

Court File No.: CV-19-631523-00CL

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 CLOVER LEAF HOLDINGS COMPANY, CONNORS
BROS. CLOVER LEAF SEAFOODS COMPANY, K.C.R. FISHERIES LTD.,
6162410 CANADA LIMITED, CONNORS BROS. HOLDINGS COMPANY
AND CONNORS BROS. SEAFOODS COMPANY**

**SECOND REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

DECEMBER 16, 2019

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APPENDICES

Appendix “A” – First Report of the Monitor dated November 24, 2019 (without appendices)

Appendix “B” – Cash Flow Forecast for the Eight-Week Period Ending February 1, 2020

1.0 INTRODUCTION

- 1.1 On November 22, 2019 (the “**Filing Date**”), Clover Leaf Holdings Company (“**Clover Leaf Holdings**”), Connors Bros. Clover Leaf Seafoods Company (“**Clover Leaf Seafoods**”), K.C.R. Fisheries Ltd. (“**KCR**”), 6162410 Canada Limited (“**616**”), Connors Bros. Holdings Company (“**CBHC**”) and Connors Bros. Seafoods Company (“**CBSC**”) (together, “**Clover Leaf**” or the “**Applicants**”) obtained an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). These proceedings are referred to herein as the “**CCAA Proceedings**”. Among other things, the Initial Order appointed Alvarez & Marsal Canada Inc. as monitor in the CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.2 On November 25, 2019, the Applicants obtained an amended and restated Initial Order (the “**Amended and Restated Initial Order**”) that, among other things, approved the DIP Facilities (as defined in the First Report (as defined herein)), authorized the Applicants to continue making ordinary course payments to all employees and suppliers (including pre-filing amounts owing as at the Filing Date with the prior approval of the Monitor) and extended the Stay Period (as defined in the Initial Order) until and including December 31, 2019.
- 1.3 Clover Leaf Holdings is an indirect wholly owned subsidiary of Bumble Bee Holdco S.C.A., an indirect wholly owned subsidiary of the ultimate corporate parent Big Catch 1 L.P. (“**Big Catch**”, and together Big Catch and its direct and indirect subsidiaries, the “**Bumble Bee Group**”).

1.4 The CCAA Proceedings were commenced as part of a larger coordinated restructuring of the Bumble Bee Group. On November 21, 2019, certain of Clover Leaf’s U.S.-based affiliates (collectively, “**Bumble Bee U.S.**” or the “**Chapter 11 Debtors**”)¹ each filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Court**”) (the proceedings commenced by the filing of such petitions, the “**Chapter 11 Proceedings**”, and together with the CCAA Proceedings, the “**Restructuring Proceedings**”). Between November 22 and 25, 2019, the U.S. Court granted a number of “first day orders” in the Chapter 11 Proceedings.

1.5 In connection with the CCAA Proceedings, the Monitor provided this Court with the First Report of the Monitor dated November 24, 2019 (the “**First Report**”) attached hereto without appendices as **Appendix “A”**. The First Report, Application Record, Initial Order, Amended and Restated Initial Order and other Court-filed documents and notices in the CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/CloverLeaf (the “**Case Website**”)².

1.6 The purpose of this second report of the Monitor (the “**Second Report**”) is to provide this Court with:

- (i) information regarding the following:

¹ The Chapter 11 Debtors are: Bumble Bee Parent, Inc.; Bumble Bee Holdings, Inc.; Bumble Bee Foods, LLC; Anova Foods, LLC; and Bumble Bee Capital Corp. None of the Applicants are Chapter 11 Debtors.

² Materials filed in connection with the Chapter 11 Proceedings are available at: <https://cases.primeclerk.com/bumblebee>

- (a) cash flow results for the three-week period ended December 7, 2019;
 - (b) the Applicants' updated cash flow forecast for the eight-week period ending February 1, 2020;
 - (c) updated information with respect to Clover Leaf's ongoing operations and the CCAA Proceedings;
 - (d) the proposed bidding procedures, stalking horse approval and stay extension order (the "**Bidding Procedures and Stay Extension Order**"), including, the Stalking Horse APA, the Stalking Horse Sales Process, the Bidding Procedures (each as defined below) and the proposed extension of the Stay Period until and including January 31, 2020;
 - (e) the proposed second amended and restated Initial Order (the "**Second Amended and Restated Initial Order**"); and
 - (f) the Monitor's activities since the Filing Date; and
- (ii) the Monitor's conclusions and recommendations in connection with the foregoing, as applicable.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Second Report, the Monitor has been provided with and has relied upon unaudited financial information and the books and records prepared by Clover Leaf and the Bumble Bee Group (including information prepared or provided by the Chapter 11 Debtors' restructuring advisor, AlixPartners LLC ("**Alix**"), and investment banker,

Houlihan Lokey Capital Inc. (“**Houlihan**”)) and has held discussions with management, Alix, Houlihan and the Bumble Bee Group’s Canadian and U.S. restructuring legal counsel (collectively, the “**Information**”). Except as otherwise described in this Second Report, in respect of Clover Leaf’s cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Second Report was prepared based on Clover Leaf’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Second Report should be read in conjunction with the affidavit of Mr. Gary Ware, the Vice President and Secretary of Clover Leaf Holdings and Clover Leaf Seafoods, and a

director of KCR, 616, CBHC and CBSC, sworn December 11, 2019 (the “**Third Ware Affidavit**”), and filed in support of Clover Leaf’s motion for the granting of: (i) the proposed Bidding Procedures and Stay Extension Order; and (ii) the proposed Second Amended and Restated Initial Order. Capitalized terms used but not defined in this Second Report have the meanings given to such terms in the First Report or the Third Ware Affidavit, as applicable.

2.4 Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

3.0 CASH FLOW RESULTS RELATIVE TO FORECAST

3.1 Actual receipts and disbursements for the period from November 17, 2019 to December 7, 2019 (the “**Reporting Period**”), as compared to the Cash Flow Forecast attached as Appendix “B” to the First Report, are summarized in the following table.

Cash Flow Results	CAD in \$millions		
	Actual	Budget	Variance
Receipts	\$17.4	\$14.8	\$2.6
Disbursements			
Raw material & finished goods	(4.5)	(4.5)	(0.0)
Freight and warehousing	(0.9)	(0.6)	(0.3)
Plant spend	(0.9)	(2.5)	1.6
Payroll	(0.5)	(0.6)	0.1
Selling, general and administrative	(0.6)	(0.9)	0.3
Capital expenditures	(0.0)	(0.1)	0.1
Total Operating Disbursements	(7.4)	(9.2)	1.8
Net Operating Cash Flow	10.0	5.6	4.4
Interest & fees	(4.6)	(5.1)	0.5
Professional fees	(0.9)	(1.0)	0.1
Intercompany Transfers	(0.0)	(0.0)	0.0
Net Cash Flow	\$4.5	(\$0.5)	\$5.0

3.2 On November 26, 2019, pursuant to the Amended and Restated Initial Order, the DIP ABL Facility was used to immediately refinance, in full, all obligations owed by Clover Leaf under the Prepetition ABL Facility.

DIP ABL Facility	CAD in \$millions		
	Actual	Budget	Variance
Refinancing of Prepetition ABL Facility	(\$46.9)	(\$47.5)	\$0.6
Net Cash Flow (during Reporting Period)	4.5	(0.5)	5.0
DIP ABL Facility, as at December 7, 2019	(\$42.4)	(\$48.0)	\$5.6

3.3 During the Reporting Period:

- (i) total receipts were approximately \$2.6 million greater than projected. Management attributes this to timing and expects the positive variance to reverse in future weeks;

- (ii) total operating disbursements were approximately \$1.8 million less than projected. Management attributes this primarily to a permanent decrease in plant spend as a result of scaling back operations during the winter season earlier than was projected in the Cash Flow Forecast; and
 - (iii) interest and fees were approximately \$500,000 less than projected. This permanent variance was due to the Canadian portion of the DIP ABL Facility fees being paid by Bumble Bee U.S. on behalf of Clover Leaf (and accounted for with a corresponding charge to Clover Leaf pursuant to the Intercompany Account).
- 3.4 Overall, during the Reporting Period, Clover Leaf experienced a positive net cash flow variance of approximately \$5 million. It is anticipated that this positive variance will partially decline as timing differences reverse in the near term.
- 3.5 As at December 7, 2019, Clover Leaf's borrowings under the DIP ABL Facility were approximately \$42.4 million and approximately \$186.1 million under the Prepetition Term Loan.
- 3.6 In addition, as at December 7, 2019, Bumble Bee U.S.'s borrowings under the DIP ABL Facility and the DIP Term Loan were approximately US\$108.4 million and US\$40 million, respectively, and its borrowings under the Prepetition Term Loan were approximately US\$507.3 million. As described in the First Report, these borrowings are each guaranteed on a secured basis by the Applicants (other than the borrowings under the Prepetition Term Loan, which are guaranteed on a secured basis by Clover Leaf Holdings, Clover Leaf Seafoods, KCR and 616 only).

3.7 As described in the First Report, Clover Leaf was authorized pursuant to the Initial Order to continue to utilize its existing Cash Management System. The Cash Management System continues to operate in the same manner in the ordinary course as it had prior to the commencement of the CCAA Proceedings.

4.0 UPDATED CASH FLOW FORECAST

4.1 Clover Leaf, with the assistance of the Monitor, has prepared an updated cash flow forecast (the “**Updated Cash Flow Forecast**”) for the period from December 8, 2019 to February 1, 2020 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with Notes and Summary of Assumptions, is attached to this Second Report as **Appendix “B”**. A summary of the Cash Flow Forecast is set out in the following table.

Updated Cash Flow Forecast	<i>CAD in \$millions</i>
Receipts	\$41.3
Disbursements	
Raw material & finished goods	(23.2)
Freight and warehousing	(1.4)
Plant spend	(3.2)
Payroll	(1.2)
Selling, general and administrative	(1.2)
Capital expenditures	(0.4)
Total Operating Disbursements	(30.6)
Net Operating Cash Flow	10.7
Interest & fees	(4.6)
Professional fees	(3.8)
KEIP	(2.3)
Intercompany Transfers	(6.0)
Net Cash Flow	(\$6.0)

4.2 During the Cash Flow Period, net operating cash flows are projected to be positive \$10.7 million and net cash flows (after restructuring costs and Intercompany Transfers) are

projected to be negative \$6 million. This negative net cash flow is forecast to be funded by the DIP ABL Facility.

4.3 The Monitor notes the following with respect to the Cash Flow Forecast:

- (i) disbursements include payments in the ordinary course and on normal trade terms, including the payment of certain remaining pre-filing supplier amounts;
- (ii) Clover Leaf's borrowing base availability pursuant to the DIP ABL Facility is projected to provide sufficient liquidity during the Cash Flow Period;
- (iii) the Cash Flow Forecast includes continued payment of debt service costs on the debt owing by Clover Leaf under the Prepetition Term Loan; and
- (iv) it is projected that approximately \$6 million will be transferred by Clover Leaf to Bumble Bee U.S. as Intercompany Transfers during the Cash Flow Period. As further described in the First Report and summarized below, the Monitor understands that Intercompany Transfers made by Clover Leaf to Bumble Bee U.S. during the pendency of the Chapter 11 Proceedings have been provided super-priority administrative claim status in the Chapter 11 Proceedings.

5.0 OTHER UPDATES SINCE THE FILING DATE

Operations & Vendor Payments

5.1 Since the Filing Date, Clover Leaf has continued to operate in the normal course, including:

- (i) paying all third-party suppliers, including certain pre-filing amounts owing as at the Filing Date; and (ii) continuing to honour all customer rebate and promotional programs in the ordinary course.

5.2 As at the Filing Date, Clover Leaf owed approximately \$7 million to third-party suppliers. Since the Filing Date, Clover Leaf, with the consent of the Monitor, made approximately \$4 million in pre-filing supplier payments and intends to continue to pay the remaining amounts owing to third-party suppliers on usual trade terms.

Intercompany Balance

5.3 As described in the First Report, as part of its ordinary course operations, Clover Leaf is party to a number of Intercompany Transactions with other members of the Bumble Bee Group. These Intercompany Transactions are continuing during the CCAA Proceedings and Clover Leaf continues to receive the benefit of the essential Support Services being supplied by Bumble Bee U.S.

5.4 In the ordinary course, the Intercompany Account is reconciled on a monthly basis. As at the last month end, November 23, 2019, the Intercompany Account was in a net receivable balance for Clover Leaf of approximately \$21 million³. The Monitor will continue to monitor and report on the Intercompany Account during the CCAA Proceedings.

5.5 Pursuant to the Amended and Restated Initial Order, this Court granted the Intercompany Charge, which provides for a charge on the Property of the Applicants as security for any payments or transfers received by Clover Leaf from any other member of the Bumble Bee Group. Similarly, within the Chapter 11 Proceedings, the Monitor understands that Bumble Bee U.S. also obtained the U.S. Court's approval of a super-priority administrative claim in the Chapter 11 Proceedings, which is intended to provide each member of the Bumble

³ As reported in the First Report, as at October 26, 2019, the Intercompany Account was in a net receivable balance for Clover Leaf of approximately \$22.1 million.

Bee Group (including the Applicants) with similar protections in connection with any such payments or transfers made to one or more of the Chapter 11 Debtors during the Chapter 11 Proceedings.

Creditor Notifications

- 5.6 Pursuant to the Initial Order, the Monitor was required to: (i) without delay, publish in *The Globe and Mail* (National Edition) and the *Telegraph Journal* (New Brunswick), a notice containing the information prescribed under the CCAA; and (ii) within five days after the date of the Initial Order, (a) make the Initial Order publicly available in the manner prescribed under the CCAA; (b) send or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000; and (c) 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 thereunder.
- 5.7 A notice containing the information prescribed under the CCAA was published in both *The Globe and Mail* (National Edition) and the *Telegraph Journal* (New Brunswick) on November 27, 2019 and December 4, 2019.
- 5.8 On the Filing Date, the Monitor activated the Case Website and thereupon posted a copy of the Initial Order. On November 27, 2019, the Monitor prepared and posted to the Case Website a list showing the names and addresses of every known creditor of the Applicants with a claim of more than \$1,000, excluding the claims, names and addresses of individuals who are creditors. On November 28, 2019, a notice was mailed by the Monitor to every known creditor with a claim against the Applicants of more than \$1,000.

6.0 STALKING HORSE APA, STALKING HORSE SALES PROCESS AND BIDDING PROCEDURES

Stalking Horse APA

- 6.1 As further described in the First Report and the Third Ware Affidavit, prior to the commencement of the Restructuring Proceedings, in the period that followed Houlihan's engagement in or around December 2018, Houlihan conducted: (i) an initial, targeted sales process involving nine potentially interested parties identified as the most likely acquirors of Clover Leaf's assets and business, which concluded in July 2019 and did not result in an executable transaction (the "**First Sales Process**"); and (ii) a second, more comprehensive sales process commenced to solicit interest for the potential acquisition of Bumble Bee U.S.'s assets and business and of Clover Leaf's assets and business, either together or each on a stand-alone basis (the "**Second Sales Process**"). The Second Sales Process commenced in September 2019 pursuant to the restructuring support agreement entered into between certain members of the Bumble Bee Group and the Prepetition Term Loan Lenders dated July 10, 2019.
- 6.2 The Second Sales Process culminated in the Applicants, the Chapter 11 Debtors and Clover Leaf Seafood S.à.r.l.⁴, entering into an asset purchase agreement dated November 21, 2019 (the "**Stalking Horse APA**"), with certain affiliates of FCF Co. Ltd. ("**FCF**"). A copy of the Stalking Horse APA is attached to the Third Ware Affidavit and certain key terms are summarized below:

⁴ Clover Leaf Seafood S.à.r.l. is the direct parent of the Applicants and the Chapter 11 Debtors.

- (i) purchase price of US\$925.6 to US\$930.6 million (including US\$275 million of cash, up to US\$638.6 million of new senior secured financing (which will take the form of rolled-over term loan indebtedness) and the assumption of the US\$17 million outstanding DOJ Fine);
- (ii) FCF will acquire substantially all of the assets and businesses of both Bumble Bee U.S. and Clover Leaf and the equity interests of certain non-Canadian foreign affiliates. The Stalking Horse APA provides for the preservation of the Bumble Bee Group's business as a going concern and contemplates the assumption of substantially all of the Bumble Bee Group's employees;
- (iii) FCF will act as the stalking horse bidder in connection with a stalking horse sales process in the Chapter 11 Proceedings and the CCAA Proceedings (the "**Stalking Horse Sales Process**"); and
- (iv) in the event the Stalking Horse APA is not consummated and the Bumble Bee Group closes an alternate transaction for a higher purchase price, FCF shall receive a break-fee of US\$27.75 million (approximately 3% of the proposed purchase price) and an expense reimbursement fee of up to US\$2.5 million (collectively, the "**Termination Fee**"). The Stalking Horse APA also provides that the Termination Fee shall be payable on a joint and several basis by the sellers thereunder, including the Applicants, and requires that the Applicants seek the approval of a Court-ordered charge on the Property as security for the payment of the Termination Fee. The Monitor understands that Bumble Bee U.S. is also required to seek the approval of a corresponding super-priority administrative claim in respect of the Termination

Fee in the Chapter 11 Proceedings and that Bumble Bee U.S. will be seeking such approval at a hearing currently scheduled before the U.S. Court on December 19, 2019.

- 6.3 The Monitor understands that: (i) FCF supplies the Chapter 11 Debtors (but not Clover Leaf) with certain fish inventory pursuant to a prepetition supply agreement and, at the commencement of the Chapter 11 Proceedings, had a prepetition unsecured claim of approximately US\$51 million; and (ii) FCF also indirectly holds a passive, minority equity interest in the Applicants, given that, through its affiliates, FCF owns an approximate 23% limited partnership interest in Big Catch, which is a limited partnership that is several levels above Clover Leaf Seafood S.à.r.l. in the Bumble Bee Group's organizational structure (however, FCF does not have any designees on the boards of directors of any of the Chapter 11 Debtors, the Applicants, their direct or indirect parent entities, or any other entity in the Bumble Bee Group).

Stalking Horse Sales Process & Bidding Procedures

- 6.4 As part of the Stalking Horse Sales Process, the Bumble Bee Group and Houlihan have developed a bidding process designed to maximize the value of the Bumble Bee Group's assets and businesses through a competitive bidding and auction process (the "**Bidding Procedures**").
- 6.5 The Stalking Horse APA will act as the stalking horse bid (the "**Stalking Horse Bid**") and will be subject to better and higher offers that may be received during the Stalking Horse Sales Process. Pursuant to the Bidding Procedures, the Bumble Bee Group will consider global bids to acquire the entire Bumble Bee Group business (a "**Whole Company Bid**"),

and individual bids to acquire only the assets and business of Clover Leaf or of Bumble Bee U.S. (along with other non-Canadian international affiliates), each on a standalone basis. Individual standalone bids will not be considered a Qualified Bid (as defined below) unless a complimentary standalone bid is also submitted, such that when combined, they provide for value in excess of the Whole Company Bid Threshold (as defined below).

6.6 The Bidding Procedures are described in the Third Ware Affidavit and are attached to the proposed Bidding Procedures and Stay Extension Order. Key terms and dates include the following:

- (i) all qualified bids (a “**Qualified Bid**”) must be received by no later than January 2, 2020 at 5:00 p.m. Eastern Time (the “**Bid Deadline**”);
- (ii) a Qualified Bid must meet certain criteria as specified in the Bidding Procedures, including but not limited to: (a) it must clearly state which assets and which liabilities the bidder is proposing to acquire and assume; (b) clearly state the purchase price, which in the case of a Whole Company Bid shall be no less than approximately US\$956.85 million (being the Aggregate Acquisition Consideration (as defined in the Stalking Horse APA), plus the Termination Fee, plus US\$1 million) (the “**Whole Company Bid Threshold**”); (c) it must expressly assume the Bumble Bee Group’s prepetition collective bargaining agreements, defined benefit and defined contribution pension plans, and employment of employees; (d) include unconditional committed financing; and (e) be accompanied by a 7.5% cash deposit;

- (iii) the Bumble Bee Group, in consultation with the Consultation Parties (as defined in the Bidding Procedures), will determine which bids are Qualified Bids and notify each potential bidder by January 6, 2020 at 5:00 p.m. Eastern Time;
- (iv) if no Qualified Bids are received by the Bid Deadline, then the Auction (as defined below) will be cancelled, and the Stalking Horse APA will be designated as the Successful Bid (as defined below);
- (v) if Qualified Bids are received by the Bid Deadline, the Bumble Bee Group may conduct an auction on January 10, 2020 at 10:00 a.m. Eastern Time at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York (the “**Auction**”);
- (vi) following the Auction, the Bumble Bee Group will identify the highest or otherwise best Qualified Bid(s) (each, a “**Successful Bid**”);
- (vii) the Chapter 11 Debtors would then seek the approval of the Successful Bid from the U.S. Court and the Applicants would then seek the approval of the Successful Bid from this Court on or before January 17, 2020; and
- (viii) the Monitor is included as a Consultation Party with respect to Clover Leaf’s assets and business such that the Chapter 11 Debtors and Clover Leaf shall consult with the Monitor to the extent they are making a determination or taking any action, or in connection with any other matter related to the Bidding Procedures or at the Auction, if any, relating to Clover Leaf’s assets and business.

6.7 The Monitor considered the following in assessing the Stalking Horse APA, the Stalking Horse Sales Process and the Bidding Procedures, and in supporting the relief sought by the

Applicants pursuant to the proposed Bidding Procedures and Stay Extension Order in connection therewith:

- (i) in the Monitor's view, the Stalking Horse Sales Process and the Bidding Procedures are commercially reasonable and intended to maximize value through a potential auction process. They also provide the enhanced certainty of a going concern transaction for the business pursuant to the Stalking Horse APA should the Stalking Horse Sales Process not produce a superior result;
- (ii) the Bidding Procedures provide the opportunity to identify a bidder for the assets and business of Clover Leaf on a standalone basis (provided that a sufficient, complementary bid for Bumble Bee U.S.'s assets and business is also submitted);
- (iii) as described in the First Report and the Third Ware Affidavit, (a) the First Sales Process targeted nine potentially interested parties identified as the most likely acquirors of Clover Leaf's assets and business, but ultimately did not result in an executable transaction upon its conclusion in July 2019; and (b) the Second Sales Process, which was launched in September 2019, involved Houlihan contacting approximately 190 potentially interested parties, of which 63 parties executed non-disclosure agreements, and ultimately, resulted in the Stalking Horse APA. Since the Filing Date, Houlihan has continued to engage with these previously interested parties to advise them about the proposed Bidding Procedures and to solicit their interest in submitting a Qualified Bid;
- (iv) although the timelines included in the Stalking Horse Sales Process are condensed, the Monitor is of the view that Clover Leaf's assets and business have been

extensively and adequately marketed during the First Sales Process and the Second Sales Process, each of which was supervised by Houlihan. These previous sales processes are described herein, in Section 5 of the First Report and in the Third Ware Affidavit. Based on these previous sales processes and the additional time afforded by the Stalking Horse Sales Process, the Monitor is of the view that potential bidders have been provided sufficient time to perform diligence and prepare and submit Qualified Bids. In addition, the Monitor has discussed the Stalking Horse Sales Process with Houlihan, and the Monitor understands that Houlihan views the timelines in the Stalking Horse Sales Process as appropriate based on interactions with potential bidders;

- (v) the Chapter 11 Debtors' motion for approval of, among other things, the Bidding Procedures as part of the Chapter 11 Proceedings is scheduled to be heard by the U.S. Court on December 19, 2019 (the "**U.S. Bidding Procedures Motion**"). The Monitor understands that certain limited objections have been filed with the U.S. Court in connection with the U.S. Bidding Procedures Motion. One of the objections, filed by the Antitrust Division of the United States Department of Justice, objects to, among other things, the timing of the Bid Deadline. The Monitor further understands that the Official Committee of Unsecured Creditors, which was recently constituted, is also in the process of reviewing the U.S. Bidding Procedures Motion and the relief sought in connection therewith. As the Chapter 11 Debtors and the Applicants are seeking approval of the same Bidding Procedures, the Monitor has been advised by counsel to Clover Leaf that any changes to the Bidding Procedures in the Chapter 11 Proceedings, including with respect to dates, will also

be incorporated as part of the Bidding Procedures that this Court will be asked to approve in the CCAA Proceedings;

- (vi) the Monitor compared the Termination Fee (approximately 3% of the proposed purchase price in the Stalking Horse APA) to other stalking horse break fees approved by this Court in similar proceedings, and based on the Monitor's review, the Termination Fee appears to be reasonable in the circumstances and typical for a transaction of this size and complexity;
- (vii) to the extent that the Stalking Horse Sales Process results in a Successful Bid that is not the Stalking Horse Bid, the Monitor understands that the following will need to be determined: (a) the manner in which the payment of the Termination Fee shall be allocated as among the Applicants and Bumble Bee U.S.; and (b) the manner in which any proceeds of such Successful Bid in excess of the amount required to repay, in full, the prepetition senior secured facilities, the DIP Facilities and the Termination Fee, shall be allocated as among the Applicants and Bumble Bee U.S. The Monitor has been advised by counsel to Clover Leaf that the Monitor will be involved in any discussions and negotiations in respect of such allocations; and
- (viii) the Monitor does not believe the creditors of Clover Leaf would be materially prejudiced by the Stalking Horse APA, the Stalking Horse Sales Process or the Bidding Procedures.

7.0 EXTENSION OF THE STAY PERIOD

7.1 Pursuant to the Amended and Restated Initial Order, the Stay Period is set to expire on December 31, 2019. The Applicants are seeking an extension of the Stay Period until and including January 31, 2020.

7.2 The Monitor supports the Applicants' motion to extend the Stay Period until and including January 31, 2020, for the following reasons:

- (i) it will provide the Applicants with the ability to continue to operate in the ordinary course prior to returning to this Court to seek further relief in connection with the Stalking Horse Sales Process given that it is anticipated that the Bumble Bee Group will have determined whether it will be moving forward with the Stalking Horse Bid or another Successful Bid(s) prior to such date;
- (ii) the Applicants are projected to have sufficient liquidity through to the end of the proposed extended Stay Period; and
- (iii) the Applicants continue to act in good faith and with due diligence.

8.0 PROPOSED SECOND AMENDED AND RESTATED INITIAL ORDER

Termination Fee Charge

8.1 As described above, in connection with the Stalking Horse APA, the Applicants are seeking approval of a charge on the Property of the Applicants as security for payment of the Termination Fee pursuant to the proposed Bidding Procedures and Stay Extension Order (the "**Termination Fee Charge**").

8.2 The proposed Termination Fee Charge, if approved, will rank in priority to all other existing security interests, trusts, liens, charges and encumbrances, and claims of secured creditors (“**Encumbrances**”), but subordinate to the Pre-Filing ABL Security, the Pre-Filing Term Loan Security and all of the other Charges, except for the Intercompany Charge, pursuant to the proposed Second Amended and Restated Initial Order.

8.3 The following chart illustrates the priorities of the Charges, including the proposed Termination Fee Charge, as between them, on the ABL Priority Collateral:

Charges & Priorities (ABL Priority Collateral)		\$000's
1.	Administration Charge	1,250
2.	Directors' Charge	2,300
3.	KEIP Charge	2,600
4.	DIP ABL Lenders' Charge	<i>described in the First Report</i>
5.	Pre-Filing ABL Security	<i>described in the First Report</i>
6.	DIP Term Lenders' Charge	<i>described in the First Report</i>
7.	Pre-Filing Term Loan Security	<i>described in the First Report</i>
8.	Termination Fee Charge	<i>as described above</i>
9.	Intercompany Charge	<i>described in the First Report</i>

8.4 The following chart illustrates the priorities of the Charges, including the proposed Termination Fee Charge, as between them, on the Term Loan Priority Collateral:

Charges & Priorities (Term Loan Priority Collateral)		\$000's
1.	Administration Charge	1,250
2.	Directors' Charge	2,300
3.	KEIP Charge	2,600
4.	DIP Term Lenders' Charge	<i>described in the First Report</i>
5.	Pre-Filing Term Loan Security	<i>described in the First Report</i>
6.	DIP ABL Lenders' Charge	<i>described in the First Report</i>
7.	Pre-Filing ABL Security	<i>described in the First Report</i>
8.	Termination Fee Charge	<i>as described above</i>
9.	Intercompany Charge	<i>described in the First Report</i>

8.5 The Monitor supports providing FCF with the benefit of the proposed Termination Fee Charge in the manner described herein given the value brought to the CCAA Proceedings by the Stalking Horse APA (that is, providing the enhanced certainty of a going concern outcome for the Bumble Bee Group). The Monitor also notes that any Successful Bid that is not the Stalking Horse Bid must provide for the payment of the Termination Fee.

Priority of the Charges

8.6 As described in the Third Ware Affidavit, the Monitor understands that, following the granting of the Amended and Restated Initial Order, the DIP Term Lenders and the DIP ABL Lenders advised counsel to Clover Leaf that they required that the Amended and Restated Initial Order be further amended to provide that their respective charges rank in priority to all Encumbrances, including those Encumbrances in favour of any person that was not previously provided with notice of the commencement of the CCAA Proceedings.

8.7 The Monitor understands that the only holder of an Encumbrance over which the beneficiaries of the Charges seek to have priority is Xerox Canada Ltd. (“**Xerox**”)—the provider of two photocopy/printing machines to the Applicants (the “**Encumbered Equipment**”). The Monitor has been advised by counsel to Clover Leaf that: (i) Xerox has been given adequate notice of the motion in respect of the proposed Bidding Procedures and Stay Extension Order and the proposed Second Amended and Restated Initial Order; and (ii) the Encumbered Equipment is contemplated to be acquired by FCF and unaffected by the Stalking Horse APA.

8.8 Accordingly, the Monitor supports the amendments reflected in the proposed Second Amended and Restated Initial Order to provide that the Charges shall rank in priority to the Encumbrances in favour of any other person.

9.0 MONITOR'S ACTIVITIES TO DATE

9.1 In addition to those described above, the activities of the Monitor since the Filing Date have included the following:

- (i) assisting Clover Leaf with communications to employees, suppliers, critical service providers, customers and other parties;
- (ii) engaging in discussions with Clover Leaf and Bumble Bee U.S., as well as their respective legal counsel and financial advisors regarding the Restructuring Proceedings;
- (iii) responding to inquiries from stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the hotline number or email account established by the Monitor for the CCAA Proceedings;
- (iv) assisting Clover Leaf in implementing an appropriate accounting cut-off to ensure proper determination of pre- and post-filing obligations and liabilities;
- (v) assisting Clover Leaf in stabilizing its supply chain, including communications with vendors, transportation companies, and other logistics suppliers, with a view to minimizing disruption;

- (vi) monitoring receipts, disbursements and purchase commitments, including the review of payments made;
- (vii) posting non-confidential materials filed with this Court to the Case Website; and
- (viii) completing: (a) the general noticing required under the CCAA as described above; and (b) the statutory filings pursuant to Section 23 of the CCAA, including filing the requisite forms with the Office of the Superintendent of Bankruptcy (Canada).

10.0 MONITOR'S RECOMMENDATIONS

10.1 For the reasons set out in this Second Report, the Monitor is of the view that the relief requested by the Applicants is reasonable in the circumstances and respectfully recommends that this Court grant: (i) the proposed Bidding Procedure and Stay Extension Order; and (ii) the proposed Second Amended and Restated Initial Order, including an extension of the Stay Period until and including January 31, 2020.

All of which is respectfully submitted to this Court this 16th day of December, 2019.

**ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Monitor of Clover Leaf
Holdings Company, Connors Bros. Clover Leaf
Seafoods Company, K.C.R. Fisheries Ltd.,
6162410 Canada Limited, Connors Bros.
Holdings Company and Connors Bros. Seafoods
Company and in no other capacity**

Per:



Alan J. Hutchens
Senior Vice President

APPENDIX “A”

**FIRST REPORT OF THE MONITOR
DATED NOVEMBER 24, 2019
(without appendices)**

Court File No.: CV-19-631523-00CL

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 CLOVER LEAF HOLDINGS COMPANY, CONNORS
BROS. CLOVER LEAF SEAFOODS COMPANY, K.C.R. FISHERIES LTD.,
6162410 CANADA LIMITED, CONNORS BROS. HOLDINGS COMPANY
AND CONNORS BROS. SEAFOODS COMPANY**

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

NOVEMBER 24, 2019

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APPENDICES

Appendix “A” – Bumble Bee Group’s Legal Corporate Structure

Appendix “B” – Cash Flow Forecast for the 11-Week Period Ending February 1, 2020

Appendix “C” – Management’s Representation Letter Regarding the Cash Flow Forecast

Appendix “D” – DIP Budget

Confidential Appendix “E” – KEIP Summary

1.0 INTRODUCTION

1.1 On November 22, 2019, Clover Leaf Holdings Company (“**Clover Leaf Holdings**”), Connors Bros. Clover Leaf Seafoods Company (“**Clover Leaf Seafoods**”), K.C.R. Fisheries Ltd. (“**KCR**”), 6162410 Canada Limited (“**616**”), Connors Bros. Holdings Company (“**CBHC**”) and Connors Bros. Seafoods Company (“**CBSC**”) (together, “**Clover Leaf**”, the “**Applicants**” or the “**Company**”) sought and obtained an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). The proceedings commenced under the CCAA by the Applicants are referred to herein as the “**CCAA Proceedings**”.

1.2 Clover Leaf Holdings is an indirect wholly owned subsidiary of Bumble Bee Holdco S.C.A., an indirect wholly owned subsidiary of the ultimate corporate parent Big Catch 1 L.P. (“**Big Catch**”, and together Big Catch and its direct and indirect subsidiaries, the “**Bumble Bee Group**”).

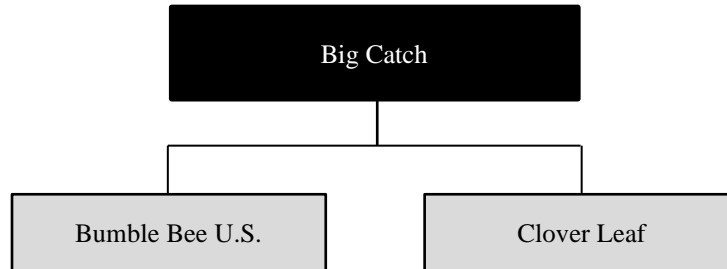
1.3 The Initial Order, among other things:

- (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants (in such capacity, the “**Monitor**”);
- (ii) authorized the Applicants to continue to utilize the Cash Management System (as defined below); and
- (iii) granted a stay of proceedings against the Applicants up to and including December 2, 2019.

- 1.4 The CCAA Proceedings were commenced as part of a larger coordinated restructuring of the Bumble Bee Group. On November 21, 2019, certain of Clover Leaf’s U.S.-based affiliates (collectively, “**Bumble Bee U.S.**” or the “**Chapter 11 Debtors**”)¹ each filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”) (the proceedings commenced by the filing of such petitions, the “**Chapter 11 Proceedings**”, and together with the CCAA Proceedings, the “**Restructuring Proceedings**”). On November 22, 2019, the U.S. Bankruptcy Court granted a number of “first day orders” in the Chapter 11 Proceedings, as further described in the Ware Affidavit (as defined below).
- 1.5 The objective of the Restructuring Proceedings is to stabilize and maintain the Bumble Bee Group’s business in order to implement the contemplated sale transaction of the Bumble Bee Group to certain affiliates of FCF Co. Ltd (collectively, “**FCF**”) or such other transaction as determined by the Stalking Horse Sales Process (as defined below). The Monitor understands that the Applicants are not seeking any relief with respect to the Sale Transaction (as defined below), the Stalking Horse APA (as defined below) or the Stalking Horse Sales Process at this time.
- 1.6 Clover Leaf Holdings is the Canadian parent company to certain of the other Applicants, being Clover Leaf Seafoods, KCR, 616 and CBSC, as well as an affiliate company of CBHC. Clover Leaf’s head office is located in Markham, Ontario.

¹ The Chapter 11 Debtors are: Bumble Bee Parent, Inc.; Bumble Bee Holdings, Inc. (“**BBH**”); Bumble Bee Foods, LLC (“**BBF**”); Anova Foods, LLC; and Bumble Bee Capital Corp. None of the Applicants are Chapter 11 Debtors.

1.7 An organizational chart showing the legal structure of the members of the Bumble Bee Group, including Clover Leaf, is attached hereto as **Appendix “A”**. A simplified version of the Bumble Bee Group’s legal structure is as follows:



1.8 The purpose of this first report of the Monitor (the “**Report**”) is to provide this Court with:

- (i) information regarding the following:
 - (a) A&M’s qualifications to act as Monitor;
 - (b) background information with respect to Clover Leaf;
 - (c) the independent opinions prepared or obtained by counsel to the Monitor on the validity and perfection of the security interests granted by Clover Leaf Holdings, Clover Leaf Seafoods, KCR and 616 to their prepetition secured lenders;
 - (d) the proposed Sale Transaction with FCF and the proposed Stalking Horse Sales Process (no approval is currently sought with respect thereto);
 - (e) the Cash Management System;

- (f) intercompany arrangements among Clover Leaf and other members of the Bumble Bee Group, and the proposed treatment of intercompany transfers during the CCAA Proceedings and the Chapter 11 Proceedings;
- (g) Clover Leaf's weekly cash flow forecast; and
- (h) the relief sought by the Applicants as part of the proposed amended and restated Initial Order (the "**Amended and Restated Initial Order**"), including with respect to:
 - (A) the proposed debtor-in-possession financing facilities;
 - (B) the proposed key employee incentive plan;
 - (C) the proposed payments during the CCAA Proceedings, including Clover Leaf's intention to continue making ordinary course payments to employees and suppliers; and
 - (D) the Court-ordered charges; and
- (ii) the Monitor's conclusions and recommendations in connection with the foregoing, as applicable.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Report, A&M, prior to or in its capacity as Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by Clover Leaf and the Bumble Bee Group (including information prepared by the Chapter 11 Debtors' restructuring advisor, AlixPartners LLC ("**Alix**")) and has held discussions with management, Alix and the Bumble Bee Group's Canadian and U.S. restructuring legal counsel (collectively, the "**Information**"). Except as otherwise described in this Report in respect of Clover Leaf's cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - (ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
- 2.2 Future oriented financial information referred to in this Report was prepared based on Clover Leaf’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 2.3 This Report should be read in conjunction with the affidavit of Mr. Gary Ware, the Vice President and Secretary of Clover Leaf Holdings and Clover Leaf Seafoods, and a director of KCR, 616, CBCH and CBSC, sworn November 24, 2019 (the “**Ware Affidavit**”), and filed in support of Clover Leaf’s motion for the Amended and Restated Initial Order, as well as the affidavit of Mr. Ware sworn November 21, 2019, filed in connection with

Clover Leaf's application for relief under the CCAA. Capitalized terms used but not defined in this Report shall have the meanings given to such terms in the Ware Affidavit.

2.4 The Monitor understands that Clover Leaf's application for protection under the CCAA was the first such application following the recent amendments to the CCAA that came into effect on November 1, 2019. The Monitor notes that this Report has been prepared taking into consideration such amendments.

2.5 Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

3.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

3.1 Alvarez & Marsal Canada ULC was engaged to act as a consultant to Clover Leaf Holdings on September 20, 2019, to, among other things, assist Clover Leaf in the consideration of strategic alternatives. A&M is an affiliate of Alvarez & Marsal Canada ULC and Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. As such, the Monitor is familiar with the business and operations of Clover Leaf, its personnel, and the key issues and stakeholders in the CCAA Proceedings.

3.2 A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) 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. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered

Insolvency and Restructuring Professionals, and Licensed Trustees in Bankruptcy, and who have acted in CCAA matters of a similar nature in Canada.

- 3.3 The Monitor has retained Osler, Hoskin & Harcourt LLP (“**Osler**”) to act as its independent legal counsel.

4.0 BACKGROUND INFORMATION

Overview

- 4.1 A more extensive background of Clover Leaf’s business and operations is set out in the Ware Affidavit. Certain key points are summarized below.
- 4.2 The Bumble Bee Group, through its subsidiaries and affiliates, including Clover Leaf, is one of North America’s leading suppliers of shelf-stable seafood, and produces and markets its products under a number of brands, including Bumble Bee, Beach Cliff, Snow’s, Brunswick and Clover Leaf. The Bumble Bee Group’s products include various canned and packaged seafoods, such as tuna, salmon, oysters, mussels, clams, shrimp, crab, lobster and sardines.
- 4.3 Clover Leaf’s operations include a substantial Canadian domestic business and an international export business. The domestic business sells products primarily to grocers, big box stores and other retailers, including Loblaws, Metro, Sobeys, Walmart and Shoppers Drug Mart. The international export business distributes products to over 40 markets and countries, including Barbados, Jamaica, Trinidad and Tobago and Guyana.
- 4.4 Clover Leaf maintains its head office in Markham, Ontario and has sales offices in Calgary, Alberta and Montreal, Quebec, as well as a network of international brokers and sales

agents. The Company also operates a 250,000 square foot fish processing facility in Blacks Harbour, New Brunswick (the “**Blacks Harbour Facility**”).

- 4.5 Clover Leaf’s business generates stable revenues and substantial positive cash flow for the Bumble Bee Group. During the fiscal year ended December 31, 2018 and year-to-date through October 26, 2019, Clover Leaf reported net revenues of \$293.7 million and \$230.2 million, respectively, and EBITDA (earnings before interest, tax, depreciation and amortization) of \$33.8 million and \$25.8 million, respectively.

Employees

- 4.6 Clover Leaf currently employs approximately 650 people in Canada, including approximately 600 in New Brunswick (primarily at the Blacks Harbour Facility), 47 in Ontario, two in Quebec and one in Alberta. As described in the Ware Affidavit, staffing levels at the Blacks Harbour Facility fluctuate during the year based on seasonality in the fishing industry.
- 4.7 Payroll for employees of Clover Leaf is processed in Canada both through a third-party payroll processor (ADP, LLC) and internally in New Brunswick, and paid through Clover Leaf’s Cash Management System.
- 4.8 As described in the Ware Affidavit, Clover Leaf’s hourly and piece work employees are represented by the Charlotte Seafood Employees Association. This employee association governs employee rights, seniority, vacations, grievance procedures and arbitration, rates of pay and hours of work.

- 4.9 Clover Leaf sponsors three registered pension plans:
- (i) two are combination defined benefit and defined contribution plans for hourly employees (the “**Hourly DBDC Plan**”) and salaried employees (the “**Salaried DBDC Plan**”)². Both plans are registered in New Brunswick; and
 - (ii) one is a defined contribution pension plan, registered in Ontario.
- 4.10 Clover Leaf also sponsors a group benefits plan which provides life insurance and long-term disability coverage, as well as extended health care and dental coverage for certain of its employees.
- 4.11 During the CCAA Proceedings, Clover Leaf intends to continue funding the three pension plans and all other employee related costs and benefits in the normal course. The Monitor understands that Clover Leaf is current in all of its funding obligations in respect of these plans and related costs.

Prepetition Secured Credit Facilities

- 4.12 The Bumble Bee Group maintains two secured credit facilities, each of which are joint facilities that include Bumble Bee U.S. and Clover Leaf entities (other than CBHC and CBSC) as borrowers and guarantors, as applicable, and each of which are cross-collateralized and cross-guaranteed. As at October 26, 2019, the Bumble Bee Group had

² As described in the Ware Affidavit, the most recent actuarial valuation estimates that: (i) as at June 30, 2019, the Salaried DBDC Plan has a going concern funding shortfall for the defined benefit portion of the plan of approximately \$208,000 and a potential wind-up deficiency of approximately \$251,000; and (ii) as at December 31, 2018, the Hourly DBDC Plan had a going concern funding excess for the defined benefit portion of the plan of approximately \$2 million and a potential wind-up excess of approximately \$1.3 million.

approximately US\$820.8 million in outstanding secured debt, of which, approximately US\$180.2 million (\$235.4 million) relate to borrowings of Clover Leaf.

<i>(USD in millions)</i>	Bumble Bee U.S.	Clover Leaf	Total Outstanding
Prepetition ABL Facility	\$134.7	\$36.9	\$171.6
Prepetition Term Loan	505.9	143.3	649.2
Total Prepetition Secured Debt Outstanding	\$640.6	\$180.2	\$820.8

4.13 Each of the credit facilities is described in detail in the Ware Affidavit. Key terms and components of the facilities include the following:

The Bumble Bee Group's Pre-Filing Secured Credit Facilities (Capitalized terms have the meaning ascribed thereto in the applicable credit agreement)	
Prepetition ABL Facility	
Agreement	<ul style="list-style-type: none"> Amended and restated credit agreement dated as of August 18, 2017 (as amended, the "Prepetition ABL Credit Agreement").
Borrowers	<ul style="list-style-type: none"> BBF (as borrower, the "U.S. Prepetition ABL Borrower"). Clover Leaf Seafoods (as borrower, the "Canadian Prepetition ABL Borrower").
Guarantors	<ul style="list-style-type: none"> Guarantors of the obligations under the Prepetition ABL Facility include the Chapter 11 Debtors and Clover Leaf Holdings, Clover Leaf Seafoods, KCR and 616 (collectively, the borrowers and the Canadian and U.S. guarantors under the Prepetition ABL Credit Agreement, the "Prepetition ABL Credit Parties").
Lender Parties	<ul style="list-style-type: none"> Wells Fargo Capital Finance, LLC, as U.S. administrative agent and collateral agent and Wells Fargo Capital Finance Corporation Canada, as Canadian administrative agent. The lenders from time to time party thereto.
Commitment & Borrowing Base	<ul style="list-style-type: none"> US\$200 million revolving facility, subject to U.S. and Canadian borrowing base calculations based on eligible accounts receivable and inventory, less certain reserves. Subject to its borrowing calculation, the Canadian Prepetition ABL Borrower is subject to a maximum draw under the Prepetition ABL Facility of US\$40 million, while the U.S. Prepetition ABL Borrower is subject to a maximum draw under the Prepetition ABL Facility of US\$160 million. Calculation of the U.S. borrowing base allows for the inclusion of prescribed excess Canadian availability (and vice versa).

	<ul style="list-style-type: none"> The Prepetition ABL Credit Agreement also provides for a U.S. L/C Sublimit of US\$10 million and a Canadian L/C Sublimit of US\$5 million, each as subject to the applicable U.S. or Canadian borrowing base.
Interest	<ul style="list-style-type: none"> U.S. prime rate or LIBOR rate for U.S. borrowings or Canadian prime rate or CDOR rate for Canadian borrowings, plus a margin of 0.25% to 2.0% depending on the type of loan and the level of excess availability, plus a 0.25% unused line fee (all rates per annum). Additional default interest of 2.0%. U.S. letters of credit bear interest at the LIBOR rate, Canadian letters of credit bear interest at the CDOR rate.
Maturity Date	<ul style="list-style-type: none"> August 18, 2022.
Security & Intercreditor Arrangements	<ul style="list-style-type: none"> The Prepetition ABL Facility is cross-collateralized and cross-guaranteed, such that (i) the U.S. Prepetition ABL Borrower and the Canadian Prepetition ABL Borrower are jointly and severally liable for each other's obligations under the Prepetition ABL Facility and their obligations are also guaranteed by the other Prepetition ABL Credit Parties, and (ii) the obligations under the Prepetition ABL Facility are secured by all present and after acquired personal property of the Prepetition ABL Credit Parties (subject to specified exceptions) (the "Pre-Filing ABL Security"). Pursuant to that certain intercreditor agreement dated as of August 15, 2017 (the "Prepetition Intercreditor Agreement"), the obligations under the Prepetition ABL Facility are secured (i) on a first-priority basis by liens on certain working capital collateral, primarily cash, accounts receivable and inventory (the "ABL Priority Collateral"), and (ii) on a second-priority basis by liens on all other assets, including equipment, intellectual property and real property (the "Term Loan Priority Collateral"), and, in either case, subject to certain excluded assets.
Prepetition Term Loan	
Agreement	<ul style="list-style-type: none"> Credit agreement dated as of August 15, 2017 (as amended, the "Prepetition Term Loan Credit Agreement").
Borrowers	<ul style="list-style-type: none"> BBH (as borrower, the "U.S. Prepetition Term Loan Borrower"). Clover Leaf Seafoods (as borrower, the "Canadian Prepetition Term Loan Borrower").
Guarantors	<ul style="list-style-type: none"> Guarantors of the obligations under the Prepetition Term Loan include the Chapter 11 Debtors and Clover Leaf Holdings, Clover Leaf Seafoods, KCR and 616 (collectively, the borrowers and Canadian and U.S. guarantors under the Prepetition Term Loan Credit Agreement, "Prepetition Term Loan Credit Parties").
Lender Parties	<ul style="list-style-type: none"> Brookfield Principal Credit, LLC, as administrative agent and collateral agent (the "Prepetition Term Loan Agent"). The lenders from time to time party thereto (the "Prepetition Term Loan Lenders").

Commitment	<ul style="list-style-type: none"> US\$650 million initial principal amount with approximately US\$143.5 million issued to the Canadian Prepetition Term Loan Borrower and approximately US\$506.5 million issued to the U.S. Prepetition Term Loan Borrower.
Interest	<ul style="list-style-type: none"> For Base Rate Loans, the Base Rate plus 7.5% payable in cash plus the PIK Applicable Margin (of 1.5%) payable in kind. Additional default interest of 2.0%.
Maturity Date	<ul style="list-style-type: none"> August 15, 2023.
Security & Intercreditor Arrangements	<ul style="list-style-type: none"> The Prepetition Term Loan is cross-collateralized and cross-guaranteed, such that (i) the U.S. Prepetition Term Loan Borrower and the Canadian Prepetition Term Loan Borrower have guaranteed each other's obligations under the Prepetition Term Loan and their obligations are also guaranteed by the other Prepetition Term Loan Credit Parties, and (ii) the obligations under the Prepetition Term Loan are secured by all present and after acquired personal property of the Prepetition Term Loan Credit Parties (subject to specified exceptions) (the "Pre-Filing Term Loan Security"). Pursuant to the Prepetition Intercreditor Agreement, the obligations under the Prepetition Term Loan are secured (i) on a first-priority basis by liens on Term Loan Priority Collateral, and (ii) on a second-priority basis by liens on ABL Priority Collateral, and, in either case, subject to certain excluded assets.
Other	<ul style="list-style-type: none"> Prepayment premium if repaid prior to April 26, 2020 of up to 5.0%.

Intercompany Transactions & Support Services

4.14 As part of its ordinary course operations, Clover Leaf is party to a number of intercompany transactions within the Bumble Bee Group, including with Bumble Bee U.S. (the "**Intercompany Transactions**"). The Monitor understands that the Intercompany Transactions consist primarily of the following:

- (i) Bumble Bee U.S. provides Clover Leaf with essential corporate functions, including procurement, treasury, legal, quality assurance, tax, insurance/risk management and information technology (collectively, "**Support Services**"), primarily from its head office in San Diego, California;

- (ii) Clover Leaf sells and purchases inventory and seafood products to and from Bumble Bee U.S. (the “**Intercompany Sales**”); and
- (iii) on a regular basis as part of Clover Leaf’s Cash Management System, cash transfers are made between Clover Leaf, Bumble Bee U.S. and their other affiliates to fund operating disbursements and to settle open balances in connection with Intercompany Transactions (the “**Intercompany Transfers**”).

4.15 The costs and fees associated with the Intercompany Transactions, including management fees, are charged through an intercompany ledger (the “**Intercompany Account**”) on a monthly basis. The value of Clover Leaf’s Intercompany Sales and Intercompany Transfers to Bumble Bee U.S. typically exceeds the value of the Support Services received by Clover Leaf from Bumble Bee U.S., resulting in a net receivable balance for Clover Leaf. This receivable balance is partially settled by Bumble Bee U.S. on an annual basis, at or around the end of the fiscal year.

4.16 The following table sets out a summary of the Intercompany Account for the year-to-date period October 26, 2019:

Intercompany Account Summary (Ten Months Ended October 26, 2019, in \$’000s)	
Opening Receivable Balance, as at January 1, 2019	\$6,236
Less: Costs for Support Services and management fees	(7,488)
Less: Inventory Purchases from Bumble Bee U.S.	(2,900)
Add: Inventory Sales to Bumble Bee U.S.	15,851
Add: Net Intercompany Settlements	10,451
Ending Receivable Balance as at October 26, 2019	\$22,150

- 4.17 As at October 26, 2019, the Intercompany Account was in a net positive position, resulting in Clover Leaf having an intercompany receivable of approximately \$22.2 million.
- 4.18 The Bumble Bee Group (including Clover Leaf) utilizes a transfer pricing policy to record the Intercompany Transactions, either on a “cost plus” or an allocation of actual costs basis. The Monitor understands that from time-to-time the Bumble Bee Group engages an independent international accounting firm to conduct a transfer pricing analysis of its Intercompany Transactions. The Monitor reviewed the latest of such reports (dated June 30, 2018) and notes that the independent accounting firm concluded the Intercompany Transactions are being recorded on a basis consistent with industry standards and arm’s-length principles.
- 4.19 The Monitor understands that the Intercompany Transactions will continue in the normal course to the extent permitted during the Restructuring Proceedings, and that Clover Leaf will continue to receive the benefit of the Support Services, which are essential to its continuing operations. The Monitor intends to monitor the Intercompany Transactions that occur during the CCAA Proceedings (discussed in greater detail below) and, if necessary, review any Intercompany Transactions that occurred prior to the commencement of the CCAA Proceedings.

Intercompany Notes

- 4.20 In addition to the Intercompany Transactions described above, from time-to-time the Bumble Bee Group establishes unsecured intercompany credit agreements, primarily for treasury and tax structuring purposes. As more particularly described in the Ware Affidavit,

certain of these intercompany credit agreements include one of the Applicants as either a borrower or a lender (collectively, the “**Intercompany Notes**”).

- 4.21 As at October 26, 2019, the Intercompany Notes to which one of the Applicants was a party include the following (including accrued interest):

Intercompany Notes Summary (as at October 26, 2019, in \$'000s)	
Intercompany Revolving Promissory Note Receivable	\$19,429
2017 Intercompany Note Receivable	168,464
2018 Intercompany Note Payable	(130,929)
Net Intercompany Note Balance	\$56,964

- 4.22 Cash settlements are periodically made and/or received by Clover Leaf in connection with the Intercompany Notes. The Monitor understands that while interest will continue to accrue in the normal course during the CCAA Proceedings, no cash receipts or disbursements will be made in connection with the Intercompany Notes.

Creditor Profile

- 4.23 Based on the Applicants’ consolidated books and records, as at October 26, 2019, amounts payable to unsecured trade creditors were approximately \$14.8 million, comprised of the following:
- (i) approximately \$11.2 million owing to third-party suppliers of fish, seafood products and finished goods. Of this balance, approximately one-third is owing to Canadian and U.S.-based suppliers, and the remaining two-thirds is owing to international suppliers; and

- (ii) approximately \$3.6 million owing to suppliers of freight, logistics, brokerage, marketing and other general services.

4.24 In addition to the amounts above, Clover Leaf has accrued approximately \$9.5 million owing to customers in connection with various customer rebates and promotional programs. Amounts owing on these customer programs are typically not settled in cash by Clover Leaf, but rather they are netted against payments received from customers on a regular basis.

4.25 As described in this Report and included in the Cash Flow Forecast (as defined below), Clover Leaf intends to continue to: (i) pay all third-party suppliers in the ordinary course and on usual trade terms, including pre-filing amounts owing as at the commencement of the CCAA Proceedings; and (ii) honour all customer rebate and promotional programs in the ordinary course.

Security Review

4.26 Osler and its local provincial agents conducted a review of the security granted by Clover Leaf in respect of the Prepetition ABL Facility and the Prepetition Term Loan and have provided to the Monitor written opinions that provide, subject to standard qualifications and assumptions customary in rendering security opinions of this nature, that the security granted by Clover Leaf in respect of the Prepetition ABL Facility and the Prepetition Term

Loan constitute valid and enforceable³ security perfected by registration in all of the Canadian provinces.

4.27 The Monitor notes that Osler issued a Quebec opinion in connection with the financing of the Prepetition ABL Facility in 2010 and an Ontario opinion in connection with the financing of the Prepetition Term Loan in 2017 with respect to the validity and perfection of the security granted thereunder. In light of this, Osler retained independent counsel to review the security granted by Clover Leaf in respect of the Prepetition ABL Facility in Quebec and the Prepetition Term Loan in Ontario. Osler advised counsel to Clover Leaf that it had issued such opinions and counsel to Clover Leaf expressed no concerns or objections to Osler's engagement by the Monitor.

5.0 EVENTS LEADING TO THE CCAA PROCEEDINGS

5.1 The Ware Affidavit describes the events leading up to the CCAA Proceedings which are summarized below:

- (i) in 2015, the United States Department of Justice (“**DOJ**”) commenced investigations against certain entities in the Bumble Bee Group in connection with potential antitrust violations based on price-fixing allegations. On May 5, 2017, BBF entered into a plea arrangement with the DOJ in which BBF entered a guilty plea and agreed to a US\$25 million criminal fine (payable over five years) (the “**DOJ Fine**”). As at the commencement of the Chapter 11 Proceedings, US\$17

³ Opinions were obtained for each of the Canadian provinces. The opinions assumed enforceability in instances where the governing law of the applicable security documents differed from the province for which an opinion was provided, as applicable.

million of the DOJ Fine remained owing by BBF. The then-CEO of the Bumble Bee Group was criminally charged by the DOJ in May 2018 for his alleged role in the alleged price-fixing;

- (ii) in addition to the DOJ investigations, BBF and other defendants have been and continue to be subject to a number of class action and civil lawsuits in connection with the price-fixing allegations (the “**U.S. Litigation**”). The DOJ Fine and U.S. Litigation has created significant strain on the business, exhausting both cash and management resources;
- (iii) certain members of the Bumble Bee Group, including Clover Leaf, are also subject to two putative class action claims that were filed in the Ontario Superior Court of Justice in October 2017 and October 2018. Each of the claims seeks damages of \$275 million, alleging various causes of action, including breach of the *Competition Act*, conspiracy to injure, conspiracy by unlawful means and unjust enrichment. The Monitor understands that these proceedings have not advanced beyond statements of claim being issued and no statements of defence have been filed;
- (iv) Bumble Bee U.S. has also recently experienced certain operational issues and a reduction in profitability due to increased prices on certain raw and finished goods due to market dynamics, most notably the ongoing U.S.-China trade dispute;
- (v) the above factors led to a decline in EBITDA resulting in the Bumble Bee Group exceeding the maximum total net leverage ratio permitted under the Prepetition

Term Loan for the quarter ended December 31, 2018 (the “**Term Loan Default**”⁴);
and

- (vi) during 2019, and primarily due to negative media reporting regarding the Bumble Bee Group’s financial difficulties, certain foreign trade vendors took steps to contract payment terms further deteriorating the Bumble Bee Group’s liquidity position.

5.2 As a result of its outstanding secured debt and the magnitude of the above financial and operational issues, the Bumble Bee Group began exploring alternatives to deleverage its balance sheet or otherwise restructure its business.

5.3 In December 2018, certain entities within the Bumble Bee Group engaged Houlihan Lokey Capital Inc. (“**Houlihan**”) to assist with a sale process for the Clover Leaf business on a stand-alone basis. This was a targeted process where Houlihan canvassed nine potentially interested parties who had been identified as the most likely acquirers of the Canadian business. During the period between April and July of 2019, certain of these parties performed extensive diligence on the business and, in late July 2019, one party submitted a final bid to acquire the Clover Leaf business. Notwithstanding the interest received during this sale process, the Bumble Bee Group determined that it would be preferable to execute a transaction for Clover Leaf after reaching a settlement of substantially all of the

⁴ The Monitor understands that the Term Loan Default was subject to a waiver from the Prepetition Term Loan Lenders that ended upon the commencement of the Chapter 11 Proceedings.

outstanding U.S. Litigation. As a result, the Bumble Bee Group concluded this sale process without executing a transaction.

5.4 In April 2019, Houlihan's mandate was expanded to assist with a financing process to explore whether additional capital could be raised or if a recapitalization of the Bumble Bee Group's balance sheet was achievable.

5.5 Given the significant amount of secured debt owed by the Bumble Bee Group, the magnitude of the potential liability in respect of the U.S. Litigation and the Term Loan Default, the Monitor understands that, around this time, the Bumble Bee Group also engaged in discussions with its prepetition secured lenders regarding a potential restructuring transaction. These discussions resulted in certain members of the Bumble Bee Group, the Prepetition Term Loan Agent and the Prepetition Term Loan Lenders entering into a restructuring support agreement on July 10, 2019 (the "**RSA**"), pursuant to which the Bumble Bee Group agreed to either: (i) reach a settlement of the U.S. Litigation and execute a recapitalization transaction through an out-of-court transaction or an in-court reorganization (i.e. through a Chapter 11 proceeding); or (ii) implement a transaction through a sale of substantially all of the Bumble Bee Group's assets pursuant to section 363 of the U.S. Bankruptcy Code.

5.6 Pursuant to the RSA, Houlihan's previous engagements were expanded and it commenced a marketing and sale process for the entire Bumble Bee Group (the "**Sale Process**"). This process contemplated selling Bumble Bee U.S. and Clover Leaf, either together or each on a stand-alone basis. An overview of the of the Sale Process is provided in the Ware Affidavit and is summarized below:

- (i) the Sale Process was launched by the Bumble Bee Group and Houlihan in September 2019;
- (ii) Houlihan contacted approximately 190 parties, comprised of approximately 66 strategic buyers and 124 financial buyers, including the parties that participated in the Clover Leaf sale process described above. Of this group, 63 parties executed non-disclosure agreements, received a confidential information memorandum and were granted access to a virtual data room;
- (iii) based on the information provided, the Monitor is of the view that the list of parties contacted by Houlihan was extensive and provided for wide market coverage in connection with identifying a going concern buyer;
- (iv) interested parties were invited to submit an indication of interest (an “**IOI**”) prior to September 30, 2019 (the “**IOI Deadline**”). On the IOI Deadline, Houlihan received an IOI from 10 parties, including two IOI’s to acquire Clover Leaf on a stand-alone basis (submitted by parties who participated in the previous Clover Leaf sale process described above, including that party who submitted a final bid);
- (v) following the IOI Deadline, parties were invited to continue their diligence and to attend management meetings with Bumble Bee U.S. and Clover Leaf and formal negotiations commenced between the Bumble Bee Group (together with Houlihan and its legal counsel) and such parties to advance forms of asset purchase agreements;

- (vi) these interested parties were then invited to submit final written proposals on or before October 30, 2019. On such date, Houlihan received written proposals from a smaller number of parties, including from one party who submitted a written proposal for Clover Leaf on a stand-alone basis; and
- (vii) following October 30, 2019, the Bumble Bee Group continued to negotiate the written proposals received and, on November 21, 2019, entered into an asset purchase agreement (the “**Stalking Horse APA**”) with the highest and best bidder, FCF, where FCF would acquire substantially all of the assets and business of both Bumble Bee U.S. and Clover Leaf (the “**Sale Transaction**”).

5.7 A copy of the Stalking Horse APA is attached to the Ware Affidavit. Certain key terms of the Stalking Horse APA are summarized below:

- (i) purchase price of US\$925.6 to US\$930.6 million (including US\$275 million of cash, up to US\$638.6 million of new senior secured financing (which will take the form of rolled-over term loan indebtedness) and the assumption of the US\$17 million outstanding DOJ Fine), subject to certain working capital adjustments;
- (ii) FCF will acquire substantially all of the assets and business of both Bumble Bee U.S. and Clover Leaf and the equity interests of certain foreign affiliates; and
- (iii) FCF will act as the stalking horse bidder in connection with the contemplated Stalking Horse Sales Process in the Chapter 11 Proceedings and the CCAA Proceedings.

5.8 The Monitor understands that the Stalking Horse APA will be subject to a stalking horse sales process (the “**Stalking Horse Sales Process**”) and that Bumble Bee U.S. and Clover Leaf intend to serve motions in the Chapter 11 Proceedings and the CCAA Proceedings, respectively, seeking approval of the Stalking Horse APA, the Sale Transaction and the Stalking Horse Sales Process. The Monitor intends to file a report in connection with such motion by Clover Leaf with this Court at the appropriate time.

5.9 The Monitor also understands that (i) FCF supplies the Chapter 11 Debtors (but not Clover Leaf) with nearly all of their albacore tuna and a substantial majority of their “light meat” tuna pursuant to a prepetition supply agreement and has a prepetition unsecured claim of approximately US\$51 million as of the commencement of the Chapter 11 Proceedings; and (ii) FCF also indirectly holds a passive, minority equity interest in the Applicants; given that, through its affiliates, FCF owns an approximately 23% limited partnership interest in Big Catch, which is a limited partnership that is three layers removed from the Applicants’ and the Chapter 11 Debtors’ direct parent company, Clover Leaf Seafood S.à.r.l. (however, FCF does not have any designees on the boards of directors of any of the Chapter 11 Debtors, the Applicants, their direct or indirect parent entities, or any other entity in the Bumble Bee Group).

6.0 DIP FACILITIES

6.1 As described in the Ware Affidavit, the Bumble Bee Group, including Clover Leaf, requires financing during the Restructuring Proceedings to provide the liquidity necessary to maintain their business as a going concern, preserve value of their assets for their

stakeholders and to implement the contemplated Sale Transaction (or such other transaction as determined by the Stalking Horse Sales Process).

6.2 In order to obtain access to such liquidity, the Bumble Bee Group negotiated the terms of the DIP ABL Facility and the DIP Term Loan (collectively, the “**DIP Facilities**”). The DIP Facilities and also the process undertaken by the Bumble Bee Group in securing the DIP Facilities are described in detail in the Ware Affidavit. Key terms and components of the DIP Facilities include the following:

The Bumble Bee Group DIP Facilities (Capitalized terms have the meaning ascribed thereto in the applicable DIP credit agreement)	
DIP ABL Facility	
Agreement	<ul style="list-style-type: none"> • Senior Secured Super-Priority Priming Debtor-in-Possession Credit Agreement substantially in the form attached to the Ware Affidavit (the “DIP ABL Credit Agreement”).
Borrowers	<ul style="list-style-type: none"> • BBF (as borrower, the “U.S. DIP ABL Borrower”). • Clover Leaf Seafoods (as borrower, the “Canadian DIP ABL Borrower”, collectively with the U.S. DIP ABL Borrower, the “DIP ABL Borrowers”). • Each DIP ABL Borrower is jointly and severally liable for all obligations under the DIP ABL Facility.
Guarantors	<ul style="list-style-type: none"> • Guarantors of the obligations under the DIP ABL Facility include the Applicants and the Chapter 11 Debtors.
Lender Parties	<ul style="list-style-type: none"> • Wells Fargo Capital Finance, LLC, as administrative agent (the “DIP ABL Agent”). • The lenders from time to time party thereto (the “DIP ABL Lenders”).
Commitment & Borrowing Base	<ul style="list-style-type: none"> • The DIP ABL Facility is a US\$200 million revolving facility, subject to a borrowing base calculation based on eligible accounts receivable and inventory, less certain reserves, for both the U.S. DIP ABL Borrower and the Canadian DIP ABL Borrower. • Subject to its borrowing calculation, the Canadian DIP ABL Borrower is subject to a maximum draw under the DIP ABL Facility of US\$40 million, while the U.S. DIP ABL Borrower is subject to a maximum draw under the DIP ABL Facility of US\$160 million. • Calculation of the U.S. borrowing base allows for the inclusion of prescribed excess Canadian availability. • The DIP ABL Credit Agreement also provides for a U.S. L/C Sublimit of US\$10 million and a Canadian L/C Sublimit of US\$5 million, each as subject to the applicable U.S. or Canadian borrowing base.

Interest	<ul style="list-style-type: none"> • Base Rate plus 3.50% for Base Rate Loans or LIBOR Rate plus 4.50% for LIBOR Rate Loans, plus 0.25% of the unused commitment (all rates per annum). • U.S. and Canadian letters of credit bear interest at 4.50% times the daily balance of the undrawn amount of all outstanding U.S. and Canadian letters of credit respectively. • Additional default interest of 2.0%.
Maturity Date	<p>The earlier of:</p> <ul style="list-style-type: none"> • May 2020; • the date of termination of revolver commitments during the continuance of an event of default under the DIP ABL Facility; • the closing date of a sale of all or substantially all of the ABL Priority Collateral pursuant to the CCAA or the U.S. Bankruptcy Code; • the effective date of a confirmed Chapter 11 or CCAA plan; • 35 days after the date of the filing of the Chapter 11 Proceedings, unless certain prescribed milestones are met in the Restructuring Proceedings, or at such later date as may be agreed by the Required Lenders; or • the date on which all obligations under the DIP ABL Facility are paid in full.
DIP Collateral	<ul style="list-style-type: none"> • To be secured by the DIP ABL Lenders' Charge (as defined below). • Pursuant to that certain intercreditor agreement entered into in connection with the DIP Facilities (the "DIP Intercreditor Agreement"), the obligations under the Prepetition ABL Facility and the DIP ABL Facility shall be secured (i) on a first-priority basis by liens on the ABL Priority Collateral, and (ii) on a second-priority basis by liens on Term Loan Priority Collateral.
DIP Term Loan	
Agreement	<ul style="list-style-type: none"> • Super-Priority Secured Debtor-in-Possession Term Loan Agreement substantially in the form attached to the Ware Affidavit (the "DIP Term Loan Credit Agreement").
Borrower	<ul style="list-style-type: none"> • BBF.
Guarantors	<ul style="list-style-type: none"> • Guarantors of the obligations under the DIP Term Loan include the Applicants and the Chapter 11 Debtors.
Lender Parties	<ul style="list-style-type: none"> • Brookfield Principal Credit LLC, as administrative agent and collateral agent (the "DIP Term Agent"). • The lenders party thereto (the "DIP Term Loan Lenders" and, collectively with the DIP ABL Lenders, the "DIP Lenders").
Commitment	<ul style="list-style-type: none"> • Borrowings under the DIP Term Loan are available to BBF in an aggregate principal amount of US\$80 million made up of an initial commitment of US\$40 million and a delayed draw term loan of US\$40 million. • No borrowings are available to the Applicants.
Interest	<ul style="list-style-type: none"> • Base Rate plus 9.50% for Base Rate Loans or Eurodollar Rate plus 10.50% for Eurodollar Rate Loans (all rates per annum). • Additional default interest of 2.0%.

Maturity Date	<p>The earlier of:</p> <ul style="list-style-type: none"> • 6 months after the initial borrowings under the DIP Term Loan are drawn; • the effective date of a Chapter 11 or CCAA plan; • the consummation of a sale of all or substantially all of the assets of the U.S. debtors or the Canadian debtors under the DIP Term Loan, under the U.S. Bankruptcy Code or the CCAA, respectively; • the date of acceleration of the loans and the termination of any unused commitments with respect to the DIP Term Loan following an event of default; or • 35 days after the date of the filing of the Chapter 11 Proceedings, unless certain prescribed milestones are met in the Restructuring Proceedings, or at such later date as may be agreed by the Required Lenders.
DIP Collateral	<ul style="list-style-type: none"> • To be secured by the DIP Term Lenders' Charge (as defined below). • Pursuant to the DIP Intercreditor Agreement, the obligations under the Prepetition Term Loan and the DIP Term Loan shall be secured (i) on a first-priority basis by liens on the Term Loan Priority Collateral, and (ii) on a second-priority basis by liens on ABL Priority Collateral.

6.3 The Monitor notes the following with respect to the DIP Facilities:

- (i) Houlihan has advised the Monitor that, (a) in light of the significant amount of existing secured debt, the Bumble Bee Group was unable to obtain acceptable debtor-in-possession financing proposals other than those reflected in the DIP Facilities, and (b) the terms of the DIP Facilities are the result of extensive negotiations as between the Bumble Bee Group, the DIP Lenders and their respective advisors and are the best that the Bumble Bee Group could negotiate in the circumstances to seek to ensure a going concern outcome for its business;
- (ii) the DIP Facilities are conditioned on the approval of this Court and the U.S. Bankruptcy Court. The Monitor understands that the U.S. Bankruptcy Court approved the principal terms of the DIP Facilities on November 22, 2019 and that an interim order authorizing the Chapter 11 Debtors to enter into the DIP Facilities will be presented to the U.S. Bankruptcy Court for entry on November 25, 2019;

- (iii) as it relates to the DIP ABL Facility,
- (a) the DIP ABL Facility is structured in virtually the same manner as the Prepetition ABL Facility, provides Clover Leaf with essentially the same borrowing availability and is not being provided by new third-party lenders from the Prepetition ABL Facility;
 - (b) the DIP ABL Facility is projected to provide Clover Leaf with sufficient liquidity during the CCAA Proceedings to allow Clover Leaf to continue to operate in the normal course and implement the contemplated Sale Transaction (or such other transaction as determined by the Stalking Horse Sales Process);
 - (c) the DIP ABL Facility requires that the DIP ABL Facility be used to immediately refinance, in full, the outstanding principal, accrued interest, and accrued fees and expenses owing in respect of the Prepetition ABL Facility; and
 - (d) the Monitor understands that counsel to the DIP ABL Lenders advised counsel to Clover Leaf that the DIP ABL Lenders will not support the Restructuring Proceedings without such immediate refinancing of the Prepetition ABL Facility, will not agree to lend on an incremental basis with the pre-filing secured obligations remaining in place for a period of time and will not agree to be “primed” by a third party DIP facility;

- (iv) as it relates to the DIP Term Loan,
 - (a) unlike the Prepetition Term Loan under which Clover Leaf Seafoods is a borrower and the Applicants (other than CBHC and CBSC) are guarantors, the Applicants have guaranteed the DIP Term Loan but none of the Applicants are borrowers thereunder; and
 - (b) the Monitor understands that counsel to the DIP Term Loan Lenders advised counsel to Clover Leaf that the DIP Term Loan Lenders will not support the Restructuring Proceedings and will not agree to lend to the Chapter 11 Debtors without being provided with such a guarantee by the Applicants, and will not agree to be “primed” by a third party DIP facility;
- (v) the DIP ABL Facility and the DIP Term Loan should not financially prejudice Clover Leaf’s employees and suppliers given that it is proposed that amounts owing to such employees and suppliers will be paid in the ordinary course, as set forth in the Ware Affidavit and discussed in greater detail herein;
- (vi) the DIP Facilities provide additional liquidity to Bumble Bee U.S. which, as the Monitor understands, is required to fund the Chapter 11 Proceedings and allow Bumble Bee U.S. to continue to operate in the normal course and implement the contemplated Sale Transaction (or such other transaction as determined by the Stalking Horse Sales Process). As noted above, without the continued support of Bumble Bee U.S. through the Support Services, Clover Leaf would not be able to continue operations in the normal course; and

(vii) the Monitor compared the pricing and other financial terms of the DIP ABL Facility to other similar DIP facilities (i.e. working capital revolving facilities) approved by the Canadian courts in other CCAA proceedings. Based on the Monitor's review, the cost of the proposed DIP ABL Facility is consistent with other similar recently approved DIP facilities. Notwithstanding that Clover Leaf is not paying interest or fees on the DIP Term Loan, the Monitor has performed a similar analysis on the DIP Term Loan and concluded that the cost of the DIP Term Loan is within the range of other recently approved DIP facilities of a similar type (i.e. term loan facilities).

6.4 As noted above, the Monitor understands that the DIP ABL Facility is being provided by the same lenders as the Prepetition ABL Facility and that it is a requirement of the DIP ABL Facility that it be used to immediately refinance, in full, all obligations owing in respect of the Prepetition ABL Facility. In the view of the Monitor, this Court should consider the following distinctive features of these CCAA Proceedings when considering whether to approve such refinancing:

(i) the DIP ABL Facility is a joint facility as between Clover Leaf and Bumble Bee U.S., and the immediate refinancing of the Prepetition ABL Facility is consistent with, as the Monitor understands, the principal terms of the DIP Facilities approved by the U.S. Bankruptcy Court on November 22, 2019, and the interim order authorizing the Chapter 11 Debtors to enter into the DIP Facilities that will be presented to the U.S. Bankruptcy Court for entry on November 25, 2019;

- (ii) the primary purpose of the Restructuring Proceedings is to implement the Sale Transaction (or such other transaction as contemplated by the Stalking Horse Sales Process) and, at this time, there is a high degree of certainty that a successful going-concern sale transaction will occur for the Bumble Bee Group, including Clover Leaf, with the contemplated Stalking Horse Sales Process underpinned by the Stalking Horse APA; and
- (iii) Clover Leaf intends to continue to pay its employees and third-party suppliers in the ordinary course, including pre-filing amounts owing, with such payments being supported by the DIP Lenders.

6.5 The Monitor further notes that, upon the occurrence of an applicable event of default and subject to the applicable documentation, the Amended and Restated Initial Order provides that:

- (i) the DIP ABL Agent and the DIP ABL Lenders may, among other things, set-off and/or consolidate any amounts owing by the DIP ABL Agent and the DIP ABL Lenders to the Applicants against the obligations of the Applicants to the DIP ABL Agent and the DIP ABL Lenders; and
- (ii) the DIP Term Agent and the DIP Term Loan Lenders may, among other things, set-off and/or consolidate any amounts owing by the DIP Term Agent and the DIP Term Loan Lenders to the Applicants against the obligations of the Applicants to the DIP Term Agent and the DIP Term Loan Lenders,

in either case, without providing prior notice to the Applicants or seeking leave of this Court. However, the Amended and Restated Initial Order does provide that the DIP ABL Agent, the DIP ABL Lenders, the DIP Term Agent and the DIP Term Loan Lenders, as applicable, must apply to the Court on five business days' prior written notice to enforce or otherwise exercise any other rights and remedies with respect to any Applicant or any of the Property (as defined in the Amended and Restated Initial Order) (other than any right or remedy to cease making advances, terminate commitments, make demand, accelerate or give other notices).

7.0 EXTENSION OF STAY OF PROCEEDINGS

7.1 Pursuant to the Amended and Restated Initial Order, the Company is seeking an extension of the initial stay of proceedings against Clover Leaf to and including December 31, 2019 (the "**Stay of Proceedings**").

7.2 The Monitor supports the requested extension of the Stay of Proceedings as it will provide Clover Leaf with the ability to continue to operate in the ordinary course prior to returning to this Court to seek further relief in connection with the contemplated Sale Transaction and the Stalking Horse Sales Process.

8.0 CASH MANAGEMENT SYSTEM

8.1 Clover Leaf's cash management system, including the collection, transfer and disbursement of funds (the "**Cash Management System**"), is administered by the Bumble Bee U.S. treasury department ("**Treasury**") at its head office in San Diego.

8.2 Clover Leaf utilizes nine bank accounts, of which, four are U.S. dollar accounts and five are Canadian dollar accounts (collectively, the “**Bank Accounts**”) held at Wells Fargo and Royal Bank (at the direction of Wells Fargo). An overview of the Bank Accounts is as follows:

- (i) two collections accounts, one Canadian dollar lockbox account and one U.S. dollar receipt account, are used to facilitate customer collections (collectively, the “**Collections Accounts**”);
- (ii) two accounts, one Canadian dollar account (the “**CAD Cash Collateral Account**”) and one U.S. dollar account (the “**USD Cash Collateral Account**”), are used to:
 - (a) receive funds from the Collections Accounts; (b) receive funds transferred electronically from customers; (c) pay down any amounts owing by Clover Leaf on the Prepetition ABL Facility; and (d) receive funds from draws from the Prepetition ABL Facility;
- (iii) two Canadian dollar disbursement accounts (the “**CAD Disbursement Accounts**”) are funded by the CAD Cash Collateral Account and issue disbursements as needed;
- (iv) one Canadian dollar payroll account is funded from the CAD Disbursement Accounts as needed to fund payroll disbursements;
- (v) one U.S. dollar operating account (the “**USD Operating Account**”) is funded by the USD Cash Collateral Account; and

(vi) one U.S. dollar disbursement account (the “**USD Disbursement Account**”) is funded by the USD Operating Account and issues disbursements as needed.

8.3 On a daily basis, Treasury, together with Clover Leaf management, review near term cash requirements, overnight and intraday cash receipts and residual account balances. Based on this review, the cash required to fund disbursements is drawn on the Prepetition ABL Facility in either Canadian or U.S. dollars and funded into the CAD Disbursement Accounts and the USD Disbursement Account, respectively, as needed. At the end of each business day, surplus balances in the CAD Cash Collateral Account and the USD Cash Collateral Account are used to pay down any amounts owing by Clover Leaf on the Prepetition ABL Facility. Any balances in excess of amounts owing by Clover Leaf on the Prepetition ABL Facility are typically advanced to Bumble Bee U.S. as an Intercompany Transfer.

8.4 The Applicants intend to continue using the existing Cash Management System during the CCAA Proceedings and received this Court’s approval to do so pursuant to the Initial Order. Given the scale and nature of the Company’s operations, the volume of transactions that are processed daily within the Cash Management System and the fact that the Applicants’ bank accounts are separate and apart from Bumble Bee U.S., the Monitor is of the view that this continued use of the existing Cash Management System is required and appropriate during the CCAA Proceedings.

8.5 As part of its monitoring procedures, the Monitor will:

(i) review receipts and disbursements processed through the Bank Accounts;

- (ii) prepare weekly receipts and disbursements summaries, compare the summaries to the corresponding cash flow forecasts and review variances with management; and
- (iii) review disbursements, as reasonably appropriate, for compliance with provisions of the Amended and Restated Initial Order.

9.0 CASH FLOW FORECAST

- 9.1 The Company has prepared a weekly cash flow forecast (the “**Cash Flow Forecast**”) for the 11-week period from November 17, 2019 to February 1, 2020 (the “**Cash Flow Period**”). A copy of the Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by section 10(2)(b) of the CCAA are attached hereto as **Appendices “B”** and **“C”**, respectively.
- 9.2 As set out in the following table, during the Cash Flow Period, operating cash flows are projected to be positive \$29.8 million and net cash flows (after restructuring costs and Intercompany Transfers) are projected to be negative \$5.7 million.

Cash Flow Forecast	<i>Millions</i>
Receipts	\$63.3
Disbursements	
Raw material & finished goods	(17.5)
Freight and warehousing	(1.9)
Plant spend	(6.6)
Payroll	(1.8)
Selling, general and administrative	(3.5)
Capital expenditures	(2.3)
Total Operating Disbursements	(33.5)
Net Operating Cash Flow	29.8
Interest & Fees	(9.6)
Professional Fees	(4.7)
KEIP	(2.3)
Intercompany Transfers	(18.9)
Net Cash Flow	(\$5.7)

9.3 As set out in the following table, Clover Leaf is forecast to require a total draw of approximately \$53.2 million under the DIP ABL Facility. As described previously in this Report, the DIP ABL Facility is intended to be used to refinance, in full, all obligations owing by Clover Leaf under the Prepetition ABL Facility.

DIP ABL Facility	<i>Millions</i>
Refinancing of Prepetition ABL Facility	(\$47.5)
Net Cash Flow (during 11-week period)	(5.7)
DIP ABL Facility, as at February 1, 2020	(\$53.2)

9.4 In addition to the above, the Monitor notes the following with respect to the Cash Flow Forecast:

- (i) disbursements include payments in the ordinary course and on normal trade terms, including the payment of all pre-filing supplier and employee amounts, in each case as reflected on Clover Leaf's books and records;
- (ii) Clover Leaf's borrowing base availability, pursuant to the DIP ABL Facility, is projected to provide sufficient liquidity during the CCAA Proceedings;
- (iii) the Cash Flow Forecast includes continued payment of debt service costs on the debt owing by Clover Leaf on the Prepetition Term Loan; and
- (iv) it is projected that approximately \$18.9 million will be sent by Clover Leaf to Bumble Bee U.S. as Intercompany Transfers during the Cash Flow Period.

9.5 The Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor under section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Company and key members of Clover Leaf's management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

9.6 Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that:

- (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or
- (iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

9.7 As part of the Restructuring Proceedings, and as required by the DIP Facilities, the Bumble Bee Group has prepared a cash flow forecast for its consolidated operations (the "**DIP Budget**"). Clover Leaf's Cash Flow Forecast makes up one component of the DIP Budget. A copy of the DIP Budget is attached hereto as **Appendix "D"**.

10.0 INTERCOMPANY ARRANGEMENTS DURING THE CCAA PROCEEDINGS

10.1 As described in the Ware Affidavit and as set out above, the Monitor understands that the Intercompany Transactions will continue in the ordinary course to the extent permitted during the Restructuring Proceedings. Consistent with past practice, it is anticipated that Clover Leaf's Intercompany Sales and Intercompany Transfers will exceed the value of the Support Services it receives. Accordingly, during the Restructuring Proceedings, it is

anticipated that the intercompany receivable owing from Bumble Bee U.S. to Clover Leaf will increase.

10.2 As part of the Amended and Restated Initial Order, the Applicants are seeking this Court's approval of the Intercompany Charge (as defined below). To the extent any member of the Bumble Bee Group, including the Applicants (an "**Intercompany Lender**"), makes any payment to, incurs any obligation on behalf of, discharges any obligation of, or transfers value to or for the benefit of (including, for greater certainty, any Intercompany Transfer), one or more of the Applicants (other than the Intercompany Lender itself, if applicable) during the CCAA Proceedings, the Amended and Restated Initial Order provides for a charge on the Property as security in the amount of such payment, obligation or transfer (the "**Intercompany Charge**").

10.3 The Monitor understands that the Chapter 11 Debtors also obtained the U.S. Bankruptcy Court's approval of a super-priority administrative claim (the "**U.S. Super-priority Administrative Claim**") in the Chapter 11 Proceedings, which is intended to provide each member of the Bumble Bee Group (including the Applicants) with similar protections in connection with any such payments, obligations or transfers (including, for greater certainty, any Intercompany Transfer) made to or incurred on behalf of, one or more of the Chapter 11 Debtors (other than of itself) during the pendency of the Chapter 11 Proceedings. As noted above, it is projected that approximately \$18.9 million will be sent by Clover Leaf to Bumble Bee U.S. as Intercompany Transfers during the Cash Flow Period.

- 10.4 The Monitor notes that the Intercompany Charge and the U.S. Super-priority Administrative Claim will be subordinate to certain other charges or liens, including those securing the DIP ABL Facility, the DIP Term Loan, the Prepetition ABL Facility and the Prepetition Term Loan.
- 10.5 In addition, the Amended and Restated Initial Order also expressly preserves the rights, defenses, claims, causes of action, and other legal entitlements of each Loan Party (as defined in the DIP ABL Credit Agreement) and each Credit Party (as defined in the DIP Term Loan Credit Agreement), and each borrower or guarantor under the Prepetition ABL Credit Agreement and the Prepetition Term Loan Credit Agreement (collectively, the “**Credit Parties**”), including any entitlement to set-off, subrogation or contribution against any other Credit Party, arising under or related to the DIP Facilities, or the debt owing under the Prepetition ABL Credit Agreement and the Prepetition Term Loan Credit Agreement; provided that, such entitlements with respect to the Applicants shall be junior to the Charges (as defined below), the Pre-Filing ABL Security and the Pre-Filing Term Loan Security, and subject to the satisfaction in full of the obligations under the DIP Facilities and under the Prepetition ABL Credit Agreement and the Prepetition Term Loan Credit Agreement. The Monitor understands that a similar preservation of rights provision was included in the principal terms of the DIP Facilities approved by the U.S. Bankruptcy Court on November 22, 2019, and will be included in the interim order authorizing the Chapter 11 Debtors to enter into the DIP Facilities that will be presented to the U.S. Bankruptcy Court for entry on November 25, 2019.

11.0 PAYMENTS DURING THE CCAA PROCEEDINGS

11.1 Clover Leaf intends to pay for goods and services supplied as contemplated in the Cash Flow Forecast. As part of the Amended and Restated Initial Order, Clover Leaf is requesting this Court's authorization to pay pre-filing amounts to suppliers and employees in the ordinary course subject to the restrictions set forth therein.

11.2 The Monitor considered the following to assess the reasonableness of the above requested relief:

- (i) as outlined in this Report, based on the results of the Sale Process and the Stalking Horse Sales Process to be conducted, the most likely outcome of the CCAA Proceedings is a going concern sale that maintains significant enterprise value and continued employment. As such, to minimize any disruption to the Clover Leaf business which could potentially impact its enterprise value and a going concern outcome, the Monitor is of the view that the payment of these pre-filing amounts is reasonable in the circumstances; and
- (ii) as described above, as at October 26, 2019, the amount owing to third-party suppliers was approximately \$14.8 million, a large portion of which is owing to international suppliers. The Monitor understands that the Chapter 11 Debtors are seeking the U.S. Bankruptcy Court's authorization to pay prepetition amounts owing to critical vendors and international suppliers in the normal course during the Chapter 11 Proceedings. Given the commonality between certain vendors of Clover Leaf and Bumble Bee U.S., the Monitor is of the view that equal treatment of suppliers in the Restructuring Proceedings is reasonable and appropriate.

Following the payment of amounts owing to critical vendors and international suppliers, the remaining pre-filing balance, if any, would be relatively de-minimis within these CCAA Proceedings.

12.0 KEY EMPLOYEE INCENTIVE PLAN

12.1 In order to facilitate and encourage the continued participation of senior and operational management and other key employees during the CCAA Proceedings, Clover Leaf is seeking approval of: (i) a key employee incentive plan (“**KEIP**”) for certain employees who are considered by the Company to be critical to the successful completion of the Sale Transaction, the Stalking Horse Sales Process and the CCAA Proceedings (the “**KEIP Participants**”); and (ii) the creation of a related charge to secure the payments anticipated to become due under the KEIP.

12.2 The KEIP is comprised of two components:

- (i) each KEIP Participant will participate in a variable pay opportunity designed and structured in a similar fashion to Clover Leaf’s historical management incentive plan. Payments under the KEIP will be based on a combination of variables, including Clover Leaf’s EBITDA results, the Bumble Bee Group’s EBITDA results, and certain operational/functional targets. The KEIP payout is based on a sliding scale of actual results compared to pre-established targets, such that the KEIP payout is adjusted either up or down based on relative performance. If each of the above targets is met, the KEIP payout would be approximately \$2.2 million paid to 60 employees. This portion of the KEIP is to be paid on the earlier of March

31, 2020 or on the closing of the Sale Transaction (or such other transaction as determined by the Stalking Horse Sales Process); and

- (ii) a smaller group of employees will also be eligible to receive incremental incentive payments following the successful completion of the Sale Transaction (or such other transaction as determined by the Stalking Horse Sales Process). These incremental incentive payments will be based on the Bumble Bee Group achieving the level of operating cash flow that is forecast in the DIP Budget. Upon the successful closing of a sale transaction, and if the operating cash flow target is met, the incremental KEIP payout would be approximately \$400,000, paid to 23 employees.

12.3 On a combined basis, if each of the targets described above are met, the total KEIP payout would be approximately \$2.6 million.⁵

12.4 Additional information regarding the KEIP is included in **Confidential Appendix “E”**.

12.5 The Monitor supports the creation of the KEIP as: (i) it will provide stability to the business and facilitate the successful completion of a sale transaction as part of the CCAA Proceedings by encouraging key employees to remain with the Company; (ii) the KEIP Participants are considered to be key to a sale transaction and their participation will assist in maximizing realizations for the benefit of stakeholders; (iii) the KEIP is supported by the DIP Lenders; and (iv) the terms of the KEIP and the quantum of the payouts are

⁵ There is the potential that the aggregate KEIP payout could be greater than \$2.6 million should actual EBITDA results and/or operating cash flow results exceed the pre-established targets described herein. However, the KEIP Charge is limited to \$2.6 million and any KEIP payout above this amount would not be secured by the KEIP Charge.

reasonable both in the circumstances and when compared to other key employee retention and incentive plans approved by this Court in the past.

13.0 COURT ORDERED CHARGES SOUGHT IN THE AMENDED AND RESTATED INITIAL ORDER

13.1 The Amended and Restated Initial Order provides for six charges (collectively, the “Charges”) on the Property, each as described below.

13.2 The priorities of the Charges, the Pre-Filing ABL Security and the Pre-Filing Term Loan Security on the ABL Priority Collateral, as between them, are proposed to be as follows:

Proposed Charges & Priorities		\$000's
1.	Administration Charge	\$1,250
2.	Directors' Charge	2,300
3.	KEIP Charge	2,600
4.	DIP ABL Lenders' Charge	<i>as described below</i>
5.	Pre-Filing ABL Security	<i>as described above</i>
6.	DIP Term Lenders' Charge	<i>as described below</i>
7.	Pre-Filing Term Loan Security	<i>as described above</i>
8.	Intercompany Charge	<i>as described below</i>

13.3 The priorities of the Charges, the Pre-Filing ABL Security and the Pre-Filing Term Loan Security on the Term Loan Priority Collateral, as between them, are proposed to be as follows:

Proposed Charges & Priorities		\$000's
1.	Administration Charge	\$1,250
2.	Directors' Charge	2,300
3.	KEIP Charge	2,600
4.	DIP Term Lenders' Charge	<i>as described below</i>
5.	Pre-Filing Term Loan Security	<i>as described above</i>
6.	DIP ABL Lenders' Charge	<i>as described below</i>
7.	Pre-Filing ABL Security	<i>as described above</i>
8.	Intercompany Charge	<i>as described below</i>

13.4 The Amended and Restated Initial Order provides that the Charges (other than the Intercompany Charge) are to rank in priority to the Pre-Filing ABL Security and the Pre-Filing Term Loan Security, as the case may be, but behind all other existing security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise in favour of any person not served with notice of the application for the CCAA Proceedings.

Administration Charge

13.5 The Amended and Restated Initial Order provides for a charge on the Property in an amount not to exceed \$1.25 million in favour of the Monitor, counsel to the Monitor and Canadian counsel to Clover Leaf (the “**Administration Charge**”).

13.6 The Monitor assisted the Company in the calculation of the Administration Charge and is of the view that it is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, potential work involved at peak times and the size of charges approved in similar sized proceedings.

Directors' Charge

- 13.7 The Amended and Restated Initial Order provides that Clover Leaf will indemnify their directors and officers against obligations and liabilities that they may incur in their capacity as directors and officers of the Applicants from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for a charge on the Property in the amount of \$2.3 million in favour of Clover Leaf's directors and officers as security for any such obligations or liabilities arising after the commencement of these CCAA Proceedings (the "**Directors' Charge**").
- 13.8 As described in the Ware Affidavit, the Bumble Bee Group holds a directors and officers insurance policy that provides coverage for certain obligations, including those of Clover Leaf. However, this policy contains certain exceptions, exclusions and carve-outs, and as a result, the policy may not provide adequate coverage to Clover Leaf's directors and officers during the CCAA Proceedings.
- 13.9 The Monitor assisted the Applicants in the calculation of the Directors' Charge, taking into consideration the amount of the Applicants' payroll, vacation pay and federal and provincial sales tax liabilities. The Monitor is of the view that the Directors' Charge is required and reasonable in the circumstances.

KEIP Charge

13.10 The Amended and Restated Initial Order provides for a charge on the Property in an amount not to exceed \$2.6 million in favour of the KEIP Participants (the “**KEIP Charge**”).

13.11 In the Monitor’s view, the terms of the proposed KEIP and the quantum of the KEIP Charge are reasonable both in the circumstances and when compared to other key employee retention and incentive plans approved by this Court in the past. The Monitor supports the granting of the KEIP Charge.

DIP ABL Lenders’ Charge

13.12 The Amended and Restated Initial Order provides for a charge on the Property as security for the outstanding obligations under the DIP ABL Facility (the “**DIP ABL Lenders’ Charge**”).

13.13 It is a condition of the DIP ABL Facility that the DIP ABL Lenders’ Charge be granted by this Court. The Monitor’s observations with respect to the DIP ABL Facility are set out in section 6.0 above.

DIP Term Lenders’ Charge

13.14 The Amended and Restated Initial Order provides for a charge on the Property as security for the outstanding obligations under the DIP Term Loan (the “**DIP Term Lenders’ Charge**”).

13.15 It is a condition of the DIP Term Loan that the DIP Term Lenders' Charge be granted by this Court. The Monitor's observations with respect to the DIP Term Loan are set out in section 6.0 above.

Intercompany Charge

13.16 As described above, the Amended and Restated Initial Order provides for the Intercompany Charge. In the Monitor's view, given the intention of the Bumble Bee Group to continue ordinary course Intercompany Transactions during the Restructuring Proceedings to the extent permitted, the Intercompany Charge is required and reasonable in the circumstances as it will serve to protect each member of the Bumble Bee Group for any payments, obligations or transfers made to or incurred on behalf of, one or more of the Applicants (other than of itself) during the pendency of the CCAA Proceedings.

13.17 As discussed above, the Monitor understands that, pursuant to the U.S. Super-priority Administrative Claim, the Chapter 11 Debtors intend to provide each member of the Bumble Bee Group (including the Applicants) with similar protections in connection with any such payments, obligations or transfers made to or incurred on behalf of, one or more of the Chapter 11 Debtors (other than of itself) during the pendency of the Chapter 11 Proceedings.

14.0 MONITOR'S RECOMMENDATION

14.1 The Monitor supports Clover Leaf's continuing under CCAA protection and utilizing the CCAA Proceedings to stabilize and maintain its business in order to implement the going-concern Sale Transaction (or such other going-concern transaction as determined by the Stalking Horse Sales Process). The Applicants have negotiated the Sale Transaction prior

to the CCAA filing to allow them to maintain continued going concern operations, maximize enterprise value and preserve ongoing employment. The Applicants have also achieved stability at the commencement of these CCAA Proceedings through the financial support of their senior secured lenders and have structured the CCAA Proceedings in a manner that minimizes its effects on their lenders, employees and suppliers to the extent possible.

All of which is respectfully submitted to this Court this 24th day of November, 2019.

**ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Monitor of Clover Leaf
Holdings Company, Connors Bros. Clover Leaf
Seafoods Company, K.C.R. Fisheries Ltd.,
6162410 Canada Limited, Connors Bros.
Holdings Company and Connors Bros. Seafoods
Company and in no other capacity**

Per:



Alan J. Hutchens
Senior Vice President

APPENDIX "B"

**CASH FLOW FORECAST FOR THE
EIGHT-WEEK PERIOD ENDING FEBRUARY 1, 2020**

Clover Leaf Holdings Company

Cash Flow Forecast

(Unaudited, in 000s CAD)

Week Ending	Notes	<i>Week 1</i> Dec 14	<i>Week 2</i> Dec 21	<i>Week 3</i> Dec 28	<i>Week 4</i> Jan 4	<i>Week 5</i> Jan 11	<i>Week 6</i> Jan 18	<i>Week 7</i> Jan 25	<i>Week 8</i> Feb 1	8 Week Total
Total Receipts	1	3,828	4,396	5,682	4,502	6,825	5,145	5,402	5,537	41,317
Disbursements										
Raw Material & Finished Goods	2	(4,278)	(2,551)	(1,623)	(1,486)	(1,869)	(3,794)	(4,212)	(3,373)	(23,186)
Freight and Warehousing	3	(174)	(174)	(174)	(170)	(170)	(170)	(170)	(170)	(1,372)
Plant Spend	4	(133)	(254)	(161)	(278)	(158)	(803)	(683)	(771)	(3,241)
Payroll	5	-	(297)	-	(297)	-	(297)	-	(297)	(1,188)
Selling, General and Administrative	6	(124)	(124)	(124)	(104)	(154)	(104)	(104)	(387)	(1,225)
Capital Expenditures	7	(50)	(50)	(50)	(60)	(60)	(60)	(60)	(60)	(450)
Total Operating Disbursements		(4,759)	(3,450)	(2,132)	(2,395)	(2,411)	(5,228)	(5,229)	(5,058)	(30,662)
Net Operating Cash Flow		(931)	946	3,551	2,107	4,414	(83)	174	479	10,656
Other Disbursements										
Interest & Fees	8	(62)	(61)	(59)	(2,114)	(59)	(59)	(59)	(2,124)	(4,597)
Restructuring Professional Fees	9	(1,276)	(391)	(585)	(7)	(885)	(3)	-	(613)	(3,760)
KEIP	10	-	-	-	-	-	-	-	(2,314)	(2,314)
Intercompany Transfers	11	-	-	(1,131)	-	(3,455)	-	-	(1,390)	(5,977)
Total Other Disbursements		(1,338)	(452)	(1,776)	(2,121)	(4,400)	(62)	(59)	(6,441)	(16,648)
Net Cash Flow		(2,269)	494	1,775	(14)	14	(145)	115	(5,962)	(5,992)
DIP ABL Facility, net of cash										
Opening Balance		(47,272)	(49,540)	(49,047)	(47,272)	(47,286)	(47,272)	(47,416)	(47,302)	(47,272)
DIP ABL (Draw)/Repayment		(2,269)	494	1,775	(14)	14	(145)	115	(5,962)	(5,992)
Ending Balance		(49,540)	(49,047)	(47,272)	(47,286)	(47,272)	(47,416)	(47,302)	(53,264)	(53,264)

Prepared by Management. To be read in conjunction with the Notes and Summary of Assumptions.

Clover Leaf Holdings Company

Cash Flow Forecast

Notes and Summary of Assumptions

Disclaimer

In preparing this cash flow forecast (the “Forecast”), Clover Leaf has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies’ Creditors Arrangement Act (“CCAA”). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Forecast is presented in thousands of Canadian dollars. Receipts and disbursements denominated in US currency have been converted into Canadian dollars at an exchange rate of C\$1.00:US\$0.75.

Assumptions

1) Receipts

Cash receipts include: (a) collections from accounts receivable, booked sales orders and additional sales forecast during the period; and (b) forecast HST refunds.

2) Raw Material & Finished Goods

Disbursements include fish, seafood and packaging forecast based on estimated production levels during the Forecast period. All pre-filing balances owing to third-party suppliers are forecast to be paid in the ordinary course. Normal trade terms are projected throughout the Forecast period.

3) Freight and Warehousing

Disbursements include costs associated with inbound/outbound freight, and warehousing costs, projected based on normal trade terms throughout the Forecast period.

4) Plant Spend

Disbursements include costs incurred at the Blacks Harbour Facility, including payroll, utilities and operating costs.

5) Payroll

Disbursements include the Company’s corporate payroll, benefits and taxes.

6) Selling, General and Administrative

Disbursements include marketing, brokerage and other operating costs.

7) Capital Expenditures

Disbursements include normal course maintenance capex, primarily at the Blacks Harbour Facility.

8) Interest and Fees

Disbursements include: (a) interest and fees relating to the DIP ABL Facility, based on Clover Leaf’s projected borrowings during the Forecast period; and (b) accrued interest relating to the pre-filing Term Loan during the post-filing period.

9) Restructuring Professional Fees

Disbursements include the Company’s Canadian legal counsel, the Monitor and its legal counsel, and Canadian legal counsel to the DIP ABL and DIP Term Loan lenders.

10) KEIP

Disbursements include estimated costs in connection with Clover Leaf’s KEIP.

11) Intercompany Transfers

During the Forecast period, Clover Leaf is projected to make certain intercompany transfers to Bumble Bee U.S. Readers are directed to the Monitor’s First Report for additional information regarding Intercompany Transfers during the CCAA Proceedings.

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

Court File No.: CV-19-631523-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CLOVER
LEAF HOLDINGS COMPANY, CONNORS BROS. CLOVER LEAF SEAFOODS COMPANY,
K.C.R. FISHERIES LTD., 6162410 CANADA LIMITED, CONNORS BROS. HOLDINGS
COMPANY AND CONNORS BROS. SEAFOODS COMPANY**

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

SECOND REPORT OF THE MONITOR
(December 16, 2019)

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