and other ozone-depleting substances, and toxic mold; and (ii) any chemical, material, substance or waste that is prohibited, limited or regulated by or pursuant to any Environmental Law.

(11) **Initial CCAA Cash Flow** means the 13 week cash flow forecast of the Borrower based on good faith projections prepared on a consolidated basis delivered to the Lender and attached as Schedule F hereto, as same may be otherwise agreed to by the Lender and the Borrower from time to time.

(12) **Interest Payment Date** means the last day of each calendar month and the date of termination of the DIP Facility following a Termination Event (or the next preceding Business Day if the last day of a calendar month is not a Business Day).

(13) **Lien** means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge (including any court-ordered charge) or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities owned by the applicable Person, any purchase option, call or similar right of a third party with respect to such securities.

(14) **Loan Parties** means each of the Borrower and each Subsidiary Guarantor.

(15) **Loan** means each of the loans and advances made by the Lender pursuant to this Agreement.

(16) **Material Adverse Effect** means a material adverse effect on (a) the business, assets, liabilities, results of operations, condition (financial or otherwise) or affairs of the Borrower and its subsidiaries, taken as a whole, (b) the ability of any Loan Party to perform its obligations under the DIP Loan Document, taken as a whole, (c) the Collateral, taken as a whole, or the Lender's DIP Liens on the Collateral, taken as a whole, or the priority of such DIP Liens, or (d)

the rights and remedies of the Lender under the DIP Loan Documents, provided that the filing of the CCAA Case and the DIP Liens and the consequences that customarily result from proceedings under the CCAA, shall not be considered in determining whether there has been a "Material Adverse Effect".

(17) **Monitor** means FTI Consulting Canada Inc. in its capacity as court appointed monitor in the CCAA Case.

(18) **Obligations** means all the indebtedness, liabilities and obligations of the Borrower and each of the Subsidiary Guarantors, present and future, direct and indirect, absolute and contingent, matured and unmatured, at any time or from time to time existing or arising under or by virtue of or otherwise in connection with this Agreement and any other DIP Loan Documents which are or may become at any time and from time to time owing or payable by the Borrower or any of the Subsidiary Guarantors to the Lender, or which remain owing and unpaid to the Lender, including, without limitation, any costs or expenses, including all reasonable legal and other costs, incurred by the Lender in connection with preserving or enforcing, or attempting to preserve or enforce, their rights under this Agreement or the DIP Loan Documents.

(19) **Orders** means, collectively, the CCAA Order and the CCAA Extension Order.

(20) **Person** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

(21) **Prime Rate** means, for any day, the rate of interest per annum announced from time to time by the Lender on such date as its reference rate then in effect for determining the rate of interest on Canadian dollar loans that the Lender will charge to its customers in Canada and designated as its "prime rate".

(22) **Replacement Credit Facilities** means any replacement facilities of the Existing Credit Facilities, including, without limitation, an asset based lending facility, which provides a materially equivalent benefit or is substantially similar to the Existing Credit Facilities and any agreement and/or document executed and/or delivered in connection therewith.

(23) **Requirement of Law** means, with respect to any Person, (a) the charter, articles or certificate of organization or incorporation and by-laws or other organizational or governing documents of such Person and (b) any statute, law, treaty, rule, regulation, order, decree, writ, injunction or determination of any arbitrator or court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, and including Environmental Laws.

(24) **Sales Process** means the process of the sale of all or substantially all of the Collateral under the supervision of the Monitor as sales agent.

(25) **subsidiary** means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which

securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

(26) *Taxes* means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

(27) *Weekly Cash Flow Report* means a weekly report by the Borrower on a consolidated basis certified by the Borrower to be complete and accurate with respect to the then immediately preceding week containing a report on the actual cash flow position and compared against the projections of the Borrower contained in the Initial CCAA Cash Flow.

SECTION 2 - INTERPRETATION

(1) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this Agreement, (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights and (f) any reference to any Requirement of Law shall, unless otherwise specified, refer to such Requirement of Law as amended, modified or supplemented from time to time.

Schedule B – Permitted Encumbrances

1. Any Lien for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established.
2. Any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent.
3. Liens constituting encumbrances in the nature of zoning restrictions, easements (including reciprocal easement agreements), rights-of-way, municipal building and zoning ordinances and similar charges, utility agreements, covenants, reservations, restrictions, encroachments, charges, encumbrances, or other similar restrictions, title defects or other irregularities that were not incurred in connection with and do not secure indebtedness for borrowed money and do not materially affect the value the property subject to such Lien or the use of such property in the conduct of the business of any Loan Party.
4. Liens in connection with indebtedness for borrowed money so long as such Liens extend solely to the property (and improvements and proceeds of such property) acquired with the proceeds of such indebtedness or subject to the applicable capital lease or purchase money agreement.
5. Liens arising from judgments, orders, or other awards.
6. Liens consisting of deposits or pledges made in the ordinary course of business in connection with, or to secure payment of, obligations under workers' compensation, unemployment insurance or similar legislation.
7. Liens given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with business operations or the ownership of a Loan Party's assets, provided that such Liens do not materially interfere with the use of such Loan Party's assets or the operation of its business.

Schedule C – Representations and Warranties

The Borrower represents and warrants to the Lender that:

1. Organization; Qualification; Authority. The Borrower and each of the Subsidiary Guarantors (i) is a corporation, partnership, limited liability company or other organization duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, and (ii) subject to the entry of the CCAA Order by the CCAA Court, has all requisite power and authority (including, without limitation, all governmental licenses, permits and other approvals) to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.
2. No Contravention. Upon the entry of the applicable Orders, the execution, delivery and performance by each Loan Party of this Agreement, and each of the other DIP Loan Documents to which it is or is to be a party, and the consummation of each aspect of the transactions contemplated hereby and thereby, are within such Loan Party's constitutive powers, have been duly authorized by all necessary constitutive action, and do not (i) contravene such Loan Party's constitutive documents, (ii) violate any Requirement of Law, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party other than those in connection with Existing Credit Facilities, or any of their properties entered into by such Loan Party after the Effective Date, or (iv) except for the Liens created under the DIP Loan Documents and the Orders, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its subsidiaries.
3. Execution; Enforceability. This Agreement has been, and each of the other DIP Loan Documents when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto. This Agreement is, and each other DIP Loan Document when delivered hereunder will be, subject to the entry of the applicable Order, the legal, valid and binding obligation of each Loan Party thereto, enforceable against such Loan Party in accordance with its terms and the Orders.
4. Approvals and Consents. Except for the entry of the Orders, filings or recordings already made or to be made pursuant to personal property security legislation, any federal law, rule or regulation or filings or recordings to be made in any jurisdiction outside of Canada, no authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or any other third party, is required for (i) the due execution, delivery, recordation, filing or performance by any Loan Party of this Agreement or any other DIP Loan Document to which it is or is to be a party, or for the consummation of each aspect of the transactions contemplated hereby, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the DIP Loan Documents, (iii) the validity, priority, perfection or maintenance of the Liens created under the DIP Loan Documents (including the requisite priority set forth in the Orders) or (iv) subject to the Orders, the exercise by the Lender of its rights under the DIP Loan Documents or the remedies in respect of the Collateral pursuant to the DIP Loan Documents.

5. Capital Stock. As of the Effective Date, all of the outstanding capital stock of each Loan Party (other than the Borrower) has been validly issued, is fully paid and non-assessable and is owned free and clear of all Liens, except for the DIP Liens and Permitted Encumbrances.
6. Properties. As of the Effective Date, each of the Loan Parties has good and marketable title (subject only to Permitted Encumbrances) to the real properties reflected on the Borrower's balance sheet as of December 31, 2010 save and except the real property known municipally as 820 - 60th Street East, Saskatoon, Saskatchewan, which the Borrower now has a leasehold interest in. Each of the Loan Parties owns and has on the date hereof good and marketable title or subsisting leasehold interest subject to Permitted Encumbrances to, and enjoys on the date hereof peaceful and undisturbed possession of, all such material properties, including without limitation, the Collateral, that are necessary for the operation and conduct of its business. There are no Liens of any nature whatsoever on any assets of any Loan Party other than: (i) Liens granted pursuant to the Orders, this Agreement and the DIP Loan Documents except as set out in the Orders and (ii) Permitted Encumbrances. No Loan Party is party to any contract, agreement, lease or instrument entered into on or after the CCAA Initial Order Date the performance of which, either unconditionally or upon the happening of an event, will result in or require the creation of a Lien that is not a Permitted Encumbrance on any assets of such Loan Party in violation of this Agreement.
7. Tax Returns. Each Loan Party and each of its subsidiaries has filed or caused to be filed all tax returns and reports (federal, state, provincial, local and foreign) which are required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, together with applicable interest and penalties, except Taxes that are being contested in good faith by appropriate proceedings and for which such Loan Party, as applicable, has set aside on its books adequate reserves.
8. Tax Withholdings. Each of the Loan Parties has withheld from each payment to each of their respective officers, directors and employees the amount of all Taxes, including income tax, pension plan, unemployment insurance and other payments and deductions required to be withheld therefrom, and has paid the same to the proper taxation or other receiving authority in accordance with all Requirements of Law. For any Canadian pension plan, and for any other Canadian benefit plan of the Loan Parties, which is a defined contribution plan requiring any Loan Party to contribute thereto, or to deduct from payments to any individual and pay such deductions into or to the credit of such Canadian pension plan or Canadian benefit plan, all required employer contributions have been properly withheld by such Loan Party and fully paid into the funding arrangements for the applicable Canadian pension plan or Canadian benefit plan other than the failure to pay the special amortization payments pursuant to any of its Canadian pension plans. Any assessments owed to the Pension Benefits Guarantee Fund established under the *Pension Benefits Act* (Ontario), or other assessments or payments required under similar legislation in any other jurisdiction, have been paid when due.
9. Security Documents and Perfection. The DIP Loan Documents are effective to create in favour of the Lender an enforceable security interest in the Collateral described therein

and proceeds and products thereof. When financing statements and certified statements in appropriate form are filed in the applicable public offices in the appropriate jurisdictions and such other filings and actions as are specified in each of the DIP Loan Documents have been completed, the security constituted by, or referred to in, the DIP Loan Documents shall constitute a valid and fully perfected Lien on, and, as applicable, security interest and hypothec in, all right, title and interest of the Loan Parties in such Collateral and the proceeds and products thereof, as security for the Obligations, in each case prior and superior in right to any other Person (except Permitted Encumbrances).

10. Insurance. The Loan Parties maintain insurance policies and coverage which (i) is sufficient for compliance with all Requirements of Law and of all material agreements to which any Loan Party is a party, (ii) is provided under valid, outstanding and enforceable policies, and (iii) provides adequate insurance coverage in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by Persons engaged in the same or a similar business to the assets and operations of the Loan Parties. All such material policies are in full force and effect, all premiums with respect thereto have been paid in accordance with their respective terms, and no notice of cancellation or termination has been received with respect to any such policy. No Loan Party maintains any formalized self-insurance program with respect to its assets or operations or material risks with respect thereto.

Schedule D – Covenants

The Borrower will, and shall cause each of the Subsidiary Guarantors to covenant and agree so long as any Obligations remain outstanding under the DIP Facility, the Borrower and each of the Subsidiary Guarantors:

1. Corporate Existence. Shall preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business; provided that, notwithstanding the foregoing, failure to preserve the same shall be permitted if it could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.
2. Compliance with Laws. Shall comply with all material Requirements of Law applicable to it or its property.
3. Insurance.
 - (i) Shall keep its insurable properties insured at all times, against such risks, including fire and other risks insured against by extended coverage, as is customary with companies of the same or similar size in the same or similar businesses (subject to deductibles and including provisions for self-insurance); and maintain in full force and effect public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by the Borrower or any Subsidiary Guarantor, as the case may be, in such amounts and with such deductibles as are customary with companies of the same or similar size in the same or similar businesses and in the same geographic area and in each case with financially sound and reputable insurance companies (subject to provisions for self-insurance).
 - (ii) Shall, in the case of any fire, accident or other casualty causing loss or damage to any Collateral of any Loan Party, cause all proceeds of such policies to be used promptly to repair or replace any such damaged properties, unless otherwise directed by the Lender.
 - (iii) Shall obtain by January 24, 2012 endorsements to the policies pertaining to all physical properties in which the Lender shall have a Lien under the DIP Loan Documents, naming the Lender as a loss payee and containing (A) provisions that such policies will not be cancelled without 30 days prior written notice having been given by the insurance company to the Lender, and (B) a standard non contributory “mortgagee”, “lender” or “secured party” clause, as well as such other provisions as the Lender may require to fully protect the Lender’s interest in the Collateral and to any payments to be made under such policies. All original policies or true copies thereof are to be delivered to the Lender, premium prepaid.
4. Obligations and Taxes. Shall pay all its obligations arising after the CCAA Order Date provided for in the Initial CCAA Cash Flow promptly and in accordance with their terms, and pay and discharge and cause each of its subsidiaries to pay and discharge promptly

all Taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property other than *de minimus* amounts in relation to Taxes, assessments, governmental charges or levies arising, or attributed to the period, after the CCAA Order Date, before the same shall become in default, as well as all lawful claims for labour, materials and supplies or otherwise arising after the CCAA Order Date provided for in the Initial CCAA Cash Flow and which, if unpaid, would become a Lien or charge upon such properties or any part thereof; provided, however, that the Borrower and each Subsidiary Guarantor shall not be required to pay and discharge or to cause to be paid and discharged any such obligation, Tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings, in each case, if the Borrower and the Subsidiary Guarantors shall have set aside on their books adequate reserves therefor in conformity with Generally Accepted Accounting Principles.

5. Access to Books, Records and Properties.

- (i) Shall maintain or cause to be maintained at all times true and complete books and records in accordance with Generally Accepted Accounting Principles of the financial operations of the Borrower and its subsidiaries; and provide the Lender and its representatives access to all such books and records during regular business hours upon reasonable advance notice, in order that the Lender may examine and make abstracts from such books, accounts, records and other papers for the purpose of verifying the accuracy of the various reports delivered by the Borrower or any Subsidiary Guarantor to the Lender pursuant to this Agreement or for otherwise ascertaining compliance with this Agreement and to discuss the affairs, finances and condition of the Borrower and the Subsidiary Guarantors with the officers and independent accountants of the Borrower; provided that the Borrower shall have the right to be present at any such visit or inspection.
- (ii) Shall grant the Lender access to and the right to inspect all reports, audits and other internal information of the Borrower and the Subsidiary Guarantors relating to environmental matters upon reasonable advance notice, but subject to appropriate limitations so as to preserve solicitor-client privilege.
- (iii) Shall at any reasonable time and from time to time during regular business hours, upon reasonable notice, permit the Lender and/or any representatives designated by the Lender (including any consultants, accountants, lawyers and appraisers retained by the Lender) to visit the properties of the Borrower and the Subsidiary Guarantors to conduct evaluations, appraisals, environmental assessments and ongoing maintenance and monitoring in connection with the Collateral, and to monitor the Collateral and all related systems; provided that the Borrower shall have the right to be present at any such visit and, unless a Specified Event of Default has occurred and is continuing, such visits permitted under this clause (iii) shall be coordinated through the Lender and shall be made no more frequently than once in any fiscal quarter.

6. Use of Proceeds. Shall use the proceeds of the Loans solely for the purposes, and subject to the restrictions, set forth under the heading "Purpose".
7. No Replacement DIP Financing. Shall not request any additional debtor-in-possession credit facility from any Person other than the Lender.
8. Validity of Loan Documents. Shall object to any application made on behalf of any Loan Party or by any Person to the validity of any DIP Loan Document or the applicability or enforceability of any DIP Loan Document or which seeks to void, avoid, limit, or otherwise adversely affect the security interest created by or in any DIP Loan Document or any payment made pursuant thereto.
9. Further Assurances.
 - (i) Shall promptly upon reasonable request by the Lender, correct, and cause each of its subsidiaries promptly to correct, any material defect or error that may be discovered in any DIP Loan Document or in the execution, acknowledgment, filing or recordation thereof
 - (ii) Shall promptly upon reasonable request by the Lender, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as the Lender may reasonably require from time to time in order to (A) carry out more effectively the purposes of the DIP Loan Documents, (B) to the fullest extent permitted by Requirements of Law, subject any Loan Party's properties, assets, rights or interests to the Liens now or hereafter required to be covered by any of the DIP Loan Documents, (C) perfect and maintain the validity, effectiveness and priority of any of the DIP Loan Documents and any of the Liens required to be created thereunder and (D) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Lender the rights granted or now or hereafter intended to be granted to the Lender under any DIP Loan Document or under any other instrument executed in connection with any DIP Loan Document to which any Loan Party is or is to be a party.
10. Maintenance of Properties, Etc. Shall (i) maintain and preserve all of its properties that are used or useful in the conduct of its business in good working order and condition as when new, ordinary wear and tear excepted, and will from time to time make or cause to be made all appropriate repairs, renewals and replacements thereof except where failure to do so would not have a Material Adverse Effect; provided that, this covenant shall not prohibit the sale, transfer or other disposition of any such property consummated in accordance with the other terms of this Agreement, (ii) keep its equipment and inventory (other than inventory in transit between locations or sold in the ordinary course of business) at the places therefor specified in writing to the Lender or, upon 30 days' prior written notice to the Lender, at such other places designated by such Loan Party in such notice, (iii) promptly furnish to the Lender a statement respecting any loss or damage

exceeding \$500,000 per occurrence to any of its equipment or inventory, and (iv) pay promptly when due all property and other Taxes, assessments and governmental charges or levies imposed upon, and all claims (including, without limitation, claims for labor, materials and supplies, except to the extent being contested in good faith) against, the Collateral.

11. Liens. Shall not incur, create, assume or suffer to exist any Lien on any asset of any Borrower or any of its Subsidiary Guarantors now owned or hereafter acquired by any Borrower or any Subsidiary Guarantor, other than: (i) Permitted Encumbrances or (ii) Liens in favour of the Lender.
12. CCAA Claims. Shall not incur, create, assume, suffer to exist or permit any charge or Lien that is senior or *pari passu* to the DIP Liens except with respect to the Permitted Encumbrances and court-ordered Liens.
13. Transactions with Affiliates. Shall not enter into or permit any of its Subsidiary Guarantors to enter into any transaction with any Affiliate, other than (a) any transaction pursuant to the Existing Credit Facilities or any Replacement Credit Facilities or (b) any transaction on terms and conditions at least as favourable to such Borrower or such Subsidiary Guarantor as could reasonably be obtained at that time in a comparable arm's length transaction with a Person other than an Affiliate, except for the following: (i) any transaction between any Loan Party and any other Loan Party; (ii) any transaction between any Loan Party and any non-Loan Party that is in the ordinary course of business and in a manner and to an extent consistent with past practice; or (iii) reasonable and customary director, officer and employee compensation and other benefits (including retirement, health, stock option and other benefit plans) and indemnification arrangements, in each case approved by the relevant board of directors.
14. Distributions. Shall not declare or pay any dividends on, or make any other distributions (whether by reduction of capital or otherwise) with respect to any shares of the Borrower or any of the Subsidiary Guarantors, without the prior written consent of the Lender, except to another Loan Party.
15. Mergers; etc. Shall not enter into any merger, amalgamation, consolidation, reorganization or recapitalization or change ownership or control of the Borrower or any of the Subsidiary Guarantors, except to the extent such transaction only involves one or more of the other Loan Parties (provided that such transaction would not result in a Material Adverse Effect), without the prior written consent of the Lender.
16. Pre-Petition Payments. Shall not make any pre-petition payment other than as permitted in the Orders, including payments in connection with the Existing Credit Facilities or other court order to which the Lender has consented, and shall not waive, amend, modify, terminate or release the provisions of (i) any pre-petition debt or (ii) any document, agreement or instrument evidencing, creating or governing any post-petition indebtedness or any other material pre-petition or post-petition agreement if in the case of clause (i) or (ii), the same could reasonably be expected to adversely affect the Lender.

17. Modification of Orders. Shall not seek or consent to, any modification, stay, vacation or amendment to the Orders without the prior consent of the Lender.
18. Plans. Shall not seek or consent to any plan of reorganization or liquidation or any plan of arrangement unless all of the indebtedness under the DIP Facility is to be paid in full in cash or other immediately available funds and the arrangements provided for in the DIP Loan Documents are terminated prior to or contemporaneously with the effectiveness of such plan.
19. Reporting. The Borrower shall deliver to the Lender the following:
 - (i) Default Notice. As soon as possible and in any event within three Business Days after any responsible officer of any Borrower has knowledge of the occurrence of each Default, a statement of such responsible officer (or person performing similar functions) of the Borrower setting forth details of such Default or other event and the action that the Borrower have taken and proposes to take with respect thereto.
 - (ii) Monthly Financials. For each month, as soon as available and in any event within 30 days after the end of such month, the financial information required to be delivered to the CCAA Court for such month.
 - (iii) Cash Flow Reports and Forecasts. Weekly, on the third Business Day of each week, a Weekly Cash Flow Report with respect to the then immediately preceding week.
 - (iv) Bankruptcy Pleadings, Etc. Promptly after the same is available, copies of all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of any of the Loan Parties with the CCAA Court or distributed by or on behalf of any of the Loan Parties to the Monitor, providing copies of same to the Lender and counsel for Lender; provided that such documents may be made available by posting on a website maintained by the Monitor, and identified to the Lender, in connection with the CCAA Case.
20. Advances. Shall, not at any time after the Effective Date, permit to exist any loans or advances to, or guarantee an obligation of any other Person (other than any loan or advance or guarantee made prior to the Effective Date) except loans or advances made by one Loan Party to any other Loan Party.
21. Sale Milestones. The Borrower shall deliver to the Lender on or before February 13, 2012, a binding Agreement of Purchase and Sale regarding the purchase of all or substantially all of the Collateral which shall be in form and content satisfactory to the Lender in its sole and absolute discretion.

The transaction provided for in the said Agreement of Purchase and Sale shall be completed on or before March 30, 2012.

Schedule E

BORROWING REQUEST

TO: BANK OF MONTREAL (the "Lender")

FROM: NFC ACQUISITION L.P. (the "Borrower")

RE: Letter loan agreement dated as of January 16, 2012 between the Borrower, the Subsidiary Guarantors and the Lender (as amended, restated, supplemented, modified or replaced from time to time, the "Credit Agreement")

This Borrowing Request is delivered to you pursuant to the provisions of the Credit Agreement. All defined terms set forth in this Borrowing Request shall have the respective meanings set forth in the Credit Agreement.

We hereby request a Loan under the DIP Credit Facility as follows:

1. Borrowing Date: _____;
2. Amount of Loan: \$ _____;
3. 1.20 multiplied by applicable Cumulative DIP Funding Amount set forth in Initial CCAA Cash Flow: \$ _____;
4. Principal amount outstanding under DIP Facility as at the date hereof: \$ _____;
5. (3) - (4) = \$ _____;
6. Aggregate Borrowings to Date (excluding the borrowing requested hereunder): \$ _____.

The Borrower confirms that (i) all drawdown conditions to the Loan requested hereunder specified in the Credit Agreement have been satisfied, (ii) the representations and warranties contained in Schedule C of the Credit Agreement continue to be true and correct in every material respect as if made on the date hereof (except where expressed to be given only as a specified date, and except for such qualifications to such representations and warranties which have been both disclosed to the Lender in writing after the Closing Date and accepted by the Lender in writing), (iii) all of the covenants of the Borrower contained in the Credit Agreement have been complied with, and (iv) that no Default, Specified Event of Default or Termination Event has occurred and is continuing.

DATED this ___ day of _____, 20 __.

NFC ACQUISITION L.P.

Per:

Name:

Title:

Schedule F – Initial CCAA Cash Flow

**New Food Classics
WEEKLY CASH FLOW FORECAST**

Week Ending	Week 1 1/20/2012	Week 2 1/27/2012	Week 3 2/3/2012	Week 4 2/10/2012	Week 5 2/17/2012	Week 6 2/24/2012	Week 7 3/2/2012	Week 8 3/9/2012	Week 9 3/16/2012	Week 10 3/23/2012	Week 11 3/30/2012	Week 12 4/6/2012	Week 13 4/13/2012	13 Week Total
Operating Cash Flows														
Cash Inflows	1,005,245	1,057,253	1,072,855	1,527,668	1,717,628	1,617,758	1,948,778	1,974,405	1,474,400	1,474,400	1,960,774	1,938,458	2,338,448	19,247,272
Accounts Receivable	1,005,245	1,057,253	1,072,855	1,527,668	1,717,628	1,617,758	1,948,778	1,974,405	1,474,400	1,474,400	1,960,774	1,938,458	2,338,448	19,247,272
Total Cash Inflows	1,005,245	1,057,253	1,072,855	1,527,668	1,717,628	1,617,758	1,948,778	1,974,405	1,474,400	1,474,400	1,960,774	1,938,458	2,338,448	19,247,272
Cash Outflows														
Accounts Payable	1,201,490	1,339,764	1,480,975	1,459,564	1,589,443	2,007,732	2,112,287	2,334,318	2,455,172	2,465,531	2,168,694	2,026,641	1,993,241	24,567,089
Accounts Payable - Related Parties	591,240	639,730	588,912	542,599	542,599	-	594,771	640,610	640,610	640,610	640,610	640,610	640,610	8,168,330
Accounts Payable - Other	20,814	21,156	41,176	61,176	6,231	6,231	34,895	115,034	5,598	5,598	43,672	43,672	133,729	1,496,994
Accounts Payable - Contingency	35,000	30,000	25,000	35,000	30,000	35,000	25,000	35,000	35,000	35,000	35,000	35,000	35,000	450,000
Total Cash Outflows	2,052,544	2,230,720	2,336,063	2,698,369	2,927,179	2,725,433	3,231,961	3,485,552	3,231,961	3,231,961	2,887,984	2,746,164	2,802,630	31,284,413
Net Operating Cashflow	(1,047,299)	(1,173,467)	(1,263,208)	(1,170,691)	(1,209,551)	(1,107,675)	(1,283,183)	(1,511,147)	(1,757,561)	(1,757,561)	(1,927,210)	(1,808,206)	(1,464,182)	(17,736,856)
Restructuring Costs	170,000	170,000	154,000	145,000	145,000	145,000	105,000	65,000	65,000	65,000	65,000	65,000	65,000	1,365,000
Professional Fees	170,000	170,000	154,000	145,000	145,000	145,000	105,000	65,000	65,000	65,000	65,000	65,000	65,000	1,365,000
Total Restructuring Costs	340,000	340,000	308,000	290,000	290,000	290,000	210,000	130,000	130,000	130,000	130,000	130,000	130,000	2,730,000
Net Cash Flow	(707,299)	(833,467)	(959,208)	(875,691)	(964,551)	(862,675)	(1,078,183)	(1,380,147)	(1,687,561)	(1,692,561)	(1,792,210)	(1,673,206)	(1,334,182)	(14,361,856)
Opening Receiver Balance	10,510,733	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	18,510,733
Net Cashflow	(707,299)	(833,467)	(959,208)	(875,691)	(964,551)	(862,675)	(1,078,183)	(1,380,147)	(1,687,561)	(1,692,561)	(1,792,210)	(1,673,206)	(1,334,182)	(14,361,856)
DIP Funding	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	7,800,000
Ending Receiver Balance	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000
Cumulative DIP Funding	600,000	1,200,000	1,800,000	2,400,000	3,000,000	3,600,000	4,200,000	4,800,000	5,400,000	6,000,000	6,600,000	7,200,000	7,800,000	17,200,000

Notes:

- The purpose of this Cash Flow Forecast is to determine the liquidity requirements for New Food Classics during the CCAA Proceedings.
- Operating receipts have been forecasted on a normal course of business basis as management's historical analysis as well as an understanding of the Company's operations.
- Accounts Payable have been forecasted on a normal course of business basis as management's historical analysis as well as an understanding of the Company's operations.
- Professional fees and legal costs are based on management's best estimates.
- Professional fees and legal costs are based on management's best estimates.
- Based on historical purchasing patterns and management forecast, management does not forecast any capital expenditures being needed during the CCAA Proceedings.
- Estimates restructuring costs are based on projected costs associated with liquid and restructured operations related to the CCAA Proceedings.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NFC ACQUISITION GP INC., NFC
ACQUISITION CORP. AND NFC LAND HOLDINGS CORP.

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

AFFIDAVIT OF BRIAN CRAM
(Sworn January 16, 2012)

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Lawyers for NFC Acquisition GP Inc.,
NFC Acquisition Corp.,
NFC Land Holdings Corp.,
New Food Classics and
NFC Acquisition L.P.

TAB 3

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NFC ACQUISITION GP INC., NFC ACQUISITION CORP. AND
NFC LAND HOLDINGS CORP.**

CONSENT TO ACT AS MONITOR

FTI CONSULTING CANADA INC. hereby consents to act as the Monitor of NFC Acquisition GP Inc., NFC Acquisition Corp., NFC Land Holdings Corp., New Food Classics and NFC Acquisition L.P. pursuant to the *Companies' Creditors Arrangement Act* (Canada) in accordance with the terms of an order substantially in the form attached hereto.

DATED this 16 day of January, 2012.

FTI CONSULTING CANADA INC.

Per:

Paul Boscia

Title:

SENIOR MANAGING DIRECTOR

TAB 4

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NFC ACQUISITION G.P. INC., NFC ACQUISITION CORP.
AND NFC LAND HOLDINGS CORP.

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

January 16, 2012

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
333 Bay Street, Suite 2400
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Toronto, Ontario Canada M5H 2T6

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Tel: 416 868 3471
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Solicitors for FTI Consulting Canada
Inc., proposed Monitor

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. ("FTI" or the "Proposed Monitor") has been informed that NFC Acquisition GP Inc., NFC Acquisition Corp. and NFC Land Holdings Corp. (collectively, the "Applicants" and together with NFC Acquisition L.P., and New Food Classics, "NFC") intend to make an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an initial order (the "Initial Order") granting, *inter alia*, a stay of proceedings against NFC until February 15, 2011, (the "Stay Period") and appointing FTI as the monitor (the "Proposed Monitor"). The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the "CCAA Proceedings".

2. FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be

appointed as monitor set out in section 11.7(2) of the CCAA. FTI has provided its consent to act as Monitor in these CCAA Proceedings (a copy of which is attached as **Appendix "A"**).

PURPOSE

3. The purpose of this report is to provide the Court with the following:
 - (a) FTI's qualifications to act as Monitor (if appointed);
 - (b) an overview of the state of the business and affairs of NFC and the causes of its financial difficulty;
 - (c) the Proposed Monitor's comments on the Applicants' weekly cash flow forecast of NFC to April 13, 2012 and the reasonableness thereof, in accordance with s.23(1)(b) of the CCAA;
 - (d) the Proposed Monitor's comments on the proposed debtor in possession financing (the "**DIP Financing**");
 - (e) the Proposed Monitor's comments on the proposed sales process (the "**Sales Process**");
 - (f) the Proposed Monitor's comments on the following court-ordered charges contained therein:
 - (i) the administrative charge (the "**Administrative Charge**");
 - (ii) the directors & officers' charge (the "**D&O Charge**"); and
 - (iii) the charge securing the DIP Financing (the "**DIP Charge**");

(collectively, the “**Court Ordered Charges**”); and

- (g) the Proposed Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

4. In preparing this report, the Proposed Monitor has relied upon unaudited financial information of the Applicants, NFC’s books and records, certain financial information prepared by the Applicants and discussions with the Applicants’ management. The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management’s assumptions regarding future events; actual results may vary from forecast and such variations may be material.

5. Capitalized terms not otherwise defined herein have the meanings defined in the Affidavit of Brian Cram, President and Chief Executive Officer of NFC, sworn January 16, 2012 (the “**Cram Affidavit**”) and filed in support of the application for the Initial Order. The Affidavit describes, *inter alia*, NFC’s business, corporate structure, financial position and reasons for commencement of these proceedings. This Report should be read in conjunction with the Affidavit as certain information contained in the Affidavit has not been included herein to avoid unnecessary duplication.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

FTI'S QUALIFICATIONS TO ACT AS MONITOR

7. FTI was retained by NFC on December 23, 2011 to provide certain financial advisory and consulting services.

8. Paul Bishop of FTI will have primary carriage of this matter and is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) ("BIA").

Neither FTI nor any of its representatives have been at any time in the two preceding years:

- (a) the auditor of any of NFC;
- (b) a director, an officer or an employee of any of NFC;
- (c) related to NFC or to any director or officer of NFC; or
- (d) trustee (or related to any such trustee) under a trust indenture is issued by NFC or any person related to NFC, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the *Civil Code of Quebec* that is granted by NFC or any person related to NFC.

9. FTI has consented to act as Monitor should this Honourable Court grant the Applicants' request to commence the CCAA Proceedings in respect of NFC.

RELEVANT BACKGROUND INFORMATION

Business and Affairs of the Applicant

10. NFC is in the business of manufacturing value-added meat and meatless protein consumer products in Canada. The primary product line consists of frozen beef burgers; however NFC has expanded to various other protein categories and has begun to develop a selection of cooked products and speciality appetizers.

11. NFC operates out of two certified (Canadian Food Inspection Agency, U.S. Department of Agriculture, and Hazard Analysis Critical Control Points) production facilities in Canada, located in St. Catharines, Ontario and Saskatoon, Saskatchewan and has a sales and procurement office located in Calgary, Alberta. NFC's corporate head office is located in leased premises in Burlington, Ontario, where all administrative functions are carried out. NFC also owns two commercial properties in Calgary, Alberta, which it no longer uses and which have been listed for sale by NFC since November, 2010.

12. As of January 11, 2012, the Applicants employ the following employees:

Location	Salaried (non-union)	Hourly (union)
Burlington	23	0
Calgary	12	0
St. Catharines	16	69
Saskatoon	32	146

13. NFC's unionized employees are represented in Saskatoon by the United Food & Commercial Workers Union Local 1400 (the "UFCW 1400 Collective Agreement") and in St. Catharines by UFCW Local 175 (the "UFCW 175 Collective Agreement"). Pursuant to the UFCW 1400 Collective Agreement, NFC's full time unionized employees in Saskatoon are eligible to join group deferred profit sharing plans (defined contribution) as well as a group registered retirement savings plan. As of December 30, 2011 NFC is current with respect to these contributions.

14. In St. Catherines, full-time unionized employees are eligible under the UFCW Local 175 Collective Agreement to participate in the (defined contribution) Canadian

Commercial Workers Industry Pension Plan. As of December 17, 2011 NFC is current with respect to the these contributions and all union dues.

15. NFC's management ("Management") has advised that all salaried and hourly employees have been paid for services performed through to December 30, 2011 and that all associated statutory remittance have been withheld and remitted.

16. The majority of NFC's gross revenues are generated from NFC's largest customers: Loblaw Companies Limited, Wal-Mart Canada and Sysco Canada; its top ten customers account for approximately 82% of the revenues.

THE APPLICANTS' BUSINESS AND THE NEED FOR A CCAA FILING

17. In 2011 the Company sold its products to customers based upon fixed price contracts, which terms ran for a calendar year. Accordingly, the Company took on the risk of an increase in the price of its inputs during the term of the contracts, including, in particular the price of beef and energy costs. During 2011 the wholesale price of beef has increased by approximately 40% and the price of fossil fuels and electricity have on average increased by 5%. The Company was unable to pass on the impact of increased costs for raw materials to their customers in 2011 as a result of the fixed price contracts.

18. In early 2011, the Company closed down two operating plants in Calgary and terminated staff relating to the operations of those plants. The Company relocated its production operations to Saskatoon, Saskatchewan and St. Catharines, Ontario. The overall cost to retrofit and commence operations at the St. Catharines plant was approximately \$10 million over budget. In addition, the production systems at the St. Catharines plant were not optimized and remained highly inefficient in the first few months of production at that location. The Company also

moved its Head Office from Calgary, Alberta to Burlington, Ontario, moving only one staff member. Substantially all new head office staff, including accounting and finance functions, were required to be hired and trained in Burlington. In addition, concurrent with the relocation, NFC installed a new accounting software package. As a result of the complete turn-over of accounting staff and the change in accounting platforms, NFC's management was unable to fully identify the substantial losses that the Company was incurring in 2011 or rectify the situation in a timely manner before it had a material adverse impact on the company's financial situation.

19. The business and affairs of the Applicants and the causes of insolvency are described further in the Cram Affidavit.

20. The Applicants' majority shareholder, Edgestone Capital Partners has advised the Applicants that it is not prepared to invest any additional funds by way of debt or equity into the Applicants' operations in order to fund the Applicants losses or future operations.

21. The Applicants' have asked their principal operating lender, Bank of Montreal ("BMO"), for additional funding for the Applicants' operations. In particular, the Applicants business is seasonal in nature and accordingly requires a material ramp-up in production (and a corresponding increase in working capital funding requirements) in the beginning of March of each year in order to manufacture sufficient customer inventories for the spring/summer barbeque season (the "Inventory Ramp Up"). BMO had advised that it is not prepared to advance any additional capital to fund the Applicant's operations unless such capital is provided in the context of a CCAA filing of the Applicants, and as part of that filing, a sales process for the Applicants' business operations and other assets is initiated immediately.

FUNDING OF THE CCAA PROCEEDINGS

Cash Flow Projections

22. The Applicants, with the assistance of FTI have prepared consolidated 13-week cash flow projections for the period commencing January 20, 2012 and ending April 13, 2012 (the “Cash Flow Projections”). A copy of the Cash Flow Projections, together with NFC management’s report thereon is attached as **Appendix “B”**.

23. As shown in the Cash Flow Projections, it is estimated that for the 13-week period, NFC will have approximate total cash inflows of \$19.3 million, total cash outflows of \$32 million and total disbursements relating to the restructuring of \$1.4 million. During the first five weeks of the Cash Flow Projections, NFC’s cash flow requirements project a need for NFC to borrow approximately \$3.5 million, and that during the following eight weeks an additional amount of approximately \$10 million of funding is required to implement the Inventory Ramp Up.

Proposed Monitor’s Report on the Reasonableness of the Cash Flow Projections

24. Pursuant to section 23(1)(b) of the CCAA, the Proposed Monitor is required to provide this Honourable Court with the Proposed Monitor’s findings with respect to its review of the NFC’s Cash Flow Projections as to their reasonableness. The Proposed Monitor’s Reports with respect to same is as follows.

25. The Cash Flow Projections have been prepared by the management of NFC for the purpose of determining the liquidity requirements for NFC during the CCAA Proceedings

using the Probable and Hypothetical Assumptions¹ as identified by NFC and as discussed with FTI. Copies of the Cash Flow Projections and the report containing the prescribed representations of NFC regarding the preparation of the Cash Flow Projections are already attached hereto collectively as **Appendix "C"**.

26. FTI's review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of NFC. Since Hypothetical Assumptions need not be supported, FTI's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projections. The Proposed Monitor also reviewed the support provided by management of NFC for the Probable Assumptions and the preparation and presentation of the Cash Flow Projections.

27. Based on FTI's review, nothing has come to its attention that causes the Proposed Monitor to believe that, in all respects:

- (a) The Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Projections;
- (b) As at the date of this report, the Probable Assumptions developed by management are not Suitably Supported and consistent with the plans of NFC or do not provide a reasonable basis for the Cash Flow Projections, given the Hypothetical Assumptions; or

¹ All terms used but not defined in this section of the report have the meanings ascribed to them in the Canadian Association of Insolvency and Restructuring Professionals ("CAIRP") Standard of Practice No. 09-1, Cash-Flow Statement, approved, ratified and confirmed by CAIRP members on August 21, 2009.

- (c) The Cash Flow Projections do not reflect the Probable and Hypothetical Assumptions.

28. Since the Cash Flow Projections are based upon Assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Projections will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by it in preparing this report.

29. The Cash Flow Projections have been prepared solely for the purposes of determining the liquidity requirements for NFC during the CCAA Proceedings, using Probable and Hypothetical Assumptions, and readers are cautioned that it may not be appropriate for other purposes.

Proposed DIP Financing

30. Given the anticipation of negative expected cash flow referred to above, in order to maintain going concern operations during the Sales Process and up to the closing of a sale of its operations, the Applicant will require the authority to borrow pursuant to a court-approved interim credit facility. The Applicant and BMO have negotiated the terms of a super-priority CCAA Interim Credit facility with a maximum amount of up to \$10,500,000 (the "**DIP Financing**"). The DIP Financing is to be provided pursuant to the terms of the commitment letter between NFC and BMO (a copy of which is attached as an Exhibit to the Cram Affidavit) (the "**DIP Term Sheet**").

31. The DIP Term Sheet provides that the initial amount of \$3.5 million has been approved by BMO to fund NFC's operations until February 20, 2012. BMO's approval of the additional approximately \$7 million of DIP funding (required to fund the Inventory Ramp Up) after February 20 is conditional upon BMO, in its sole discretion, being satisfied with the terms of an offer or offers to purchase all or substantially all of the assets of NFC (including a deposit of not less than 15% of the purchase price(s)) obtained in the Transaction Process, failing which the funding availability under the DIP Term Sheet terminates immediately, unless and until a revised cash flow projection is agreed to between NFC and BMO.

32. Pursuant to section 23(1)(b) of the CCAA, the Proposed Monitor is of the view that the assumptions and projections which underlie the Applicant's Cash Flow Projections are reasonable and that a maximum amount of \$3,500,000 in available DIP financing is reasonable and should be sufficient to fund the Applicant's operations in accordance with the Cash Flow Projections until February 20, 2012.

33. Subject to approval of this Honourable Court, the proposed DIP financing contemplates *inter alia*, that BMO will be granted a first charge over all of the NFC's assets subject and subordinate only to the Administrative Charge, the D&O Charge and any existing statutory lien or purchase money security interests which have, by their terms, priority over the existing security interests of BMO over the assets of NFC as of the date of the Initial Order.

BMO SECURITY REVIEW

34. The Proposed Monitor has requested its counsel, Fasken Martineau DuMoulin LLP ("Faskens") to conduct an independent review of the existing security interests granted by NFC in favour of BMO (the "Existing BMO Security") in respect of the indebtedness and

obligations of NFC to BMO owing as at the CCAA filing date (the “**Existing BMO Debt**”). Faskens is in the process of conducting its review of the Existing BMO Security over the assets of NFC located in the Provinces of Ontario and Alberta. The Proposed Monitor has engaged the firm of McDougall Gauley LLP of Saskatoon to act as its counsel in the Province of Saskatchewan, to *inter alia*, review the Existing BMO Security over NFC’s assets located in Saskatchewan. The Monitor will report to the Court on the results of the Existing BMO Security reviews at or prior to the Applicant’s motion for an extension of the stay contained in the Initial Order.

35. The Proposed Monitor understands that the Toronto-Dominion Bank (“**TD Bank**”) has advanced credit facilities to NFC which are also secured against the assets of NFC subordinate in priority to the Existing BMO Security. Based upon the Proposed Monitor’s understanding of the anticipated value that may be realized from the sale of the assets and operations of NFC, it is possible that BMO will not recover the amount of the Existing BMO Debt from the sale(s) of the assets of NFC in full. The Monitor intends to conduct an independent review of the existing security interests granted by NFC to TD at a later point in time, when the Monitor has a better view as to anticipated proceeds of realization and whether there will be any funds available for distribution to TD Bank.

THE PROPOSED SALES TRANSACTION PROCESS

36. The proposed sale transaction process (“**Transaction Process**”) will be managed in accordance with the following procedures that will be established and communicated by the Applicants and the Monitor to interested parties from time to time. It is anticipated that the Transaction Process will consist of the following principal phases:

- (a) Immediately following the making of the Initial Order, the Monitor will contact a list of approximately 11 parties which have been identified by the Applicants as possible qualified purchasers of the Applicants' businesses on a going-concern that are likely to be acceptable to NFC's major customers. The Monitor will also contact NFC's largest customers to identify any additional possible qualified purchasers. The Monitor will also, within 4 days of the commencement of the CCAA Proceedings, advertise the NFC acquisition opportunity in the National Edition of the Globe & Mail for two consecutive days.

- (b) The Proposed Monitor has worked with the Applicants to establish an electronic data room that will contain updated information about the Applicants' assets, business and operations as it becomes available (the "Data Room") during the Transaction Process. Qualified interested parties will be required to execute a Confidentiality Agreement in order to receive a copy of the Confidential Information Memorandum prepared by the Proposed Monitor in conjunction with the Applicants' management and to obtain access to the Data Room.

- (c) The NFC assets will be offered for sale en bloc and in four parcels:
 - (i) The Saskatoon operations (including the associated inventory and accounts receivable);

 - (ii) The St Catharines operations (including the associated inventory and accounts receivable);

 - (iii) The Calgary 13A Street Facility; and

- (iv) The Calgary Brandon Street Facility
- (d) Interested parties will be asked to submit non-binding expressions of interest (“EOI”), including a proposed purchase price for each of the parcels of NFC assets it wishes to acquire on or before January 30, 2012. The EOIs will be used to determine which interested parties, if any, will be invited to continue to participate in the Transaction Process. The Monitor will provide instructions for the required form of non-binding proposal to interested parties in advance of the deadline for submitting such proposals.
- (e) In evaluating EOIs from interested parties, the Applicants and FTI will consider, among other factors, whether the offer maximizes value for NFC assets, treatment of employees and such other factors as would be appropriate in the circumstances as determined by the Applicants and Monitor in their sole discretion. Upon receipt of the proposals the Applicants, in consultation with the Monitor and BMO, will determine at their sole discretion which interested parties, if any will proceed to Phase 2 of the Transaction Process. Further, the Applicants, in consultation with the Monitor and BMO, may at any time terminate the Transaction Process.
- (f) During Phase 2 of the Transaction Process, interested parties who are invited to continue to Phase 2 of the Transaction Process will be given access to additional confidential information relating to NFC in the Data Room. In addition, site visits and access to management will be made available to interested parties during Phase 2.

- (g) Following a brief additional period of due diligence and Data Room access, each qualified interested party will be requested to submit a final binding offer in the required form. FTI will provide qualified interested parties with a definitive sales agreement. Additional details with respect to the Transaction Process will be communicated to qualified interested parties in advance of the final bid deadline. The final proposals will be due on February 13, 2012. The Applicants, in consultation with the Monitor and BMO, will select the chosen bid on or before February 20, 2012.

- (h) It is anticipated that the closing of one or more going concern transaction(s) involving the NFC Saskatoon operations and/or the St Catharines operations will close on or before March 15, 2012.

37. The timelines associated with the Transaction Process are noticeably compressed. This accelerated process is necessitated by the timing of the Inventory Ramp Up and the conditions imposed by BMO upon any agreement to fund the working capital requirements of the Inventory Ramp Up pending a sale of the business. The Proposed Monitor considers it reasonably likely that the universe of qualified buyers for the going concern operations of NFC has substantially been identified by the Applicants and consists principally of parties who are already manufacturing and supplying similar products to NFC's major customers. These parties are familiar with manufacturing operations such as those owned by NFC and have a history of dealings with NFC's major customers, enabling them to conduct accelerated due diligence and complete an acquisition in a timely fashion. Accordingly the Proposed Monitor is of the view that the timelines associated with the Transaction Process will not have a material adverse impact

on the ability of the Applicants and the Monitor to maximize the fair market value of the assets and operations of NFC.

THE COURT ORDERED CHARGES

Administrative Charge

38. The proposed Initial Order provides for an Administration Charge in an amount not to exceed \$350,000, charging the assets of the Applicant to secure the fees and disbursements incurred in connection with services rendered to the Applicant both before and after the commencement of the CCAA Proceedings by counsel to the Applicant, the Proposed Monitor, and the Proposed Monitor's counsel.

Directors & Officers Charge

39. The proposed Initial Order provides for a D&O Charge over the property of NFC in favour of the directors and officers of the Applicants as security for the indemnity contained in the Initial Order in respect of specified obligations and liabilities that they may incur after the commencement of the CCAA Proceeding. The D&O Charge will not exceed an aggregate amount of \$3 million and will rank immediately subsequent to the Administrative Charge and immediately before the DIP Charge. The amount and priority ranking of the D&O Charge have been negotiated and agreed upon with BMO. The Proposed Monitor is of the view that the quantum and liabilities covered by the directors' and officers' indemnity and D&O Charge are reasonable and appropriate in the circumstances.

DIP Charge

40. The proposed Initial Order provides for a charge in favour of the DIP lenders in the amount not to exceed \$10.5 million charging all of the assets of the Applicant (the "**DIP Charge**"). The DIP Charge is proposed to rank immediately subsequent to the D&O Charge.

Summary of the Proposed Rankings of the Court-Ordered Charges

41. The proposed Initial Order provides that each of the Court Ordered Charges will rank subordinate to any liens or security interests (such as statutory repair and storage liens and purchase money security interests) over the asset of NFC, which, as at the date of the making of the Initial Order, rank in priority to the existing security interests of BMO. Accordingly, parties having such prior ranking interests have not been served with the Application Record herein.

42. FTI believes that the above noted proposed Court-ordered charges and rankings are required and reasonable in the circumstances of the CCAA Proceedings in order to preserve going concern operations of the Applicants until proceeds from an eventual sale are realized.

CONCLUSION

43. The Proposed Monitor is of the view that the relief requested by the Applicant is necessary, reasonable and justified.

44. Accordingly, the Proposed Monitor respectfully supports the Applicant's request for the appointment of a Monitor by this Honourable Court.

45. The Proposed Monitor respectfully submits to the Court this Pre-Filing Report.

Dated this 16th day of January, 2012.

FTI Consulting Canada Inc.
The Proposed Monitor of
New Food Classics



Name: Paul Bishop
Title: Senior Managing Director,
FTI Consulting Canada Inc.

APPENDIX A

FTI Consulting Inc. consent to act as Monitor

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
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NFC LAND HOLDINGS CORP.**

CONSENT TO ACT AS MONITOR

FTI CONSULTING CANADA INC. hereby consents to act as the Monitor of NFC Acquisition GP Inc., NFC Acquisition Corp., NFC Land Holdings Corp., New Food Classics and NFC Acquisition L.P. pursuant to the *Companies' Creditors Arrangement Act* (Canada) in accordance with the terms of an order substantially in the form attached hereto.

DATED this 16 day of January, 2012.

FTI CONSULTING CANADA INC.

Per:

Paul Bisci

Title:

SENIOR MANAGING DIRECTOR

APPENDIX B

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NFC ACQUISITION G.P. INC., NFC ACQUISITION CORP.
AND NFC LAND HOLDINGS CORP.

(the "Applicants")

REPORT ON CASH FLOW STATEMENT
(paragraph 10.2(b) of the CCAA)

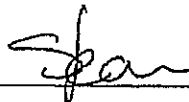
The management of NFC Acquisition GP Inc., NFC Acquisition Corp. and NFC Land Holdings Corp. (collectively, the "Applicants" and together with NFC Acquisition L.P., and New Food Classics, "NFC") has developed the assumptions and prepared the attached statement of projected cash flow of NFC as of the 16th day of January 2012, consisting of a 13 week cash flow for the period January 16, 2012 to April 13, 2012 (the "January 16 Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the projections as described in Note 1 to the cash flow, and the probable assumptions are suitably supported and consistent with the plans of NFC and provide a reasonable basis for the January 16 Cash Flow. All such assumptions are disclosed in Notes 2 to 6.

Since the January 16 Cash Flow is based on future events, actual results will vary from the information presented and the variations may be material.

The January 16 Cash Flow has been prepared solely for the purpose outlined in Note 1, using the probably and hypothetical assumptions set out in Notes 2 to 6. Consequently readers are cautioned that the January 16 Cash Flow may not be suitable for other purposes.

Dated at Toronto this 16th day of January 2012.



[Name] Stephane Jean
[Position] VP, Finance.
New Food Classics

New Food Classics
WEEKLY CASH FLOW FORECAST

Week Ending	Week 1 1/20/2012	Week 2 1/27/2012	Week 3 2/3/2012	Week 4 2/10/2012	Week 5 2/17/2012	Week 6 2/24/2012	Week 7 3/2/2012	Week 8 3/9/2012	Week 9 3/16/2012	Week 10 3/23/2012	Week 11 3/30/2012	Week 12 4/6/2012	Week 13 4/13/2012	13 Week Total
Operating Cash Flows														
Cash Inflows														
AR Collections	1,000,240	1,087,303	1,072,855	1,587,065	1,747,058	1,617,868	1,464,728	1,424,400	1,424,400	1,424,400	1,380,724	1,638,458	2,338,458	19,247,272
Total Cash Inflows	1,000,240	1,087,303	1,072,855	1,587,065	1,747,058	1,617,868	1,464,728	1,424,400	1,424,400	1,424,400	1,380,724	1,638,458	2,338,458	19,247,272
Cash Outflows														
AP Trade	1,201,480	1,338,704	1,410,575	1,488,584	1,585,143	2,007,792	2,412,287	2,338,318	2,458,172	2,464,801	2,183,864	2,020,641	1,893,241	24,582,880
Payroll & Benefits	87,350	-	589,812	543,888	543,888	594,771	646,516	646,516	646,516	646,516	674,688	674,688	674,688	4,248,385
Rent & Utilities	6,338	6,338	314,367	61,324	5,321	384,885	384,885	416,034	5,568	5,568	2,358	483,872	134,799	1,968,014
Other	201,874	71,159	67,130	69,838	78,321	84,087	84,087	81,588	85,538	85,538	81,588	81,588	78,827	1,148,739
Contingency	35,000	20,000	25,000	35,000	30,000	35,000	75,000	55,000	55,000	55,000	35,000	35,000	35,000	500,000
Total Cash Outflows	2,032,042	1,437,201	2,366,884	1,683,901	2,237,170	2,715,433	3,231,031	2,588,851	3,231,031	2,588,851	2,278,854	2,571,189	2,593,880	31,864,128
Net Operating Cashflow	(1,031,802)	(349,897)	(1,313,229)	(95,944)	(520,102)	(908,265)	(1,662,223)	(1,164,451)	(1,812,736)	(1,164,451)	(1,587,240)	(732,730)	(965,432)	(12,736,856)
Restructuring Costs														
Professional Fees	170,000	170,000	155,000	145,000	145,000	145,000	105,000	65,000	65,000	65,000	50,000	50,000	50,000	1,565,000
KEPP	170,000	170,000	155,000	145,000	145,000	145,000	105,000	65,000	65,000	65,000	50,000	50,000	50,000	1,565,000
Total Restructuring Costs	340,000	340,000	310,000	290,000	290,000	290,000	210,000	130,000	130,000	130,000	100,000	100,000	100,000	3,130,000
Net Cash Flow	(1,195,802)	(519,897)	(1,468,229)	(1,139,944)	(805,102)	(1,053,265)	(1,872,223)	(1,229,451)	(1,877,736)	(1,219,451)	(1,517,240)	(782,730)	(615,432)	(4,101,856)
Operating Receivables Balance	16,510,733	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	16,510,733
Net Cashflow	1,455,882	519,887	1,468,229	2,040,000	1,885,102	1,286,735	1,286,735	1,221,551	1,817,196	1,219,451	1,647,240	782,730	615,432	14,101,856
DIP Funding	(506,534)	(519,897)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(1,468,229)	(13,412,588)
Ending Receivables Balance	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000	17,200,000
Cumulative DIP Funding	(506,534)	(1,026,431)	(2,495,310)	(3,401,403)	(4,014,768)	(4,014,768)	(6,042,011)	(7,268,642)	(8,147,638)	(10,367,066)	(12,014,296)	(12,797,156)	(13,412,588)	

Notes

- The purposes of this Cash Flow Forecast is to determine the liquidity requirements for New Food Classics during the COAA Proceedings.
- Operating receipts have been forecast in the normal course of business based on management's historical analysis as well as an understanding of the Company's customer base under the current economic conditions and the present situation.
- AP Trade is based on management's best estimates.
- Payroll costs and benefit costs, rent, utilities and taxes, interest costs and other operating expenses are forecast based on historical analysis, current price levels and management forecast.
- Based on historical operating patterns and management forecast, management does not forecast any capital expenditures for the period during the COAA Proceedings.
- Estimated restructuring costs are based on potential costs associated with legal and professional fees relating to the COAA Proceedings.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NEW FOOD CLASSICS

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

PRE-FILING REPORT TO THE COURT SUBMITTED BY FTI
CONSULTING CANADA INC., IN ITS CAPACITY AS PROPOSED
MONITOR

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Solicitors for FTI Consulting Canada Inc., proposed monitor of New Food Classics

TAB 5

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies and that the Applicants and New Food Classics and NFC Acquisition L.P. (together, the "Partnerships", and together with the Applicants, the "NFC Entities") shall enjoy the benefits of the protections and authorizations provided by this Order.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that any of the NFC Entities shall have the authority to file and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the NFC Entities shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, whether real, personal, immovable or movable, inchoate or intangible, including all proceeds thereof (the "Property"). Subject to further Order of this Court, the NFC Entities shall continue to carry on business in a manner consistent with the preservation of their business (the "Business") and Property. The NFC Entities shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, the "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the NFC Entities shall be entitled to continue to utilize the central cash management system currently in place as described in the Cram Affidavit or replace it with another substantially similar central cash management system with BMO (the "Cash

Management System”) and that BMO shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the NFC Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the NFC Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the NFC Entities shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses, and similar amounts owed to any Assistants, payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the NFC Entities in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the NFC Entities shall be entitled but not required to pay all reasonable expenses incurred by the NFC Entities in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the NFC Entities following the date of this Order.

8. THIS COURT ORDERS that the NFC Entities shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the NFC Entities in connection with the sale of goods and services by the NFC Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the NFC Entities.

9. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the NFC Entities shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the NFC Entities and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the NFC Entities are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the NFC Entities to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that the NFC Entities shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and
- (c) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the NFC Entities to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that the NFC Entities shall provide each of the relevant landlords with notice of the NFC Entities' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the NFC Entities' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the NFC Entities, or by further Order of this Court upon application by the NFC Entities on at least two (2) days' notice to such landlord and any such secured creditors. If the NFC Entities disclaim the lease governing

such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the NFC Entities' claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then: (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the NFC Entities and the Monitor 24 hours' prior written notice; and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the NFC Entities in respect of such lease or leased premises and such landlord shall be entitled to notify the NFC Entities of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE NFC ENTITIES OR THE PROPERTY

14. THIS COURT ORDERS that until and including February 16, 2012, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the NFC Entities or the Monitor, or affecting the Business or the Property, except with the written consent of the NFC Entities and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the NFC Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the NFC Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the NFC Entities and the Monitor, or leave of this

Court, provided that nothing in this Order shall: (a) empower the NFC Entities to carry on any business which the NFC Entities are not lawfully entitled to carry on; (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (c) prevent the filing of any registration to preserve or perfect a security interest; or (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform or provide any right, renewal right, contract, agreement, licence or permit in favour of or held by the NFC Entities, except with the written consent of the NFC Entities and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES AND SUPPLY

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements or arrangements, including, without limitation, by conduct, with the NFC Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility, food and food processing safety monitoring, food storage services, facility cleaning services or other services to the Business or the NFC Entities, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the NFC Entities, and that the NFC Entities shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the NFC Entities in accordance with normal payment practices of the NFC Entities or such other practices as may be agreed upon by the supplier or service provider and each of the NFC Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or

licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the NFC Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the NFC Entities with respect to any claim against the directors or officers that arose before, on or after the date hereof and that relates to any obligations of the NFC Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the NFC Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the NFC Entities or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. THIS COURT ORDERS that the NFC Entities shall indemnify their present directors, former directors during the sixty (60) day period prior to the date hereof and officers against obligations and liabilities that they may incur as directors or officers of the NFC Entities after the commencement of the within proceedings, including, without limitation, wages and source deductions included therein, vacation pay, PST, GST, HST and prospective liability under Saskatchewan legislation for pay in lieu of notice, if any, and without limiting the generality of the foregoing, against all claims, costs and expenses relating to the failure of the NFC Entities after the date hereof to make payments of the nature referred to in paragraphs 8(a), 8(b) and 8(c) of this Order, except to the extent that, with respect to any present director, former director during the sixty (60) day period prior to the date hereof or officer, the obligation or liability was incurred as a result of such director's or officer's gross negligence or wilful misconduct.

21. THIS COURT ORDERS that the present directors, former directors during the sixty (60) day period prior to the date hereof and officers of the NFC Entities shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$3,000,000, as security for the indemnity provided in

paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 and 40 herein.

22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the NFC Entities' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. THIS COURT ORDERS that FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the NFC Entities with the powers and obligations set out in the CCAA or set forth herein and that the NFC Entities and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the NFC Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the NFC Entities' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the NFC Entities, to the extent required by the NFC Entities, in their dissemination, to the DIP Lender and its counsel on a weekly basis or more frequently as may be reasonably required by the DIP Lender of financial and other information as agreed to between the NFC Entities and the DIP Lender which may be

used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

- (d) advise the NFC Entities in their preparation of the NFC Entities' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (e) advise the NFC Entities in the development of the Plan and any amendments to the Plan;
- (f) assist the NFC Entities, to the extent required by the NFC Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the NFC Entities, to the extent that is necessary to adequately assess the NFC Entities' business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) hold and administer funds in connection with arrangements made among the NFC Entities, any Person and the Monitor, or by Order of this Court;
- (j) upon the direction of the NFC Entities, remit to the applicable insurer the premium due in respect of any director and officer insurance contemplated by the Initial CCAA Cash Flow (as such term is defined in the DIP Agreement (as defined below), which funds the Monitor shall hold in trust for the benefit of the NFC Entities' directors and officers pending its receipt of such request;
- (k) act as the sole sales agent in connection with the supervision of the Sale Process (as defined below); and

- (l) perform such other duties as are required by this Order or by this Court from time to time.

25. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

26. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. THIS COURT ORDERS that that the Monitor shall provide any creditor of the NFC Entities and the DIP Lender with information provided by the NFC Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the NFC Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the NFC Entities may agree.

28. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the NFC Entities and counsel to the directors and officers shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the NFC Entities as part of the costs of these proceedings. The NFC Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, counsel to the NFC Entities and counsel to the directors and officers on a weekly basis.

30. THIS COURT ORDERS that at the request of the NFC Entities, any party in interest, or this Court, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

ADMINISTRATION CHARGE

31. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the NFC Entities shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$350,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

DIP FINANCING

32. THIS COURT ORDERS that the NFC Entities are hereby authorized and empowered to obtain and borrow under a credit facility from the Bank of Montreal (the "DIP Lender") in order to finance the NFC Entities' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed the principal amount of \$10,500,000 unless permitted by further Order of this Court.

33. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the Super-Priority, Senior Secured Debtor-in-Possession Credit Facility Letter Loan Agreement among the NFC Entities and the DIP Lender dated as of January 16, 2011 (the "DIP Agreement"), filed.

34. THIS COURT ORDERS that the NFC Entities are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the DIP Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the NFC Entities are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure any indebtedness under existing credit facilities with the Bank of Montreal that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 38 and 40 hereof.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon three (3) days' notice to the NFC Entities and the Monitor, may exercise any and all of its rights and remedies against the NFC Entities or the Property under or pursuant to the DIP Agreement, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the NFC Entities and set off and/or consolidate any amounts owing by the DIP Lender to the NFC Entities against the obligations of the NFC

Entities to the DIP Lender under the DIP Agreement, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the NFC Entities and for the appointment of a trustee in bankruptcy of the NFC Entities; and

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

37. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the NFC Entities under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "Charges"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$350,000);

Second – Directors' Charge (to the maximum amount of \$3,000,000); and

Third – DIP Lender's Charge.

39. THIS COURT ORDERS that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest in the Property, filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect, under any statute, regulation, rule, instrument or other applicable law.

40. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property and such Charges shall rank ahead in priority to the existing security interests of the Bank of Montreal and TD Capital Mezzanine Partners Management Ltd., but behind all other

security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Persons that have not been served with notice of this application. The NFC Entities and the Chargees (as defined below) shall be entitled to seek priority ahead of the Encumbrances on notice to those parties likely to be affected by such priority.

41. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the NFC Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the NFC Entities also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

42. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the NFC Entities, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the NFC Entities of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the NFC Entities entering into the DIP Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by the NFC Entities pursuant to this Order, the DIP Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the NFC Entities' interest in such real property leases.

SALE PROCESS

44. THIS COURT ORDERS that the terms and provisions of the sale process (the "Sale Process"), as described in the Pre-Filing Report, be and they are hereby approved, and the NFC Entities and the Monitor shall be authorized to conduct the Sale Process as contemplated therein.

SERVICE AND NOTICE

45. THIS COURT ORDERS that the Monitor shall: (a) without delay, publish in The Globe and Mail (National Edition) once a week for two weeks a notice containing the information prescribed under the CCAA; and (b) within five days after the date of this Order: (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, together with the NFC Entities, in the prescribed manner, a notice to every known creditor who has a claim against the NFC Entities of more than \$1,000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

46. THIS COURT ORDERS that the NFC Entities and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the NFC Entities' creditors or other interested parties at their respective addresses as last shown on the records of the NFC Entities and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

47. THIS COURT ORDERS that the NFC Entities, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at <http://cfcanda.fticonsulting.com/nfc>.

GENERAL

48. THIS COURT ORDERS that the NFC Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

49. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the NFC Entities, the Business or the Property.

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

51. THIS COURT ORDERS that each of the NFC Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

52. THIS COURT ORDERS that any interested party (including the NFC Entities and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days'

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

53. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED

Court File No.

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NFC ACQUISITION GP
INC., NFC ACQUISITION CORP. AND NFC LAND HOLDINGS CORP.

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INITIAL ORDER

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NFC Acquisition L.P.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NFC ACQUISITION GP INC., NFC
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APPLICATION RECORD OF
NFC ACQUISITION GP INC., NFC ACQUISITION
CORP. AND NFC LAND HOLDINGS CORP.
(Returnable January 17, 2012)

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