

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

HSBC BANK CANADA

Applicant

- and -

ELLEN'S FOOD GROUP INC.

Respondent

**SECOND SUPPLEMENTARY AFFIDAVIT
OF JOHN BORCH**

June 6, 2011

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Lawyers for HSBC Bank Canada

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I N D E X

Tab	Document
1	Affidavit of John Borch, sworn June 6, 2011
A	Forbearance Agreement dated April 29, 2011
B	Endorsement of the Honourable Mr. Justice Campbell dated May 6, 2011
C	Email correspondence between Mr. Nunes and the senior business manager dated May 9, 2011
D	Letter from Ms. Habas to Mr. Nunes dated May 27, 2011
E	Email correspondence between Mr. Nunes and Ms. Habas dated May 30, 2011 and May 31, 2011

TAB 1

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

B E T W E E N:

HSBC BANK CANADA

Applicant

- and -

ELLEN'S FOOD GROUP INC.

Respondent

**SECOND SUPPLEMENTARY AFFIDAVIT OF JOHN BORCH
(Sworn June 6, 2011)**

I, **JOHN BORCH**, of the City of Markham, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am an Assistant Vice-President in the Special Credit Department of HSBC Bank Canada (the "Bank") and, as such, I have knowledge of the matters deposed to herein. Unless I indicate to the contrary, the facts herein are within my own personal knowledge and are true to the best of my knowledge. Where I have indicated that I have obtained information from other sources, I verily believe those facts to be true.

2. This Affidavit is supplementary to the Affidavits I swore on December 20, 2010 (the "December Affidavit") and May 5, 2011 (the "May Affidavit") in support of the application brought by the Bank for an Order appointing Deloitte & Touche Inc. ("Deloitte") as the Receiver of the property, assets and undertaking of Ellen's Food Group Inc. (the "Company") as set out in

the Notice of Application dated December 20, 2010. All capitalized terms used herein but not otherwise defined shall be as defined in the December Affidavit and the May Affidavit.

3. I am advised by Danny Nunes, an associate with the Bank's counsel, Thornton Grout Finnigan LLP ("TGF"), that late in the afternoon on May 5, 2011, he was contacted by Ellen Pun, the Company's principal, regarding the Revised Final Forbearance Agreement. The deadline for delivery of the executed Revised Final Forbearance Agreement and the forbearance fee had been extended from 5:00 p.m. on May 2, 2011 to 5:00 p.m. on May 5, 2011 (the "Delivery Deadline").

4. Due to the late hour, the forbearance fee could not be paid prior to the Delivery Deadline. Ms. Pun was advised that if the executed Revised Final Forbearance Agreement and the forbearance fee were delivered prior to the return of the Bank's application at 9:30 a.m. on May 6, 2011, the Bank would not proceed with the application.

5. I am advised by Mr. Nunes that just prior to the return of the Bank's application on May 6, 2011, the executed Final Forbearance Agreement and the forbearance fee were delivered. As such, the Bank did not proceed with its application to appoint Deloitte as the Receiver at that time. Attached hereto and marked as Exhibits "A" and "B" are true copies of the executed Final Forbearance Agreement and the endorsement of the Honourable Mr. Justice Campbell dated May 6, 2011 adjourning the Bank's application, respectively.

6. I am advised by Mr. Nunes that on May 9, 2011 he exchanged email correspondence with a senior business manager with another financial institution regarding the Alternate Facility which was to be made available to the Company on or before May 27, 2011, the forbearance deadline in the Revised Final Forbearance Agreement (the "Final Forbearance Deadline"). The

Alternate Facility was to be used to partially repay the Company's indebtedness to the Bank. Attached hereto and marked as Exhibit "C" is a true copy of the email correspondence between Mr. Nunes and the senior business manager dated May 9, 2011.

7. The Final Forbearance Deadline passed without repayment, in full, of the Company's indebtedness to the Bank (as required under the Revised Final Forbearance Agreement) and the Bank has not received any payment on account of the Company's indebtedness since the passage of the Final Forbearance Deadline.

8. I am advised by Mr. Nunes that on May 30, 2011, he received a letter dated May 27, 2011 from Andrea Habas of Bresver Grossman Scheininger & Chapman LLP, the Company's counsel, advising that Ms. Pun was in discussions with potential purchasers to purchase the Company's "equipment and leaseholds" and that the sale would yield sufficient funds to repay the Company's indebtedness to the Bank, in full. Attached hereto and marked as Exhibit "D" is a true copy of the letter from Ms. Habas to Mr. Nunes dated May 27, 2011.

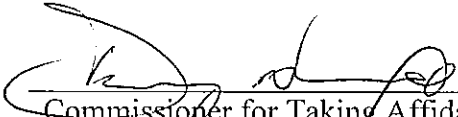
9. I am further advised by Mr. Nunes that on May 30 and 31, 2011, he exchanged email correspondence with Ms. Habas regarding the aforementioned proposed sale and the need for the consent of the Bank and Deloitte to any proposed sale given that Deloitte had been privately appointed by the Bank as Receiver for the Company in November 2010 and its appointment had not been rescinded by the Bank. Attached hereto and marked as Exhibit "E" is a true copy of the email correspondence between Mr. Nunes and Ms. Habas dated May 30, 2011 and May 31, 2011.

10. Ms. Habas was also advised that the Bank was going to reschedule the application for the Receiver's appointment for the coming week but if satisfactory confirmation was provided to the


Bank that the Bank would be repaid, in full, in the very near future from the proceeds of the proposed sale and that the pertinent terms in the proposed sale agreement were satisfactory, the Bank would consider not proceeding with the application.

11. I make this affidavit in support of an application for the appointment of the Receiver and for no other or improper purpose.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 6th day of
June, 2011.



Commissioner for Taking Affidavits
DANNY NUNES



JOHN BORCH

EXHIBIT “A”

TGF

Thornton Grout Finnigan LLP
RESTRUCTURING + LITIGATION

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Danny M. Nunes
T: 416-304-0592
E: dnunes@tgf.ca
File No. 100-333

April 29, 2011

VIA ELECTRONIC MAIL

Ellen's Food Group Inc.
25 Centurian Dr.
Suite 203
Markham, ON L3R 5N8

Attention: Ellen Pun

Dear Madam:

Re: Indebtedness of Ellen's Food Group Inc. (the "Company") and Ellen Pun ("Pun") to HSBC Bank Canada

On behalf of our client, HSBC Bank Canada (the "Bank"), we hereby acknowledge receipt of your email dated April 25, 2011 wherein you advised that the Company requires an additional 3-4 weeks to provide certain information requested by the Industrial and Commercial Bank of China ("ICBC") to finalize the extension of a certain credit facility by the ICBC to the Company (the "ICBC Credit Facility"). The proceeds from the ICBC Credit Facility will be used to repay part of the Company's indebtedness to the Bank and the entirety of your personal indebtedness to the Bank. Below please find the terms and conditions upon which the Bank is willing to forbear from enforcing its rights and remedies at this time in respect of the Company's indebtedness and your personal indebtedness.

WHEREAS:

- (a) pursuant to the Facility Letter dated February 10, 2005, as amended, (the "Food Group Commitment Letter") the Bank made available the following credit facilities to Food Group (the "Credit Facilities"):
 - (i) demand revolving loan in the principal amount of \$2,000,000 (the "Food Group Operating Loan") available by way of Current Account Overdraft, Match Fund Loan or Import Document Letter(s) of Credit and Import Loans in settlement of Documentary Letter(s) of Credit. As at April 27, 2011, the principal amount outstanding under the Food Group Operating Loan was the sum of \$0.00;

- (ii) operating lease facility in the principal amount of \$3,000,000 (the "Food Group Lease Facility"). Pursuant to a Leasing Facility Letter dated July 27, 2006, as amended (the "Health Food Commitment Letter"), the Bank made available a leasing facility to Health Food (the "Health Food Lease Facility") in the amount of \$1,000,000. The Food Group Lease Facility was consolidated with the Health Food Lease Facility pursuant to the assignment and assumption agreement dated October 21, 2008 (the "Assignment and Assumption Agreement") (the Health Food Lease Facility and the Food Group Lease Facility are hereinafter referred to collectively as the "Food Group Lease Facility"). As at April 27, 2011, the amount outstanding under the Food Group Lease Facility, including HST and professional fees, was the sum of \$1,206,968.86;
- (b) pursuant to a Line of Credit/Overdraft Agreement dated February 20, 2003, the Bank extended a line of credit to Pun in the amount of \$200,000 (the "Pun Credit Line"). As at April 27, 2011, the principal amount outstanding under the Pun Credit Line was the principal sum of \$91,281.26, plus interest of \$4,150.52;
- (c) all amounts previously owed to the Bank by Ellen's Investment Holding Ltd. ("Ellen's Investment"), Ellen Associates Ltd. ("Ellen Associates") and Ellen's Health Food Ltd. ("Health Food") have been repaid and any and all credit facilities between the Bank and Ellen's Investment, Ellen Associates and Health Food have been terminated;
- (d) pursuant to a letter dated July 22, 2010, the Company agreed that its account held with the Bank, as well as the joint account held in the name of Pun and Patsy Lai, would be closed and all credit balances transferred to Pun's personal account #032-058268-150;
- (e) pursuant to a letter dated July 22, 2010, the Pun Credit Line was converted into a demand non-revolving loan (the "Pun Demand Loan");
- (f) as security for its obligations to the Bank pursuant to the Credit Facilities, together with all other obligations of the Company to the Bank, the Company granted to the Bank a security interest in its assets, property and undertaking pursuant to, amongst other things, a General Security Agreement and Master Lease Agreement;
- (g) Pun has guaranteed the obligations of Food Group to the Bank pursuant to the guarantee dated June 3, 2005 in the principal amount of \$6,000,000;
- (h) Pun is referred to herein as the "Guarantor" when referencing her obligations as guarantor of the Company's obligations to the Bank and as "Pun" when referencing her obligations, in a personal capacity, to the Bank pursuant to the Pun Credit Line;

- (i) by letter dated June 25, 2010, the Bank retained Deloitte & Touche LLP ("Deloitte") as the Bank's consultant (the "Consultant") to review the business, assets, affairs and operations of the Companies and the Bank's security position, and report thereon to the Bank;
- (j) pursuant to the forbearance agreement dated November 23, 2010 (the "November Forbearance Agreement"), the Bank agreed to forbear from enforcing its rights and remedies at that time in respect of the indebtedness owed to the Bank by the Company, Health Food and Pun to allow the Company, Health Food and Pun to arrange alternate financing to repay their indebtedness. The terms of the November Forbearance Agreement provided that the Bank would forbear from enforcing its right and remedies provided that the indebtedness of the Company, Health Food and Pun was repaid in full by no later than January 31, 2011;
- (k) as one of the terms and conditions of the November Forbearance Agreement, the Company executed a consent (the "Consent") in favour of the Bank for the appointment of a receiver over the property, assets and undertaking of the Company which was to be held in escrow and was only to become effective upon the occurrence of the Forbearance Deadline or a Forbearance Terminating Event (as defined in the November Forbearance Agreement). The indebtedness of the Company and Pun to the Bank remains outstanding and, therefore, as at the date of this Agreement, the Consent is enforceable;
- (l) the Bank has demanded repayment of the indebtedness owed to the Bank by the Company under the Credit Facilities and the indebtedness owed by Pun under the Pun Credit Line, but has, subject to the approval of the Bank's credit committee, agreed to forbear from enforcing its rights and remedies at this time, subject to the exception(s) set forth herein, to allow sufficient time for the Company and Pun to restructure their affairs and arrange alternate financing to repay the indebtedness of the Company and Pun to the Bank on or before the Forbearance Deadline (as defined herein); and
- (m) in consideration of the Bank's forbearance as described herein, for the other accommodations described herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged by the Company, the Guarantor and Pun, the Company, the Guarantor and Pun hereby agree with the Bank as follows:

ACKNOWLEDGEMENT

- 1. The Company, the Guarantor and Pun acknowledge that:
 - (a) each of the foregoing recitals is true and correct;

- (b) unless otherwise specified, all capitalized terms contained herein have the same meanings as in the Food Group Commitment Letter, the Assignment and Assumption Agreement and all monetary amounts are expressed in Canadian dollars;
 - (c) pursuant to the provisions of the *Limitations Act, 2002*, the Company and Pun are indebted to the Bank under the Credit Facilities and the Pun Demand Loan, respectively, in the amounts specified in this Agreement as at the date specified therein, together with interest and costs to the date of payment;
 - (d) the Company is in default of its obligations to the Bank under the terms of the Credit Facilities;
 - (e) the indebtedness of the Company and Pun to the Bank pursuant to the Credit Facilities and the Pun Demand Loan are payable on demand;
 - (f) the Company, the Guarantor and Pun have received formal written demands from the Bank with respect to the indebtedness of the Company, the Guarantor and Pun to the Bank;
 - (g) the Bank is entitled to terminate the Credit Facilities and the Pun Demand Loan and no further credit is available to the Company and Pun, respectively, thereunder at the discretion of the Bank; and
 - (h) all security now held by the Bank for the indebtedness and obligations of the Company and the Guarantor to the Bank under the Credit Facilities, is valid, binding and enforceable in accordance with its terms.
2. The Guarantor acknowledges and agrees that its guarantee (as outlined above) is valid, binding and enforceable in accordance with its terms.
 3. The Company and the Guarantor acknowledge and agree that the Consent is valid, binding and enforceable in accordance with its terms.
 4. The Company, the Guarantor and Pun hereby consent to the terms of the Bank's forbearance and other accommodations as set out herein. The Company, the Guarantor and Pun specifically acknowledge that they have no defences, counterclaims or rights of set-off or reduction to any claims which might be brought by the Bank under the security granted by the Company or the Guarantor to the Bank or in respect of the Credit Facilities, based on their current knowledge or what they ought to know in the circumstances.
 5. The Company, the Guarantor and Pun hereby agree that, upon the execution of this Agreement, they shall each absolutely and irrevocably release the Bank, Deloitte, each of their officers, directors, employees, solicitors and agents (the "Releasees") of and from

any and all claims which they may have in respect of the Releasees up to and including the date hereof including, without limitation, any actions taken by the Bank in dealing with the Company, the Guarantor, Pun, the Credit Facilities, the Pun Demand Loan or with the administration of the Company's and Pun's accounts with the Bank.

6. In consideration of the Bank's forbearance and the other accommodations described herein, the Company agrees to pay to the Bank a forbearance fee (the "Forbearance Fee") in the amount of \$10,000. The Company, the Guarantor and Pun acknowledge that the Forbearance Fee has been actually earned by the Bank and is paid in consideration of the Bank's forbearance and other accommodations as described herein.

CONDITIONS PRECEDENT

7. The forbearance and other accommodations granted by the Bank hereunder are subject to approval by the Bank's credit committee. Approval of the terms of this Agreement shall only be sought if the Bank has received payment of the Forbearance Fee by 5:00 p.m. on May 2, 2011, or such later date as provided for below (the "Condition Precedent").

The Condition Precedent is for the sole benefit of the Bank and may be waived only by the Bank in writing. If the Condition Precedent is not complied with to the satisfaction of the Bank by 5:00 p.m. on May 2, 2011 or such later date as agreed to by the parties hereto, and the Bank will not waive satisfaction thereof, then the offer of forbearance and the other accommodations offered by the Bank hereunder shall be terminated.

Upon satisfaction of the Condition Precedent, unless a Forbearance Terminating Event (as defined herein) occurs under this Agreement, the Bank shall take no further steps prior to May 27, 2011 (the "Forbearance Deadline") to enforce the security held by the Bank from the Company or the Guarantor.

Pending credit committee approval of this Agreement, the Company, the Guarantor, Pun and the Bank shall comply with the terms and conditions of this Agreement. In the event that the Bank's credit committee does not approve the terms of this Agreement, then this Agreement shall immediately be terminated and of no further force and effect and the representations, warranties and covenants of each of the Company, the Guarantor, Pun and the Bank contained herein shall cease to have any effect and shall not survive termination of this Agreement, and the Forbearance Fee, if paid to the Bank, will be refunded to the Company.

TERMS AND CONDITIONS OF FORBEARANCE

8. The Company, the Guarantor and Pun agree that the Credit Facilities and the Pun Demand Loan shall be repaid in full, including any accrued interest and professional fees, on or before the Forbearance Deadline.

9. The terms and conditions of the Bank's forbearance set out in this Agreement are in addition to and are not meant to supersede those terms and conditions set out in the November Forbearance Agreement were applicable.

AMENDMENTS TO CREDIT FACILITIES

10. The Company and the Guarantor acknowledge and agree that, except as specifically amended herein or in the November Forbearance Agreement, all terms and conditions of the Food Group Commitment Letter shall remain in effect, unamended.
11. Without limiting the Bank's right to exercise any of its rights and remedies at any time, the Company, the Guarantor and Pun acknowledge and agree that, upon the occurrence of the Forbearance Deadline, or a Forbearance Terminating Event, the Bank may, at any time, terminate the Credit Facilities and the Pun Demand Loan upon written notice to the Company and Pun at which time no further credit will be available thereunder.
12. The Company, the Guarantor and Pun acknowledge and agree that the Bank has reserved its rights on each banking day to not honour any cheques or other instruments drawn on the Company's or Pun's accounts with the Bank if there is not sufficient credit under the Credit Facilities or the Pun Demand Loan to honour all such cheques or other instruments presented to the Bank for payment on that banking day. The Company and Pun acknowledge that they are not entitled to borrow funds under the Credit Facilities and the Pun Demand Loan, respectively, in excess of the maximum amount available thereunder as specified herein.

REPORTING REQUIREMENTS

13. The Company shall strictly adhere to all reporting requirements as set out in the Food Group Commitment Letter, except as amended herein or in the November Forbearance Agreement.
14. Food Group agrees that, effective upon execution of this Agreement, it shall provide the Bank with monthly financial statements by the 20th calendar day of each month. Should the 20th calendar day be a Saturday, Sunday or statutory holiday, monthly statements shall be provided to the Bank on the next day immediately following that is not a Saturday, Sunday or statutory holiday.
15. The Company and the Guarantor hereby agree to provide the Bank or its agents, including Deloitte, with any information regarding the financial position of the Company or the security position of the Bank that the Bank may request from time to time. The Company will continue to provide to the Bank all regularly scheduled reporting in accordance with the terms of the Food Group Commitment Letter, as amended herein or in the November Forbearance Agreement.

16. The Company and the Guarantor shall pay when due all claims which rank prior to the indebtedness and security held by the Bank from the Company and the Guarantor (together "Prior Claims") which shall include, without limitation, all amounts owing or required to be paid; where a failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Bank's security or otherwise in priority to any claim by the Bank for the repayment of any amounts owing to it, including without limitation all amounts owing to any federal, provincial, municipal or other government entity or Crown corporation, all statutory, actual or deemed trusts, all withholdings and source deductions, all accrued and unpaid payroll, including vacation pay, all amounts owing in respect of any pension fund obligation, and all amounts owing to any person having a lien, encumbrance, trust or charge ranking in priority to the Bank's security as well as all "Priority Payables". "Priority Payables" means any amount identified by the Bank in its sole opinion as having a legal or practical priority over the Company's direct indebtedness or any of the Guarantor's contingent indebtedness to the Bank or the security held by the Bank from the Company or the Guarantor.

CONSULTANT

17. The Company and the Guarantor hereby acknowledge and consent to the appointment of Deloitte as Consultant by letter dated June 25, 2010 and consent to the continued engagement of the Consultant to monitor the affairs of the Company, including its financial performance, and report thereon to the Bank.
18. The Company agrees to provide the Consultant with full access to the Company's books, records and premises for the purpose of carrying out its mandate. All of the costs incurred by the Bank in respect of the Consultant are for the account of the Company.

ADDITIONAL COVENANTS

19. The Company and the Guarantor represent, warrant, covenant and agree that no business in the nature of or related to the business transacted by the Company shall be performed in the name of or recorded or applied for the benefit of any person, firm or corporation other than the Company.
20. The Company confirms to and in favour of the Bank that all assets secured by the Bank's security are in existence, in the possession and control of the Company and have not been transferred, sold, encumbered or impaired in any manner which would deteriorate from or adversely affect the value of same excluding inventory which is being sold in the ordinary course of business.
21. The Company acknowledges that the Bank has requested that the position of each unsecured creditor of the Company will not be adversely affected during the term of this Agreement, subject to the Company's usual business practices.

22. The Company agrees to comply with all applicable environmental laws and regulations and to advise the Bank promptly of any Action Requests or Violation Notices (as such terms are defined under the *Environmental Protection Act* (Ontario)) received concerning any of the Company's property and to hold the Bank harmless for any costs or expenses which the Bank incurs for any environment related liability existing now or in the future with respect to any of the Company's property. The Company certifies that no environmental laws or regulations have been violated with respect to any of the Company's property and, to the best of its knowledge, no proceedings have or have been threatened to be instituted with respect to a breach of any environmental laws or regulations.
23. The Company shall indemnify the Bank for any damage which the Bank may suffer or any responsibility which it may incur as a result of non-compliance by the Company with any applicable environmental laws and regulations affecting the Company's assets or its business.
24. None of the Bank's existing rights and remedies, and none of the existing defaults of the Company, are waived by this Agreement but are specifically reserved and preserved. However, subject to approval by the Bank's credit committee of the terms of this Agreement and subject to the provisions of this Agreement, the Bank agrees not to take any further steps in enforcement of its rights and remedies against the Company and the Guarantor prior to the Forbearance Deadline unless and until one of the following events has occurred (each a "Forbearance Terminating Event"):
 - (a) any default or breach by the Company, the Guarantor or Pun occurs under this Agreement or any further default or breach by the Company or the Guarantor, in the sole discretion of the Bank, of any obligation or covenant occurs under the Credit Facilities or any of the security held by the Bank from the Company or the Guarantor;
 - (b) if the Company, the Guarantor or Pun fails to make any payment when due to the Bank;
 - (c) any other creditor of the Company, the Guarantor or Pun exercises or purports to exercise any rights against any of the property, assets or undertaking of the Company, the Guarantor or Pun or if the Company, the Guarantor, Pun or any creditor brings any proceeding or takes any other action under the BIA, the *Companies' Creditors Arrangement Act* (Canada), the *Business Corporations Act* of Ontario or Canada, the *Winding-Up Act* (Canada) or any similar legislation with respect to any of those parties;
 - (d) if any steps are taken by the Company, the Guarantor or a third party to wind up or dissolve the Company without the prior written consent of the Bank;

- (e) any representation or warranty made by the Company, the Guarantor or Pun in connection with the execution and delivery of this Agreement or in any of the security agreements held by the Bank shall prove to have been incorrect in any material respect at the time such representation or warranty was made;
 - (f) any default or failure by the Company to make any payment of wages or other monetary remuneration payable by the Company to its employees under the terms of any contract of employment, oral or written, express or implied (the "Payroll") or the failure by the Company to pay to the relevant governmental authority when due any of the Priority Payables exigible in respect of a Payroll;
 - (g) the sale, lease, transfer, relocation, abandonment or any other disposition of the assets of the Company which are subject to the Bank's security without the express prior written consent of the Bank;
 - (h) any default or failure by the Company or the Guarantor to pay any of the Prior Claims or the Priority Payables when due;
 - (i) if any of the representations or financial reporting information provided by the Company to the Bank proves to be false, misleading, inaccurate or incorrect in any material respect at the time such representation or financial reporting information was made or delivered;
 - (j) there has been, in the opinion of the Bank, a material adverse change in the affairs of the Company, the Guarantor or Pun or with respect to the security position of the Bank after the date hereof or if any action which the Company or the Guarantor may take only with the prior consent of the Bank is taken by the Company or the Guarantor without such consent being previously obtained from the Bank;
 - (k) the Company fails to fully cooperate with Deloitte; and
 - (l) if the Company fails to provide the Bank the reporting or other information specified herein, in the November Forbearance Agreement or in the Food Group Commitment Letter or as required from time to time.
25. Upon the earlier of:
- (a) the Forbearance Deadline, or
 - (b) the occurrence of a Forbearance Terminating Event

the Bank may immediately enforce all of its rights and remedies against the Company, the Guarantor or Pun including, without limitation, enforcing the security held by the Bank from the Company and the Guarantor and seeking a court Order appointing a

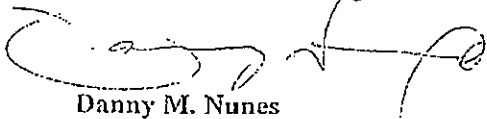
receiver over the property, assets and undertaking of the Company in accordance with the Consent.

26. The Company, the Guarantor and/or Pun hereby irrevocably agree, upon request by the Bank, to duly execute or deliver or cause to be executed or delivered to the Bank such further instruments, agreements or similar documents or do or cause to be done such further acts as may be necessary or desirable in the opinion of the Bank, acting reasonably, to carry out the provisions and purposes of this Agreement.
27. The Bank's forbearance from enforcing its rights and remedies against the Company, the Guarantor and Pun and the other accommodations described herein are in the sole discretion of the Bank and may be terminated upon the occurrence of a Forbearance Terminating Event without requiring any further forbearance or delay on the part of the Bank.
28. All terms and conditions of the Credit Facilities and the Pun Demand Loan and any other security delivered by the Company or the Guarantor to the Bank shall continue in full force and effect save and except as amended by this Agreement. To the extent that any provision thereof is inconsistent with this Agreement, this Agreement shall prevail.
29. The Company and the Guarantor covenant to and in favour of the Bank and agree that, except as permitted herein, they will not grant any further security on any of their property, assets or undertaking without the written consent of the Bank, which may be withheld by the Bank in its sole and unfettered discretion.
30. Subject to the terms of this Agreement, the Company and the Guarantor may not pay to the shareholders of the Company or the Guarantor or any party related within the meaning of the *Business Corporations Act* (Ontario) ("OBCA") to the Company, or the shareholders thereof any amount whether by way of salary (outside of the ordinary course as defined by the Bank in its sole discretion), dividend, repayment of loans or otherwise without the Bank's prior written approval, which may be withheld by the Bank in its sole and unfettered discretion. The Company and the Guarantor acknowledge and agree that any existing director or shareholder loans shall not be repaid by the Company or the Guarantor and the Company and the Guarantor shall not grant any loan to any officer or director of the Company or the Guarantor or to any other related party as defined above.
31. The Company and the Guarantor acknowledge and agree that there shall be no change of ownership or control of the Company, as such term is defined within the meaning of the OBCA, without the Bank's prior written consent, which consent may be withheld in the Bank's sole and unfettered discretion.
32. The Company, the Guarantor and Pun shall not loan funds, make equity investments or provide financial assistance to a third party by way of a guarantee, surety, or otherwise until such time as the Company's and Pun's indebtedness to the Bank has been permanently repaid.

33. The Company shall not amalgamate with another corporation, purchase or redeem its shares or otherwise reduce its capital until such time as the Company's indebtedness to the Bank has been permanently repaid.
34. Time shall be of the essence of this Agreement and this Agreement shall be governed by the laws of the Province of Ontario.
35. This Agreement may be executed in counterparts, which counterparts taken together shall evidence an agreement as of the date first set out above.
36. The Company, the Guarantor and Pun hereby acknowledge and agree that the Bank may apply any amounts outstanding to the credit of the Guarantor or Pun as a set-off or in combination of the Company's, the Guarantor's or Pun's indebtedness to the Bank. The application of any such funds shall be as the Bank may determine.
37. The Company, the Guarantor and Pun agree to pay all actual present and future legal and agent fees and disbursements, including but not limited to those of Deloitte, incurred by the Bank in respect of or in any way related to the Company, the Guarantor and Pun including, without limitation, the Bank's legal fees in connection with the preparation and enforcement of this Agreement.
38. The Company, the Guarantor and Pun agree that all acknowledgements provided in this Agreement are effective notwithstanding the provisions of the *Limitations Act, 2002*.

Yours truly,

Thornton Grout Finnigan LLP



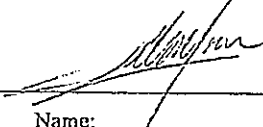
Danny M. Nunes

cc: John Borck, HSBC Bank Canada (via email)

AGREED TO this _____ day of _____, 2011.

Borrower:

ELLEN'S FOOD GROUP INC.

Per: 
Name: _____
Title: _____

(I have authority to bind the Company.)

Signing in Capacity as Personal Guarantor


Witness



ELLEN YUK YEE PUN

Signing in Personal Capacity

Witness



ELLEN YUK YEE PUN

EXHIBIT “B”

EXHIBIT "B"

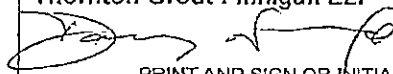
Commercial List File Number:	CV-10-9031-00CL
Civil File Number:	

Date: March 10, 2011

SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST 9:30 A.M. HEARING REQUEST FORM

A	PLEASE NOTE: The 9:30 hearing procedure is only for "ex parte, urgent, scheduling and consent matters which take no longer than 10 minutes" (Practice Direction, (2002), 57 O.R. (3 rd) 97; paragraph 25). This restriction will be enforced. This matter is (tick one or more); <input type="checkbox"/> ex parte <input type="checkbox"/> urgent <input type="checkbox"/> scheduling <input checked="" type="checkbox"/> consent <input type="checkbox"/> other (explain)
B	Short Title of Proceeding: HSBC BANK CANADA v. ELLEN'S FOOD GROUP INC.
C	Date(s) Requested: May 6, 2011
D	The following is a brief description of the matter to be considered at the 9:30 appointment: Signing of a consent order in respect of the appointment of a receiver for Ellen's Food Group Inc.
E	The following materials will be necessary for the matter to be considered. (it is the responsibility of counsel to confirm that the proper materials are available for the Court.) N/A
F	Is any Judge seized of these matters or any judicial conflicts? <input type="checkbox"/> No

May 6th/11

COUNSEL FOR APPLICANT/MOVING PARTY		COUNSEL FOR OTHER PARTY	
Party	Applicants	Party	Counsel
Counsel	Danny M. Nunes Thornton Grout Finnigan LLP  PRINT AND SIGN OR INITIAL		PRINT AND SIGN OR INITIAL
Address	3200 – 100 Wellington Street West P.O. Box 329, Canadian Pacific Tower Toronto Dominion Centre Toronto ON M5K 1K7	Address	
Phone	416-304-1616	Phone	
Fax	416-304-1313	Fax	
E-Mail	dnunes@tgf.ca	E-Mail	

(IF MORE THAN 2 PARTIES INVOLVED, ADD ADDITIONAL SIGNATURES AND PARTICULARS ON REVERSE OR SEPARATE PAGE)

To be submitted to: Commercial List Office, 330 University Avenue, 7th Floor, Toronto Ontario Fax to: (416) 327-6228
 You may also convert to PDF and email to Toronto.Commerciallist@jus.gov.on.ca

Endorsement/Disposition <input type="checkbox"/> See attached Yellow Endorsement Form.	<p style="font-size: large; font-family: cursive;">Adjourned based on weekly settlement Further 9:30 to schedule if adjourned</p>
--	--

[Signature]

copy w/ Mark
via email / Mark
May 5th/11

Commercial Form A

EXHIBIT "C"

Danny Nunes

From: [REDACTED]
Sent: May 9, 2011 4:23 PM
To: Danny Nunes
Subject: RE: Ellen's Food Group Inc.

Danny,

As replied from Ellen, the two loans will be settled on or before May 27, 2011. Please give me the payout statement for \$200K that applied to her personal loan first and how much is for the equipment loan?

Thanks and Best Regards,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Tel: [REDACTED]
Fax: [REDACTED]
E-mail: [REDACTED]

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From: "Danny Nunes" <DNunes@tgf.ca>
To: [REDACTED]
Date: 09/05/2011 03:54 PM
Subject: RE: Ellen's Food Group Inc.

[REDACTED]

Ellen has until May 27, 2011. Do you anticipate the funds being available soon given that the 27th is less than three weeks away?

Regards,

Danny



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From: [REDACTED]
Sent: May 9, 2011 3:45 PM
To: Danny Nunes
Subject: RE: Ellen's Food Group Inc.

Danny,

According to Ellen, you allow her to pay it within this month.

Thanks and Best Regards,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Tel: [REDACTED]
Fax: [REDACTED]
E-mail: [REDACTED]

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From: "Danny Nunes" <DNunes@tgf.ca>
To: [REDACTED]
Date: 09/05/2011 03:37 PM
Subject: RE: Ellen's Food Group Inc.

[REDACTED]

When do you expect that the remaining \$800,000 will be available?

Regards,

Danny



Thornton Grout Finnigan LLP
RESTRUCTURING + LITIGATION

Danny M. Nunes | dnunes@tgf.ca | Direct Line: 416-304-0592 | Thornton Grout Finnigan LLP | Suite 3200, Canadian Pacific Tower, 100 Wellington Street West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Ontario M5K 1K7 | Phone: 416-304-1616 | Fax: 416-304-1313 | www.tgf.ca

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From: [REDACTED]
Sent: May 9, 2011 3:36 PM
To: Danny Nunes
Subject: RE: Ellen's Food Group Inc.

Hi, Danny

I can say \$1 million will be split into \$200K and \$800K respectively.

Thanks and Best Regards,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Tel: [REDACTED]
Fax: [REDACTED]
E-mail: [REDACTED]

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From: "Danny Nunes" <DNunes@tgf.ca>
To: [REDACTED]
Date: 09/05/2011 03:17 PM
Subject: RE: Ellen's Food Group Inc.

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[REDACTED]

Is the \$200,000 in addition to the \$1 million facility that was already approved?

Regards,

Danny



Danny M. Nunes | dnunes@tgf.ca | Direct Line: 416-304-0592 | Thornton Grout Finnigan LLP | Suite 3200, Canadian Pacific Tower, 100 Wellington Street West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Ontario M5K 1K7 | Phone: 416-304-1616 | Fax: 416-304-1313 | www.tgf.ca

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From: [REDACTED]
Sent: May 9, 2011 12:28 PM
To: Danny Nunes
Subject: Re: Ellen's Food Group Inc.

Hi, Danny

Ellen has available fund of \$200K with our bank to pay out her personal loan first and remaining balance to be applied in the equipment loan. Can you fax me or email me the breakdown of the payout statement so that we can arrange the bank draft accordingly. Payout date will be scheduled on May 11 or 12, 2011.

If you need to any further information, please feel free to call me.

Thanks and Best Regards,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Tel: [REDACTED]
Fax: [REDACTED]
E-mail: [REDACTED]

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From: "Danny Nunes" <DNunes@tgf.ca>
To: "Ellen Pun" <ellenpun@ellensgroup.com>
Cc: [REDACTED]
Date: 25/04/2011 11:57 AM
Subject: Ellen's Food Group Inc.

Ellen,

Further to my email messages on April 18th and April 21st, we have been advised by [REDACTED] that the \$1 million facility from [REDACTED] has been approved but that [REDACTED] requires certain information from you before it will be able to make the funds available to you which will be used to repay your indebtedness, and partially repay that of Ellen's Food Group, to HSBC. As I indicated in my previous messages, HSBC requires that [REDACTED] funds be available by the end of this week. As such, I urge you to coordinate with Elsie and provide whatever information is necessary so that [REDACTED] funds are available in a timely manner.

Regards,

Danny M. Nunes



Danny M. Nunes | dnunes@tgf.ca | Direct Line: 416-304-0592 | Thornton Grout Finnigan LLP | Suite 3200, Canadian Pacific Tower, 100 Wellington Street West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Ontario M5K 1K7 | Phone: 416-304-1616 | Fax: 416-304-1313 | www.tgf.ca

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EXHIBIT “D”

EXHIBIT "D"

2900 - 390 Bay Street
Toronto Canada M5H 2Y2
Telephone (416) 869-0366
Fax No. (416) 869-0321

BRESVER GROSSMAN SCHEININGER & CHAPMAN LLP

Andrea M. Habas
Direct Line: (416) 867-2310
ahabas@bgsclaw.com

File Number: 10-407

May 27, 2011

BY FACSIMILE - (416) 304-1313

Danny M. Nunes
THORNTONGROUTFINNIGAN LLP
Barristers and Solicitors
3200 - 100 Wellington Street West
TD Centre, Box 329
Toronto, Ontario
M5K 1K7

Dear Mr. Nunes:

**Re: Ellen's Investment Holding Ltd., Ellen's Food Group Inc.,
Ellen's Health Food Ltd., Ellen Associates Ltd. and Ellen Pun
Your Client: HSBC Bank Canada**

When I met with my client last week, she provided me with a copy of an agreement to purchase equipment and leaseholds of Ellen's Food Group Inc., which would have resulted in sufficient funds being available to pay off the indebtedness to HSBC.

I am instructed that Ms. Pun has been in communications with that purchaser and with a second purchaser trying to arrange for a more favourable purchase price. I am instructed that Ms. Pun will not have a final answer as to which of the purchasers is prepared to pay more money until the end of the day today.

- 2 -

Accordingly, Ms. Pun will not be in funds today to pay off the HSBC debt. Realistically, if she finalizes an agreement for the sale of Ellen's Food Group Inc. today, that transaction will take some time to be completed.

Yours very truly

**BRESVER GROSSMAN SCHEININGER
& CHAPMAN LLP**

Andrea M. Halbas

alw

copy: Ellen Pun

EXHIBIT “E”

Danny Nunes

From: Andrea Habas [ahabas@bgsclaw.com]
Sent: May 31, 2011 8:43 AM
To: Danny Nunes
Subject: RE: Ellen Pun

You may sign it on my behalf

-----Original Message-----

From: Danny Nunes [mailto:DNunes@tgf.ca]
Sent: Monday, May 30, 2011 3:50 PM
To: Andrea Habas
Subject: RE: Ellen Pun

Andrea,

As you are aware, as a term and condition of the November 2010 forbearance agreement, Ellen's Food Group Inc. provided HSBC with a signed consent to the appointment of a receiver for the company. The bank brought an application returnable in late December to have Deloitte & Touche appointed as Receiver for Ellen's Food Group. The bank adjourned that application when the indebtedness of Ellen's Investment Holdings was paid off. Earlier this month, the bank brought the application on again returnable May 6th and, again, it was adjourned when Ms. Pun executed the forbearance agreement and paid the forbearance fee.

If satisfactory confirmation is provided to the bank that the entirety of the indebtedness owed to it will be paid off in the very near future and all other pertinent terms in the agreement referenced in your email below are satisfactory to the Receiver and the bank, a third appearance may not be necessary. That being said, we will be booking time to have Deloitte appointed as Receiver in the event that the agreement is unsatisfactory to the Receiver and the bank. As the matter will be on consent, we will be looking for a chambers appointment next week but if the Receiver and the bank are satisfied with the agreement to sell Ellen's Food Group Inc. by the end of this week (June 3, 2011), the Court appearance can be adjourned. Please confirm that we can sign the Court request form on your behalf.

Regards,

Danny

-----Original Message-----

From: Andrea Habas [mailto:ahabas@bgsclaw.com]
Sent: May 30, 2011 2:41 PM
To: Danny Nunes
Subject: RE: Ellen Pun

Understood

-----Original Message-----

From: Danny Nunes [mailto:DNunes@tgf.ca]
Sent: Monday, May 30, 2011 2:15 PM
To: Andrea Habas
Cc: ellenpun@ellensgroup.com; saching@ellensgroup.com; Rachelle Moncur
Subject: Re: Ellen Pun

Andrea,

In light of the fact that Deloitte & Touche is the privately appointed receiver for Ellen's Food Group Inc., Ms. Pun will need Deloitte's and the Bank's consent to any agreement regarding the sale of Food Group's business. Ms. Pun should send any documents that she has setting out the terms of the agreement referenced in your email below to us immediately for review so that we may confirm that the agreement will, in fact, result in HSBC being repaid in full.

Regards,

-----Original Message-----

From: Andrea Habas
To: Danny Nunes
Cc: Ellen Pun
Cc: Sara
Subject: Ellen Pun
Sent: May 30, 2011 1:08 PM

Ms. Pun advises that she will have a binding agreement to sell the Ellen's Food business (which sale will result in the payment in full to HSBC) finalized tomorrow. As soon as I receive a fully executed copy, I will forward a copy to you.

Andrea M. Habas Bresver Grossman Scheininger & Chapman LLP 2900 - 390 Bay Street Toronto, ON M5H 2Y2

Tel: (416) 869-0366 Fax: (416) 869-0321

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Danny Nunes

ThorntonGroutFinnigan LLP
Direct Tel: (416) 304-0592
Facsimile: (416) 304-1313
dnunes@tgf.ca
3200 - 100 Wellington St. W
Canada Pacific Tower
Toronto-Dominion Centre
Toronto, Ontario, Canada
M5K 1K7

HSBC BANK CANADA

and

Applicant

ELLEN'S FOOD GROUP INC.

Respondent

Court File No. CV-10-9031-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

**SECOND SUPPLEMENTARY AFFIDAVIT
OF JOHN BORCH**

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Canadian Pacific Tower
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Toronto, ON M5K 1K7

Rachelle F. Moncur (LSUC#454741)
Danny M. Nunes (LSUC#53802D)
Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for HSBC Bank Canada