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
Bay Adelaide Centre, Box 20
Toronto, Ontario Canada M5H 2T6

Edmond F.B. Lamek
(LSUC #33338U)
Tel: 416 865 4506
Fax: 416 364 7813

Caitlin E. Fell
(LSUC #60091H)
Tel: 416 868 3471
Fax: 416 364 7813

Solicitors for FTI Consulting Canada Inc., proposed Monitor

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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 Assumptions[1] 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 note 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 21, 2012. BMO's approval of the additional approximately $7 million of DIP funding (required to fund the Inventory Ramp Up) after February 21 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 21, 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 a preferred bid on or before February 17, 2012 (the "**Selected Bid**") A final decision will be made by BMO on or before February 21, 2012 as to whether it will fund the remaining DIP Facility balance of $7 million upon being satisfied, *inter alia*, with the terms of the Selected Bid

(h) In the event that the Monitor and/or BMO do not agree with the preferred bidder proposed by the Applicant, the Monitor and/or BMO may propose an alternate bidder for approval from the court from the parties that submitted final proposals on or before February 13, 2012.

(i) 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.

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.

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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 Bishop

Title: SENIOR MANAGING DIRECTOR

APPENDIX B

Court File No. ____________

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

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(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	1,087,303	1,072,955	1,567,068	1,717,068	1,617,068	1,348,728	1,424,400	1,424,400	1,424,400	1,380,724	1,838,458	2,338,458	19,247,272
Total Cash Inflows	1,006,240	1,087,303	1,072,955	1,567,068	1,717,068	1,617,068	1,348,728	1,424,400	1,424,400	1,424,400	1,380,724	1,838,458	2,338,458	19,247,272
Cash Outflows														
AP Trade	1,201,480	1,339,704	1,410,575	1,499,564	1,588,143	2,007,792	2,112,287	2,335,318	2,450,172	2,464,501	2,168,664	2,020,641	1,993,241	24,592,080
Payroll & Benefits	587,350	-	569,812	-	542,869	-	564,771	-	640,610	-	674,668	-	668,224	4,248,305
Rent & Utilities	6,338	6,338	314,367	61,124	6,321	6,321	394,895	115,034	5,598	5,598	5,598	433,672	133,799	1,495,004
Other	201,874	71,159	67,130	67,319	69,838	76,321	84,097	81,599	85,816	88,949	94,134	81,877	78,627	1,148,739
Contingency	35,000	20,000	25,000	35,000	30,000	35,000	75,000	55,000	55,000	35,000	35,000	35,000	30,000	500,000
Total Cash Outflows	2,032,042	1,437,201	2,386,884	1,663,008	2,237,170	2,125,433	3,231,051	2,586,951	3,237,197	2,594,048	2,978,064	2,571,189	2,903,890	31,984,128
Net Operating Cashflow	(1,025,802)	(349,897)	(1,313,929)	(95,940)	(520,103)	(508,365)	(1,882,323)	(1,162,551)	(1,812,796)	(1,169,648)	(1,597,340)	(732,730)	(565,432)	(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	50,000	50,000	50,000	50,000	1,365,000
KERP														-
Total Restructuring Costs	170,000	170,000	155,000	145,000	145,000	145,000	105,000	65,000	65,000	50,000	50,000	50,000	50,000	1,365,000
Net Cash Flow	(1,195,802)	(519,897)	(1,468,929)	(240,940)	(665,103)	(653,365)	(1,987,323)	(1,227,551)	(1,877,796)	(1,219,648)	(1,647,340)	(782,730)	(615,432)	(14,101,856)
Opening Revolver 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	1,195,802	519,897	1,468,929	240,940	665,103	653,365	1,987,323	1,227,551	1,877,796	1,219,648	1,647,340	782,730	615,432	14,101,856
DIP Funding	(506,534)	(519,897)	(1,468,929)	(240,940)	(665,103)	(653,365)	(1,987,323)	(1,227,551)	(1,877,796)	(1,219,648)	(1,647,340)	(782,730)	(615,432)	(13,412,589)
Ending Revolver 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)	(2,495,360)	(2,736,300)	(3,401,403)	(4,054,768)	(6,042,091)	(7,269,642)	(9,147,438)	(10,367,086)	(12,014,426)	(12,797,156)	(13,412,589)	

Notes
1 The purposes of this Cash Flow Forecast is to determine the liquidity requirements for New Food Classics during the CCAA Proceedings.
2 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.
3 A/P trade is based on management's best estimates.
4 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.
5 Based on historical purchasing patterns end management forecast, management does not forecast any capital expenditures for the period during the CCAA Proceedings.
6 Estimated restructuring costs are based on projected costs associated with legal and professional fees relating to the CCAA Proceedings.

Court File No.:

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

FASKEN MARTINEAU DUMOULIN LLP
Barristers and Solicitors
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, Ontario Canada M5H 2T6

EDMOND F.B. LAMEK
(LSUC #33338U)
Tel: 416 865 4506
Fax: 416 364 7813

CAITLIN E. FELL
(LSUC #60091H)
Tel: 416 868 3471
Fax: 416 364 7813

Solicitors for FTI Consulting Canada Inc., proposed monitor of New Food Classics