



No. S235026  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44,  
and THE BUSINESS CORPORATIONS ACT, S.B.C. 2002, c. 57,

AND

IN THE MATTER OF THE JOSEPH RICHARD HOSPITALITY GROUP LTD.  
AND THOSE PARTIES LISTED ON SCHEDULE "A"

**PETITIONERS**

**SECOND MONITOR'S REPORT**

**ERNST & YOUNG INC.**

**August 29, 2023**

## TABLE OF CONTENTS

INTRODUCTION .....	2
TERMS OF REFERENCE.....	4
CONDENSED BACKGROUND INFORMATION .....	5
ACTIVITIES SINCE THE FILING OF THE FIRST REPORT OF THE MONITOR.....	6
CASH FLOW VARIANCES OVER THE FIRST CASH FLOW FORECAST PERIOD .....	7
THE SECOND CASH FLOW FORECAST .....	9
PROPOSED DIP FACILITY .....	11
ADDITIONAL COURT ORDERED CHARGES SOUGHT BY THE PETITIONERS.....	13
CONCLUSION AND RECOMMENDATIONS.....	14

## APPENDICES

List of Petitioners	Appendix A
Second Forecast	Appendix B
DIP Term Sheet with CWB	Appendix C

## INTRODUCTION

1. On July 17, 2023 (the “**Filing Date**”), pursuant to an order (the “**Initial Order**”) granted by the Supreme Court of British Columbia (the “**Court**”), the Joseph Richard Hospitality Group Ltd. and those 38 other petitioners listed hereto at **Appendix “A”** (each a “**Petitioner**”, and collectively, the “**Petitioners**” or “**JRG**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and Ernst & Young Inc. (“**EYI**”) was appointed monitor of the Petitioners (in such capacity, the “**Monitor**”).
2. Following the issuance of the Initial Order and a temporary stay of proceedings, the Petitioners made an application to Court seeking various relief, which included request to make certain amendments to the Initial Order.
3. On July 27, 2023, this Honourable Court pronounced the following orders:
  - a) an amended and restated initial order (“**ARIO**”) which, among other things,
    - i. granted an extension to the Initial Stay of Proceedings until and including September 29, 2023;
    - ii. increased the Administration Charge to \$400,000 to secure payment of the fees and disbursements of the Petitioners’ legal counsel, the Monitor, and the Monitor’s legal counsel;
    - iii. increased the Directors’ Charge to \$1,000,000 as security for claims that may be brought against the Petitioners’ directors and officers;
    - iv. created an Intercompany Charge as security for any payment or obligation incurred between any Petitioner;
    - v. elevated the priority of the Administration Charge and the Directors’ Charge in respect of the secured creditors who did not receive notice of the initial

order hearing, but who were provided notice of the July 27, 2023 application; and

vi. added Townhall Holdings (South Surrey) Ltd., Townhall Holdings (Coquitlam) Ltd., and Micky's Investments (Coquitlam) Ltd. (together, the **"Additional Petitioners"**) as Petitioners to this proceeding.

b) a Claims Process Order approving a claims process (the **"Claims Process"**) to identify and quantify creditors' claims against the Petitioners.

#### **PURPOSE OF THIS REPORT**

4. On August 23, 2023, the Petitioners filed a Notice of Application returnable August 30, 2023 (the **"August 23 Notice of Application"**) seeking approval of this Honourable Court of a debtor-in-possession financing facility (**"DIP"**) to permit the Petitioners to pursue the objectives of the CCAA proceedings, as set out below.
5. The purpose of this Second Report is to provide this Honourable Court with:
  - a) an update on the Monitor's activities since the First Report of the Monitor, dated July 26, 2023 (the **"First Report"**);
  - b) a forecast-to-actual analysis comparing the Petitioners' forecasted cash flow statement filed in connection with the First Report (the **"First Cash Flow Forecast"**) to actual results;
  - c) the Petitioners' statement of projected cash flow (the **"Second Cash Flow Forecast"**) for the period of August 20, 2023 to October 15, 2023 (the **"Second Forecast Period"**);

- d) the Monitor's comments with respect to a proposed debtor-in-possession facility (a "**DIP Facility**") and an Interim Lender's Charge; and
  - e) the Monitor's conclusions with respect to same.
6. EYI is filing this report (the "**Second Report**") in its capacity as court-appointed Monitor of the Petitioners. Court materials filed in these proceedings, including the materials filed by the Petitioners in support of the ARIO, are available at the website established by the Monitor in respect of these proceedings at: [www.ey.com/ca/JRG](http://www.ey.com/ca/JRG) (the "**Monitor's Website**").
7. Capitalized terms not otherwise defined in this Second Report have the meanings given to them in the Initial Order, the ARIO, the First Report, or the Comeback Application and the various materials filed by the Petitioners in support thereof, including a) Affidavit #1 Mr. André Joseph Bourque sworn July 14, 2023 (the "**First Bourque Affidavit**"), b) Affidavit #2 of Mr. André Joseph Bourque sworn July 24, 2023 (the "**Second Bourque Affidavit**"), and c) Affidavit #3 of Mr. André Joseph Bourque sworn August 23, 2023.
8. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

## **TERMS OF REFERENCE**

9. In preparing this Second Report and making the comments herein, the Monitor has been provided with, and has herein relied upon, unaudited financial information, books, records and financial information prepared by the Petitioners, discussions with management of the Petitioners, and information from other third-party sources (collectively, the "**Information**").
10. Except as described in this Second Report, the Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner

that would comply with Canadian auditing standards pursuant to the Chartered Professional Accountants of Canada Handbook.

11. Future-oriented financial information referred to in this Second Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not readily and currently ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.
12. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Second Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.
13. For the purposes of this report, "**Management**" means Mr. André Bourque ("**Mr. Bourque**") and Mr. Ryan Moreno ("**Mr. Moreno**"), both founders of JRG, as well as Mr. Alfred Zagloul (the current Chief Financial Officer "**CFO**") and Mr. George Tachejian ("**Mr. Tachejian**") (Vice President).

#### **CONDENSED BACKGROUND INFORMATION**

14. The Petitioners operate a series of restaurants, pubs, liquor stores, events and hospitality businesses, and wineries in the Lower Mainland region of British Columbia. They are collectively known as the "**Joseph Richard Group**" which was founded by Mr. Bourque and Mr. Moreno in 2009. JRG is known throughout the lower mainland for their style of upscale-casual pub restaurants.
15. In particular, the First Bourque Affidavit describes that the Petitioners operate 22 establishments and ventures (the "**Hospitality Entities**"), which are primarily held in

companies owned in whole or part by Joseph Richard Investments Ltd. (“**JRIL**”) and Joseph Richard Hospitality Group Ltd. (“**Hospitality**”).

16. The list of the Hospitality Entities together with their secured creditors is provided on paragraph 23 of the First Report and is not replicated herein.
17. Additional background information on JRG and the CCAA Proceedings is available on the Monitor’s Website.

### **ACTIVITIES SINCE THE FILING OF THE FIRST REPORT OF THE MONITOR**

18. Since the First Report, the activities of the Monitor include, among other things:
  - a) monitoring the Petitioners’ operations and financial affairs;
  - b) assisting the Petitioners with the preparation of weekly forecast-to-actual variance reports (which compare actual financial performance of the Petitioners relative to prepared forecasts);
  - c) engaging extensively with the Petitioners’ management team, the Petitioners’ counsel, and its own counsel regarding all aspects of these CCAA Proceedings;
  - d) participating in preliminary discussions and shared preliminary restructuring concepts with the Petitioners’ primary secured creditor, Canadian Western Bank (“**CWB**”), regarding the CCAA proceedings and the current state of the Petitioners’ business with a view to advancing a plan of compromise or arrangement (a “**Plan**”);
  - e) participating in preliminary discussions with the Bank of Montreal (“**BMO**”) who is a secured creditor of the four operating entities described in the First Report;
  - f) established a protocol for weekly cash flow reporting with each of CWB and BMO;

- g) responding to various creditor and stakeholder inquiries; and
- h) pursuant to the terms of the Claims Process Order:
  - i. on August 8, 2023, mailed the Claims Process Instruction Letter and Proof of Claim form (together, the “**Claims Package**”) to each Creditor with a Claim as evidenced by the books and records of the Petitioners; and
  - ii. posted the Claims Package, the Claims Process Order, and a blank Notice of Dispute form to the Monitor’s Website.

#### **CASH FLOW VARIANCES OVER THE FIRST CASH FLOW FORECAST PERIOD**

- 19. The Monitor has continuously reviewed the operations and cash flows of the Petitioners since the Filing Date.
- 20. The table below summarizes the Petitioners’ actual cash receipts and disbursements as compared to the First Cash Flow Forecast for the First Cash Flow Period.



In the matter of the CCAA Proceedings of Joseph Richard Group					
Consolidated Forecast-to-Actual					Exhibit 1.0
For the Period July 17, 2023 to August 20, 2023 (the "Reporting Period")					
\$CAD					
	Notes	Forecast Period total	Actual Period total	Variance (\$) Period total	Variance (%) Period total
<b>Opening Balance</b>		<b>180,135</b>	<b>146,740</b>		
<b>Receipts</b>					
Restaurants	A	2,743,510	2,671,954	(71,556)	-3%
Other Ventures	A	806,490	1,175,202	368,712	46%
<b>Total Receipts</b>		<b>3,550,000</b>	<b>3,847,156</b>	<b>297,156</b>	<b>8%</b>
<b>Disbursements</b>					
Cost of Goods Sold - Restaurants	B	(768,185)	(960,703)	(192,518)	25%
Cost of Goods Sold - Other Ventures	B	(334,810)	(570,811)	(236,001)	70%
Labour - Restaurants	C	(1,328,979)	(830,686)	498,293	-37%
Labour - Other Ventures	C	(334,008)	(219,450)	114,558	-34%
Source Deductions	C	-	(249,824)	(249,824)	
G&A	D	(245,000)	(484,436)	(239,436)	98%
Rent		(300,000)	(304,774)	(4,774)	2%
Contingency		(75,000)	-	75,000	-100%
<b>Total Operating Disbursements</b>		<b>(3,385,982)</b>	<b>(3,620,684)</b>	<b>(234,702)</b>	<b>7%</b>
<b>Restructuring Disbursements</b>					
Professional Fees	E	(150,000)	-	150,000	-100%
Marketing Agent Fee		-	-	-	
<b>Total Restructuring Disbursements</b>		<b>(150,000)</b>	<b>-</b>	<b>150,000</b>	<b>-100%</b>
<b>Net Cash Flow</b>		<b>14,018</b>	<b>226,472</b>	<b>212,454</b>	<b>1516%</b>
<b>Closing Cash Balance</b>		<b>194,153</b>	<b>373,212</b>	<b>179,059</b>	<b>92%</b>

21. Broadly speaking, the variances noted above are attributable to either timing differences or increased costs attributable to gross revenue exceeding forecast. Regarding some of the more significant variances, the Monitor reports that:

- a) receipts were higher than anticipated as receipts are shown inclusive of GST/PST, whereas the First Report Forecast projected receipts net of GST/PST;
- b) cost of goods sold was higher than anticipated, primarily due to, a) the replenishment of inventory levels that were lower than usual prior to the Filing Date, and actual cost of goods sold includes GST/PST, whereas the First Report Cash Flow Forecast projected cost of goods sold net of GST/PST;

- c) labour and source deductions were lower than anticipated, primarily due to timing differences;
- d) G&A expense was higher than anticipated, largely due to a timing difference driven by a significant amount of mid-month payments and orders; and
- e) Professional fees were lower than anticipated, primarily due to a timing difference in the payment of invoices (further discussed below).

### **THE SECOND CASH FLOW FORECAST**

22. Management, with the assistance of the Monitor, has prepared the Second Cash Flow Forecast for the Second Forecast Period. A copy of the Second Cash Flow Forecast is attached hereto as **Appendix "B"** and is summarized below:

In the matter of the CCAA Proceedings of Joseph Richard Group		Exhibit 2.0
Cash Flow Forecast #2		
For the Period August 21, 2023 to October 15, 2023 (the "Revised Forecast Period")		
\$CAD		
		8-Week Total
<b>Opening Balance</b>		373,212
<b>Receipts</b>		
Restaurants	1	4,389,617
Other Ventures	2	1,290,384
<b>Total Receipts</b>		<b>5,680,000</b>
<b>Operating Disbursements</b>		
Cost of Goods Sold - Restaurants	3	(1,229,093)
Cost of Goods Sold - Other Ventures	3	(535,698)
Labour - Restaurants	4	(2,021,971)
Labour - Other Ventures	4	(495,342)
G&A	5	(680,000)
Rent	6	(600,000)
Contingency	7	(120,000)
<b>Total Operating Disbursements</b>		<b>(5,682,104)</b>
<b>Restructuring Disbursements</b>		
Professional Fees	8	(325,000)
<b>Total Restructuring Disbursements</b>		<b>(325,000)</b>
<b>Financing Receipts / (Disbursements)</b>		
DIP Facility - principal draw / (repayment)	9	200,000
<b>Total Financing Receipts / (Disbursements)</b>		<b>200,000</b>
<b>Net Cash Flow</b>		<b>(127,104)</b>
<b>Closing Cash Balance</b>		<b>246,108</b>

23. Based on the Monitor's view of the Second Cash Flow Forecast and the assumptions set out in the notes thereto, nothing has come to its attention that causes it to believe that, in all material respects:

- a) the probable and hypothetical assumptions set forth therein are not consistent with the purposes of the Second Cash Flow Forecast;
- b) as at the date of this Second Monitor's Report, the probable and hypothetical assumptions developed by Management are not suitably supported and consistent with the plans of the Petitioners or do not provide a reasonable basis for the Third Cash Flow Forecast; and

- c) the Second Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
24. As described in the Terms of Reference section above, since the Second Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the probable and hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Second Cash Flow Forecast will be achieved.
25. The Second Cash Flow Forecast has been prepared solely for the purposes described above and readers are cautioned that it may not be appropriate for other purposes.

#### **PROPOSED DIP FACILITY**

26. The Petitioners are seeking a DIP Facility that will allow the Petitioners to obtain credit to fund short-term cash shortages should they emerge through these CCAA Proceedings. As is noted above, the Petitioners may require funding over the next month to fund professional fee retainers and unanticipated cash shortfalls. The proposed DIP Facility is intended to be a “fallback” or “contingency” facility, akin to an overdraft facility that will allow the Petitioners to fund short term cash shortages which would be subsequently repaid once those pressures subside. For example, the Petitioners can have rent, payroll, excise taxes and a large inventory order payable in the same week which can result in a temporary “cash crunch” that reverses shortly thereafter.
27. The Monitor also notes that July and August are two of the slowest and least profitable months for JRG as its bars and restaurants are not generally located in tourist or outdoor destinations. The Petitioners’ target demographic tends to take vacations, attends concerts or other outdoor events (including home barbeques, parties and weddings) and there are fewer sporting events

(i.e. NHL, NFL) which attract people to indoor pubs and restaurants. The August BC Day and September Labour Day long weekends particularly are two of the slowest weekends of the year.

28. JRG's financial performance historically improves materially beginning in mid-September as normal domestic patterns resume and remain very strong into December with Christmas season activities. Accordingly, there are also seasonal pressures that may necessitate short-term borrowings and the Proposed DIP Facility is intended to provide the Petitioners with a fallback credit facility if required to manage through temporary seasonal challenges.
29. The Petitioners, with the assistance of the Monitor, approached CWB to secure the DIP Facility. As CWB is the primary secured creditor, they are well suited to provide interim financing.
30. CWB has submitted an Interim Financing Term Sheet, (the "**DIP Term Sheet**") which is attached hereto as **Appendix "B"**. Key features of the DIP Term Sheet include:
  - a) a maximum borrowing amount of \$500,000 (the "**Maximum Borrowing Amount**");
  - b) interest at the rate of CWB's prime lending rate plus 5% per annum calculated and paid monthly;
  - c) a structuring fee equal to 2% of the Maximum Borrowing Amount to be paid to CWB and deducted on a pro-rata basis from each advance; and
  - d) security consisting of a second-ranking charge (subordinate only to the Administration Charge, up to a maximum of \$250,000).
31. The Monitor is of the view that the DIP Term Sheet is fair and reasonable.

## **ADDITIONAL COURT ORDERED CHARGES SOUGHT BY THE PETITIONERS**

32. A condition of the DIP Term Sheet requires security for repayment by way of a court-ordered super-priority charge against all of the current and future assets, undertakings and properties of every nature and kind whatsoever of the Petitioners, in the Maximum Borrowing Amount (the “**DIP Charge**”), all accrued and unpaid interest and any unpaid fees, costs and expenses, subject only to the Administration Charge to a maximum of \$250,000.
33. The Petitioners have yet to fund retainers to the Monitor and its counsel as a result of some of the seasonal issues noted above.
34. Should this Honourable Court approve the Proposed DIP Facility, it is intended that the Petitioners will have access to sufficient funding pay these retainers as well as outstanding professional fees. The Petitioners and CWB are of the view that if these amounts are paid, the current Administrative Charge of \$400,000 will exceed what is required as the Forecasts projects that the professional fees to be secured under the Administration Charge will be paid in the ordinary course of the Petitioners’ operations from cash flow and the Petitioners are proposing to reduce the amount of the Administrative Charge by \$150,000 to \$250,000. The Petitioners’ legal counsel, the Monitor and its counsel are prepared to consent to the proposed reduction.
35. The Monitor is of the opinion that the DIP Charge is required; and is further of the opinion that \$500,000 is fair and reasonable and the Proposed DIP Facility is necessary to provide the Petitioners with the necessary contingency facility to manage through seasonal and short term pinch points. Should the Petitioners require funding in excess of \$500,000 prior to the expiry of the Stay of Proceedings, the Monitor will file a material adverse change report pursuant to Section 23(1)(d)(i) of the CCAA.

## **CONCLUSION AND RECOMMENDATIONS**

36. For the reasons stated herein, the Monitor supports the relief sought by the Petitioners as set out in the August 23 Notice of Application and recommends that this Honourable Court grant the relief sought.

All of which is respectfully submitted this 29<sup>th</sup> day of August, 2023.

### **ERNST & YOUNG INC.**

in its capacity as Monitor  
of Joseph Richard Hospitality Group  
and those Petitioners listed in Appendix "A"  
and not in its personal or corporate capacity

Per:

A handwritten signature in black ink, appearing to be 'M Bell', written over a faint horizontal line.

**Michael Bell, CPA, CA, CIRP, LIT**  
**Senior Vice President**

# **Appendix A – List of Petitioners**



**SCHEDULE "A" - LIST OF PETITIONERS**

1138279 B.C. Ltd.
1164312 B.C. Ltd.
Ad Prolem Capital Investments Ltd.
Clover 67 Private Dining Room Ltd.
Edith & Arthur Public House Ltd.
Joseph Bourque Investments Ltd.
Joseph Richard Hospitality Group Ltd.
Joseph Richard Investments Ltd
Joseph Richard IP Holdings Ltd.
Joseph Richard Management Ltd.
JRG Canteen Virtual Kitchen Ltd.
JRG Clover Station LRS Ltd.
JRG Cloverdale Holdings Ltd.
JRG Cloverdale Ventures Ltd.
JRG Foodhall (Vancouver) Ventures Ltd.
JRG Glass House Estates Winery Ltd.
JRG Ledgeview Holdings Ltd.
JRG Steveston Hotels Ltd.
JRG Systems Ltd.
JRG Whiskey Charlie Cafe, Pitt Meadows Ltd.
Livelihood Public House Ltd.
Lowercase Capital Consulting Ltd.
Monkey See Tiki Bar Ltd.
Oak & Thorne Public House Ltd.
Oceanside Yacht Club And Public House Ltd.
S & L Kitchen & Bar Holdings Abbotsford Ltd.
S & L Kitchen & Bar Holdings Langley Ltd.
S & L Kitchen & Bar Holdings South Surrey Ltd.
Steveston Hospitality Services Ltd.
Sudo Asian Kitchen Holdings (Langley) Ltd.
The Italian Osteria and Cheese Bar Ltd.
The Phat Bird Public House Ltd.
The Study Public House Ltd.
Townhall Holdings (Abbotsford) Ltd.
Townhall Holdings (Chilliwack) Ltd.
Townhall Holdings (Maple Ridge) Ltd.

Townhall Holdings Ltd.
Whiskey Charlie Holdings Ltd.

**Non-Petitioner Entities:**

Blank Canvas Catering Ltd.  
JRG Queens LRS Ventures Ltd.  
JRG Chilliwack Holdings Ltd.  
JRG Growth Ventures Ltd.  
JRG Published Holdings Ltd.  
JRG Whip Holdings Ltd.

# **Appendix B – Second Forecast**

## Cash Flow Forecast #2

For the Period August 21, 2023 to October 15, 2023 (the "Revised Forecast Period")

SCAD

	Week Ending	1 27-Aug-23	2 03-Sep-23	3 10-Sep-23	4 17-Sep-23	5 24-Sep-23	6 01-Oct-23	7 08-Oct-23	8 15-Oct-23	8-Week Total
<b>Opening Balance</b>		373,212	462,613	197,686	362,087	197,160	586,561	121,634	411,036	<b>373,212</b>
<b>Receipts</b>										
Restaurants	1	548,702	548,702	548,702	548,702	548,702	548,702	548,702	548,702	<b>4,389,617</b>
Other Ventures	2	161,298	161,298	161,298	161,298	161,298	161,298	161,298	161,298	<b>1,290,384</b>
<b>Total Receipts</b>		<b>710,000</b>	<b>710,000</b>	<b>710,000</b>	<b>710,000</b>	<b>710,000</b>	<b>710,000</b>	<b>710,000</b>	<b>710,000</b>	<b>5,680,000</b>
<b>Operating Disbursements</b>										
Cost of Goods Sold - Restaurants	3	(153,637)	(153,637)	(153,637)	(153,637)	(153,637)	(153,637)	(153,637)	(153,637)	<b>(1,229,093)</b>
Cost of Goods Sold - Other Ventures	3	(66,962)	(66,962)	(66,962)	(66,962)	(66,962)	(66,962)	(66,962)	(66,962)	<b>(535,698)</b>
Labour - Restaurants	4	(250,000)	(442,993)	-	(442,993)	-	(442,993)	-	(442,993)	<b>(2,021,971)</b>
Labour - Other Ventures	4	(50,000)	(111,336)	-	(111,336)	-	(111,336)	-	(111,336)	<b>(495,342)</b>
G&A	5	(85,000)	(85,000)	(85,000)	(85,000)	(85,000)	(85,000)	(85,000)	(85,000)	<b>(680,000)</b>
Rent	6	-	(300,000)	-	-	-	(300,000)	-	-	<b>(600,000)</b>
Contingency	7	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	<b>(120,000)</b>
<b>Total Operating Disbursements</b>		<b>(620,599)</b>	<b>(1,174,927)</b>	<b>(320,599)</b>	<b>(874,927)</b>	<b>(320,599)</b>	<b>(1,174,927)</b>	<b>(320,599)</b>	<b>(874,927)</b>	<b>(5,682,104)</b>
<b>Restructuring Disbursements</b>										
Professional Fees	8	-	-	(225,000)	-	-	-	(100,000)	-	<b>(325,000)</b>
<b>Total Restructuring Disbursements</b>		<b>-</b>	<b>-</b>	<b>(225,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>-</b>	<b>(325,000)</b>
<b>Financing Receipts / (Disbursements)</b>										
DIP Facility - principal draw / (repayment)	9	-	200,000	-	-	-	-	-	-	<b>200,000</b>
<b>Total Financing Receipts / (Disbursements)</b>		<b>-</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>
<b>Net Cash Flow</b>		<b>89,401</b>	<b>(264,927)</b>	<b>164,401</b>	<b>(164,927)</b>	<b>389,401</b>	<b>(464,927)</b>	<b>289,401</b>	<b>(164,927)</b>	<b>(127,104)</b>
<b>Closing Cash Balance</b>		<b>462,613</b>	<b>197,686</b>	<b>362,087</b>	<b>197,160</b>	<b>586,561</b>	<b>121,634</b>	<b>411,036</b>	<b>246,108</b>	<b>246,108</b>

## Notes:

- 1 Restaurants includes Joseph Richard Group restaurants and the Ledgerview Golf Course.
- 2 Other Ventures includes hotel operations, liquor stores, winery operations, and Black Canvas Catering.
- 3 Cost of Goods Sold primarily consists of food and beverage costs.
- 4 Labour consists of all Joseph Richard Group salaries and wages, including insurance and benefits.
- 5 G&A consists of administrative and operational costs.
- 6 Rent consists of operating location rent and lease payments.
- 7 The Cash Flow Forecast incorporates a contingency in the amount of \$15K per week to account for unascertained expenditures or lower receipts during the 8-week forecast period.
- 8 Professional Fees are estimates of the cost of the Proposed Monitor, the Proposed Monitor's Counsel, and the Debtor Companies Counsel.
- 9 It is anticipated that the Petitioners will draw on the Proposed DIP Facility in order to fund operations.

# **Appendix C – DIP Term Sheet**

**INTERIM FINANCING TERM SHEET**

- Borrower:** THE JOSEPH RICHARD HOSPITALITY GROUP LTD. and those entities enumerated in Schedule "A" hereto (collectively, the "Borrower").
- Lender:** CANADIAN WESTERN BANK (the "Lender") or its assignees.
- Principal Amount:** Up to \$500,000 CAD (the "Loan"), or such greater amount as the Lender may agree.
- Drawdown:** The Loan may be drawn in multiple advances in minimum increments of \$100,000 CAD. Advances will require the receipt of a drawdown request in form and substance satisfactory to the Lender, and shall be made in accordance with the conditions precedent and other terms to be set out in the Loan Agreement (as defined herein).
- Instrument:** Debtor in possession loan, in the form of a non-revolving facility, subject to a satisfactory order of the court (the "Order") in the *Companies' Creditors Arrangement Act* proceedings commenced in British Columbia Supreme Court Action No. S235026 (the "CCA Proceedings") involving the Borrower, approving the Loan and granting the Lender a super-priority charge (the "DIP Charge") over all of the Borrower's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "Property"), which DIP Charge shall be in form and substance acceptable to the Lender in its sole discretion.
- Use of Proceeds:** To provide working capital for the Borrower, including to pay legal and administrative fees in connection with the CCA Proceedings, all in accordance with the Borrower's cashflow forecast, which must be approved by the Lender in advance, in its sole discretion.
- Maturity:** The Loan, including any outstanding principal, interest and fees, shall become fully due and payable on the earliest of the occurrence of any of the following (such earliest date being the "Maturity Date"): (i) the date on which the Lender demands repayment after the occurrence of an event of default; (ii) the implementation of a plan of arrangement and compromise within the CCA Proceedings, which has been approved by the requisite majorities of the Borrower's respective creditors, by an order made by the Court; (iii) the sale of all or substantially all of the assets of the Borrower; (iv) the termination of the CCA Proceedings; (v) the complete or partial lifting of stay of proceedings in the CCA Proceedings; and (iv) December 31, 2023, or such other later date as may be communicated in writing by the Lender at its sole and unfettered discretion.
- Events of Default:** The Loan Agreement and other definitive documents will provide for customary events of default, including, without limitation, the following:
1. If the Order has been vacated, stayed or otherwise caused to be ineffective or is otherwise amended in a manner not approved by the Lender, in its sole discretion; and
  2. Any steps are taken by the Borrower or any other person to challenge the Order or the validity, enforceability or priority of the DIP Charge in favour of the Lender.
- Interest:** The Loan shall bear interest at the Lender's prime lending rate of interest plus 5% per annum calculated and paid monthly.

If an event of default occurs and is not cured within 30 days, “default interest” on the outstanding principal amount of the Loan shall accrue at the Lender’s prime lending rate of interest plus 10% per annum from the date of the event of default.

- Expenses:** The Lender shall be reimbursed by the Borrower for its legal costs associated with the Loan; provided, however, that such legal costs shall be the incremental increase in the Lender’s costs in respect of the Loan only, and payment of any legal costs related to the evaluation and protection of the Lender’s rights or position with respect to any pre-filing facilities between the Lender and entities within the Borrower shall be governed by the loan documents governing such facilities. A deposit of \$10,000 CAD (the “**Deposit**”) shall be deducted from the 1<sup>st</sup> advance under the Loan and will be applied to the Lender’s costs. Any amount of the Deposit that is unused, will be reimbursed to the Borrower. Costs in excess of the Deposit shall be immediately paid by the Borrower to the Lender.
- Structuring Fee:** A Structuring Fee equal to 2% of the Loan will be paid to the Lender and will be deducted on a pro-rata basis from each advance.
- Pre-Payment:** The Borrower may pre-pay the Loan, in full, at any time.
- Security:**
1. Loan Agreement and other definitive documents;
  2. DIP Charge covering all the Property. Unless ordered by the Court or otherwise agreed to in writing by the Lender, all other court-ordered charges, with the exception of any administration charge granted in favour of the Borrower’s counsel, the court-appointed monitor and counsel to the monitor, up to a maximum of \$250,000 (the “**Administration Charge**”), shall be subordinated to the Loan; and
  3. Such other certificates, opinions, documents, agreements or instruments that the Lender may reasonably require.
- Covenants:** The covenants associated with the Loan shall include, but are not limited to, the following:
1. Comply with the provisions of any court orders made in or in connection with the CCAA Proceedings;
  2. Provide cashflow forecasts and variance analysis;
  3. Conduct all activities in accordance with the Borrower's cashflow forecast, as approved by the Lender;
  4. The Borrower shall disclose any material deviations between actual and forecast cashflow to the Lender as soon as the Borrower becomes aware of same, and shall provide updated cashflow forecasts on a weekly basis, which forecasts shall not project borrowing requirements greater than the availability under the Loan unless previously agreed with the Lender;
  5. Provide the Lender with drafts of all court materials to be filed in the CCAA Proceedings in advance of service, which shall be acceptable to the Lender acting reasonably;
  6. Keep the Lender informed of the Borrower's activities and consult the Lender for important decisions that could affect its position, provided that the Borrower shall not be required to follow any instructions in this regard;
  7. Keep all post-filing payroll, taxes and all other similar obligations current; and
  8. The Borrower shall not permit any further encumbrance of the Property absent a court order, which in all cases shall rank subordinate to the DIP Charge unless otherwise agreed to in writing by the Lender.

**Reporting:** The Borrower will provide the Lender with a loan compliance package in a form acceptable to the Lender, acting reasonably, within 20 business days after the end of each calendar month commencing the month after the Closing Date.

**Precedent Conditions:** In addition to the matters described elsewhere in this Interim Financing Term Sheet the completion of the transaction and each drawdown of the Loan will be subject to the following conditions:

1. Negotiation and execution of the Loan Agreement and other definitive documents in respect of the Loan;
2. Court approval of the Loan and issuance of the Order, in form and substance satisfactory to the Lender in its sole discretion, which Order shall, among other things, grant the DIP Charge in favour of the Lender, which DIP Charge shall rank in priority to all liens and encumbrances, including any court-approved charges over the Property, other than the Administration Charge;
3. Pay all legal fees and expenses related to the Loan pursuant to the Expenses provision hereof and any definitive documents; and
4. Compliance with such Debt Covenants and Compliance Reporting as are usual and standard for comparable credit facilities and which shall be set out in the definitive documents.

**Representations and Warranties:** The Borrower hereby represents and warrants to the Lender, upon which the Lender relies in entering into this Interim Financing Term Sheet and the other facility documents, including the Loan Agreement, and subject to the Order, that:

1. the transactions contemplated by this Interim Financing Term Sheet and the other facility documents, including the Loan Agreement,
  - (a) are within the powers of the Borrower;
  - (b) have been duly authorized by all necessary corporate approval;
  - (c) have been duly executed and delivered by or on behalf of the Borrower;
  - (d) upon the granting of the Order, constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms;
  - (e) upon the granting of the Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority
  - (f) will not violate the charter documents or by-laws of the Borrower or any applicable law relating to the Borrower;
2. the business operations of the Borrower have been and will continue to be conducted in material compliance with all laws of each jurisdiction in which business has been or is carried on;
3. other than as disclosed to the Lender and in the court materials filed in the CCAA Proceedings, the Borrower has taken all steps within its control to obtain and maintain all licenses and permits, if any, required for the operation of its business which licenses and permits remain in full force and effect and no proceedings have been commenced or threatened to revoke or amend any such licenses or permits;
4. the Borrower does not maintain a pension plan;
5. other than as disclosed to the Lender and in the court materials filed in the CCAA Proceedings, the Borrower maintains and shall continue to maintain adequate insurance coverage, of such type, in such amounts and against such risks as is prudent for a business of its nature with reputable insurers and contain coverage and scope acceptable to the Lender;
6. other than as stayed pursuant to the provisions of the CCAA, the Borrower is not aware of any now pending or, to the knowledge of any of the senior officers or directors of the



- Borrower, threatened against the Borrower, nor has the Borrower received notice in respect of, any claim, potential claim, litigation, action, suit, arbitration or other proceeding by or before any court, tribunal, governmental entity or regulatory body, which would be reasonably likely to result in, individually or in the aggregate, a material adverse change; and
7. no Default or Event of Default has occurred and is continuing.

- Loan Agreement and Closing Documents:** This Interim Financing Term Sheet is intended to address only the principal terms of this debt financing subject to the completion of a definitive loan agreement (“**Loan Agreement**”) and other closing documents which may include additional terms, positive and negative covenants, representations and warranties and remedies which are conventional for a transaction of this nature.
- No Brokers:** The Borrower represents and warrants that no commissions or other payments shall be due to any broker, consultant or any other third party in connection with the Loan.
- Exclusivity:** The Borrower agrees that upon execution by the Borrower and delivery to the Lender of this Interim Financing Term Sheet the Borrower shall cease discussions with all third-party lenders concerning arranging funding for the Borrower. This period of exclusivity shall continue until a Loan Agreement is executed by the parties or until the parties mutually agree that a Loan Agreement will not be executed. The parties agree that following full execution of this Interim Financing Term Sheet each party shall work in good faith towards executing a Loan Agreement and all related documents.
- Further Assurances:** The Borrower will, at its expense, do, execute, acknowledge and deliver or will cause to be done, executed, acknowledged and delivered all and every such further and other acts, agreements, instruments, registrations, filings and assurances as the Lender may require for the purpose of giving effect to this Interim Financing Term Sheet.
- Governing Law:** This Interim Financing Term Sheet and all related agreements shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.
- Approval:** The Loan is subject to obtaining the Order in the CCAA Proceedings, which shall be sought by the Borrower at no expense to the Lender. If the Order is not obtained, or the Loan Agreement and other definitive documents are not executed, then neither the Borrower nor the Lender shall have any further obligation with respect to the Loan, other than the Borrower’s obligation to reimburse the Lender for its legal and due diligence costs associated with the Loan in excess of the amount of the Deposit which shall continue notwithstanding the Order was not obtained.
- Indemnity** The Borrower agrees to indemnify and hold harmless, the Lender and its affiliates and officers, directors, employees, representatives, advisors, consultants, solicitors, agents and affiliates (collectively, the “**Indemnified Persons**”) from and against any and all actions, lawsuits, proceedings (including any investigations or inquires), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or asserted against any of the Indemnified Persons as a result of, in connection with, or in any way related to credit having been extended, suspended or lawfully terminated under this Interim Financing Term Sheet or the Loan Agreement, the proposed or actual use of proceeds of the Loan, the CCAA Proceedings, any bankruptcy or insolvency proceedings, and upon demand, to pay and reimburse any Indemnified Person for any reasonable and documented legal or other reasonable and documented out-of-pocket fees and expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including,

without limitation, any inquiry or investigation) or claim (whether or not such Indemnified Person is a party to such action or proceeding out of which such expenses arise). Notwithstanding the foregoing, the Borrower shall have no obligation to indemnify any Indemnified Person against any such loss, liability cost or expense: (i) to the extent they are found by a final judgment of a court of competent jurisdiction to arise from the gross negligence, bad faith or willful misconduct of such Indemnified Person or (ii) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the Borrower. The Lender shall not be responsible or liable to the Borrower or any other person for consequential or punitive damages and the Borrower shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Paragraph if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor.

The undersigned have executed this Term Sheet as of August 29, 2023.

**CANADIAN WESTERN BANK**

**THE JOSEPH RICHARD HOSPITALITY GROUP LTD.**



\_\_\_\_\_  
 Rod Randall, AVP, Special Asset  
 Management Unit

\_\_\_\_\_  
 Name:

Date:



\_\_\_\_\_  
 Dean Chan, VP, Special Asset  
 Management Unit

without limitation, any inquiry or investigation) or claim (whether or not such Indemnified Person is a party to such action or proceeding out of which such expenses arise). Notwithstanding the foregoing, the Borrower shall have no obligation to indemnify any Indemnified Person against any such loss, liability cost or expense: (i) to the extent they are found by a final judgment of a court of competent jurisdiction to arise from the gross negligence, bad faith or willful misconduct of such Indemnified Person or (ii) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the Borrower. The Lender shall not be responsible or liable to the Borrower or any other person for consequential or punitive damages and the Borrower shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages. Each of the Indemnified Persons undertakes to repay any and all costs paid to such Indemnified Person in accordance with this Paragraph if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor.

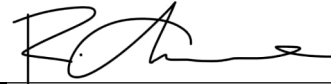
The undersigned have executed this Term Sheet as of \_\_\_\_\_, 2023.

**CANADIAN WESTERN BANK**

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Rod Randall, AVP, Special Asset  
Management Unit

**THE JOSEPH RICHARD HOSPITALITY GROUP  
LTD.**




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Name: Ryan Richard Moreno

Date: August 29, 2023

**Schedule “A”  
List of Petitioners**

1138279 B.C. Ltd.
1164312 B.C. Ltd.
Ad Prolem Capital Investments Ltd.
Clover 67 Private Dining Room Ltd.
Edith & Arthur Public House Ltd.
Joseph Bourque Investments Ltd.
Joseph Richard Hospitality Group Ltd.
Joseph Richard Investments Ltd
Joseph Richard IP Holdings Ltd.
Joseph Richard Management Ltd.
JRG Canteen Virtual Kitchen Ltd.
JRG Clover Station LRS Ltd.
JRG Cloverdale Holdings Ltd.
JRG Cloverdale Ventures Ltd.
JRG Foodhall (Vancouver) Ventures Ltd.
JRG Glass House Estates Winery Ltd.
JRG Ledgeview Holdings Ltd.
JRG Steveston Hotels Ltd.
JRG Systems Ltd.
JRG Whiskey Charlie Cafe, Pitt Meadows Ltd.
Livelyhood Public House Ltd.
Lowercase Capital Consulting Ltd.
Micky's Investments (Coquitlam) Ltd.
Monkey See Tiki Bar Ltd.
Oak & Thorne Public House Ltd.
Oceanside Yacht Club And Public House Ltd.
S & L Kitchen & Bar Holdings Abbotsford Ltd.
S & L Kitchen & Bar Holdings Langley Ltd.
S & L Kitchen & Bar Holdings South Surrey Ltd.
Steveston Hospitality Services Ltd.
Sudo Asian Kitchen Holdings (Langley) Ltd.
The Italian Osteria and Cheese Bar Ltd.
The Phat Bird Public House Ltd.
The Study Public House Ltd.
Townhall Holdings (Abbotsford) Ltd.
Townhall Holdings (Chilliwack) Ltd.
Townhall Holdings (Coquitlam) Ltd.
Townhall Holdings (Maple Ridge) Ltd.
Townhall Holdings (South Surrey) Ltd.
Townhall Holdings Ltd.

Whiskey Charlie Holdings Ltd.

**Non-Petitioner Entities:**

Blank Canvas Catering Ltd.  
JRG Queens LRS Ventures Ltd.  
JRG Chilliwack Holdings Ltd.  
JRG Growth Ventures Ltd.  
JRG Published Holdings Ltd.  
JRG Whip Holdings Ltd.