



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

**SECOND SUPPLEMENT TO THE
TENTH REPORT OF THE MONITOR**

DELOITTE RESTRUCTURING INC.

NOVEMBER 3, 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 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. The Petitioners' proceedings pursuant to the CCAA are referred to herein as the "**CCAA Proceedings**".
- (2) The Initial Order, among other things, appointed Deloitte Restructuring Inc. to monitor the business and financial affairs of the Petitioners (in such capacity, the "**Monitor**").
- (3) 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.
- (4) The Monitor's tenth report to the Court (the "**Tenth Report**") was dated October 22, 2025. The Monitor also prepared a confidential supplement to the Tenth Report dated October 27, 2025. This report has been prepared as a supplement to the Tenth Report (the "**Second Supplement to the Tenth Report**" or "**this Report**").
- (5) Unless otherwise provided, all capitalized terms not defined in this Report are as defined in the Tenth Report or Second ARIO, as applicable.
- (6) All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.

Purpose of the Second Supplement to the Tenth Report

- (7) The purpose of the Second Supplement to the Tenth Report is to:
 - a) Report on the offers received for the Langley Farm Property following the Court hearing held on October 29, 2025;
 - b) Report on the asset purchase agreement dated October 3, 2025 (submitted on October 28, 2025 and executed by the Monitor on October 31, 2025) between the Monitor and Martini Farms Ltd. ("**Martini Farms**") for the sale of the real property and chattels located at the Langley Farm Property (the "**Martini APA**");
 - c) Support the Monitor's application seeking an order (the "**Langley Farm Vesting Order**") approving the transaction contemplated by the Martini APA (the "**Langley Farm Transaction**"); and
 - d) Support the Monitor's application seeking an order sealing an unredacted version of this Second Supplement to the Tenth Report.

Disclaimer and Terms of Reference

- (8) 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.
- (9) 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) 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

Best-and-Final Bid Process

- (10) On October 23, 2025, after the Monitor filed the Tenth Report with the Court, Cushman advised all interested parties that Court approval for a sale of the Langley Farm Property would be sought on October 29, 2025, and that any competing offer must be in the Monitor's preferred form of purchase agreement and delivered to the Monitor and Cushman, along with a deposit, by October 28, 2025.
- (11) On October 28, 2025, the Monitor received competing bids submitted by three parties, all of which exceeded the purchase price contemplated by the purchase agreement entered into with Cattermole Storage Ltd. ("**Cattermole**"), as further described in the Tenth Report.
- (12) At the Court hearing held on October 29, 2025, the Court directed that bidders must provide best-and-final offers to the Monitor (the "**Best-and-Final Bid Process**") by no later than 12:00 noon on October 30, 2025 (the "**Bid Deadline**"). The Court also adjourned the hearing for the approval of a transaction for the Langley Farm Property to 09:00 am on November 3, 2025.
- (13) On October 29, 2025, Cushman sent an email to all interested parties advising them of the Best-and-Final Bid Process. Cushman's email directed that bids must be received by the Bid Deadline and accompanied by a deposit and, to the extent not already provided, details regarding the anticipated sources of capital to finance the transaction, including evidence to support the availability of such capital (a "**Financing Confirmation**").
- (14) The Monitor received five best-and-final bids by the Bid Deadline (the "**Final Bids**"). This included the Martini APA, with the agent for Martini Farms advising Cushman on October 30, 2025, that Martini Farm's offer was the same offer as was initially submitted to the Monitor on October 28, 2025.
- (15) The Monitor reviewed the Final Bids with Cushman and determined in its business judgment that the offer from Martini Farms pursuant to the Martini APA was the best bid, taking into account factors such as the proposed purchase price, the proposed closing date, and the ability of the purchaser to successfully complete a transaction. Cattermole was subsequently notified that it was not the successful bidder following the Best-and-Final Bid Process and the Cattermole agreement was terminated in accordance with its terms.
- (16) With respect to the proposed purchase price, the Final Bids included a number of offers that were materially higher than the bid provided by Cattermole, with the Martini APA representing the highest purchase price. The Final Bid that was closest in purchase price to the Martini APA (being the second highest Final Bid) contained certain aspects that were in the Monitor's view less desirable than those contained in the Martini Farms APA.

The Langley Farm Transaction

- (17) On October 31, 2025, following discussions between the Monitor, RBC, and Cushman, the Monitor entered into the Martini APA. A copy of the Martini APA is attached as **Appendix "B"** to this Report. The Monitor notes that the Martini APA is dated October 3, 2025 as this was the date of the first offer submitted by Martini, which was subsequently amended and resubmitted on October

28, 2025. Unless otherwise provided, all capitalized terms not defined in this section of the Report are as defined in the Martini APA.

- (18) Pursuant to the Martini APA, Martini Farms 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).
- (19) The Monitor understands that Martini Farms is owned by a BC-based entrepreneur with a variety of operating businesses in the Fraser Valley.
- (20) The material terms of the Martini 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:** \$3,010,000, 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 each of Cushman and the co-operating broker for 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 Martini 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 15 days following Court approval, with an Outside Date of December 15, 2025.
- (21) 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 (with the Langley Farm Property having been listed since April). The Monitor believes the Langley Farm Property sale process and the Best-and-Final Bid Process was conducted in a fair and transparent manner and was reasonable;
 - b) The Monitor is of the view that further marketing of the Langley Farm Property is unlikely to generate any better offers and that the Martini APA represents the best available offer in the circumstances, particularly in light of the Best-and-Final Bid Process;
 - c) The purchase price is fair and reasonable in the circumstances, taking into account the market value of the Purchased Assets, other offers received, and feedback received on the condition and location of the Langley Farm Property. The Monitor notes that the Purchase Price is only marginally lower than the BC Assessment Authority's valuation of \$3.15 million as of July 1, 2024; and
 - d) 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.
- (22) Cushman is of the opinion that the Martini APA is the best offer available and represents a fair market value for the property.
- (23) 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.

- (24) Based on the foregoing, the Monitor supports the approval of the Martini APA and the relief sought in the Langley Farm Vesting Order.

SEALING ORDER

- (25) Attached to this Report as **Appendix "C"** is a summary of the Final Bids. For the reasons set out below, Appendix "C" has been redacted from the version of this Report filed on the Court file and provided to the CCAA service list.
- (26) The Monitor seeks a sealing order sealing an unredacted copy of this Report (which includes Appendix C) until further court order or the closing of the transaction contemplated by the Martini Farms APA.
- (27) The redacted information in Appendix C, which sets out all offers received for the Langley Farm Property pursuant to the Best-and-Final Bid Process, is confidential information that, if disclosed, could be detrimental to the Monitor's ability to complete a sale should the transaction contemplated by the Martini Farms APA 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.
- (28) Therefore, the Monitor respectfully requests that the Court grant a sealing order directing that an unredacted version of this Second Supplement to the Tenth Report be filed under seal, and that it remain under seal, until otherwise ordered by the Court or until the closing of the sale for the Langley Farm Property pursuant to the Martini APA. The Monitor is of the view that the salutary effects of this sealing order outweigh any possible deleterious effects.

CONCLUSIONS AND RECOMMENDATIONS

- (29) This Second Supplement to the Tenth Report is being filed in support of the Monitor's request for an order approving the Martini APA and the Langley Farm Transaction, the granting of the Langley Farm Vesting Order, and an order sealing an unredacted version of this Second Supplement to the Tenth Report on the Court file.

This Report is respectfully submitted this 3rd day of November, 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"

Martini APA

ASSET PURCHASE AGREEMENT

This asset purchase agreement is entered into as of October 3, 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 -

MARTINI FARMS LTD. a company incorporated under the laws of British Columbia, having its registered office at **1100 ONE BENTALL CENTRE, 505 BURRARD STREET, BOX 11, VANCOUVER BC V7X 1M5**, 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.

"Closing Date" means on **or before fifteen (15) Days** following the Approval and Vesting Order, 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 15, 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.



Initial
RMFMFL

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

The purchase price for the Purchased Assets shall be **Three Million Ten Thousand Dollars (\$3,010,000.00)** (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) 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 **Two Hundred Thousand** dollars (\$200,000.00) (the "**Deposit**");
- (i) the Deposit shall be held in trust by the Vendor in an interest bearing account; and
- (ii) 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



Initial
RMFMEFL

- (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 **724628805 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.

3.4 Property Taxes



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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



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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.



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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



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- (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,

ARTICLE 8

CONDITIONS OF CLOSING

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~~(b) (7)(C), as set out in the copy of the Title Search result, and as noted on~~

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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:

Don Munro, Sutton Group West Coast Realty

Email: info@donmunrorealestate.com

with a copy to:

Douglas B. Hyndman
Kornfeld LLP
Suite 1100 – 505 Burrard St.
Vancouver, BC V7X 1M5
T 604.331.8303
F 604.683.0570
E: dhyndman@kornfeldllp.com

(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

MARTINI FARMS LTD.

Signed by:
Per: Renato Martini for MARTINI FARMS LTD. 
9CB95BDDA98041C...
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



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SCHEDULE B

SISP ORDER

See attached.



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SCHEDULE C
ALLOCATION OF PURCHASE PRICE

Asset Type	Amount (CAD\$)
Real Property	\$2,985,000.00
Chattels	\$25,000.00
Total:	\$3,010,000.00

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.



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APPENDIX "C"

Final Bids Summary

[REDACTED]