



No. S-248267
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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, AS AMENDED

AND

IN THE MATTER OF SAN INDUSTRIES LTD., AND THOSE OTHER ENTITIES LISTED
ON SCHEDULE "A"

PETITIONERS

TENTH REPORT OF THE MONITOR

DELOITTE RESTRUCTURING INC.

OCTOBER 22, 2025

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INTRODUCTION

- (1) On November 29, 2024, San Industries Ltd. ("**San Industries**") and those parties listed in Appendix "A" (collectively the "**Petitioners**", or "**San Group**"), were granted an order (the "**Initial Order**") by the Supreme Court of British Columbia (the "**Court**") pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended ("**CCAA**"). The Petitioners' proceedings pursuant to the CCAA are referred to herein as the "**CCAA Proceedings**".
- (2) The Initial Order, among other things:
 - a) Appointed Deloitte Restructuring Inc. to monitor the business and financial affairs of the Petitioners (in such capacity, the "**Monitor**");
 - b) Granted a stay of proceedings (the "**Stay**") against the Petitioners up to and including December 9, 2024;
 - c) Authorized the Petitioners to borrow \$600,000 under a debtor-in-possession financing facility (the "**DIP Financing Facility**") made available by the Royal Bank of Canada ("**RBC**"). The Monitor understands that certain of the DIP Financing Facility has been transferred or assigned to the Business Development Bank of Canada ("**BDC**" together with RBC, the "**DIP Lenders**" or the "**Senior Lenders**") by way of syndication or participation; and
 - d) Granted the Administration Charge and the DIP Lender's Charge (both as defined in the Initial Order).
- (3) On December 7, 2024, the Monitor issued its first report in the CCAA Proceedings (the "**First Report**"). The First Report was filed to, among other things, provide the Court with an update on the activities of the Petitioners and the Monitor since the granting of the Initial Order, and the Monitor's observations with respect to the Petitioners' cash flow forecast for San Industries, San Forest Products Ltd. ("**San Forest**"), Coulson Manufacturing 2017 Ltd. ("**Coulson**"), Acorn Forest Products Ltd. ("**Acorn**"), Super-Cut Lumber Industries Ltd. ("**Super-Cut**"), and Axon Lumber Ltd. ("**Axon**") and (collectively, the "**Operating Entities**") dated November 29, 2024 (the "**First Cash Flow Forecast**").
- (4) On December 9, 2024 the Court issued an Amended and Restated Initial Order (the "**ARIO**") which granted, among other things, an extension of the initial Stay to December 19, 2024 (the "**First Stay Extension**"). The First Stay Extension granted was shorter than the initial Stay request sought by the Petitioners in order to allow the Monitor to, among other things, better understand and address the Current Concerns (as defined and described in the First Report).
- (5) On December 18, 2024, the Monitor issued its second report in the CCAA Proceedings (the "**Second Report**"). Among other things, the Second Report was filed to provide the Court with an update since the date of the First Report on the activities of the Petitioners, activities of the Monitor, and an update on the Current Concerns.
- (6) On December 19, 2024, the Court issued a Second Amended and Restated Initial Order (the "**Second ARIO**") which, among other things, granted further enhanced powers for the Monitor in the CCAA Proceedings, authorized an increase in the DIP Financing Facility to \$1,000,000, and granted an extension of the Stay to January 17, 2025.
- (7) On January 13, 2025, the Monitor issued its third report in the CCAA Proceedings (the "**Third Report**"). The Third Report was filed to provide the Court with an update since the date of the Second Report on the activities and cash flows of the Petitioners, activities of the Monitor, and an update on the Current Concerns. In the Third Report, the Monitor also provided its views on the relief sought by the Monitor which included, among other things:

- a) Increasing the Petitioners' authority to borrow under the DIP Financing Facility to \$5,000,000 (the "**Second DIP Financing Facility Increase**");
 - b) Approving the sale and investment solicitation process (the "**SISP**"); and
 - c) Granting a further Stay extension to May 30, 2025 (the "**Third Stay Extension**").
- (8) On January 16, 2025 the Court issued Orders which, among other things, authorized the Second DIP Financing Facility Increase and approved the SISP and the Third Stay Extension.
- (9) On January 29, 2025, the Monitor's counsel brought an application to have the Stay lifted to allow Canadian Western Bank ("**CWB**") to enforce its security interests as against the property of San Forest Specialty Ltd. and Mountainside Logging Ltd., as well as CWB's specific security over certain property of San Forest and San Industries and (collectively, the "**Enforcement Property**"). On the same day, the Court issued an order to allow CWB to pursue the Enforcement Property and for any net proceeds to be accounted for and held by CWB's counsel pending further order of the Court.
- (10) On February 3, 2025, the Monitor issued its fourth report in the CCAA Proceedings (the "**Fourth Report**"). The Fourth Report was filed to provide the Court with information concerning Kingsley Trucking Ltd., Coombs Shadwell Holdings Ltd., 1351697 B.C. Ltd., and Cojax Heavy Duty Repair Ltd. (collectively, the "**Kingsley Group**"). The Fourth Report was filed with respect to the application made by RBC to have the Kingsley Group added as petitioners in the CCAA Proceedings and included a summary on the operations of the Kingsley Group and details regarding certain related party transactions between San Group and the Kingsley Group.
- (11) On February 4, 2025, the Court made an Order (the "**Kingsley Group Protective Order**") to, among other things, compel the Kingsley Group to operate only in the normal course, to provide counsel for RBC a list of all of the Kingsley Group's bank accounts, and to permit the Monitor to have access to Kingsley Group's physical assets and property to take an inventory of same.
- (12) On February 18, 2025, the Monitor issued its fifth report in the CCAA Proceedings (the "**Fifth Report**"). The Fifth Report was filed to provide the Court with, among other things:
 - a) An update on the Monitor's activities in connection with the Kingsley Group Protective Order;
 - b) An overview of the material adverse change in the projected cash flows of the Operating Entities and the fourth cash flow forecast for the Operating Entities covering the period from February 8, 2025 to May 30, 2025; and
 - c) The Monitor's request to obtain certain orders with respect to the Wage Earner Protection Program Regulations, SOR/2008-222 (the "**WEPP Regulations**").
- (13) On February 21, 2025, the Court made an Order declaring that Acorn, San Industries, and Super-Cut met the criteria established by section 3.2 of the WEPP Regulations.
- (14) On April 30, 2025, the Monitor issued its sixth report in the CCAA Proceedings (the "**Sixth Report**"). The Sixth Report was filed to provide the Court with, among other things, information pertaining to the Monitor's proposed plan to sell San Group's remaining lumber inventory and the Monitor's observations with respect to the Petitioners' updated cash flow projection for the Operating Entities for the 13-week period from April 19, 2025 to July 18, 2025 (the "**Fifth Cash Flow Forecast**").
- (15) On May 7, 2025, the Court issued an Order approving the Monitor's plan to sell the San Group's remaining lumber inventory. Additionally, the Court granted an Order increasing the Petitioners' borrowing authority under the DIP Financing Facility to \$7,000,000 and extended the Stay to July 18, 2025.

- (16) On June 4, 2025, the Monitor issued its seventh report in the CCAA Proceedings (the "**Seventh Report**"). The Seventh Report was filed to provide the Court with, among other things, the Monitor's comments with respect to the outcome of the SISP, the Monitor's efforts to realize on the assets of the San Group, and the non-confidential details of the Coulson Mill APA, the SFP Plant APA, and the Langley Plant APA (all as defined in the Seventh Report). The Seventh Report also included the Monitor's recommendation for the confidential supplement to the Seventh Report (the "**Confidential Report**") to be filed under seal and its need to remain under seal, until otherwise ordered by the Court or until the closing of each of the Coulson Mill Transaction, the SFP Transaction, and the Langley Plant Transaction (all as defined in the Seventh Report and collectively, the "**SISP Transactions**").
- (17) On June 4, 2025, the Monitor issued the Confidential Report to provide the Court with an overview of the offers received from bidders during the SISP and further confidential information in respect of those offers.
- (18) On June 12, 2025, the Court issued approval and vesting Orders for each of the SISP Transactions approving the transactions and authorizing and directing the Monitor to take all necessary steps to complete the transactions. Additionally, the Court granted a Sealing Order over the Confidential Report.
- (19) On June 30, 2025, the Monitor issued its eighth report in the CCAA Proceedings (the "**Eighth Report**"). The Eighth Report was filed to provide the Court with, among other things, the Monitor's update on the status of the SISP Transactions and the Monitor's observations with respect to the Petitioner's future cash flow requirements and their performance against the Fifth Cash Flow Forecast. The Eighth report also included the Monitor's recommendation for the Court to grant a further extension of the Stay up to and including August 29, 2025.
- (20) On July 4, 2025, the Court issued an order extending the Stay to and including September 5, 2025 (the "**Fifth Stay Extension**").
- (21) On August 27, 2025, the Monitor issued its ninth report in the CCAA Proceedings (the "**Ninth Report**" and, collectively with the First Report through the Eighth Reports, the "**Prior Reports**"). The Ninth Report was filed to provide the Court with, among other things, the Monitor's update on the closing of the SISP Transactions and the Monitor's observations with respect to the Petitioner's future cash flow projection for the Operating Entities for the 10-week period from August 23, 2025 to October 31, 2025 (the "**Sixth Cash Flow Forecast**"). The Ninth report also included the Monitor's recommendation for the Court to grant a further extension of the Stay up to and including October 31, 2025.
- (22) On September 2, 2025, the Court issued an order extending the Stay to and including October 31, 2025 (the "**Sixth Stay Extension**").
- (23) This is the Monitor's tenth report to the Court (the "**Tenth Report**" or "**this Report**"). In addition to this Report, the Monitor has prepared a confidential supplement to the Tenth Report (the "**Confidential Report**") which the Monitor is seeking to be sealed in the Court file.
- (24) The Monitor has made the Prior Reports, along with the various orders and other information related to these CCAA Proceedings, available on its website at www.insolvencies.deloitte.ca/sangroup (the "**Monitor's Website**").
- (25) All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.
- (26) Unless otherwise provided, all capitalized terms not defined in this Report are as defined in the Second ARIO or the Prior Reports, as applicable.

Purpose of the Tenth Report

(27) The purpose of this Tenth Report is to:

- a) Report on the Monitor's statement of receipts and disbursements in the CCAA proceedings (the "**Interim SRD**"), attached hereto as **Appendix "B"**;
- b) Report on the asset purchase agreement dated October 15, 2025 (the "**Langley Farm APA**") between the Monitor and Cattermole Storage Ltd. (the "**Purchaser**") for the sale of the real property and chattels located at 25895 88 Avenue, Langley, British Columbia ("**BC**"), V1M 3N5 (the "**Langley Farm Property**");
- c) Report on the Monitor's review of the actual cash flows of the Operating Entities for the six weeks ended October 3, 2025 (the "**Cash Flow Period**") as compared to the projected cash flows in the Sixth Cash Flow Forecast (the "**Sixth Variance Analysis**");
- d) Provide the Court with the Monitor's observations with respect to the Petitioners' updated cash flow projection for the Operating Entities for the period from October 4, 2025 to February 27, 2026 (the "**Seventh Cash Flow Forecast**"); and
- e) Support the Monitor's application seeking:
 - i) An order (the "**Proposed Distribution Order**") approving and authorizing the First Interim Distribution (as that term is hereinafter defined);
 - ii) An order (the "**Langley Farm Vesting Order**") approving the transaction contemplated by the Langley Farm APA (the "**Langley Farm Transaction**");
 - iii) An order (the "**Sealing Order**") that the Confidential Report be filed under seal and remain under seal, unless otherwise ordered by the Court or until the closing of the Langley Farm Transaction; and
 - iv) An order granting a further extension of the Stay up to and including February 27, 2026 (the "**Seventh Stay Extension**").

(28) The purpose of the Confidential Report is to provide the Court with:

- a) An overview of the offers received for the Langley Farm Property;
- b) A summary of the negotiations undertaken by the Monitor with respect to those offers;
- c) Information from Cushman & Wakefield ULC ("**Cushman**"), the listing realtor, including details of the marketing process, interested-party feedback, and Cushman's assessment of the Langley Farm APA; and
- d) Additional confidential information regarding the valuation considerations for the Langley Farm Property.

(29) Further information regarding the Monitor's activities since the Seventh Report will be outlined in a report to be issued at a later date.

Sealing of the Confidential Report

(30) The Confidential Report contains confidential information pertaining to the Langley Farm Property which has not yet been sold and that, if disclosed, could be detrimental to the Monitor's ability to complete a sale should the Langley Farm Transaction fail to close. Publication of this confidential information would undermine the duty and efforts of the Monitor to maximize the realizations from

the sale of the business and assets of the Petitioners, and would be detrimental to the commercial interests of the Petitioners and their various stakeholders.

- (31) Therefore, the Monitor respectfully requests that the Court grant the Sealing Order directing that this Confidential Report be filed under seal, and that it remain under seal, unless otherwise ordered by the Court or until the closing of the Langley Farm Transaction. The Monitor is of the view that the salutary effects of the Sealing Order outweigh any possible deleterious effects.

Disclaimer and terms of reference

- (32) In preparing this Report and conducting its analysis, the Monitor has been provided with, and has relied upon, certain unaudited financial information, draft and internal financial information from the books and records of the Petitioners, as applicable. The Monitor has also relied on information gathered from discussions with various parties, including the former Corporate Operating Officer and the former Vice President of Finance ("**Former Management**"), shareholders, and the Petitioners' legal and financial advisors (collectively, the "**Information**"). The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this Report.
- (33) Except as otherwise described in this Report:
- a) 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 such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the CPA Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - b) Some of the Information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in CPA Canada Handbook, has not been performed.
- (34) Future oriented financial information referred to in this Report was prepared based on the estimates and assumptions of the Monitor and Former Management. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- (35) Except as otherwise indicated, the Monitor's understanding of factual matters expressed in this Report concerning the Petitioners and its business is based on the Information, and not independent factual determinations made by the Monitor.
- (36) The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Report. Any use, which any party makes of this Report, or any reliance or decision to be made based on this Report, is the sole responsibility of such party.

THE PROPOSED LANGLEY FARM TRANSACTION

Sale process for the Langley Farm Property

- (37) As outlined in the Monitor's Seventh Report, in April 2025, the Monitor engaged Cushman to list the Langley Farm Property for sale.
- (38) Cushman's marketing activities have included, among other things:
- a) Listing the Langley Farm Property for sale on its website and the Multiple Listing Service;
 - b) Distributing a marketing brochure for the Langley Farm Property setting out the key attributes of the property;
 - c) Sending out marketing emails, including the marketing brochure, to its broad network of approximately 2,500 recipients, including industrial agents, real estate investors, and other potential buyers;
 - d) Targeted phone calls with approximately 40 investors;
 - e) Making various documents and information pertaining to the Langley Farm Property available in a data room, for 16 parties that executed a CA; and
 - f) Conducting tours of the Langley Farm Property with 12 interested parties.
- (39) In April 2025, Cushman commenced marketing the Langley Farm Property with a list price of \$5.8 million. In consideration of the current condition of the real estate market in BC and the level of interest and offers received in the initial marketing period, Cushman, in consultation with the Monitor and RBC, reduced the list price to \$3.25 million in June 2025.
- (40) The Monitor engaged an environmental consultant to conduct a Phase I and Phase II environmental site assessment at the Langley Farm Property and these reports were made available in Cushman's data room.
- (41) Cushman received several offers for the Langley Farm Property. The Monitor, in consultation with RBC, reviewed these offers, taking into account factors such as the proposed purchase price, terms and conditions of the bids, the timeline to closing, and the ability of the bid proponents to successfully complete a transaction.
- (42) An overview of the offers received for the Langley Farm Property and subsequent negotiations with bidders is provided in the Confidential Report.

Langley Farm Transaction

- (43) On October 15, 2025, the Monitor entered into the Langley Farm APA. A copy of the Langley Farm APA is attached as **Appendix "D"** to this Report. Unless otherwise provided, all capitalized terms not defined in this section of the Report are as defined in the Langley Farm APA.
- (44) Pursuant to the Langley Farm APA, the Purchaser has agreed to purchase, and the Monitor has agreed to sell, all of Axon Lumber Ltd.'s right, title and interest in and to the Purchased Assets, free and clear of all claims and encumbrances (other than certain permitted encumbrances).
- (45) The Monitor understands that the Purchaser is a BC-based provider and developer of warehouses, office space, and storage units.
- (46) The material terms of the Langley Farm APA include, *inter alia*, the following:

- a) **Purchased Assets:** Land, buildings and chattels at the Langley Farm Property (PID: 030-889-588, Lot 2, District Lot 320 and 325, Group 2, New Westminster District Plan EPP 90547).
 - b) **Purchase Price:** \$2,300,000, exclusive of any applicable taxes.
 - c) **Deposit:** \$200,000 which is held on deposit with the Monitor.
 - d) **Representations and warranties:** Consistent with the standard terms of an insolvency transaction, the Purchased Assets are being acquired on an 'as-is where-is' basis with no representations or warranties provided by Axon or the Monitor.
 - e) **Commission:** Commission payable to both Cushman and the co-operating broker of 1.25% of the Purchase Price.
 - f) **Conditions:** Conditions precedent to closing are stipulated in sections 8.1, 8.2, and 8.3 of the Langley Farm APA. The most material closing conditions include, *inter alia*, the following:
 - i) Granting of the Langley Farm Vesting Order; and
 - ii) Payment of the balance of the purchase price to the Monitor.
 - g) **Closing:** The Closing Date is set for December 1, 2025, with an Outside Date of December 31, 2025.
- (47) The Monitor's comments on the Langley Farm Transaction are as follows:
- a) The Monitor is of the view that the marketing process undertaken by Cushman was robust and that the market was extensively canvassed over the course of several months. The Monitor believes the Langley Farm Property sale process was conducted in a fair and transparent matter and was reasonable;
 - b) The purchase price is fair and reasonable in the circumstances, taking into account the market value of the assets being disposed of, other offers received, and feedback received on the condition and location of the Langley Farm Property; and
 - c) The Monitor believes that the terms of the Langley Farm Transaction are reasonable and appropriate in the circumstances, represent the best outcome for stakeholders and will maximize the value of the Purchased Assets for the benefit of Axon's creditors.
- (48) RBC, as the primary secured creditor in relation to the Purchased Assets, is supportive of the Langley Farm Transaction, notwithstanding that they will suffer a significant shortfall on their debt.
- (49) Based on the foregoing, the Monitor supports the approval of the Langley Farm APA and the relief sought in the Langley Farm Vesting Order.

RECEIPTS AND DISBURSEMENTS

- (50) The Interim SRD, summarizing receipts and disbursements in these CCAA Proceedings for the period from November 29, 2024 to October 3, 2025, is attached hereto as **Appendix "B"**. As summary of the Interim SRD is shown in the table below.

Interim Statement of Receipts and Disbursements

CAD\$ '000	San Industries	San Forest	Coulson	Axon	Acorn	Total
Receipts	10,503	12,885	13,118	11,020	-	47,527
Disbursements	(2,933)	(4,089)	(3,700)	(1,175)	(1,846)	(13,743)
Repayment of DIP principal	(3,500)	(2,500)	-	-	-	(6,000)
Cash on hand	4,070	6,296	9,419	9,846	(1,846)	27,784

Allocation methodology

- (51) As shown in the Interim SRD, realizations have been made in the following entities to date: San Industries; San Forest; Coulson; and Axon (collectively, the "**Distribution Entities**").
- (52) Receipts have been allocated to each of the Distribution Entities based on ownership of the assets realized, and disbursements have been charged to the entities in which the costs were incurred.
- (53) The San Group's operations overlap between the Distribution Entities to a material degree. Therefore, for joint or group-wide disbursements, the Monitor has, based on its business judgment and knowledge of the San Group's operations, allocated such amounts among the Distribution Entities in proportion to each entity's share of the benefits and cost exposure. In doing so, the Monitor applied the following criteria (where applicable):
- Time basis: The Monitor's and professionals' time costs were first grouped by activity (for example, time spent on the SISP, employee and creditor matters, and general file administration) and then allocated by entity based on the estimated time incurred for each;
 - Insurance claim costs: Professional fees allocated between the Senior Lenders based on the proportionate value of each component of the claim;
 - DIP interest and costs: Allocated based on each entity's proportionate share of operational deficits;
 - Head office costs: Costs of employees of Super-Cut (which has no realizations) and shared IT or administrative expenses were allocated based on an estimated activity levels and service usage by each entity;
 - Insurance premiums: Allocated to entities based on insured values;
 - Causation basis: Where a cost is reasonably attributable to an event or statutory requirement the cost was allocated to the entity to which the event or requirement related; and
 - Net realizations basis: Where appropriate, priority claims were allocated between the Senior Lenders' collateral based on each lenders' proportionate share of net realizations.
- (54) With respect to the Interim SRD and allocation methodology, the Monitor notes the following:
- Although Super-Cut has creditors, it owns no known realizable assets;
 - In conducting the allocation, the Monitor has preserved creditor priorities and interests (as further explained herein);

- c) The only realizable asset of Acorn is an insurance claim related to the Acorn Fire. No realizations have yet been made and, in that context, the Senior Lenders have agreed to an allocation of Acorn costs from the distributions payable to them;
 - d) The Monitor conducted an analysis of all receipts and disbursements and is of the view that the allocations are fair and reasonable; and
 - e) The Senior Lenders have reviewed the Monitor's analysis and are supportive of its methodology and the Proposed Distribution Order.
- (55) On September 5, 2025, the Monitor repaid the DIP Financing Facility in full, together with accrued and unpaid interest and applicable fees, as authorized under paragraph 46 of the Second ARIO. A payment of \$2.5 million was made to BDC and a payment of \$3.7 million was made to RBC (the "**DIP Repayments**").
- (56) As of October 3, 2025, receipts amounted to \$47.5 million and disbursements amounted to \$19.7 million, inclusive of the DIP Repayments. As shown in the Interim SRD, disbursements have included, among other things, \$2.2 million in payroll and benefits costs, \$1.6 million for insurance premiums, \$2.1 million for operational costs, \$1.6 million for property taxes, \$4.3 million for professional fees, and \$1.4 million for other costs and interest/fees.
- (57) As of October 3, 2025, the total cash balance held by the Monitor in the Petitioners' operating accounts and in the Monitor's SISP proceeds account totalled approximately \$27.8 million.

CREDITORS

Primary secured creditors

- (58) On October 25, 2024, RBC issued demand letters pursuant to San Group's credit facilities with RBC when the aggregate amounts then outstanding totalled approximately CAD \$105.0 million and USD \$1.7 million, with interest and costs continuing to accrue.
- (59) On November 7, 2024, BDC issued demand letters pursuant to San Group's credit facilities with BDC when the aggregate amount then outstanding totalled approximately CAD \$43.0 million, with interest and costs continuing to accrue.
- (60) In summary, the RBC and BDC security and related inter-creditor, subordination, and other contractual agreements between RBC and BDC provide that:
- a) San Industries: RBC holds a first-priority charge on all assets.
 - b) San Forest: BDC holds a first-priority charge on all assets, except for inventory and accounts receivable, where BDC has subordinated its charge to RBC. The Senior Lenders have agreed that any recovery or associated costs in relation to the business interruption portion of the insurance claim will be split on a basis as agreed between them.
 - c) Coulson: RBC holds a first-priority charge on land and buildings, and BDC holds a first-priority charge on all other assets.
 - d) Acorn: BDC holds a first-priority charge on all assets, except for inventory and accounts receivable, where BDC has subordinated its charge to RBC. The Senior Lenders have agreed that any recovery or associated costs in relation to the business interruption portion of the insurance claim will be split on a basis as agreed between them.
 - e) Axon: RBC holds a first-priority charge on all assets.

- (61) Legal counsel engaged by the Monitor have independently reviewed the validity and enforceability of the security held by RBC and BDC. Subject to standard assumptions and qualifications, legal counsel has advised that the security is valid and enforceable.
- (62) The Monitor understands that CWB holds subordinate security to the Senior Lenders in the personal property of the Distribution Entities. As the Senior Lenders are expected to suffer a shortfall, it appears unlikely that any recovery will be available to CWB.
- (63) The Monitor understands that Five Peaks Capital Ltd. holds subordinate security to the Senior Lenders, including a general security agreement granting an interest over all the personal property of Coulson. As the Senior Lenders are expected to suffer a shortfall, it appears unlikely that any recovery will be available to Five Peaks Capital Ltd.

Priority claims

- (64) As contemplated by the Proposed Distribution Order, the Monitor proposes to reserve and subsequently pay, when properly proven, estimated priority claims totalling approximately \$1.2 million (the "**Estimated Priority Claims**"). A breakdown of the Estimated Priority Claims for each of the Distribution Entities, based on the most current information available to the Monitor, is set out in the table below.

Estimated Priority Creditors (CAD\$'000)

Type	Creditor	San Industries	San Forest	Coulson	Axon	Total	Priority Status
Payroll source deductions	Canada Revenue Agency	127	-	668	-	795	Deemed trust under s. 67(3) of <i>Bankruptcy and Insolvency Act</i>
WEPP claims	Service Canada	2	4	-	-	6	Statutory priority under s. 81.4 of <i>Bankruptcy and Insolvency Act</i>
Wage claims (vacation/retro pay)	Coulson Employees	-	-	147	-	147	Statutory priority under s. 81.4 of <i>Bankruptcy and Insolvency Act</i>
Pension source deductions	IWA-Forest Industry Pension Plan	-	-	247	-	247	Statutory priority under s. 81.5 of <i>Bankruptcy and Insolvency Act</i>
Total		129	4	1,062	-	1,195	

- (65) The Monitor intends to hold funds totalling approximately \$1.2 million in respect of proceeds that may be subject to the Estimated Priority Claims (the "**Priority Claims Holdback**"). These funds will be distributed to the applicable creditors once, to the extent necessary, these claims have been finalized by the relevant creditor and reviewed and approved by the Monitor.

Reversible priority claims

- (66) The Monitor plans to assign San Industries and Coulson into bankruptcy pursuant to paragraph 49 of the *Bankruptcy and Insolvency Act* ("**BIA**"). Upon the assignment of these entities, pursuant to section 67(2) of the BIA, any deemed trust and lien claims that may exist will no longer retain priority status, to the extent such priority exists (the "**Estimated Reversible Priority Claims**").
- (67) A breakdown of the Estimated Reversible Priority Claims for each of the Distribution Entities, based on the most current information available to the Monitor, is set out in the table below.

Estimated Reversible Priority Creditors (CAD\$'000)

Type	Creditor	San Industries	San Forest	Coulson	Axon	Total	Priority Status
GST	Canada Revenue Agency	159	-	435	38	632	Deemed trust under s. 222(1) of the <i>Excise Tax Act</i>
WorkSafeBC premiums	WorkSafeBC	9	-	33	-	42	Lien under s. 265(1) of the <i>Workers Compensation Act</i>
Stumpage claims	Province of BC	17,582	-	[15,862]	-	17,582	Lien under s. 131 of the <i>Forest Act</i>
Total		17,751	-	467	38	18,257	

Note: The same stumpage claims have been applied against both San Industries (\$17.6 million) and Coulson (\$15.9 million)

- (68) As shown above, the Province of British Columbia (the "**Province**") has asserted claims for arrears of stumpage under section 131 of the *Forest Act*, supported by security registrations filed in the Personal Property Registry in September and November 2024 (after the registration of the Senior Lenders' security). The stumpage claims total approximately \$17.6 million (the "**Stumpage Claim**") and has been applied against both San Industries and Coulson, in a lesser amount of \$15.9 million.
- (69) The Monitor understands that the Stumpage Claim may attach to proceeds of sale of inventory totalling approximately \$1.2 million (the "**Stumpage Proceeds**"), of which \$0.7 million relates to San Industries and \$0.5 million to Coulson.
- (70) The Monitor further notes that the only realizations in Axon relate to the sale of land and buildings. RBC holds a registered mortgage (prescribed security interest) over Axon's real property, which the Monitor understands was registered and advanced prior to the date the goods and services tax ("**GST**") liability arose. Accordingly, no recovery is expected for Canada Revenue Agency in respect of its GST claim against Axon, and the Monitor does not anticipate assigning this entity into bankruptcy.
- (71) The Monitor intends to hold funds totalling approximately \$1.8 million (the "**Reversible Priority Claims Holdback**") in respect of proceeds that may be subject to the Estimated Reversible Priority Claims, inclusive of \$1.2 million for the Stumpage Proceeds, \$0.6 million in respect of GST claims, and \$42,000 in respect of WorkSafeBC claims. The Reversible Priority Claims Holdback funds will be distributed to the Senior Lenders following the assignment into bankruptcy of San Industries and Coulson.

Unsecured claims

- (72) Based on the available books and records of the San Group and correspondence received from creditors, the Monitor estimates total unsecured claims of vendors and service providers of San Group in excess of \$13.0 million.
- (73) As the Senior Lenders are expected to suffer a shortfall on their secured debt, the Monitor has not undertaken a detailed review of unsecured creditor claims. The Monitor has, however, provided ad hoc updates on the status of these CCAA Proceedings to certain unsecured creditors as inquiries were received.
- (74) The Monitor is aware of a claim in respect of union dues deducted from employees' wages but not remitted by Coulson. The Monitor is not aware of any statutory priority applicable to such union dues and notes that the funds were not held in trust by Coulson. Accordingly, the Monitor considers any claim in respect of these union dues to be unsecured.

FIRST INTERIM DISTRIBUTION

- (75) As described above, the total cash balance held by the Monitor in the Petitioners' accounts and in the Monitor's SISP proceeds account totalled \$27.8 million as of October 3, 2025 (the "**Cash on Hand**").
- (76) The Monitor proposes to hold back the following balances from the Cash on Hand:
- a) \$1.2 million in respect of the Priority Claims Holdback. These funds will be distributed to the applicable creditors if and once the claims have been finalized by the relevant creditor and reviewed and approved by the Monitor;
 - b) \$1.8 million in respect of the Reversible Priority Claims Holdback. These funds will be distributed to the Senior Lenders following the assignment into bankruptcy of San Industries and Coulson;
 - c) \$1.5 million in respect of potential future operating costs, post-filing GST and source deduction payments, and professional fees required to continue the CCAA Proceedings; and
 - d) \$1.5 million in respect of a contingency
- (collectively, the "**Holdbacks**").
- (77) After accounting for the Holdbacks, the Monitor proposes to make an initial distribution to the Senior Lenders in the amount of \$21.7 million, which is allocated to RBC and BDC in the amounts of \$16.6 million and \$5.1 million, respectively (the "**First Interim Distribution**"). A breakdown of the First Interim Distribution, which has been agreed to by RBC and BDC pursuant to the RBC and BDC security and related inter-creditor, subordination, and other contractual agreements between RBC and BDC, is shown in the table below.

First Interim Distribution

CAD\$'000	San Industries	San Forest	Coulson	Axon	Acorn	Total
Cash on Hand	4,070	6,296	9,419	9,846	(1,846)	27,784
Holdbacks						
Priority Claims Holdback	(130)	(4)	(1,062)	-	-	(1,195)
Reversible Priority Claims Holdback	(872)	-	(919)	(38)	-	(1,829)
Future professional fees and costs	(613)	(438)	(112)	(103)	(250)	(1,515)
Contingency	(500)	(250)	(500)	(250)	-	(1,500)
Total Holdback	(2,115)	(692)	(2,592)	(391)	(250)	(6,040)
Proposed First Interim Distribution	1,955	5,604	6,826	9,454	(2,095)	21,744
<i>RBC distribution</i>						16,623
<i>BDC distribution</i>						5,121
Proposed First Interim Distribution						21,744

- (78) The allocation of the distribution to the Senior Lenders has been determined based on the security positions of each lender (as set out above) and factors in the Estimated Priority Claims, having regard to the statutory provisions identifying the assets to which those claims attach.
- (79) The Monitor is of the view that the First Interim Distribution and the Proposed Distribution Order are appropriate in the circumstances. The proposed distributions are consistent with the priorities established under the BIA and the CCAA, and will facilitate an efficient administration of the estates while preserving the Senior Lenders' security interests. The Monitor understands that the Senior Lenders have reviewed and are supportive of the Proposed Distribution Order.

CASH FLOW

Sixth Variance Analysis

- (80) The Monitor has worked closely with the Petitioners and the DIP Lenders in respect of managing and monitoring cash receipts and cash disbursements in accordance with the Sixth Cash Flow Forecast, which was subsequently extended to cover the period to October 31, 2025. A summary of the actual cash flows as compared to the projected amounts in the Sixth Cash Flow Forecast for the Cash Flow Period is set out below.

Cash Flow Variance Analysis - For the six-week period ended October 3, 2025

CAD\$'000s; unaudited	Forecast	Actual	Variance (\$)	Variance (%)
Receipts				
Operational receipts	-	-	-	0%
Total receipts	-	-	-	0%
Operating Disbursements				
Vendors and SG&A expenses	(11)	(77)	(66)	(596%)
Payroll and source deductions	(132)	(49)	83	63%
Insurance claim costs	(197)	(208)	(11)	(5%)
Security	(64)	(55)	10	15%
Professional fees	(607)	(576)	31	5%
GST payments on SISP proceeds	(347)	-	347	100%
Contingency	(30)	-	30	100%
Total operating disbursements	(1,389)	(964)	424	31%
Net operating cash flow	(1,389)	(964)	424	31%
Financing Disbursements				
DIP Financing Facility interest and fees	(450)	(179)	271	60%
Total financing disbursements	(450)	(179)	271	60%
Net cash flow	(1,839)	(1,143)	695	38%
Company's Operating Account Balance				
Opening balance	351	309	(42)	12%
Net operating cash flow	(1,389)	(964)	424	31%
Funding from Monitor's Sale Proceeds account	750	750	-	0%
Ending bank balance	(288)	94	383	(133%)
Monitor's Sale Proceeds Account Balance				
Opening balance	34,236	34,236	-	0%
Other receipts (interest, inventory/other proceeds)	-	383	383	100%
Financing disbursements	(450)	(179)	271	100%
DIP Financing Facility repayment	(6,000)	(6,000)	-	100%
Funding to Company's Operating account	(750)	(750)	-	0%
Ending bank balance	27,036	27,690	654	(2%)
Combined ending bank balance	26,748	27,784	1,037	4%

- (81) The net cash outflow for the Operating Entities during the Cash Flow Period amounted to approximately \$(1.1 million), which was approximately \$695,000 better than projected. The more significant variances in the Cash Flow Period are as follows:
- The GST payment on SISP proceeds was not made, resulting in a \$347,000 positive timing variance. This payment is expected to be made in November and the variance will reverse in the Forecast Period.
 - DIP Financing Facility interest and fees were approximately \$271,000, or 60%, lower than forecasted upon a final accounting by the DIP Lenders.
- (82) In addition to the nil forecasted operational receipts included in the net cash outflow, there was approximately \$383,000 in other receipts, representing interest on deposits, inventory sale proceeds, and refunds and other items which were deposited into the Monitor's SISP proceeds

account. Due to the uncertainty regarding collection of certain refunds and other amounts, the Monitor did not include these in the Sixth Cash Flow Forecast.

Seventh Cash Flow Forecast

- (83) As of August 31, 2025, all remaining staff of San Group which had not transferred under the SISP Transactions were terminated. The Monitor continues to contract the services of the former VP Finance of San Group on a part-time basis. The Monitor has continued to work closely with the former VP Finance to update a rolling cash flow forecast for the Operating Entities and the related assumptions to February 27, 2026.
- (84) The Seventh Cash Flow Forecast, covering the period from October 4, 2025 to February 27, 2026, is presented in the table below, with notes on the related assumptions attached hereto as **Appendix "C"**. The forecast is presented on a monthly basis as the number and magnitude of transactions has now been materially reduced, given that all operations of the San Group have been wound down or sold through the SISP Transactions.

Cash Flow Forecast for the 21-week period ended February 27, 2025

CAD\$ '000s; unaudited						
Period ended	31-Oct-25	30-Nov-25	31-Dec-25	31-Jan-26	27-Feb-26	TOTAL
Receipts	-	-	-	-	-	-
Operating disbursements						
Vendors and SG&A expenses	(9)	(4)	(4)	(4)	(4)	(26)
Contractor wages	(28)	(24)	(24)	(12)	(12)	(100)
Insurance claim costs	(87)	(75)	(65)	(33)	(40)	(300)
Professional fees	(189)	(110)	(117)	(90)	(106)	(612)
GST payments on SISP and inventory proceeds	-	(347)	-	-	-	(347)
Contingency	(20)	(10)	(10)	(10)	(10)	(60)
Net operating cash flow	(333)	(571)	(220)	(149)	(172)	(1,446)
Financing disbursements	-	-	-	-	-	-
Net cash flow	(333)	(571)	(220)	(149)	(172)	(1,446)
Company's Operating Account						
Opening balance	94	761	190	470	320	94
Net cash flow	(333)	(571)	(220)	(149)	(172)	(1,446)
Funding from Monitor's SISP Proceeds Account	1,000	-	500	-	-	1,500
Ending balance - Company's Operating Account	761	190	470	320	148	148
Monitor SISP Proceeds Account						
Opening balance	27,690	26,690	3,751	1,422	1,422	27,690
Transfers to Company operating account	(1,000)	-	(500)	-	-	(1,500)
Estimated Priority Claims	-	(1,195)	-	-	-	(1,195)
First Interim Distribution	-	(21,744)	-	-	-	(21,744)
Reversible Priority Claims Holdback to Lenders	-	-	(1,829)	-	-	(1,829)
Ending balance - Monitor's SISP Proceeds Account	26,690	3,751	1,422	1,422	1,422	1,422

The more significant assumptions included in the Seventh Cash Flow Forecast are as follows:

- No additional receipts are expected as all recoverable customer receivables have been collected and the timing and amount of any potential recoveries for tax refunds, the insurance claims, and sale of the San Farm are uncertain.
- Vendor and SG&A payments of approximately \$26,000 will be paid to cover any remaining payments with vendors or IT services as operations are fully wound down.

- c) Contractor wages of \$100,000 are required to wind down the Group's operations, assist with information requests pertaining to the insurance claims and undertake various GST and tax filings.
 - d) Insurance claim costs of \$300,000 are for the estimated fees and costs required for counsel, adjusters, experts and consultants to advance the outstanding insurance claim matters.
 - e) Professional fees of approximately \$670,000 are estimated for the professionals covered by the Administration Charge.
 - f) An amount of \$347,000 is provided for in relation to GST collected in respect of the SISP Transactions, pending the filing of GST returns by the Petitioners.
 - g) A contingency of \$60,000 is estimated for any unknown additional costs.
 - h) Payments to priority creditors of approximately \$1.2 million from the Priority Claims Holdback.
 - i) Payment of The First Interim Distribution of approximately \$21.7 million, as detailed in this Report, from the Monitor's SISP proceeds account.
 - j) Distribution of the Reversible Priority Claims Holdback funds of \$1.8 million to the Senior Lenders following the assignment into bankruptcy of San Industries and Coulson.
- (85) The Monitor's comments on the more significant assumptions included in the Seventh Cash Flow Forecast are as follows:
- a) Any further receipts from tax refunds, the sale of the Petitioners remaining assets, or in relation to the insurance claims are unknown at this time and have not been considered in the Forecast Period.
 - b) The Seventh Cash Flow Forecast shows a projected balance in the Petitioners' operating accounts of approximately \$0.1 million as of February 27, 2026 and a projected balance of approximately \$1.4 million in the Monitor's SISP proceeds account as of the same date.
 - c) Since the cash flows are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, at this time, the Monitor cannot provide any assurance as to whether the Seventh Cash Flow Forecast will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information referenced in this Report or relied upon by the Monitor in preparing this Report.

REQUESTED STAY EXTENSION

- (86) The current Stay expires on October 31, 2025. The Monitor is seeking the Court's approval of the Seventh Stay Extension to February 27, 2026.
- (87) The Monitor believes that the creditors of the Petitioners will not be prejudiced by the Seventh Stay Extension. The extension will permit the Monitor to:
- a) Review, approve and make payment of the Estimated Priority Claims;
 - b) Assign San Industries and Coulson into bankruptcy and distribute the Reversible Priority Claims Holdback funds to the Senior Lenders;
 - c) Close the Langley Farm Transaction;

- d) Continue to address outstanding insurance claim related matters;
 - e) Pursue other potential estate recoveries; and
 - f) Take other steps required to continue the Petitioners' restructuring.
- (88) In the Monitor's view, extending the Stay until February 27, 2026 is reasonable and appropriate in the circumstances. The Petitioners have sufficient liquidity to fund ongoing obligations through the proposed extension period.
- (89) The Senior Lenders have been consulted regarding the proposed Seventh Stay Extension and have indicated their support.

CONCLUSIONS AND RECOMMENDATIONS

- (90) Based on the foregoing, the Monitor respectfully recommends that this Court grant the Orders sought in this Report.

This Report is respectfully submitted this 22nd day of October, 2025.

DELOITTE RESTRUCTURING INC.,

In its capacity as Court-appointed
Companies' Creditors Arrangement Act Monitor of
San Group (as defined herein)
and not in its personal capacity



Per: Jeff Keeble, CPA, CA, CIRP, LIT, CBV
Senior Vice-President



Paul Chambers, FCA (UK), CIRP, LIT
Senior Vice-President

APPENDIX "A"

List of Petitioners

1. Acorn Forest Products Ltd.
2. Axon Lumber Ltd.
3. Coulson Manufacturing 2017 Ltd.
4. San Cedar Direct Sales Ltd.
5. San Forest Products Ltd.
6. San Holdings Inc.
7. Super-Cut Lumber Industries Ltd.
8. 1224676 B.C. Ltd.
9. 1260729 B.C. Ltd.
10. Mountainside Logging Ltd.
11. 1170518 B.C. Ltd.
12. 1175465 B.C. Ltd.
13. San Farming Ltd.
14. San Forest Specialty Ltd.
15. San Terminals Inc.

APPENDIX "B"

In the Matter of the CCAA of San Group

Monitor's Statement of Receipts and Disbursements for the period from November 29, 2024 to October 3, 2025

CAD\$'000	San Industries	San Forest	Coulson	Axon	Acorn	Total
Receipts						
Real property	-	6,000	9,110	11,000	-	26,110
Plant, equipment, vehicles	2,089	3,600	3,000	-	-	8,689
Sales and AR collections	3,274	-	420	-	-	3,694
GST refunds and collections	523	180	13	-	-	716
DIP Financing Facility	3,500	2,500	-	-	-	6,000
Other recoveries	1,117	605	575	20	-	2,317
Total receipts	10,503	12,885	13,118	11,020	-	47,527
Disbursements						
Payroll and benefits	(549)	(367)	(1,266)	(24)	(37)	(2,242)
Insurance premiums	(323)	(487)	(816)	-	-	(1,626)
Operational costs	(382)	(722)	(690)	(302)	(30)	(2,126)
Commissions	(66)	(25)	(32)	(347)	-	(469)
Property taxes and utilities	-	(1,320)	-	(300)	-	(1,620)
Professional fees	(1,353)	(979)	(685)	(183)	(1,084)	(4,284)
Other incl. interest	(260)	(189)	(210)	(19)	(695)	(1,374)
Total disbursements	(2,933)	(4,089)	(3,700)	(1,175)	(1,846)	(13,743)
Distributions						
Repayment of DIP principal	(3,500)	(2,500)	-	-	-	(6,000)
Total distributions	(3,500)	(2,500)	-	-	-	(6,000)
Cash on hand	4,070	6,296	9,419	9,846	(1,846)	27,784

APPENDIX "C"

Seventh Cash Flow Forecast for the Operating Entities for the period from October 4, 2025 to February 27, 2026 (the "Seventh Cash Flow Forecast") Notes and Summary of Assumptions

Disclaimer

Since the Seventh Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast Period (defined below) will vary from the Sixth Cash Flow 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 Seventh Cash Flow Forecast is presented in Canadian dollars and includes the following Petitioners (collectively the "**Operating Entities**"):

- San Industries Ltd.
- San Forest Products Ltd.
- Coulson Manufacturing 2017 Ltd.
- Acorn Forest Products Ltd.
- Axon Lumber Ltd.
- Super-Cut Lumber Industries Ltd.

All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the Prior Reports.

San Group

Cash Flow Forecast for the 21-week period ended February 27, 2025

CAD\$'000s; unaudited	Note						
Period ended	1	31-Oct-25	30-Nov-25	31-Dec-25	31-Jan-26	27-Feb-26	TOTAL
Receipts	2	-	-	-	-	-	-
Operating disbursements							
Vendors and SG&A expenses	3	(9)	(4)	(4)	(4)	(4)	(26)
Contractor wages	4	(28)	(24)	(24)	(12)	(12)	(100)
Insurance claim costs	5	(87)	(75)	(65)	(33)	(40)	(300)
Professional fees	5	(189)	(110)	(117)	(90)	(106)	(612)
GST payments on SISP and inventory proceeds	6	-	(347)	-	-	-	(347)
Contingency		(20)	(10)	(10)	(10)	(10)	(60)
Net operating cash flow		(333)	(571)	(220)	(149)	(172)	(1,446)
Financing disbursements		-	-	-	-	-	-
Net cash flow		(333)	(571)	(220)	(149)	(172)	(1,446)
Company's Operating Account							
Opening balance		94	761	190	470	320	94
Net cash flow		(333)	(571)	(220)	(149)	(172)	(1,446)
Funding from Monitor's SISP Proceeds Account	7	1,000	-	500	-	-	1,500
Ending balance - Company's Operating Account		761	190	470	320	148	148
Monitor SISP Proceeds Account							
Opening balance		27,690	26,690	3,751	1,422	1,422	27,690
Transfers to Company operating account		(1,000)	-	(500)	-	-	(1,500)
Estimated Priority Claims		-	(1,195)	-	-	-	(1,195)
First Interim Distribution		-	(21,744)	-	-	-	(21,744)
Reversible Priority Claims Holdback to Lenders		-	-	(1,829)	-	-	(1,829)
Ending balance - Monitor's SISP Proceeds Account		26,690	3,751	1,422	1,422	1,422	1,422

Note 1 Purpose of the Cash Flow Forecast

The purpose of the Seventh Cash Flow Forecast is to present the estimated cash receipts and disbursements of the Operating Entities for the period from October 4, 2025 to February 27, 2026 (the "**Forecast Period**"). The Monitor has continued to work closely with the VP Finance to update the rolling cash flow forecast for the Operating Entities and the related assumptions. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

Note 2 Receipt collections

No receipts are expected to be collected during the Forecast Period.

Note 3 Vendors and SG&A expenses

Vendor disbursements include, but are not limited to, IT costs and other administrative items, the majority of which are assumed on a cash on demand basis.

Note 4 Contractor wages

The Petitioners no longer have any employees or salaried individuals. Certain individuals have been retained on a contract basis and these disbursements relate to their fees in addition to remaining WorksafeBC premiums not yet billed.

Note 5 Professional fees and insurance claim costs

Professional fees include those of the Monitor, counsel to the Monitor, and counsel to the secured lenders, incurred or projected during the CCAA Proceedings, as well as the Monitor's insurance counsel and experts engaged to assist with the insurance claims process.

Note 6 GST payments

Certain of the SISP Transactions included the collection of GST by the Monitor. The Petitioners are filing GST returns in the normal course and will remit any post-filing GST owing.

Note 7 Monitor's SISP Proceeds Account

The Monitor holds in a third-party trust account funds collected from the SISP Transactions. These funds will be released into the Company's account to fund the costs outlined in the Seventh Cash Flow Forecast.

APPENDIX "D"

Langley Farm APA

ASSET PURCHASE AGREEMENT

This asset purchase agreement is entered into as of October 15th, 2025

BETWEEN:

DELOITTE RESTRUCTURING INC. (the "**Monitor**"), in its capacity as Court appointed monitor of **AXON LUMBER LTD.** (the "**Company**"), and not in its personal or corporate capacity, as vendor (the "**Vendor**")

- and -

CATTERMOLE STORAGE LTD., a company incorporated under the laws of British Columbia, having its registered office at 8085 228 B Street, Langley, BC, V1M 0C2, PO Box 459, Fort Langley, BC, V1M 2R8, as purchaser (the "**Purchaser**")

WHEREAS:

- A. Pursuant to the Initial Order of the Supreme Court of British Columbia (the "**Court**") issued November 29, 2024 (the "**Filing Date**"), amended and restated December 9, 2024 and subsequently amended and restated December 19, 2024 (as amended, the "**SARIO**"), the Monitor was appointed as monitor of the Company with certain enhanced powers pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 (the "**CCAA**" and the "**CCAA Proceedings**").
- B. Pursuant to the SISP Order of the Court issued January 16, 2025 (the "**SISP Order**"), the sale process attached hereto as **Schedule B** (the "**Sale Process**") was approved by the Court.
- C. Pursuant to the Sale Process and the SISP Order, the Vendor desires to sell and assign to the Purchaser and the Purchaser desires to purchase and assume from the Vendor, all of the Purchased Assets (as defined herein) in accordance with the terms of this Agreement and the Approval and Vesting Order.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the Parties hereby acknowledge and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

"Affiliate" means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to **"control"** another Person if such Person possesses, directly or indirectly, the power to

direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise; and the term **"controlled"** shall have a similar meaning.

"Agreement" means this asset purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof.

"Applicable Law" means, in respect of any Person, property, transaction or event, any: (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order; (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority; and (iii) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

"Approval and Vesting Order" means an order by the Court, in form and substance satisfactory to the Purchaser and the Vendor, acting reasonably, among other things: (i) approving and authorizing this Agreement and the Transaction and (ii) vesting all right, title and interest in and to the Purchased Assets to the Purchaser on Closing free and clear of all Taxes payable by the Company, other interests, Claims, Liabilities, liens, charges, and encumbrances other than the Assumed Liabilities and the Permitted Encumbrances.

"Assumed Liabilities" means Liabilities arising under the Permitted Encumbrances.

"Authorization" means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs or from any Person in connection with any easements, contractual rights or other matters.

"Books and Records" means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records used or intended for use by, or in the possession of the Company relating to the Purchased Assets.

"Business" means the business carried on by the Company at or on the Real Property as of the Filing Date.

"Business Day" means a day on which banks are open for business in the Province of British Columbia, but does not include a Saturday, Sunday or statutory holiday in the Province of British Columbia.

"CCAA" has the meaning set out in the recitals hereto.

"CCAA Proceedings" has the meaning set out in the recitals hereto.

"Chattels" means all chattels, appliances, tools, equipment, furniture and other tangible personal property located, incorporated or situated in or upon the Real Property as of the

date hereof and owned by the Company and used solely or primarily in connection with the use or operation of the Real Property.

"Claims" means any and all demands, claims, liabilities, actions, causes of action, counterclaims, expenses, costs, damages, losses, suits, debts, sums of money, refunds, accounts, indebtedness, rights of recovery, rights of set-off, rights of recoupment, and liens of whatever nature (whether direct or indirect, absolute or contingent, asserted or unasserted, secured or unsecured, matured or not yet matured, due or to become due, accrued or unaccrued, or liquidated or unliquidated), and including all costs, fees, and expenses relating thereto.

"Closing" means the closing and consummation of the Transaction.

means December 1st, 2025

"Closing Date" means ~~five (5) Business Days following the Approval and Vesting Date,~~ unless otherwise agreed by the Parties in writing.

"Closing Effective Time" means 12:01 a.m. (Vancouver time) on the Closing Date, or such other time as the Parties may agree to in writing.

"Company" has the meaning set out in the preamble hereto.

"Contracts" means any written legally binding contract, agreement, instrument, commitment or undertaking of any nature (including leases, subleases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, letters of intent and purchase orders), including all amendments, supplements, exhibits and schedules thereto to which any Company is a party.

"Court" has the meaning set out in the recitals hereto.

"Deposit" has the meaning ascribed to that term in Section 3.2.

"Excise Tax Act" means the *Excise Tax Act*, R.S.C., 1985, c. E-15.

"Excluded Assets" means all of the properties, rights, assets and undertakings of the Company not forming the Purchased Assets, which Excluded Assets include, without limitation, any accounts receivable, refunds and receivables in respect of Taxes and Transfer Taxes, and lumber inventory owned by or owing to the Company.

"Filing Date" means November 29, 2024.

"General Conveyance" means one or more general conveyances evidencing the conveyance to the Purchaser of the Company's interest in and to the Purchased Assets, in form and substance satisfactory to the Parties, acting reasonably.

"Governmental Authority" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

"GST/HST" means all goods and services tax imposed under Part IX of the *Excise Tax Act*.

"Income Tax Act" means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

"Liability" or "Liabilities" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"Organizational Documents" means any certificate or articles of incorporation or amalgamation, notice of articles, articles, bylaws, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

"Outside Date" means 11:59 pm (Vancouver time) on **December 30th, 2025**, or such later date and time as the Vendor and the Purchaser may agree to in writing.

"Parties" means the Vendor and the Purchaser.

"Permitted Encumbrances" means the encumbrances listed on **Schedule D** attached hereto.

"Person" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"Purchase Price" has the meaning set out in Section 3.1.

"Purchased Assets" has the meaning set out in Section 2.1.

"Purchaser" has the meaning set out in the preamble hereto.

"Purchaser Authorized Parties" has the meaning set out in Section 10.3.

"Real Property" means the lands identified on **Schedule A** and all buildings, structures and improvements thereon.

"Sale Process" has the meaning set out in the recitals hereto.

"SISP Order" has the meaning set out in the recitals hereto.

"Taxes" means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment

insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties, but excluding arrears of property taxes due and payable with respect to the Real Property.

"Transaction" means the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser shall acquire the Purchased Assets.

"Transfer Taxes" means all present and future transfer taxes, sales taxes, use taxes, production taxes, value-added taxes, goods and services taxes, land transfer taxes, registration and recording fees, and any other similar or like taxes and charges imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Purchased Assets, including GST/HST.

"Vendor" has the meaning set out in the preamble hereto.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section", "Article" or reference to another subdivision followed by a number mean and refer to the specified Section, Article or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other Person other than the Vendor or the Purchaser, or any Affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to \$, are expressed in Canadian dollars, unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules & Amendments to Schedules

The following schedules are attached hereto and incorporated in and form part of this Agreement:

SCHEDULES

- Schedule A** - Real Property
- Schedule B** - SISP Order and Sale Process
- Schedule C** - Allocation of Purchase Price
- Schedule D** - Permitted Encumbrances

Unless the context otherwise requires, words and expressions defined in this Agreement shall have the same meanings in the Schedules and the interpretation provisions set out in this Agreement shall apply to the Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchase and Sale of Purchased Assets

At the Closing, subject to the terms and conditions set forth in this Agreement, the Vendor shall sell, assign, transfer and convey to the Purchaser, and the Purchaser shall purchase, acquire and assume from the Vendor, the Real Property and Chattels (collectively, the "**Purchased Assets**").

2.2 Excluded Assets

Notwithstanding Section 2.1, the Purchased Assets shall not include the Excluded Assets or any Contracts relating to the operation of the Business, and nothing herein shall be deemed to sell, transfer, assign or convey the Excluded Assets or any Contracts relating to the operation of the Business.

2.3 Transfer of Purchased Assets and Assumption of Liabilities

Provided that Closing occurs and subject to the terms and conditions of this Agreement, possession, risk, legal and beneficial ownership of the Purchased Assets shall transfer from the Company to the Purchaser on the Closing Date, and the Purchaser agrees to assume, discharge, perform and fulfill all of the Assumed Liabilities.

ARTICLE 3
PURCHASE PRICE

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3.1 Purchase Price

Two Million Three Hundred Thousand \$2,300,000)

The purchase price for the Purchased Assets shall be ~~Two Million One Hundred Thousand dollars (\$2,100,000.00)~~ (the "Purchase Price") and shall be inclusive of the Deposit. The Purchase Price shall be paid on the Closing Date, in full, by wire transfer of immediately available funds to an account designated by the Vendor. The Parties agree that the Purchase Price shall be allocated among the Purchased Assets in the manner set forth on **Schedule C** attached hereto. If requested by the Vendor, the Purchaser shall provide the Vendor with a detailed allocation of the Purchase Price between individual assets for any of the categories set forth on **Schedule C** attached hereto. If requested by the Vendor, the Purchaser shall provide the Vendor with a detailed allocation of the Purchase Price between individual assets for any of the categories set forth on **Schedule C** attached hereto.

3.2 Payment of Deposit and Satisfaction of Purchase Price

(a) The Parties acknowledge that:

- (i) within 48 hours following the signature of this Agreement by both Parties, the Purchaser will pay to the Vendor, by wire transfer of immediately available funds to one or more accounts designated in writing by the Vendor, the amount of ~~One Hundred Thousand dollars (\$100,000.00)~~ (the "Deposit"); Two Hundred Thousand Dollars (\$200,000)
- (ii) the Deposit shall be held in trust by the Vendor in an interest bearing account; and
- (iii) the Deposit shall be held and administered by the Vendor in accordance with the terms and conditions of this Agreement (including this Section 3.2).

(b) At Closing, the Purchase Price shall be paid and satisfied as follows:

- (i) as to the amount of the Deposit, the Vendor shall apply the Deposit against the amount of the Purchase Price for the account of the Purchaser; and
- (ii) as to the balance of the Purchase Price, the Purchaser shall pay such amount by wire transfer of immediately available funds to one or more accounts designated in writing by the Vendor.

(c) If this Agreement is terminated:

- (i) (A) pursuant to Section 9.1(a) by mutual agreement of the Parties; (B) pursuant to Section 9.1(b) or 9.1(c) by the Purchaser; (C) pursuant to Section 7.1(c) or 9.1(e) by the Vendor; or (D) for any other reason other than as contemplated under Section 3.2(c)(ii); then the Deposit and accrued interest shall be returned to the Purchaser; or

- (ii) pursuant to Section 9.1(d) by the Vendor, the full amount of the Deposit and accrued interest shall be forfeited by the Purchaser to the Vendor,

and, in the event of termination of this Agreement under Section 3.2(c)(ii) pursuant to which the Vendor shall be entitled to retain the Deposit, the Parties agree that the amount of the Deposit, constitutes a genuine pre estimate of liquidated damages representing the Vendor's losses as a result of Closing not occurring and agree that the Vendor shall not be entitled to recover from the Purchaser any amounts that are in excess of the Deposit as a result of Closing not occurring. The Purchaser hereby waives any claim or defence that the amount of the Deposit is a penalty or is otherwise not a genuine pre estimate of the Vendor's damages.

3.3 Transfer Taxes

The Parties agree that:

- (a) The Purchase Price does not include Transfer Taxes and the Purchaser shall be liable for and shall pay any and all Transfer Taxes, if any, pertaining to the Purchaser's acquisition of the Purchased Assets.
- (b) Where the Vendor is required under Applicable Law to collect or pay Transfer Taxes, the Purchaser shall pay the amount of such Transfer Taxes to the Vendor on the Closing Date. The Vendor shall pay such Transfer Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Transfer Taxes when due.
- (c) The Purchaser submits that it is a GST/HST registrant for purposes of the Excise Tax Act and has been assigned the GST/HST account number 876032202 RT0001 and as such, that in accordance with subsection 221(2) of the Excise Tax Act, the Vendor will not collect GST in respect of the sale of the Real Property. The Purchaser hereby agrees that it will self-assess the GST applicable to the acquisition of the Real Property as required by the Excise Tax Act.
- (d) Except where the Vendor is required under Applicable Law to collect or pay such Transfer Taxes, the Purchaser shall pay such Transfer Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Transfer Taxes when due. The Vendor shall do and cause to be done such things as are reasonably requested to enable the Purchaser to comply with such obligation in a timely manner. If the Vendor is required under Applicable Law to pay any such Transfer Taxes which are not paid by the Purchaser on the Closing Date, the Purchaser shall promptly reimburse such Vendor the full amount of such Transfer Taxes upon delivery to the Purchaser of copies of receipts showing payment of such Transfer Taxes.
- (e) The Purchaser shall indemnify the Vendor for, from and against any Transfer Taxes (including any interest or penalties imposed by a Governmental Authority) that the Vendor may pay or for which the Vendor may become liable as a result of any failure by the Purchaser to pay or remit such Transfer Taxes.

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3.4 Property Taxes

The Purchaser shall assume and pay all property taxes and utilities related to the Real Property from, and including, the Closing Date. The Vendor shall be responsible for and shall pay all property taxes and utilities related to the Real Property prior to the Closing Date.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties

The Vendor hereby represents and warrants as of the date hereof and as of the Closing Date as follows, and acknowledges that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) CCAA Proceedings. The SISP Order and Approval and Vesting Order remain in full force and effect.
- (b) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order, the Vendor does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any Representations and Warranties of the Purchaser to enter into this Agreement.

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Date, and acknowledges that the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (c) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the laws of the Province of British Columbia, is in good standing under its governing statute and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (d) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.
- (e) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.
- (f) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.
- (g) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the

Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

- (h) No Consents or Authorizations. Subject only to (i) obtaining the Approval and Vesting Order, the Purchaser does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.
- (i) Residency. The Purchaser is not a "non-resident" for purposes of the *Income Tax Act*.

4.2 As is, Where is

The representations and warranties of the Vendor shall merge on Closing and shall thereafter be of no further force and effect. Despite any other provision of this Agreement, the Purchaser expressly acknowledges that the Vendor: (i) is selling the Purchased Assets on an "as is, where is" basis; (ii) on Closing, the Purchaser is releasing the Vendor from any and all liabilities related to the Purchased Assets and the transaction contemplated by this Agreement. No representation, warranty or condition is express or can be implied as to description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets. Without limiting the generality of the foregoing any and all conditions, warranties or representations expressed or implied pursuant to applicable sale of goods legislation or other similar legislation do not apply hereto and have been waived by the Purchaser. The description of the Purchased Assets contained in the Agreement are for purpose of identification only and, no representation, warranty or condition has or shall be given by the Vendor concerning completeness or accuracy of such descriptions.

ARTICLE 5 COVENANTS

5.1 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

5.2 Application for Approval and Vesting Order

The Vendor shall take all reasonable steps to seek to obtain the Approval and Vesting Order.

5.3 Insurance Matters

Until Closing, the Vendor shall use commercially reasonable efforts to keep in full force and effect all existing insurance policies of the Company.

5.4 Books and Records

The Vendor will use commercially reasonable efforts to deliver the Books and Records that relate to the Purchased Assets (to the extent in the possession and control of the Vendor) to the Purchaser following the Closing Date.

ARTICLE 6 CLOSING ARRANGEMENTS

6.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Effective Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

6.2 Vendor's Closing Deliveries

At or before the Closing, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

- (a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;
- (b) the General Conveyance, duly executed by the Vendor;
- (c) the Purchased Assets;
- (d) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true and correct in all respects as of the Closing Date, with the same effect as though made at and as of the Closing Date, and that the Vendor has performed in all material respects the covenants to be performed by it prior to the Closing Date; and
- (e) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Purchaser, acting reasonably.

6.3 Purchaser's Closing Deliveries

At or before the Closing Date, the Purchaser shall deliver or cause to be delivered to the Vendor, the following:

- (a) payment of the Purchase Price, net of the Deposit and accrued interest;
- (b) payment of all Transfer Taxes (if any) payable on Closing to the Vendor (or evidence of payment by the Purchaser thereof to the relevant Governmental Authorities) in accordance with Section 3.3;
- (c) all tax elections contemplated by Section 3.3, duly executed by the Purchaser;
- (d) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true and correct in all respects as of the Closing Date, with the same effect as though made at and as of the Closing Date, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Date; and

- (e) such other agreements, documents and instruments as may be reasonably required by the Vendor to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 7 INSOLVENCY PROVISIONS

7.1 Court Orders and Related Matters

- (a) Closing is expressly subject to the approval of the Court, and all such other modifications, variations and orders of the Court, as may be applicable, and shall only occur after the Approval and Vesting Order has been granted by the Court approving this Agreement.
- (b) The Purchaser acknowledges and agrees that:
 - (i) at all times prior to Closing, the Vendor is subject to the jurisdiction and discretion of the Court to entertain other offers and to abide by any further orders the Court may make regarding the Purchased Assets and the SISP Order;
 - (ii) the Vendor may choose to advocate, or the Vendor may be compelled to advocate, that the Court consider other offers to obtain the highest price for the Purchased Assets, and, in this regard, the Vendor gives no undertaking or commitment to the Purchaser to advocate or otherwise express support for the acceptance of this Agreement;
 - (iii) it has been advised by the Vendor that, in order to protect its interests, the Purchaser should retain legal counsel to appear at the hearing of the application for the Approval and Vesting Order, including to make an amended or further offer for the Purchased Assets should that prove necessary; and
 - (iv) until the Approval and Vesting Order is granted, the Vendor is at liberty to deal with any and all other prospective purchasers of the Purchased Assets.
- (c) This Agreement shall be terminated if, at any time before the Court issues the Approval and Vesting Order:
 - (i) the Vendor gives the Purchaser written notice that the Vendor has determined, in its sole discretion:
 - (a) that it is inadvisable to present this Agreement to the Court; or
 - (b) to withdraw such Agreement from the Court prior to any determination by the Court regarding its approval; or
 - (ii) any order of the Court (or other court of competent jurisdiction) renders the completion impossible or the Vendor is restrained or enjoined or otherwise prevented from completing the sale,

and, following such termination, the Parties shall have no further obligations or liability to each other under this Agreement other than the obligation of the Vendor to return the Deposit to the Purchaser.

ARTICLE 8 CONDITIONS OF CLOSING

8.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

- (a) Approval and Vesting Order. The Court shall have issued and entered the Approval and Vesting Order, which Approval and Vesting Order shall not have been stayed, set aside, or vacated; and
- (b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in this Section 8.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

8.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Vendor's Deliverables. The Vendor shall have (i) delivered or conveyed, or caused to have been delivered or conveyed, to the Purchaser all of the Purchased Assets; and (ii) executed and delivered or caused to have been executed and delivered to the Purchaser all the documents contemplated in Section 6.2.
- (b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 4.1 shall be true and correct in all respects: (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (c) No Breach of Covenants. The Vendor shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Vendors on or before the Closing.
- (d) No Damage or Destruction. The Purchased Assets shall be free of material loss or destruction by fire or other insurable casualty.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 8.2 may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If the conditions set out in this Section 8.2 are not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the

Vendor to terminate this Agreement whereupon the Deposit and accrued interest shall be returned to the Purchaser.

8.3 Conditions Precedent in favour of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing all the documents and payments contemplated in Section 6.3.
- (b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Article 4 shall be true and correct in all respects: (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 8.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 8.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

ARTICLE 9 TERMINATION

9.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

- (a) by the mutual written agreement of the Vendor and the Purchaser;
- (b) by the Purchaser, upon written notice to the Vendor, if there has been a material breach by the Vendor of any material representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Purchaser, and: (i) such breach is not curable and has rendered the satisfaction of any condition in Section 8.2 impossible by the Outside Date; or (ii) if such breach is curable, the Purchaser has provided prior written notice of such breach to the Vendor, and such breach has not been cured within five (5) days (or, if not curable within five (5) days, such longer period as is reasonable under the circumstances, not to exceed fifteen (15) days) following the date upon which the Vendor received such notice;
- (c) by the Purchaser, upon written notice to the Vendor, any time after the Outside Date, if the Closing has not occurred by the Outside Date and such failure to close was not caused by or as a result of the Purchaser's breach of this Agreement;

- (d) by the Vendor, upon written notice to the Purchaser, if there has been a material breach by the Purchaser of any material representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Vendor, and: (i) such breach is not curable and has rendered the satisfaction of any condition in Section 8.3 impossible by the Outside Date; or (ii) if such breach is curable, the Vendor has provided prior written notice of such breach to the Purchaser, and such breach has not been cured within five (5) days (or, if not curable within five (5) days, such longer period as is reasonable under the circumstances, not to exceed fifteen (15) days) following the date upon which the Purchaser received such notice;
- (e) by the Vendor, upon written notice to the Purchaser, any time after the Outside Date, if the Closing has not occurred by the Outside Date and such failure to close was not caused by or as a result of the breach of this Agreement by the Vendor; or
- (f) in accordance with Section 7.1(c).

9.2 Effect of Termination

If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties under this Agreement shall terminate and no Party shall have any Liability or further obligations hereunder, save and except the Deposit which shall be dealt with in accordance with Section 3.2 hereof.

ARTICLE 10 GENERAL

10.1 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of British Columbia therefrom.

10.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

- (a) in the case of the Purchaser, as follows:

Cattermole Storage Ltd.
PO Box 459
Fort Langley, BC V1M 0C2

Attention: Stephen McIntosh
Email: steve.mcintosh@macformgroup.com

with a copy to:

[Legal counsel]

STEPHEN SCHNEIDERMAN.
Suite #300 - 850 W. Hastings, Vancouver, BC
604-689-7474. V6C 1E1

(b) in the case of the Vendor, as follows:

Deloitte Restructuring Inc.
410 West Georgia Street
Vancouver, BC V6B 0S7

Attention: Jeff Keeble and Kaleb Butt
Email: jkeeble@deloitte.ca and kbutt@deloitte.ca

with a copy to:

Blake, Cassels & Graydon LLP
1133 Melville Street
Suite 3500, The Stack
Vancouver, BC V6E 4E5

Attention: Peter Rubin and Claire Hildebrand
Email: peter.rubin@blakes.com and claire.hildebrand@blakes.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Vancouver time) on a Business Day, shall be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Vancouver time) on a Business Day, shall be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

10.3 Public Disclosure

The Vendor shall be entitled to disclose this Agreement to the Court and parties with an interest in the Sale Process and as otherwise necessary to obtain the Approval and Vesting Order. The Purchaser acknowledges and agrees that any information provided to the Purchaser with respect to this Agreement or the transactions contemplated herein shall be kept confidential by the Purchaser and not disclosed to any third party, except the Purchaser's directors, officers, employees, agents or advisors, including lawyers, accountants, consultants, bankers and

financial advisors (the "**Purchaser Authorized Parties**") for the purpose of carrying out the intent of this Agreement. The Purchaser will instruct the Purchaser Authorized Parties to comply with the provisions of this Section 10.3 and the Purchaser will be responsible for any breach of this Section 10.3 by a Purchaser Authorized Party.

10.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

10.5 Survival

The representations and warranties of the Parties contained in this Agreement shall merge on Closing. The covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

10.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

10.7 Entire Agreement

This Agreement, the Schedules attached hereto and any application provisions of the SISP Order, constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

10.8 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with the transactions contemplated by this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

10.9 Assignment

Neither Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its respective rights or obligations under this Agreement without the prior written consent of the other Party.

10.10 Further Assurances

Each of the Parties shall (including following Closing), take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement and the transactions contemplated herein.

10.11 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be an original, and all of which taken together will constitute one and the same agreement. An electronically or digitally signed counterpart of this Agreement using DocuSign or any other electronic or digital form of execution will have the same force and effect as a manually signed counterpart. Delivery of an executed counterpart of this Agreement by electronic means, including by facsimile transmission or by electronic delivery in portable document format (".pdf"), will be equally effective as delivery of an originally or manually executed counterpart.

10.12 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

10.13 Monitor's Capacity

In addition to all of the protections granted to the Vendor under the CCAA or any order of the Court in the CCAA Proceedings, the Purchaser acknowledges and agrees that the Vendor, acting in its capacity as monitor in respect of the Company and not in its personal or corporate capacity, shall have no liability, in its personal or corporate capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as monitor.

[Signature Page Follows]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

DELOITTE RESTRUCTURING INC. in its capacity as Court appointed monitor of **AXON LUMBER LTD.** and not in its personal or corporate capacity

Per: 
Name: Jeff Keeble
Title: Senior Vice President

CATTERMOLE STORAGE LTD

Per: 
Name: Stephen McIntosh
Title: President

[Signature Page to Asset Purchase Agreement]

SCHEDULE A REAL PROPERTY

Municipal Addresses:

- 25895 88 Avenue, Langley, British Columbia, V1M 3N5

Legal Description of the Lands:

- PID: 030-889-588, Lot 2, Districts Lot 320 and 325, Group 2, New Westminster District Plan EPP90547

SCHEDULE B

SISP ORDER

See attached.

SCHEDULE C

ALLOCATION OF PURCHASE PRICE

Asset Type	Amount (CAD\$)	
Real Property	\$ 2,100,000 <i>JK</i>	<i>SM</i>
Chattels	\$ 200,000 <i>JK</i>	<i>SM</i>
Total:	\$ 2,100,000 <i>JK</i>	

\$2,300,000

JK

SM

[Handwritten signature]

SCHEDULE D

PERMITTED ENCUMBRANCES

General Encumbrances:

- Subsisting conditions, provisos, restrictions, easements, exceptions and reservations, including royalties, contained in the original grant or contained in any other grant or disposition from the Crown, registered or pending restrictive covenants and rights of way in favour of utilities and public authorities.

Specific Encumbrances:

Legal Notations

- Hereto is annexed Easement G9171 over the East 20 feet of Lot 3 D.L. 325, Plan 38520, Part formerly Lot 4, District Lot 325, Group 2 New Westminster District Plan 38520, Except Parcel "A" Statutory Right of Way Plan 49957 and Plan EPP90546;
- This Certificate of Title may be affected by the *Agricultural Land Commission Act*, see Agricultural Land Reserve Plan No. 28 deposited July 30th, 1974; and
- Hereto is annexed Easement G23016 over the West 70 feet of Lots 13 and 16 Plan 1560, Part formerly Lot 4 District Lot 325 Group 2 New Westminster District Plan 38520, except Parcel "A" Statutory Right of Way Plan 49957 and Plan EPP90546.

Charges, Liens and Interests

- Statutory Right of Way 104907C registered on January 2, 1947 in favour of British Columbia Hydro and Power Authority;
- Statutory Right of Way N29306 registered on March 29, 1977 in favour of British Columbia Hydro and Power Authority; and
- Statutory Right of Way N86779 registered on August 23, 1977 in favour of British Columbia Hydro and Power Authority.