



No.S241161
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

BETWEEN:

THE BANK OF NOVA SCOTIA

PETITIONER

AND:

**BIFANO CONSOLIDATED INC.,
BIFANO FARMS INC., NATA FARMS INC.,
SSC VENTURES (NO. 105) LTD. and
SPALLUMCHEEN FARM LTD.**

RESPONDENTS

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

March 7, 2024



ALVAREZ & MARSAL

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1.0 INTRODUCTION

- 1.1 On February 28, 2024 (the “**Filing Date**”), the Bank of Nova Scotia (“**BNS**” or the “**Petitioner**”) sought and was granted an initial order (the “**Initial Order**”), by the Supreme Court of British Columbia to commence proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the “**CCAA**”) in respect of Bifano Consolidated Inc., Bifano Farms Inc., Spallumcheen Farm Ltd., Nata Farms Inc. and SSC Ventures (No. 105) Ltd. (together, “**Bifano**” or the “**Company**”), a group of privately held companies that operate a dairy farm and trucking business in Armstrong, British Columbia.
- 1.2 Among other things, the Initial Order provided an initial stay of proceedings against Bifano and its assets and property until and including March 11, 2024 (“**Stay Period**”) and the appointment of Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of Bifano (the “**Monitor**”) during the CCAA Proceedings.
- 1.3 On March 5, 2024, the Petitioner filed an application (the “**Comeback Application**”) to, among other things, seek an amended and restated initial order (the “**ARIO**”) which amends and restates the Initial Order to:
 - a) increase the amount authorized to be borrowed (the “**Interim Facility**”) by Bifano under the Interim Credit Agreement (as defined in the Initial Order);
 - b) confirm the priority of Court ordered charges (the “**Court Ordered Charges**”) made in the CCAA Proceedings; and
 - c) extend the Stay Period to May 24, 2024.
- 1.4 In addition to the approval of the ARIO, the Comeback Application also seeks an Order (the “**Sales Process Order**”) approving proposed sales and investment solicitation procedures for a process (the “**Sales Process**”) in respect of Bifano’s business and assets.
- 1.5 Further information regarding the CCAA Proceedings, including the Initial Order, various affidavits, and all other Court filed documents, communications and notices as of even date, are available on the Monitor’s website at www.alvarezandmarsal.com/BifanoNata (the “**Monitor’s Website**”).

2.0 PURPOSE OF THIS REPORT

- 2.1 This first report (the “**First Report**”) has been prepared by Monitor to provide information and commentary to this Honourable Court and Bifano’s stakeholders in respect of the following:
- a) the business and financial affairs of the Company and the causes of Bifano’s insolvency;
 - b) the initial activities of the Monitor since the Initial Order was granted;
 - c) a cash flow forecast in respect of Bifano’s operations prepared in accordance with section 23(1)(b) of the CCAA (the “**Second CCAA Cash Flow Forecast**”);
 - d) the increase to the authorized amounts under the Interim Credit Agreement;
 - e) a summary overview of select terms of the Sales Process;
 - f) the priority of the Court Ordered Charges;
 - g) the extension of the Stay Period; and
 - h) the recommendation of the Monitor with respect to the Comeback Application.
- 2.2 This First Report should be read in conjunction with the Comeback Application, the Petition filed by BNS on February 20, 2024 and the pre-filing report of the Proposed Monitor dated February 16, 2024 (collectively, the “**Filed Materials**”). Capitalized terms not defined herein have the meaning given in the Filed Materials.

3.0 TERMS OF REFERENCE

- 3.1 In preparing this First Report, the Monitor has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by the Petitioner, the principal shareholder and certain management of Bifano (“**Management**”) and the Company’s financial advisors (“**Bifano’s Advisors**”). Although this information has been subject to its review, the Monitor has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management, Bifano’s Advisors, or the Petitioner. Accordingly, the Monitor expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained herein, or otherwise used to prepare this First Report.
- 3.2 Certain of the information referred to in this First Report consists of financial forecasts and/or projections (and certain operating assumptions underlying same) as well as financial information provided by Management. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon

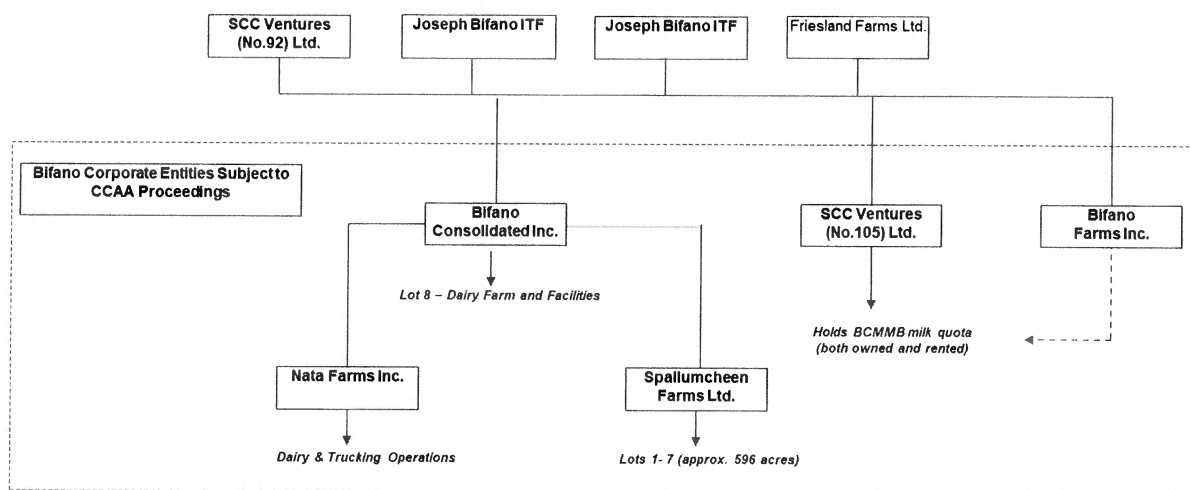
assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projections and the variations could be material.

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

4.0 BUSINESS AND FINANCIAL AFFAIRS

Corporate Structure and Operations

- 4.1 Summarized below is the corporate organization structure of the Bifano corporate entities that are the subject of the CCAA Proceedings.



- 4.2 Bifano's main operations and major assets are held in separate corporate entities the particulars of which include the following:

- the Company's real estate holdings are comprised of 8 separate lots totaling approximately 800 acres located in Armstrong, B.C. Bifano Consolidated Inc. ("**Consolidated**") owns the dairy farm and related facilities which are situated on approximately 200 acres (Lot 8) with the remaining farm properties (Lots 1-7) owned by Spallumcheen Farms Ltd.
- Nata Farms Ltd. ("**Nata**") operates the dairy and trucking business. All of the employees of the Bifano enterprise are employees of Nata and/or Consolidated.
- SSC Ventures (No. 105) Ltd. ("**SSC 105**") is a special purpose entity that holds the milk quota granted by the B.C. Milk Marketing Board ("**BCMMB**"). Bifano operates its dairy business in accordance with the BCMMB regulations governing milk production in B.C.
- SSC 105 holds the milk quota as bare trustee for Bifano as well as 5 separate third parties who permit Bifano to use the third-party quota for milk production but retain the beneficial

ownership of the specific quota allotments. Bifano is the beneficial owners of approximately 484 kgs/day of milk quota with another approximately 416 kgs/day of milk quota owned by third parties which is “rented or leased” to Bifano.

- e) As noted above, Consolidated (and its subsidiary company, Nata) is the main Bifano operating entity which includes the core dairy operations as well as a trucking business that primarily hauls sawdust and woodchips for customers in the forest industry. As at the date of this First Report, the Monitor understands that Consolidated/Nata had approximately 80 employees (including contractors) with 27 employees being involved in the dairy farm and 53 being employees of the trucking business. Estimated monthly payroll for Bifano is approximately \$390,000.

Currently Available Financial Statements

- 4.3 Summarized below are the most recently available internally prepared consolidated financial statements for Bifano as at December 31, 2023.

Bifano Consolidated Inc. et al Interim Balance Sheet as at December 31, 2023 Unaudited Internally Prepared by Management \$CAD (000's)	
Cash	\$ 707
Trade receivables and other receivables	5,089
Prepaid expenses	2,608
Feed, grain, and barn supplies	2,885
Deferred corporate tax recoverable	177
Other current assets	57
Total current assets	11,523
Property, plant and equipment	40,114
Milk quota	10,471
Investment in Spalluncheon Farm	7,336
Livestock	3,933
Goodwill	324
Total non-current assets	62,178
Total assets	73,701
Accounts payable	1,384
Statutory payables	3,274
Total current liabilities	4,658
Bank indebtedness	36,327
Capital lease liabilities	17,047
Shareholder loans	1,626
Other loans due	756
Total long-term liabilities	55,756
Share capital and contributed capital	798
Retained earnings	12,489
Total liabilities and shareholders' equity	\$ 73,701

Bifano Consolidated Inc. et al Interim Income Statement as at December 31, 2023 Unaudited Internally Prepared by Management \$CAD (000's)	
Dairy	\$ 2,808
Trucking	5,590
Sawdust, custom and other sales	1,790
Total revenue	10,188
Dairy	1,704
Fuel	2,163
Payroll	2,177
Interest	1,411
Freight, insurance and other expenses	851
Total operating expenses	8,306
Accounting and legal	751
Inventory adjustments	(317)
Net income	\$ 1,448

Creditor Profile Estimated at March 7, 2024

- 4.4 As indicated in the table below, Bifano has total liabilities in excess of \$63 million. All figures presented herein are estimates based on information currently available to the Monitor and remain subject to change.

Bifano Consolidated Inc. et al.		
Summary of Creditor Profile as at March 7, 2024		
\$CAD (000'S) - Estimated		
<u>Secured Creditors</u>		
The Bank of Nova Scotia	\$	36,500
Lessors		17,497
Statutory creditors - CRA (payroll withholdings)		3,167
Other secured creditor		399
Total secured creditors		57,563
<u>Unsecured Creditors</u>		
Trade creditors		2,509
Statutory creditors - CRA (income taxes)		1,936
Shareholder loans		1,626
Employees		11
Total unsecured creditors		6,083
Total liabilities	\$	63,646

Secured Creditors

- 4.5 Bifano's indebtedness to its primary secured creditor, BNS, was approximately \$36.5 million as at the date of the Initial Filing. BNS is also the Interim Lender to Bifano pursuant to the Interim Credit Agreement (refer to section 7.0 below).
- 4.6 Six separate lessors with an estimated outstanding aggregate balance of approximately \$17.5 million have extended financing to Bifano in respect of both farming related equipment as well as tractor/trailers used in the trucking business (173 total pieces of leased farm equipment and tractor/trailers) all of which are subject to various financing leases. The Monitor has not yet completed and compiled all of the documentation in respect of Bifano's leased equipment and will likely need to engage in dialogue with the respective lessors in order to confirm details and complete its review.
- 4.7 As noted in the pre-filing Report of the Proposed Monitor, Bifano has deferred payments under various financing leases for both farming and trucking equipment since April/May of 2023 apparently with the consent and cooperation of the various lessors. With the exception of Canadian Western Bank Leasing Ltd. ("CWL") who issued demand and notices to Bifano pursuant to section 244 of the *Bankruptcy and Insolvency Act* and the *Farm Debt Mediation*

Action (“FDMA”) in December 2023 and CNH Industrial Capital Canada Ltd. who issued demand and notice under the FDMA in December 2023, the Monitor is not aware that any other of the lease financiers have taken steps to enforce their respective security interests.

Estimated Statutory and Unsecured Creditors

4.8 In addition to various unsecured trade creditors of approximately \$2.5 million as at the Filing Date, Bifano is also indebted to Canada Revenue Agency (“CRA”) in the amount of \$3.2 million in respect of its payroll withholdings accounts a large portion of which may represent a super priority property claim of the Crown. The Monitor is working with Management to reconcile these accounts which cover a number of years prior to 2024. In addition to amounts outstanding for payroll withholdings, amounts owing to CRA for corporate income taxes (which are unsecured) total approximately \$1.9 million although the Monitor is advised that these amounts are disputed by Bifano and subject to completing updated corporate tax returns¹.

4.9 Employee wages and salaries including vacation pay appear to be current as at the Filing Date.

Causes of Bifano’s Insolvency

4.10 Bifano’s insolvency appears to be largely related to low profit margins as a result of milk receipt payments from BCMMB not being sufficient to address increasing operating costs of its core dairy operations which we understand is a consistent theme in the BC dairy industry. In addition, as a result of taking on unsustainable levels of lease finance debt over the past number of years while adding its trucking fleet and ramping up operations, Bifano’s trucking operations have not grown sufficiently in terms of revenue base to maintain regular payments to its lessors.

4.11 As noted above, Bifano has secured debt of approximately \$54 million (excluding the estimated CRA super priority property claim for \$3.2 million) which has become unsustainable within the context of the current market interest rate environment.

5.0 INITIAL ACTIVITIES OF THE MONITOR

5.1 The initial activities of the Monitor since the date of the Initial Order include the following:

Preparation of Various CCAA Cash Flow Forecasts

- a) in consultation with Management and Bifano’s Advisors, the Monitor has been compiling and updating various versions of 13-week cash flow forecasts in anticipation of the Initial Order and the ARIO;

¹ The amount indicated as being owed to CRA for income taxes is currently subject to dispute by Bifano and as such, this liability has not been reflected in the Balance Sheet at paragraph 4.3.

- b) the Monitor has been working with the Interim Lender and its legal counsel in respect of the terms of the Interim Credit Agreement and provisions relating to compliance with the 'Cash Flow Projections' (as defined in the Interim Credit Agreement);

Review of CCAA Court Materials

- c) involvement in preparation of the SISP (as defined below);
- d) review of draft Court pleadings and materials prepared by the Interim Lender's legal counsel including the Initial Order, ARIO, Interim Credit Agreement and related matters including proposed Court ordered charges;
- e) preparation of this First Report.

Monitoring of Cash Receipts and Disbursements

- f) in conjunction with Management establishing a reporting and control protocol over cash receipts and disbursements;
- g) on-going dialogue and consultation with the Interim Lender in respect of cash management issues;

Statutory Duties of the Monitor

- h) establishment of the Monitor's Website; and
- i) preparation of statutory notices to creditor and newspaper advertisement pursuant to the CCAA as well as statutory notices to the Office of the Superintendent of Bankruptcy.

6.0 SECOND CCAA CASH FLOW STATEMENT

- 6.1 The Monitor, with assistance from Management, has prepared the Second CCAA Cash Flow Forecast on a weekly basis for the period from March 4, 2024 to June 2, 2024 (the "**Forecast Period**"). A copy of the Second CCAA Cash Flow Forecast with accompanying notes and assumptions is attached hereto as Appendix "**B**" and is summarized below:

Bifano Consolidated Inc. et al.
Second CCAA Cash Flow Forecast
For the 13-week period ending June 2, 2024
SCAD 000'

Cash operating receipts	
Dairy - BCMMB	\$ 1,500
Custom/ contract farming	340
Trucking receipts	536
	<u>2,376</u>
Cash operating disbursements	
Payroll costs	1,168
Fuel	358
Feed	755
Sawdust	180
Trucking	25
Other (vet, supplies, quota rental)	473
Leases	50
Utilities	67
Insurance	192
Contingency	327
	<u>3,595</u>
Net operating cash flow	<u>(1,219)</u>
Other cash disbursements	
Professional fees	750
Interim Lending Facility - commitment fee	20
Interim Lending Facility - interest	22
	<u>792</u>
Net cash flow	<u>\$ (2,010)</u>
Cash continuity	
Opening cash balance	\$ 694
Interim Lending Facility draw	1,450
Net cash flow (deficit)	(2,010)
Ending cash balance	<u>\$ 133</u>
Interim Lending Facility	
Opening balance	-
Draws	1,450
Ending Interim Lending Facility balance	<u>\$ 1,450</u>

6.2 Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Proposed Monitor hereby reports as follows:

- a) the Second CCAA Cash Flow Forecast has been prepared by the Monitor with the assistance from Management and Bifano's Advisors for the purpose described in the notes to the Second

CCAA Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;

- b) the Monitor's preparation and review of the Second CCAA Cash Flow Forecast, consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management and Bifano's Advisors. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Second CCAA Cash Flow Forecast. Where possible, the Monitor also reviewed the support provided by Management and Bifano's Advisors for the probable assumptions and the preparation and presentation of the Second CCAA Cash Flow Forecast;
- c) based on the Monitor's preliminary review of information supporting the Second CCAA Cash Flow Forecast, nothing has come to its attention that causes A&M to believe that, in any material respects:
 - i. the hypothetical assumptions are not consistent with the purpose of the CCAA Cash Flow Forecast;
 - ii. as at the date of this First Report, the probable assumptions developed primarily by Management and the Monitor, are not suitably supported and consistent with the operations of the Company or do not provide a reasonable basis for the Second CCAA Cash Flow Forecast, given the hypothetical assumptions; or
 - iii. the Second CCAA Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
- d) since the Second CCAA Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, A&M does not express any assurance as to whether the Second CCAA Cash Flow Forecast will be accurate. A&M does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report; and
- e) the Second CCAA Cash Flow Forecast has been prepared solely for the purpose described in Note 1 of the accompanying notes to the Second CCAA Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

6.3 During the Forecast Period the Monitor projects a net cash outflow from operations of \$2.0 million, the composition of which, includes following:

- a) dairy receipts of \$1.5 million reflect the assumption that the Company continues to operate the dairy farm without interruption and under substantially the same terms and conditions in

- place prior to the Filing Date, including receiving regular receipts from BCMMB based on approximately 900 kgs/day of milk quota;
- b) custom/contract farming receipts of \$340,000 consist of ongoing sawdust deliveries and revenue in respect of seasonal contract farming work;
 - c) trucking receipts of \$536,000 assumes the collection of accounts receivable for work completed in February and March 2024 and that there is an orderly rationalization of the trucking operations some-time during the Forecast Period;
 - d) payroll costs of \$1.2 million over the period include dairy farm operations and trucking payroll, as well as regular remittance of employee source deductions;
 - e) fuel costs of \$358,000 include amounts required to sustain the dairy operations and the trucking operations;
 - f) feed costs of \$755,000 include weekly feed supplier shipments and assumes the Company makes the necessary seasonal purchases of seeds and fertilizer in April 2024 in advance of the planting season;
 - g) sawdust costs of \$180,000 include amounts used in the dairy operations as well as sawdust purchases which are on-sold to other farmers in the region;
 - h) trucking costs of \$25,000 are to cover any unexpected repairs prior to the rationalization of the trucking operations;
 - i) other costs of \$473,000 include monthly quota rental payments of apparently \$65,000, dairy operation supplies and veterinary costs;
 - j) lease costs of \$50,000 are comprised of monthly land lease and office lease monthly payments;
 - k) professional fees of \$750,000 include the Monitor and its counsel, the Company's counsel and a provision for other Company consultants and advisors should that be required in the near term; and
 - l) the costs associated with the Interim Credit Agreement including a \$20,000 commitment fee and monthly interest costs over the Forecast Period.
- 6.4 During the Forecast Period, the Second CCAA Cash Flow Forecast indicates that a total of \$1.45 million will be available and advanced pursuant to the Interim Credit Agreement.
- 6.5 A variance analysis in respect of the forecast cash flow of Bifano and related commentary regarding same for the period from the Filing Date to the date of the Comeback Application will be provided in the next Monitor's report.

7.0 INTERIM CREDIT AGREEMENT

- 7.1 Attached as Appendix “C” is the final executed copy of the Interim Credit Agreement (as defined in the Initial Order and the ARIO). The Initial Order authorized draws under the Interim Credit Agreement of \$250,000 which have not been drawn by the Monitor as of the date of this First Report.
- 7.2 The ARIO provides for an increase in permitted borrowings up to a maximum of \$1.5 million which is the maximum amount under the Interim Credit Agreement. Certain terms and provisions contained in the Interim Credit Agreement have been previously summarized in the pre-filing report of the Proposed Monitor dated February 16, 2024 and have not been repeated herein.
- 7.3 As indicated in section 6.0 above, the Second CCAA Cash Flow Forecast indicates that the approximately \$1.45 million will be drawn under the Interim Credit Agreement to fund the net cash outflow from Bifano’s operations as well as the borrowing costs and professional fees incurred during the Forecast Period.

8.0 SALES AND INVESTMENT SOLICITATION PROCEDURES

- 8.1 In conjunction with BNS, the Monitor has developed the Sales Process and related sales and investment solicitation procedures (“SISP”) which are attached hereto as Appendix “D” The granting of a Sales Process Order is a condition or requirement of the Interim Credit Agreement.
- 8.2 In summary, the purpose of the Sales Process is to (i) solicit offers for the purchase of substantially all the assets and business of Bifano as a going concern or otherwise, or (ii) a restructuring type transaction that may involve a recapitalization or refinancing of the Company. Any transaction involving the assets and business of the Company will be on an “As is, Where is” basis without any surviving representations, warranties or indemnities from the Company and/or the Monitor.
- 8.3 Given the nature of Bifano’s core dairy business there are some unique issues that will have to be addressed in any future negotiated purchase and sale agreement, particularly with respect to any transfer or assignment of milk quota that may be involved in a transaction. At this point in time, it is not contemplated that Bifano’s trucking business will be included in the Sales Process largely as a result of the apparent lack of equity in the leased assets.
- 8.4 The proposed timeline and steps proposed in the SISP are consistent with similar Court supervised CCAA or receivership proceedings involving mid-market private enterprises. The table below summarizes the target dates and milestones relating to the proposed Sales Process:

Sales Process Milestone	Target Dates
1. Commencement of Sales Process – Distribution of teaser document and confidentiality agreements	No later than March 15, 2023
2. Bid Submission Deadline	April 19, 2024
3. Selection of Successful Bidder	April 26, 2024
4. Obtain Sales Approval Order	No later than May 24, 2024
5. Outside Closing Date	No later than June 21, 2024

8.5 Details of the SISP are included in Appendix “D” and are not repeated herein, but for ease of reference by this Honourable Court, the Monitor specifically notes the following provisions of the SISP:

- a) the Monitor shall provide copies of any bids received during the Sales Process to the Interim Lender unless such bids include cash consideration sufficient to pay out all amount owing to the Interim Lender (including all pre-filing debt owed to BNS) and may provide copies of any bides received to the Company²;
- b) the Monitor shall, in consultation with the Company and with the consent of the Interim Lender, identify the highest or otherwise best ‘Qualified Bid’ and any ‘Back-up Bid’ and after consulting with the Company and with the consent of the Interim Lender shall notify the ‘Successful Bidder’³;
- c) the Company’s directors and senior management shall be required to sign a confidentiality agreement, in form of substance acceptable to the Monitor and confirm to the Monitor that they are not participating in the preparation or submission of any bid pursuant to the Sales Process (“**Independence Confirmation**”). Management’s failure to provide the Monitor with an Independence Confirmation will be considered a deemed acknowledgment that Management is a potential bidder and shall not be provided information regarding the Sales Process or communicate prospective bidders, except with the written consent of the Monitor (and subject to such conditions as the Monitor considers appropriate)⁴; and

² Refer to paragraph 22 of the SISP at Appendix “D”.

³ Refer to paragraphs 27 and 28 of SISP at Appendix “D”.

⁴ Refer to paragraph 38 of the SISP at Appendix “D”.

d) the Monitor may, at any time, with the prior consent of the Interim Lender pause, terminate, amend or modify the Sales Process which may include removal of any Company assets from the Sales Process or change target dates in the Sales Process⁵.

8.6 The Monitor is aware that prior to the commencement of the CCAA Proceedings, Management has pursued and may continue to pursue certain transactions involving a refinancing and/or recapitalization transaction in respect of the Company's assets and businesses. As such, the provision noted in paragraph 8.5(c) above are sought in order to maintain the integrity of the Sales Process should Management choose to make a bid that advances a purchase or restructuring transaction involving Bifano's assets and businesses.

8.7 In July of 2023, with the assistance of a third-party financial advisor, the Company undertook a sales process to sell its dairy and trucking businesses similar to that presented herein without concluding a transaction. The assets and businesses of Bifano were marketed to a number of strategic third parties many of whom will likely be included in the Sales Process contemplated in these CCAA Proceedings.

8.8 The Monitor is of the view that the Sales Process and in particular, the SISP, is commercially reasonable in the circumstances. The target dates and timeline reflected in the SISP basically reflects a 3-month process from commencement to Court approval of a transaction and closing of same. The Monitor considers this timeframe to be reasonable to adequately canvass the market and complete a transaction, particularly in light of the previous marketing exercise undertaken by the Company in the last 12 months and Management's extensive pursuit of a restructuring transaction over that same period of time.

9.0 PRIORITY OF COURT-ORDERED CHARGES

9.1 The Initial Order sets out certain Court ordered charges that would rank in priority to all other security interests, charges and claims as against the Petitioner's assets. In ranking of priority, the Initial Order and the ARIO include the following Court ordered charges:

- a) an administration charge of \$150,000 in respect of the professional fees of the Monitor and its legal counsel and the legal fees of Company counsel;
- b) a charge in support of advances under the Interim Credit Agreement; and

⁵ Refer to paragraph 42 of the SISP at Appendix "D".

- c) a charge to secure an indemnity in favour of Bifano's directors and officers of \$150,000 but does not secure fees or disbursements related to advice provided to the Company's officers and directors or to individual guarantors of the Company's indebtedness to BNS.
- 9.2 The Initial Order excluded CWL from the stay of proceedings and the above noted Court ordered charges in respect of lease financing agreements between CWL and Bifano. The Monitor understands that this arrangement is pursuant to an agreement between CWL and BNS and notes that such agreement is referenced in the Interim Credit Agreement.
- 9.3 All other particulars of the Court Ordered charges are as described in the pre-filing report of the Proposed Monitor dated February 16, 2024 and have not been repeated herein.

10.0 EXTENSION OF THE STAY PERIOD

- 10.1 Pursuant to the Initial Order the Stay Period will expire as of the date of the Comeback Application, March 11, 2024. The Petitioner is seeking an extension of the Stay Period to May 24, 2024 to allow sufficient time for the Company and the Monitor to undertake the Sales Process described herein (refer to section 8.0 above).
- 10.2 The Monitor is supportive of an extension of the Stay Period to May 24, 2024 for the following reasons:
- a) during the proposed extended Stay Period the Company and the Monitor will have an opportunity to launch and possibly bring forward a transaction under the Sales Process which will be to the satisfaction of the Company Interim Lender and the Monitor. The Monitor notes that the Stay Period expires prior to the indicated outside closing date under the Sales Process but expects that should more time be needed to complete a satisfactory transaction, a further extension of the Stay Period will be sought and additional financing may be required to fund the CCAA Proceedings;
 - b) subject to the approval by this Honourable Court of the ARIO which contains increased borrowings under the Interim Credit Agreement, the Company is expected to have sufficient liquidity to continue its operations in the ordinary course and advance the Sales Process during the Stay Period;
 - c) no creditors of the Company are expected to be materially prejudiced as a result of the extension of the Stay Period; and
 - d) to date, the Respondents and the representatives of same have acted in good faith and with due diligence in these CCAA Proceedings.

11.0 MONITOR'S RECOMMENDATION

- 11.1 The Monitor respectfully recommends and supports the orders sought by the Petitioners as contained in the Comeback Application.

All of which is respectfully submitted to this Honourable Court this 7th day of March, 2024.

Alvarez & Marsal Canada Inc.,
in its capacity as Monitor of
Bifano Consolidated Inc., Bifano Farms Inc.,
Spallumcheen Farm Ltd., Nata Farms Inc.,
and SSC Ventures (No. 105)
and not in its personal capacity



Per: Todd M. Martin
Senior Vice President



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March 4, 2024

To whom it may concern:

Re: BIFANO CONSOLIDATED INC., BIFANO FARMS INC., NATA FARMS INC., SSC VENTURES (NO. 105) LTD. and SPALLUMCHEEN FARM LTD. (the "Company")

On February 28, 2024 the Company commenced proceedings (the "**Proceedings**") in the Supreme Court of British Columbia (the "**Court**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

On February 28, 2024, the Court granted an order (the "**Initial Order**"), which provides for, among other things, a stay of proceedings against the Company until March 11, 2024 (the "**Stay Period**"). The Stay Period may be extended by the Court on subsequent applications by the Company. Also pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as monitor (the "**Monitor**") of the business and financial affairs of the Company.

Copies of the Initial Order, all materials filed in the Proceedings and a list of known creditors as at February 28, 2024 may be obtained at www.alvarezandmarsal.com/BifanoNata.

In accordance with the terms of the Initial Order, the Company is continuing to operate in the ordinary course of business while under protection from its creditors.

The Initial Order prohibits the Company from making payment of amounts owing up to and including February 28, 2024 (the "**Order Date**"), other than under certain conditions as set-out in the Initial Order.

Pursuant to the Initial Order, all persons having oral or written agreements with the Company or mandates under an enactment for the supply of goods and/or services are hereby restrained until further Order of the Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Company provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by the Company in accordance with normal payment practices of the Company or such other practices as may be agreed upon by the supplier or service provider and the Company and the Monitor, or as may be ordered by the Court.

To date, no claims procedure has been approved by the Court and creditors are therefore not required to file a proof of claim at this time.

If you have any questions regarding the foregoing or require further information, please consult the Monitor's website at www.alvarezandmarsal.com/BifanoNata. Should you wish to speak to a representative of the Monitor, please contact Ryan Wu at ryan.wu@alvarezandmarsal.com or by phone at (604) 639-0853.

Yours very truly,
Alvarez & Marsal Canada Inc.
in its capacity as Court-appointed Monitor of
the Company and not in its personal capacity

Per: Todd M. Martin
Senior Vice President

Bifano Consolidated Inc., Bifano Farms Inc., Nata Farms Inc., SSC Ventures (No.105) Ltd., and Spallumcheen Farm Ltd. (together "Bifano")
List of Creditors
As at February 28, 2024

Please note the following:

1. This list of creditors has been prepared from information contained in the books and records of Bifano.
2. The amounts included in this list of creditors do not take into consideration any un-invoiced amounts, nor have the amounts been adjusted for any amounts that may also be receivable from creditors.
3. This list of creditors has been prepared without admission as to the liability for, or quantum of, any of the amounts shown.
4. To date, a claims procedure has not been approved by the Court, and creditors are NOT required to file a statement of account or proof of claim at this point in time. If, at a later date, a claims procedure is approved by the Court, all known creditors will be notified and claim forms will be posted to the Monitor's website. It is through such a claims procedure that creditor claims will be reviewed and determined.
5. An amount of \$0.00 indicates that the amount due is undetermined or unknown.

Creditor Name	Address	City	Province	Postal Code	Country	Amount Outstanding (CAD)
Secured Creditors						
Arduini Holdings Ltd.	3287 Shuswap Rd.	Kamloops	BC	V2H 1T2	Canada	\$ 0.00
Bank of Montreal	5750 Explorer Drive, 3rd Floor	Mississauga	ON	L4W 0A9	Canada	3,603,000.00
Canada Revenue Agency	9755 King George Blvd	Surrey	BC	V3T 5E1	Canada	3,166,827.28
CNH Industrial Capital Canada Ltd.	4475 North Service Road	Burlington	ON	L7L 4X7	Canada	39,494.74
Credit-Bail RCAP Inc.	5575 North Service Rd. STE 300	Burlington	ON	L7L 6M1	Canada	0.00
CWB National Leasing Inc.	1525 Buffalo Place	Winnipeg	MB	R3T 1L9	Canada	4,015,000.00
Daimler Truck Financial Services Canada Corporation	3680 Matheson BLVD E STE 500	Mississauga	ON	L4W 0A5	Canada	0.00
Ford Credit Canada Leasing	PO Box 2400	Edmonton	AB	T5J 5C7	Canada	0.00
Mercedes-Benz Financial Services Canada Corporation	2680 Matheson BLVD E STE 500	Mississauga	ON	L4W 0A5	Canada	0.00
RCAP Leasing Inc.	5575 North Service Rd. STE 300	Burlington	ON	L7L 6M1	Canada	153,687.00
The Bank of Nova Scotia	4715 Tahoe Boulevard	Mississauga	ON	L4W 0B4	Canada	36,500,000.00
Trailwood Enterprises Ltd.	2072 Falcon Road	Kamloops	BC	V2C 4J3	Canada	7,919,000.00
Urban Holdings Ltd.	8826 Holding Road	Chase	BC	V0E 1M2	Canada	1,767,000.00
Van Maren Financial Ltd.	202-45793 Luckakuck Way	Chilliwack	BC	V2R 5S3	Canada	399,000.00
Vault Credit Corporation	41 Scarsdale Road, Suite 5	Toronto	ON	M3B 2R2	Canada	0.00
Total Secured Creditors						\$ 57,563,009.02
Unsecured Creditors						
123 Bookkeeping services	3-2435 Pleasant Valley rd	Armstrong	BC	V0E 1B2	Canada	\$ 23.10
Armstrong Regional Cooperative	3550 Okanagan St	Armstrong	BC	V0E 1B1	Canada	1,135,847.12
Baird Brothers	14 BC-97B	Enderby	BC	V0E 1V3	Canada	22,378.13
Bartel Trucking	4404 Schubert rd	Armstrong	BC	V0E 1B4	Canada	2,100.00
BFL Canada	650 Trans-Canada Highway NE, Suite 104	Salmon Arm	BC	V1E 2S6	Canada	0.00
Canada Revenue Agency	9755 King George Blvd	Surrey	BC	V3T 5E1	Canada	1,936,282.60
Chevron	800 - 5th Avenue S.W	Calgary	AB	T2P 0L7	Canada	22,547.21
Clearbrook Grain and Milling	2425 Townline Rd.	Abbotsford	BC	V2T 6L6	Canada	46,650.78
Country West Supply	3155 Pleasant Valley Rd.	Armstrong	BC	V0E 1B2	Canada	799.05
Creekside Veterinary	5001 24th Street	Vernon	BC	V1T 8X7	Canada	87,776.95
Employees	N/A	N/A	N/A	N/A	N/A	11,289.85
Gilbert Parts Depot	3155 Smith Dr.	Armstrong	BC	V0E 1B11	Canada	23,791.51
Gilbert Supply Co	2320 Wood Ave	Armstrong	BC	V0E 1B1	Canada	20,306.67
Holstein Canada	P.O. Box 610	Brantford	ON	N3T 5R4	Canada	0.00
J&D Farmer Services - customer 2140	704 Old Vernon Road	Enderby	BC	V0E 1V0	Canada	7,631.95
Kal Tire	PO Box 1240	Vernon	BC	V1T6N6	Canada	118,673.86
KPMG	777 Dunsmuir Street P.O. Box 10426	Vancouver	BC	V7Y 1K3	Canada	43,676.06
Matrix Environmental Solutions	11312 - 100 Avenue	Fort St. John	BC	V1J 1Z9	Canada	0.00
Maynards	49 Dunlevey ave	Vancouver	BC	V6A 3A3	Canada	22,890.00
Ministry of Finance	PO Box 9231 Stn Prov Govt	Victoria	BC	V8W 9G1	Canada	0.00
North Enderby Timber Ltd.	PO Box 428	Enderby	BC	V0E 1V0	Canada	3,183.86
Pacific Forage	5287 Central Ave	Delta	BC	V4K 2H1	Canada	68,522.28
RJames Western Star	150 Edwards Road	Kelowna	BC	V1X 7J5	Canada	139,508.43
Rocky Mountain Equipment	11140 100 St.	Westlock	AB	T7P 2C3	Canada	3,452.68
Shepherds- Nata	3525 Mill St.	Armstrong	BC	V0E 1B0	Canada	22,616.19
Sure Crop Feeds	PO Box 250, 6863 Highway 97 North	Grindrod	BC	V0E 1Y0	Canada	253,080.33
T & L Cattle	50600 Chilliwack Central Rd.	Chilliwack	BC	V0X 1X2	Canada	397,000.00
Team equipment	125 Shuswap Avenue	Chase	BC	V0E 1M0	Canada	19,425.00
Tillicum Electric	3703 28a St.	Vernon	BC	V1T 5A2	Canada	4,065.40
Trail Tire	4700 - 23 Street	Vernon	BC	V1T 4K9	Canada	10,000.00
Wayside	3304-33 rd st	Vernon	BC	V1T 5T2	Canada	8,286.49
WestGen	1625 Angus Campbell Rd	Abbotsford	BC	V3G 2G4	Canada	4,542.00
Woodstone Specialties	4175 Crozier Road	Armstrong	BC	V0E 1B6	Canada	19,055.00
WorksafeBC	6951 Westminster Highway	Richmond	BC	V7C 1C6	Canada	1,598.00
Total Unsecured Creditors						\$ 4,467,000.30
Total Creditors						\$ 62,020,009.32

Week Ending	Notes	Week 1 10-Mar	Week 2 17-Mar	Week 3 24-Mar	Week 4 31-Mar	Week 5 07-Apr	Week 6 14-Apr	Week 7 21-Apr	Week 8 28-Apr	Week 9 05-May	Week 10 12-May	Week 11 19-May	Week 12 26-May	Week 13 02-Jun	Total
Cash operating receipts															
2	Dairy - BCMMB	\$ -	\$ -	\$ 260	\$ -	\$ 240	\$ -	\$ 260	\$ -	\$ 240	\$ -	\$ 260	\$ -	\$ 240	\$ 1,500
3	Custom / contract farming	10	15	15	15	15	15	15	15	65	15	15	115	15	340
4	Trucking receipts	-	300	-	46	190	-	-	-	-	-	-	-	-	536
		10	315	275	61	445	15	275	15	305	15	275	115	255	2,376
Cash operating disbursements															
5	Payroll costs	236	134	154	130	168	10	57	81	98	-	34	34	33	1,168
6	Fuel	15	100	-	81	-	-	-	-	81	-	-	-	81	358
7	Feed	35	35	35	35	185	185	35	35	35	35	35	35	35	755
8	Sawdust	-	-	-	-	60	-	-	-	60	-	-	-	60	180
9	Trucking	-	25	-	-	-	-	-	-	-	-	-	-	-	25
7	Other (vet, supplies, quota rental)	38	60	80	5	-	-	60	80	-	15	25	100	5	473
10	Leases	6	-	-	-	15	-	-	-	15	-	-	-	15	50
7	Utilities	3	11	20	2	2	11	-	2	2	11	-	-	4	67
11	Insurance	32	-	3	-	65	32	3	-	11	32	-	3	11	192
	Contingency	36	36	29	25	50	24	16	20	31	9	9	17	24	327
		401	401	320	278	545	262	171	218	338	102	103	188	267	3,595
	Net operating cash flow	(391)	(86)	(45)	(217)	(100)	(247)	104	(203)	(33)	(87)	172	(73)	(12)	(1,219)
Other cash disbursements															
12	Professional fees	-	-	50	250	-	150	-	115	-	80	-	105	-	750
13	Interim Lending Facility - commitment fee	-	20	-	-	-	-	-	-	-	-	-	-	-	20
14	Interim Lending Facility - interest	-	-	1	-	-	-	-	7	-	-	-	14	-	22
		-	20	51	250	-	150	-	122	-	80	-	119	-	792
	Net cash flow (deficit)	(391)	(106)	(96)	(467)	(100)	(397)	104	(324)	(33)	(167)	172	(192)	(12)	(2,010)
Cash continuity															
	Opening cash balance	\$ 694	\$ 303	\$ 446	\$ 350	\$ 133	\$ 183	\$ 86	\$ 191	\$ 166	\$ 134	\$ 166	\$ 338	\$ 146	\$ 694
	Interim Lending Facility draw	-	250	-	250	150	300	-	300	-	200	-	-	-	1,450
	Net cash flow (deficit)	(391)	(106)	(96)	(467)	(100)	(397)	104	(324)	(33)	(167)	172	(192)	(12)	(2,010)
	Ending cash balance	\$ 303	\$ 446	\$ 350	\$ 133	\$ 183	\$ 86	\$ 191	\$ 166	\$ 134	\$ 166	\$ 338	\$ 146	\$ 133	\$ 133
Interim Lending Facility															
13	Opening balance	-	-	250	250	500	650	950	950	1,250	1,250	1,450	1,450	1,450	-
	Draws (repayments)	-	250	-	250	150	300	-	300	-	200	-	-	-	1,450
	Ending Interim Lending Facility balance	\$ -	\$ 250	\$ 250	\$ 500	\$ 650	\$ 950	\$ 950	\$ 1,250	\$ 1,250	\$ 1,450	\$ 1,450	\$ 1,450	\$ 1,450	\$ 1,450

Bifano Consolidated Inc. et al.
Second CCAA Cash Flow Forecast
Notes and Assumptions

1. The Second CCAA Cash Flow Forecast ("CFF") presented herein has been prepared by Alvarez & Marsal Canada Inc. ("A&M") in its capacity as Proposed Monitor of Bifano Consolidated Inc. and certain related entities (collectively, "Bifano") for the 13 week period ending June 2, 2024. The CFF has been prepared by A&M to estimate and forecast the cash flow of Bifano during proceedings under the Companies' Creditors Arrangement Act ("CCAA").

The CFF has been prepared by A&M based on select unaudited financial information, underlying operating assumptions and other financial projections and analysis provided to A&M by Bifano representatives and Bifano's financial advisor. Readers are cautioned that since the CFF is based on certain assumptions regarding future events and conditions that are not ascertainable as of even date and, the actual operating results of Bifano during the pendency of the CCAA proceedings will vary from those forecast, and such variations may be material.

A&M makes no representations, warranties or other assurances that any of the estimates, forecasts, or projections reflected in the CFF will be realized. The CFF is premised on the assumption that Bifano continues to operate pursuant to the provisions of the CCAA and the terms of the Initial Order granted on February 28, 2024 (and as may be amended from time to time) and that financing is available to Bifano from an Interim Lending Facility provided by the Interim Lender.

The CFF is presented in thousands of Canadian dollars.

2. Dairy (milk sales) receipts due from the BC Milk Marketing Board are expected to continue to be received on an uninterrupted basis and on the same trade terms and production calendar that was in effect prior to the commencement of CCAA proceedings. The forecast milk receipts reflect historical operating rates of the dairy operation with a daily milk quota of approximately 940 kg per day (including both owned and rented milk quota).
3. Custom/Contract farming receipts include regular sawdust deliveries and collection of certain seasonal contract farming receivables. It is possible that there are certain deferred receivables that may be collected beyond the Forecast Period and as such, are not reflected herein.
4. Trucking receipts include certain trade receivables expected to be collected during the next five (5) weeks of the CCAA proceedings. Given the possibility that the trucking operation may be shuttered at some date after the commencement of the CCAA, there is the possibility of potential delays and/or impact on the near term collectability of any outstanding receivables. The CFF does not reflect any additional trucking receipts collections subsequent to Week 5.
5. Payroll costs are forecast on a steady state basis for the dairy operation and includes payroll relating to the trucking operation until such time as it is expected to be shuttered.
6. Fuel costs are forecast on a steady state basis for the dairy operation and includes some additional expense for the trucking operation until such time as it is expected to be shuttered.
7. Feed, other costs (farm supplies, veterinary services, and dairy quota rental payments to third parties) and utilities expenses are forecast on a steady state basis for the dairy operation.
8. Sawdust costs are forecast on a steady state basis for use by the dairy operation and to be on-sold to local farmers.
9. Trucking costs of \$25,000 are to cover any unexpected expenses prior to the rationalization of the trucking operations.
10. Leases costs totaling \$50,000 during the Forecast Period represent payment of certain land leases and the main office building.
11. Forecast insurance cost reflects on-going premium payments in respect of property and general commercial liability insurance coverage during the Forecast Period. These amounts may change once the trucking operation is shuttered.
12. Professional fees for the Forecast Period include estimates of the fees of the Monitor and its legal counsel, the Petitioner's (Bank of Nova Scotia) legal counsel and legal counsel and advisors to Bifano.
13. A draft Interim Financing Agreement proposed by Bank of Nova Scotia with maximum advances of \$1.5 million includes a fee of \$20,000 to be paid upon execution and Court approval of the Interim Lending Facility.
14. The terms of the draft Interim Lending Facility includes interest charged at an annual rate of 15% calculated daily and paid on the 22nd day of the month.

Attached INTERIM LENDING FACILITY TERM SHEET

Dated: February 28, 2024

WHEREAS the Borrowers (as defined below) are indebted to the Interim Lender (as defined below) pursuant to certain loan facilities (collectively, the “**Loan Facilities**”).

AND WHEREAS the Borrowers’ obligations under the Loan Facilities (the “**Pre-Filing Obligations**”) are secured by certain security granted by the Borrowers in favour of the Interim Lender;

AND WHEREAS the Borrowers require, and the Interim Lender has agreed to provide them with, further loans to fund the Borrowers’ restructuring efforts pursuant to a debtor-in-possession financing in the context of proceedings to be initiated under the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”, and the Borrowers’ proceedings thereunder, the “**CCAA Proceedings**”) under the jurisdiction of the Supreme Court of British Columbia (the “**Court**”);

AND WHEREAS, subject to the terms and conditions contained herein (this “**Agreement**”), the Interim Lender is prepared to establish the Interim Lending Facility (as defined below) in favour of the Borrowers on the terms and conditions set out in this Agreement;

NOW THEREFORE, the parties hereto, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

DEFINITIONS

Capitalized terms used (including the recitals above) but not otherwise defined herein shall have the meanings given to them on **Schedule “A”** hereto.

INTERIM LENDER

The Bank of Nova Scotia (the “**Interim Lender**”).

BORROWERS

Bifano Consolidated Inc., Nata Farms Inc., Spallumcheen Farm Ltd., Bifano Farms Inc., and SSC Ventures (No. 105) Ltd. (collectively, and on a joint and several basis, the “**Borrowers**”, and each a “**Borrower**”).

JOINT AND SEVERAL

Each of the Borrowers agrees, acknowledges and confirms that at the Borrowers’ request, the Interim Lending Facility has been made available to all of them, and, in each case, that each individual Borrower’s ability to drawdown the full amount available for each Interim Loan (as defined below) under the Interim Lending Facility is not restricted except as specifically provided for in this Agreement.

All covenants, agreements and obligations of the Borrowers contained in this Agreement relating to or in connection with the Interim Lending Facility shall be on a joint and several basis, and each of the Borrowers shall be jointly and severally liable for and obligated to repay all Obligations (as defined below) under the Interim Lending Facility. Such joint and several liability is independent of the duties, obligations, and liabilities of each other Borrower. Each of the Borrowers waives all benefits of discussion and division among the Borrowers, and each of the Borrowers acknowledges and confirms that the Interim Lender shall have no obligation to

pursue any other Borrower, as the case may be, for all or any part of the Obligations under the Interim Lending Facility before it can recover all such Obligations from it. Each Borrower acknowledges and confirms that it is fully responsible for all such Obligations even though it may not have requested a single Interim Loan.

Each of the Borrowers' liability for payment of the Interim Lending Facility shall be a primary obligation, shall be absolute and unconditional, and shall constitute full recourse obligations of each of the Borrowers, enforceable against each of them to the full extent of their respective assets and properties. Each of the Borrowers expressly waives any right to require the Interim Lender to marshal assets in favour of any Borrower or any other Person or to proceed against any other Borrower or any collateral provided by any Person, and agrees that the Interim Lender may proceed against any Borrower or any collateral in such order as they shall determine in their sole and absolute discretion. To the extent permitted by law, any release or discharge, by operation of law, of any Borrower from the performance or observance of any obligation, covenant or agreement contained in this Agreement shall not diminish or impair the liability of any other Borrower in any respect. Each of the Borrowers unconditionally and irrevocably waives each and every defense, right to discharge, compensation and setoff of any nature which, by statute or under principles of suretyship, guaranty or otherwise, would operate to impair or diminish in any way the obligation of any Borrower under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from each Borrower now or later securing the Interim Lending Facility, and acknowledges that as of the date of this Agreement no such defense or setoff exists. Each of the Borrowers waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from any other Borrower any amounts paid or the value of any Property given by such Borrower pursuant to this Agreement or otherwise until the Obligations are irrevocably paid in full in cash.

INTERIM LENDING FACILITY

A non-revolving loan (the "**Interim Lending Facility**") up to the maximum principal amount of \$1,500,000 (the "**Maximum Amount**"), with up to \$250,000 (the "**Initial Amount**") available prior to the ARIO and Sale Process Order (as each is defined below) being made.

CURRENCY

Unless otherwise noted, the currency of the Interim Lending Facility shall be CAD.

MATURITY DATE

The Interim Lending Facility shall be paid in full in cash on the date (the "**Maturity Date**") which is the earliest of:

(a) July 31, 2024 (or such later date as the Interim Lender in their sole discretion may agree to in writing with the Borrowers);

(b) the date on which (i) the stay of proceedings in the CCAA Proceedings terminates, including without limitation by reason of effluxion of time or court order, without the consent of the Interim Lender, or (ii) the CCAA Proceedings are terminated for any reason;

(c) the closing of a sale or similar transaction for all or substantially all of the assets and business of the Borrowers pursuant to the Sale Process, which sale or similar transaction has been approved by an order of the Court in the CCAA Proceedings;

(d) the implementation of a Plan of Arrangement approved by the requisite majorities of the applicable Borrowers' applicable creditors and an order of the Court in the CCAA Proceedings; or

(f) the occurrence of an Event of Default.

The Interim Lender's commitment in respect of the Interim Lending Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Lending Facility including accrued Interest, Legal Fees and financial advisor fees (collectively, the "**Obligations**") shall be repaid in full on the Maturity Date without the Interim Lender being required to make demand upon the Borrowers or to give notice that the Interim Lending Facility has expired and the Obligations are due and payable.

AVAILABILITY

Subject to the terms and conditions set forth in this Agreement, the Initial Order, the ARIO and any other applicable order made in the CCAA Proceedings, and the satisfaction by the Borrowers or waiver by the Interim Lender of the conditions set out below under the heading **ADVANCE CONDITIONS**, the Interim Lender will make available to the Borrowers advances (the "**Interim Loans**") to the Borrowers under the Interim Lending Facility in an aggregate principal amount not to exceed the Maximum Amount to finance the Borrowers' working capital and operating requirements in accordance with the cash flow projection attached as **Schedule "B"** (the "**Initial Cash Flow Projection**") and all subsequent Cash Flow Projections.

The Initial Amount may be available prior to the ARIO or the Sale Process Order being made.

Unless otherwise agreed to in writing in advance by the Interim Lender, in its sole direction, each Interim Loan shall be made by the Interim Lender to the Borrowers as soon as practicable (and in any event within three (3) Business Days) after delivery

by the Borrowers to the Interim Lender of a draw request in a form satisfactory to the Interim Lender that includes: (i) the Borrowers' request for an Interim Loan along with the amount of such Interim Loan; and (ii) the Monitor's confirmation that it has reviewed the request and confirmed the need for such Interim Loan; provided that the Borrowers shall not be permitted to make any request for an Interim Loan more than once in any given week unless the Bank provides its written consent for additional requests.

ACCOUNT

All Interim Loans shall be deposited into an account of the Borrowers held with the Interim Lender and withdrawn to pay contemplated expenses under the then applicable Cash Flow Projections and otherwise in accordance with the terms hereof.

USE OF PROCEEDS AND CASH FLOW PROJECTIONS

The Interim Loans under the Interim Financing Facility shall be used in accordance with the cash flow projection attached herewith as **Schedule "B"** (the **"Initial Cash Flow Projection"**), which has been prepared by the Borrowers and their advisors in consultation with the Monitor, and any Updated Cash Flow Projections (as defined below) (collectively with the Initial Cash Flow Projections, the **"Cash Flow Projections"**), as applicable, to fund working capital and general corporate needs of the Borrowers during, as well professional fees, costs and expenses incurred by the Borrowers in connection with, the CCAA Proceedings.

The Interim Lenders' Legal Fees shall be paid from the first Interim Loan advanced by the Interim Lender.

No proceeds of the Interim Loans may be used for any purpose other than in accordance with the Cash Flow Projections, except with the prior written consent of the Interim Lender and the Monitor.

INTEREST RATE

Interest (**"Interest"**) on the principal outstanding amount of the Interim Loans (including the compounded interest referenced below) from the date each such Interim Loan is made (or, in the case of the compounded interest referenced below, the date that such interest is compounded), both before and after maturity, demand, default, or judgment until payment in full at a rate of 15% per annum (the **"Interest Rate"**), calculated on a daily basis and payable monthly and paid on the 22nd of each month (unless otherwise stipulated by the Interim Lender, in its sole discretion).

All interest shall be computed on the basis of a 360-day year for the actual number of days elapsed.

All payments under or in respect of the Interim Financing Facility shall be made free and clear of any withholding, set-off or other deduction.

If any provision hereof or the Interim Financing Credit Documentation would obligate the Borrowers to make any payment of interest or other amount payable to the Interim Lender in an amount or calculated at a rate which would be prohibited by law or would result in receipt by the Interim Lender of interest at a criminal rate (as construed under the *Criminal Code* (Canada)) then, notwithstanding that provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or result in a receipt by the Interim Lender of interest at a criminal rate.

FEES

The Borrowers shall pay a commitment fee in the amount of \$20,000 (the "**Fee**") which shall be fully earned upon the execution of this Agreement and shall be paid from the first Interim Loan advance. For certainty, the Fee shall be secured by the Interim Lender's Charge.

COSTS AND EXPENSES

The Borrowers shall pay all reasonable and documented costs and expenses of the Interim Lender, and all reasonable and documented fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant, related to or in connection with the CCAA Proceedings, including, without limitation, reasonable and documented costs and expenses incurred by the Interim Lender in connection with the enforcement of any of the rights and remedies available hereunder.

INTERIM LENDING SECURITY

All of the Obligations shall be secured by a Court-ordered charge granted in the CCAA Proceedings (the "**Interim Lender's Charge**") over all present and after-acquired property, assets and undertakings of the Borrowers (including for greater certainty and without limitation, insurance proceeds, intellectual property, goods, documents of title, investment property, securities now owned or hereafter owned or acquired by or on behalf of the Borrowers and those assets set forth on the financial statements of the Borrowers), including all proceeds therefrom and all causes of action of the Borrowers.

The Interim Lender's Charge shall be a super-priority charge which shall rank ahead of all existing, liens, claims, trusts and charges, but shall be subject to and shall rank behind: (i) an administration charge (the "**Administration Charge**") in the maximum amount of \$150,000 to secure payment of the fees, expenses and disbursements of the Monitor and its legal counsel; (ii) any security interests of CWB National Leasing Inc. ("**CWL**") in leased assets financed or owned by CWL and which rank ahead of the Interim Lender's pre-filing security interests therein so long as, during the pendency of the CCAA Proceedings, CWL (a) forbears from enforcing its rights against the Borrowers, and (b) receives no payments on

account of the Borrowers' obligations thereto; (iii) any other charge or encumbrance which the Interim Lender, in its sole discretion, agrees may rank ahead of the Interim Lender's Charge (collectively, the "**Permitted Priority Liens**").

ADVANCE CONDITIONS

The Interim Lender's obligation to make the Interim Loans hereunder is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:

1. by no later than February 28, 2024, the Court shall have granted an initial order under the CCAA in form and substance acceptable to the Interim Lender (the "**Initial Order**"), which order shall, among other things (a) approve this Agreement and authorize the Borrowers to borrow up to the Initial Amount; (b) grant a stay of all proceedings against the Borrowers and (c) appoint Alvarez & Marsal Canada Inc. as Monitor with enhanced powers so as to grant the Monitor the authority to act on behalf of the Borrowers to the exclusion of the Borrowers' current officers and directors;
2. the Initial Order shall (i) have been granted by the Court and be in form and substance satisfactory to the Interim Lender, (ii) authorize and direct the Monitor to enter into this Agreement on the Borrowers' behalf, approve the Interim Loans under the Interim Lending Facility and grant the Interim Lender's Charge, and (iii) be in full force and effect and shall not be subject to any appeal nor have been stayed, reversed, vacated, rescinded, modified or amended in any respect adversely affecting the Interim Lender, unless otherwise agreed by the Interim Lender;
3. the Interim Lender's Charge shall have priority over all Liens granted by the Borrowers against any of the undertakings, property, or assets of the Borrowers (collectively, the "**Property**"), except for the Permitted Priority Liens;
4. CWL will have agreed, on terms satisfactory to the Interim Lender, that: (i) CWL will receive no payments from the Borrowers during the CCAA Proceedings; and (ii) CWL agrees not to take any steps to retrieve or otherwise enforce its rights against any of its assets of the Property;
5. the applicable Cash Flow Projection shall be acceptable to the Interim Lender;
6. the amount requested for a particular Interim Loan shall be consistent with the applicable Cash Flow

Projection for the applicable period, or otherwise expressly agreed by the Interim Lender in advance;

7. for advances other than the Initial Amount, by no later than March 11, 2024, the Court shall have granted an order amending and restating the Initial Order (the “**ARIO**”) which, among other things: (a) approves and authorizes the Borrowers to borrow up to the Maximum Amount; and (b) extends the relief under the Initial Order;
8. for advances other than the Initial Amount, the ARIO shall (a) have been granted by the Court and be in form and substance satisfactory to the Interim Lender; (b) authorize and direct the Monitor to enter into this Agreement on the Borrower’s behalf; (c) approve the Interim Loans under the Interim Lending Facility and grant the Interim Lender’s Charge and (d) be in full force and effect and shall not be subject to any appeal, nor have been stayed, reversed, vacated, rescinded, modified or amended in any respect adversely affecting the Interim Lender, unless otherwise agreed by the Interim Lender;
9. for advances other than the Initial Amount, the Court shall have granted an order in the CCAA Proceedings approving the Sale Process in form and substance acceptable to the Interim Lender (the “**Sale Process Order**”);
10. for advances other than the Initial Amount, the Borrowers shall have complied with and met the terms and conditions of the Sale Process, including the milestones of the Sale Process;
11. the representations and warranties contained herein shall be true and correct; and
12. no Default or Event of Default shall have occurred and be continuing.

INDEMNITY

Each of the Borrowers agrees to indemnify and hold harmless the Interim Lender, its officers, directors, employees, representatives, advisors, solicitors and agents (collectively, the “**Indemnified Persons**”) from and against any and all actions, lawsuits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or claimed against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the Interim Lending Facility, this Agreement, or the Interim Credit Documentation, except to the extent that such actions,

lawsuits, proceedings, claims, losses, damages, liabilities or expenses result from the gross negligence or willful misconduct of such Indemnified Persons.

REPRESENTATIONS AND WARRANTIES

Each of the Borrowers represents and warrants to the Interim Lender, upon which the Interim Lender relies in entering into this Agreement and the Interim Credit Documentation, that:

1. Subject to the granting of the Initial Order and the ARIO, the obligations under this Agreement and the other Interim Credit Documentation constitute legal, valid, and binding obligations of the Borrowers;
2. the business operations of the Borrowers have been and will continue to be conducted in material compliance with all Applicable Laws of each jurisdiction in which each such business has been or is being carried on; and
3. the Borrowers do not have any defined benefit pension plans or similar plans.

AFFIRMATIVE COVENANTS

Each of the Borrowers covenants and agrees to do the following:

1. comply in all material respects with the Cash Flow Projections, including making payments when scheduled to be made in accordance with the Cash Flow Projections, and their reporting and other obligations to deliver financial information to the Interim Lender hereunder; provided that such reporting and financial information shall be prepared and delivered under the supervision of the Monitor;
2. cooperate in all respects with the Monitor in relation to the implementation of the Sale Process, including providing financial and other information, assisting with the preparation of a teaser and confidential information memorandum, generating a list of potential interested parties, and participating in meetings with interested parties;
3. allow the Interim Lender, the Monitor and their designated representatives and financial advisors full access to the books and records of the Borrowers and cause management thereof to fully cooperate with any advisors to the Interim Lender and the Monitor;
4. use the proceeds of the Interim Lending Facility only for the purposes set out herein;
5. upon a sale of all or any part of the Borrowers' assets, the net proceeds of any such sale will be paid to the

Interim Lender up to the amounts secured by the Interim Lender's Charge;

6. upon receipt of any payments or refunds from any insurance provider, the Borrowers will pay all such amounts to the Interim Lender up to the amounts secured by the Interim Lender's Charge;
7. if, at any time, the total cash in the Borrowers' accounts with the Interim Lender exceeds \$300,000, any such excess shall be swept by and paid to the Interim Lender on account of the Borrowers' obligations hereunder up to the amounts secured by the Interim Lender's Charge;
8. maintain any and all operating bank accounts only with the Interim Lender, and, for clarity, close any bank accounts with any other financial institutions;
9. comply with the provisions of any orders made by the Court in the CCAA Proceedings;
10. obtain the Sale Process Order by no later than March 11, 2024, unless extended with the Interim Lender's written consent;
11. comply with the Sale Process following approval of the Sale Process Order;
12. take all actions reasonably necessary or available to defend the Initial Order, the ARIO, the Sale Process Order and any other relevant orders from any appeal, reversal, modification, amendment, stay, vacation, or other challenge to the extent it would affect the rights and interests of the Interim Lender;
13. provide the Interim Lender with draft copies of all applications, affidavits, proposed orders or other material or documents that any of them intend to file within the CCAA Proceedings at least five (5) days prior to service of such materials or, where it is not practically possible to do so at least five (5) days prior to any such service, as soon as possible prior to such service;
14. maintain all licenses required for the operation of their business in good standing;
15. pay when due all amounts that are secured by statutory liens or trusts, including without limitation employee source deductions, goods and services taxes, municipal and linear taxes, workplace safety payments and employee salary;

16. keep the Interim Lender apprised on a timely basis of all developments with respect to the business and affairs of the Borrowers and with respect to the Sale Process;
17. deliver to the Interim Lender, on a monthly basis, within five (5) days after the end of each calendar month, a cash reconciliation, reconciling all purchases, repayments, chargebacks, write-offs, and any other transactions covering the prior calendar month;
18. deliver to the Interim Lender by no later than 5:00 p.m. (Vancouver time) on Tuesday of each week (or, if Tuesday is not a Business Day, the following Business Day), updated 13-week cash flow projections, in form and substance satisfactory to the Interim Lender, in their discretion, reflecting the projected cash requirements of the Borrowers on a rolling-basis (the **"Updated Cash Flow Projections"**);
19. concurrently with the weekly delivery of Updated Cash Flow Projections, provide a comparison to the previously delivered Updated Cash Flow Projections (or to the Initial Cash Flow Projections, if applicable) including applicable bank reconciliations;
20. maintain all insurance with respect to the Property in existence as of the date hereof;
21. forthwith notify the Interim Lender of any event or circumstance that, with the passage of time, may constitute a Default or an Event of Default;
22. forthwith notify the Interim Lender of the occurrence of any Default or Event of Default, or of any event or circumstance that may constitute a material adverse change from the Cash Flow Projections;
23. duly and punctually pay or cause to be paid to the Interim Lender all principal and interest payable by it under this Agreement and under any other Interim Credit Documentation on the dates, at the places and in the amounts and manner set forth herein;
24. comply in all respects with all Applicable Laws;
25. comply in all material respects with their obligations under the Interim Credit Documentation; and
26. obtain the consent of the Monitor prior to disclaiming any agreement.

NEGATIVE COVENANTS

Each of the Borrowers covenants and agrees not to do the following, other than with the prior written consent of the Interim Lender and the Monitor:

1. sell, assign, transfer, lease or otherwise dispose of all or any part of its assets, tangible or intangible, outside the ordinary course of business, except as permitted under the ARIO or any other order of the Court in the CCAA Proceedings, including without limitation the Initial Order and the Sale Process Order;
2. terminate or repudiate any material contract or amend any material contract in any material manner;
3. enter into any material settlement agreement or agree to any material arrangements with any governmental authority or in connection with any litigation, arbitration, investigations, disputes, or other similar proceedings which are threatened or pending against any of the Borrowers;
4. make any payment of principal or interest in respect of existing (pre-filing date) indebtedness, except as contemplated by the Cash Flow Projections, or declare or pay any dividends or other distributions;
5. transfer, distribute, lend, or otherwise use any advances or funds from the Interim Lending Facility to fund any other entity other than the Borrowers;
6. create or permit to exist indebtedness for borrowed money other than existing (pre-filing date) debt, debt contemplated by this Interim Lending Facility and post-filing trade payables incurred in the ordinary course of business or authorized by the Court;
7. create or permit to exist any Liens on any of the Property other than Permitted Liens;
8. enter into or agree to enter into any investments (other than cash equivalents) or acquisitions of any kind, direct or indirect, in any business;
9. assume or otherwise agree to be bound by any contingent liabilities or provide any guarantee or financial assistance to any Person;
10. enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of transactions whereby, directly, or indirectly, all or any significant portion of the undertaking, property or assets of any Borrower would become the property of any other Person or Persons;

11. other than the Court Ordered Charges, seek or support an application by another party for an order creating a charge upon any Property (including, without limitation, a critical supplier's charge);
12. amend or seek to amend the Initial Order, the ARIO, or the Sale Process Order;
13. terminate or repudiate any agreement with the Interim Lender, solely in their capacity as lender under the Interim Lending Facility; or
14. seek or obtain any order from the Court that adversely affects the interests of the Interim Lender.

EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an event of default ("**Event of Default**") under this Agreement:

1. failure of the Borrowers to pay principal or interest when due under this Agreement or any other Interim Credit Documentation;
2. any representation or warranty made under this Agreement or any of the Interim Credit Documentation, or any information otherwise provided to the Interim Lender, is untrue or incorrect in any material respect as of the date when made or deemed made;
3. any other breach by any Borrower in the observance or performance of any provision, covenant (affirmative or negative) or agreement contained in this Agreement, provided, that, in the case of a breach of any affirmative covenant, such breach remains unremedied for longer than three (3) Business Days following receipt of notice thereof;
4. any default by the Borrowers in respect of their obligations to CWL, as amended by any forbearance or other agreement entered into among CWL and the applicable Borrower(s);
5. any action or proceedings by CWL, including, without limitation, seizure of equipment;
6. any application materials filed by the Borrowers in the CCAA Proceedings are not in form and substance acceptable to the Interim Lender, acting reasonably;
7. the Sale Process Order has not been issued by the Court by March 11, 2024, or such later date as the

Interim Lender may, in its sole discretion, and acting reasonably, agree;

8. (i) any order shall be entered or judgment rendered by the Court in the CCAA Proceedings, or by any other court of competent jurisdiction, that has an adverse effect on the interests of the Interim Lender, (ii) the Initial Order, the ARIO or the Sale Process Order shall cease to be in full force and effect, or (iii) any Borrower shall fail to comply with any order granted by the Court in the CCAA Proceedings in any material respect and which has an adverse effect on the interests of the Interim Lender;
9. this Agreement or any other Interim Credit Documentation shall cease to be effective or shall be contested by a Borrower;
10. the CCAA Proceedings are terminated or converted to proceedings under the *Bankruptcy and Insolvency Act* (Canada) or any order is granted by the Court in the CCAA Proceedings, or by any court of competent jurisdiction, granting relief from the stay of proceedings during the CCAA Proceedings (as extended from time to time until the Maturity Date), unless agreed to by the Interim Lender;
11. any of the Borrowers makes any application under the *Farm Debt Mediation Act* (Canada);
12. any Plan of Arrangement is filed or sanctioned by the Court that is not in form or substance acceptable to the Interim Lender if such Plan of Arrangement does not provide for the repayment of the Obligations and the Pre-Filing Obligations in full by the Maturity Date;
13. if any of the Borrowers' material licenses or permits are revoked or any Borrower fails to comply with a material condition required to keep such licenses or permits in good standing and such license or permit is not reinstated or such Borrower's failure to comply with such material condition continues for a period of five (5) Business Days;
14. any Borrower becomes subject to a material environmental or animal welfare liability arising after the commencement of the CCAA Proceedings;
15. any of the Borrowers makes any payments of any kind not permitted by this Agreement, the Cash Flow Projections, or any order of the Court in the CCAA Proceedings;

16. there is any adverse change in the financial condition of any of the Borrowers, including with respect to the condition or value of any of their assets which, in the Monitor's view, is sufficiently material so as to impair the Interim Lender's security; or
17. borrowings under the Interim Lending Facility exceed the Maximum Amount.

REMEDIES

Upon the occurrence and continuance of an Event of Default, the Interim Lender may, upon written notice to the Borrowers and the Monitor:

1. terminate the Interim Lending Facility;
2. on prior written notice to the Borrowers and the service list in the CCAA Proceedings of no less than three (3) Business Days;
 - a. apply to the Court for the appointment of an interim receiver or a receiver and manager of the Property or for a bankruptcy order in respect of any of the Borrowers;
 - b. exercise the powers and rights of a secured party under any legislation; and
 - c. exercise all such other rights and remedies under the Interim Credit Documentation and orders of the Court in the CCAA Proceedings.

INTERIM LENDER'S APPROVALS

All consents of the Interim Lender hereunder shall be in writing. Any consent, approval, instruction, or other expression to be delivered by the Interim Lender may be delivered by any written instrument, including by way of electronic mail.

FURTHER ASSURANCES

The Borrowers shall, at their expense and from time to time, do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Interim Lender may reasonably request for the purpose of giving effect to this Agreement and the Interim Lender's Charge, perfecting, protecting and maintaining the Liens created by the Interim Lender's Charge or establishing compliance with the representations, warranties and conditions of this Agreement or any other Interim Credit Documentation.

ENTIRE AGREEMENT

This Agreement, including all schedules hereto and the Interim Credit Documentation, constitute the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Agreement and the Interim Credit Documentation, this Agreement shall govern. Neither this Agreement nor any other

Interim Credit Documentation, nor any terms hereof or thereof, may be amended, unless such amendment is in writing signed by the Borrowers and the Interim Lender, and approved by the Monitor.

AMENDMENTS, WAIVERS, ETC.

No waiver or delay on the part of the Interim Lender in exercising any right or privilege hereunder or under any other Interim Credit Documentation will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the Interim Lender. Any consent to be provided by the Interim Lender shall be granted or withheld solely in their respective capacities, and having regard to their interests, as Interim Lender.

ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

The Borrowers may not assign their rights and obligations under this Agreement without the written consent of the Interim Lender.

The Interim Lender may assign this Agreement and its rights and obligations hereunder, in whole or in part, without the prior consent of the Borrowers. Each of the Borrowers hereby consents to the disclosure of any confidential information in respect of the Borrowers to any potential assignee provided such potential assignee agrees in writing to keep such information confidential.

SEVERABILITY

Any provision in this Agreement or any Interim Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

COUNTERPARTS AND FACSIMILE SIGNATURES

This Agreement may be executed in any number of counterparts and delivered by facsimile or e-mail transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

NOTICES

Any notice, request, or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

In the case of the Interim Lender:

The Bank of Nova Scotia
40 King Street West – 11th Floor

Toronto, ON
M5H 1H1

Attention: Justin Mitges and James Cook
Email: justinl.mitges@scotiabank.com and
james.cook@scotiabank.com

With a copy to:

Fasken Martineau DuMoulin LLP
2900 – 550 Burrard Street
Vancouver, BC
V6C 0A3

Attention: Kibben Jackson
Email: kjackson@fasken.com

In the case of the Borrowers by delivery of to:
Dentons Canada LLP
250 Howe Street, 20th Floor
Vancouver, BC V6C 3R8

Attention: Jordan Schultz
Email: jordan.schultz@dentons.com

In either case, with a copy to the Monitor:

Alvarez & Marsal Canada Inc.
925 West Georgia Street, Suite 902
Vancouver, BC V6C 3L2

Attention: Todd Martin
Email: tmartin@alvarezandmarsal.com

In either case, with a copy to the Monitor's counsel:

Lawson Lundell LLP
1600 – 925 W Georgia St
Vancouver BC V6C 3L2

Attention: Bryan Gibbons
Email: bgibbons@lawsonlundell.com

GOVERNING LAW AND JURISDICTION


This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Each of the Borrowers irrevocably submits to the exclusive courts of the Province of British Columbia, waives any objections on the ground of venue or forum *non conveniens* or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law.

[SIGNATURE PAGE TO FOLLOW]


IN WITNESS HEREOF, the parties hereby execute this Agreement as of the date first written above.

BORROWERS:


BIFANO CONSOLIDATED INC.

By: 
Name: TODD M. MARTIN
Title: SENIOR VICE PRESIDENT
ALVAREZ & MANSAR CANADA INC.


NATA FARMS INC.

By: 
Name: TODD M. MARTIN
Title: SENIOR VICE PRESIDENT
ALVAREZ & MANSAR CANADA INC.


SPALLUMCHEEN FARM LTD.

By: 
Name: TODD M. MARTIN
Title: SENIOR VICE PRESIDENT
ALVAREZ & MANSAR CANADA INC.

BIFANO FARMS INC.

By: 
Name: TODD M. MARTIN
Title: SENIOR VICE PRESIDENT
ALVAREZ & MANSAR CANADA INC.

SSC VENTURES (NO. 105) LTD.

By: 
Name: TODD M. MARTIN
Title: SENIOR VICE PRESIDENT
ALVAREZ & MANSAR CANADA INC.

INTERIM LENDER:

THE BANK OF NOVA SCOTIA

By: 
Name: Justin Mitges
Title: Director

By: 
Name: James Cook
Title: Senior Manager

SCHEDULE "A"

Additional Definitions

"Applicable Laws" means all federal, provincial, municipal and local laws, statutes, regulations, codes, acts, permits, licenses, ordinances, orders, by-laws, guidelines, notices, protocols, policies, directions and rules and regulations, including without limitation animal welfare laws and regulations and those of any governmental or other public authority, which may now, or at any time hereafter, govern, be applicable to or enforceable against or in respect of the Borrowers, the operation of their business or their property.

"Business Day" means a day on which banks in Vancouver, British Columbia are open for business.

"Court Ordered Charges" means the Administration Charge, the Directors' Charge (if any), and the Interim Lender's Charge.

"Default" means any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

"Interim Credit Documentation" means this Agreement, the orders of the Court in the CCAA Proceedings approving it and any other definitive documentation in respect of the Interim Lending Facility, which must be in form and substance satisfactory to the Interim Lender.

"Directors' Charge" means a super-priority Court-ordered charge against the Property in an amount not to exceed \$150,000 securing the indemnity obligations of the Borrowers to their respective directors and officers in respect of any liabilities the directors and officers of the Borrowers may incur solely by acting in such capacity from and after the commencement of the CCAA Proceedings as a backstop to any available directors and officers' insurance and to the extent that any funds in trust for such persons are not sufficient to satisfy such claims.

"Legal Fees" means all reasonable and documented legal fees that the Interim Lender has incurred in any way relating to the Borrowers' obligations to the Interim Lender, whether before or after the initiation of the CCAA Proceedings, including those that the Interim Lender has paid or will have to pay to their legal counsel in connection with any and all tasks related to this Agreement, the orders of the Court, the Interim Lending Facility or the Interim Credit Documentation.

"Liens" means all mortgages, pledges, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever.

"Monitor" means Alvarez and Marsal Canada Inc.

"Permitted Liens" means (i) the Court Ordered Charges; and (ii) liens, if any, in respect of amounts payable by a Borrower for wages, vacation pay, source deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada), income tax and workers compensation claims.

"Person" means an individual, partnership, corporation (including a business trust), joint venture, limited liability company or other entity, or governmental authority.

"Plan of Arrangement" means a plan of arrangement made with any of the Borrowers' creditors within the CCAA Proceedings which has been approved by the requisite majorities of the Borrowers' creditors and the Court.

“Sale Process” means a Court-supervised sales process to be undertaken by the Borrowers, with the assistance and under the supervision of the Monitor, which must be in form and substance satisfactory to the Interim Lender.

SCHEDULE "B"

Initial Cash Flow Projections

(see attached)

SALE AND INVESTMENT SOLICITATION PROCEDURE Bifano Consolidated Inc., and others

INTRODUCTION

1. Pursuant to an order (the “**Initial Order**”) made February 28, 2024 (the “**Initial Order Date**”), the Supreme Court of British Columbia (the “**Court**”) granted protection to Bifano Consolidated Inc., Bifano Farms Nata Farms Inc., Spallumcheen Farm Ltd., and SCC Ventures (No. 105) Ltd (collectively, the “**Company**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36 (the “**CCAA**” and the Company’s proceedings under the CCAA, the “**CCAA Proceedings**”).
2. Pursuant to the Initial Order, among other things:
 - (a) Alvarez & Marsal Canada Inc. was appointed as monitor (in such capacity, the “**Monitor**”) of the Company in the CCAA Proceedings with certain enhanced powers; and
 - (b) the Court approved interim financing to be provided by The Bank of Nova Scotia (the “**Interim Lender**”).
3. On March 11, 2024, the Court made orders in the CCAA Proceedings: (a) amending and restating the Initial Order (the “**ARIO**”); and (b) authorizing and directing the Monitor to implement a sale process (the “**Sale Process Order**”) in respect of the Company’s Property and Business, as defined in paragraph 4 hereof, in accordance with these procedures (the “**Sale Process**”). Copies of the ARIO and the Sale Process Order can be found at: <http://www.alvarezandmarsal.com/BifanoNata>.
4. The purpose of the Sale Process is to solicit offers for one or more, or any combination of:
 - (a) the sale of all, substantially all, or components of the Company’s assets (the “**Property**”) and/or the Company’s business operations (the “**Business**”) as a going concern or otherwise; or
 - (b) a restructuring, recapitalization or other form of reorganization of the Business and affairs of the Company as a going concern or otherwise.
5. The terms of this Sale Process, including the requirements, criteria, and timelines, may be amended, extended, or waived by the Monitor or by further order of this Court. In determining whether to do so, the Monitor may consult with the Interim Lender and the Company.

“AS IS, WHERE IS” BASIS

6. Any transaction involving the Property, the Business or the Company (in each case, a “**Transaction**”) will be subject only to such representations, warranties, covenants, or indemnities as are expressly included in a Final Agreement (as defined in paragraph 30), but will otherwise be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Company, or any of its agents, estates, advisors, professionals or otherwise, including without limitation, the Monitor.

TIMELINE

7. The following table sets out the target dates under the Sale Process:

PHASES	TARGET DATES
Sale process to commence – distribution of teaser letter and confidentiality agreement	March 15, 2024
Bid Submission Deadline	April 19, 2024
Selection of Successful Bid(s)	April 26, 2024
Approval Order	No later than May 24, 2024
Outside Closing Date	No later than June 21, 2024

SUPERVISION AND CONDUCT OF THE SALE PROCESS

8. The Monitor may engage such other consultants, agents or experts and such other persons from time to time as it considers necessary to assist with this Sale Process.
9. The Monitor will oversee, in all respects, the conduct of this Sale Process, and all discussions regarding the Sale Process must be directed through the Monitor.
10. The Monitor will, in accordance with these procedures and on a confidential basis, provide information to the Interim Lender and the Company.
11. To the extent that any Potential Bidder (as defined in paragraph 18) wishes to engage, discuss, or communicate with any party with an existing contractual relationship with the Company in relation to this Sale Process or the Business or Property, such Potential Bidder may only do so after advising the Monitor and obtaining the Monitor's consent. In considering any specific request, the Monitor shall impose such restrictions (if any) or participation by the Monitor as the Monitor deems appropriate.
12. The Company shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations under this Sale Process and provide the Monitor with the assistance, information and documentation that is reasonably necessary to enable the Monitor to adequately conduct its functions in this Sale Process.
13. The Company, the Monitor and any of their respective agents, estates, advisors, and professionals are not responsible for, and will have no liability with respect to, any information provided to or obtained by any Potential Bidder in connection with the Company, the Property, or the Business.
14. The Company, Monitor, and Interim Lender shall keep confidential:
 - (a) the names, details, and all other non-public information related to bidders or bids under this Sale Process, including, but not limited to, the names or identities of

any bidder or potential bidder, the number of bidders, the details of any bid or potential bid (whether binding or non-binding) or any definitive agreement(s); and

(b) any other information provided to them and marked as confidential,

and shall only use such information to conduct this Sale Process, or as is reasonably necessary to seek directions from or make submissions to the Court, or to obtain, oppose, or otherwise make submissions regarding the approval of any Successful Bid or Back Up Bid (as defined in paragraph 27) all while taking such steps as may be reasonably necessary so as to preserve the confidentiality of such information and protect the integrity of the Sale Process.

SOLICITATION OF INTEREST

15. The Monitor, in consultation with the Company, may, but is not required to, cause a notice regarding this Sale Process to be published in any publication in which the Monitor considers appropriate.
16. The Monitor, in consultation with the Company and the Interim Lender, will prepare a list of potential bidders (the “**Known Potential Bidders**”) who may have an interest in a Transaction. Such list will include both strategic and financial parties who, in the Monitor’s reasonable judgment, may be interested in acquiring an interest in the Property, the Business, the Company or any part (or parts) thereof (a “**Bid**”).
17. The Monitor and the Company will prepare an initial marketing or offering summary (a “**Teaser Letter**”) and distribute it to the Known Potential Bidders together with any additional marketing materials the Monitor considers appropriate, as well as a draft form of confidentiality agreement (the “**Confidentiality Agreement**”).
18. Any Known Potential Bidder or other person wishing to submit a Bid who (a) executes a Confidentiality Agreement in form and substance satisfactory to the Monitor, (b) in the judgment of the Monitor appears to have a *bona fide* interest in submitting a Bid, and (c) in the judgment of the Monitor appears to have the financial wherewithal and the technical, managerial, and operational expertise and capabilities to make a viable Bid, shall be deemed to be a potential bidder (each such person so deemed, a “**Potential Bidder**”).

DUE DILIGENCE

19. The Monitor and the Company may prepare such marketing or other materials in addition to the Teaser Letter as they deem appropriate describing the opportunity to make a Bid for distribution to Known Potential Bidders and/or Potential Bidders.
20. The Monitor shall provide Potential Bidders with access to an electronic data room that will contain information in the possession or control of the Monitor or the Company that in their reasonable business judgment, and subject to competitive and other business conditions, will allow Potential Bidders to evaluate their interest in submitting a Bid. This information may include management presentations and other matters that Potential Bidders may request and the Monitor may, in its reasonable business judgment, agree. The Monitor may designate a representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders and the manner

in which such requests must be communicated. The Monitor is not obligated to furnish any information relating to the Company, Property or Business except to Potential Bidders. For avoidance of doubt, and without limiting the terms of applicable Confidentiality Agreements, selected due diligence materials may be withheld from certain Potential Bidders if the Monitor determines such information to represent proprietary or sensitive competitive information.

21. All Potential Bidders will be provided with a form of draft asset purchase agreement (the “**Draft APA**”).

SELECTION OF BINDING BIDS

22. Any Potential Bidder may submit a Bid to the Monitor in the manner and at the address specified in **Schedule “A”** to be received by the Monitor not later than 5:00 p.m. (Pacific time) on **April 19, 2024** (the “**Bid Submission Deadline**”). The Monitor shall provide copies of any Bids received to the Interim Lender, unless such Bids include cash consideration sufficient to pay all amounts owing to the Interim Lender (including principal, interest and costs pursuant to the Company’s facilities that were owing as of the Initial Order Date (the “**Pre-Filing Debt**”)) and may provide copies of any Bids received to the Company.
23. A Bid shall be a “**Qualified Bid**” if it:
 - (a) indicates whether the Potential Bidder wishes to tender a bid for the Property pursuant to an asset purchase Transaction (an “**Asset Bid**”) or a restructuring of the debt, shares, or capital structure of the Company (a “**Restructuring Bid**”), or both;
 - (b) states that the Bid is irrevocable until the earlier of: (i) approval by the Court; and (ii) 45 days following the Bid Submission Deadline; provided, however, that if the Bid is selected as the Successful Bid or the Backup Bid (each as defined below), it shall remain irrevocable until the closing of the Successful Bid or the Backup Bid, as the case may be;
 - (c) does not contain any request or entitlement to any break fee, expense reimbursement or similar type of payment;
 - (d) includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed Transaction, or other evidence of ability to consummate the proposed Transaction that will allow the Monitor to make a reasonable determination as to the Qualified Bidder’s (and its direct and indirect owners and their principals’) financial and other capabilities to consummate the Transaction contemplated by the Bid;
 - (e) is not conditional on:
 - (i) the outcome of unperformed due diligence;

- (ii) obtaining any financing, investment, or other funding requirements; and
 - (iii) any government or regulatory approval;
- (f) fully discloses the identity of each person that is bidding or otherwise that will be sponsoring or participating in the Bid, including direct and indirect owners and their principals, and the complete terms of such participation;
- (g) is accompanied by a cash deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor), in an amount equal to ten percent (10%) of the consideration to be paid in respect of the Bid, to be held and dealt with in accordance with the Sale Process;
- (h) includes a closing date of no later than June 21, 2024, subject to the Approval Order;
- (i) in the case of an Asset Bid, in addition to the other criteria in this section, it:
 - (i) includes a duly authorized and executed agreement and blackline to the Draft APA, together with all exhibits and schedules and such ancillary agreements as may be required with all exhibits and schedules;
 - (ii) specifies the purchase price, including any liabilities to be assumed;
 - (iii) indicates the Property included and any of the Property to be excluded and/or any additional assets desired to be included in the Transaction;
 - (iv) specifies the purchase price allocation as among the assets included in the Asset Bid;
- (j) in the case of a Restructuring Bid, in addition to the other criteria in this section, it:
 - (i) outlines the type of transaction or structure of the Bid, including any proposed restructuring, recapitalization, or other form of reorganization of the Business, Property, or affairs of the Company, including but not limited to the debt, share or capital structure of the Company, as applicable;
 - (ii) provides for payment in cash of the amounts owing to the Interim Lender, including the Pre-Filing Debt;
 - (iii) the aggregate amount of the debt and equity investment, including liabilities to be assumed;

- (iv) the underlying assumptions regarding the *pro forma* capital structure (including the anticipated post-Transaction debt levels, debt service fees, interest, and amortization);
 - (v) the consideration to be allocated to the stakeholders, including claims of any secured or unsecured creditors;
 - (vi) anticipated tax planning, if any;
 - (k) confirms that the Bid has all internal approvals and consents, including corporate, board or shareholder approval, that are required to close the Transaction;
 - (l) identifies any external approvals or consents, if any, that are required to close the Transaction and the anticipated timing to obtain such approvals or consents;
 - (m) includes any other information reasonably requested by the Monitor;
 - (n) includes an acknowledgement that the Bid is made on an "as-is, where- is" basis and that the Potential Bidder has had an opportunity to conduct any due diligence it considers necessary or desirable prior to making its Bid and has relied solely on its own independent review, investigation and inspection of the documents, assets to be acquired and the liabilities to be assumed; and
 - (o) is received by no later than the Bid Submission Deadline.
24. The Monitor may, in its discretion and with the consent of the Interim Lender, waive strict compliance with one or more of the requirements specified in paragraph 23 and deem any bid to be a Qualified Bid notwithstanding non-compliance with the terms and conditions of the Sale Process, including paragraph 23.

REVIEW OF BIDS AND SELECTION OF SUCCESSFUL BID(S) AND BACKUP BID(S)

25. In reviewing the Bids received the Monitor retains full discretion and authority to discuss the Bids received, and their terms, with the applicable Potential Bidders.
26. The Monitor will review all Bids received to determine the highest or otherwise best Bid(s). Evaluation criteria will include, but are not limited to:
- (a) the purchase price or net value being provided;
 - (b) the terms of the proposed transaction documents;
 - (c) the identity, circumstances, and ability of the bidder to successfully complete the contemplated transaction;
 - (d) the impact of the Bid on the Company's stakeholders;
 - (e) the conditionality of the Bid, including the firm, irrevocable commitment for any financing required;

- (f) the timeline to closing, including potential third-party contractual arrangements or consents required to close;
 - (g) the assets included, or excluded, from the proposed transaction;
 - (h) the identity, circumstances, and ability of the proponents to successfully complete a Transaction; and
 - (i) the costs associated with the Bid and its consummation, including restructuring costs.
27. The Monitor shall, in consultation with the Company and with the consent of the Interim Lender, identify the highest or otherwise best Qualified Bid received for the Property, or part or parts thereof, as applicable (each, a **"Successful Bid"**) and the next highest or otherwise best Qualified Bid received for the Property, or part or parts thereof, as applicable (each, a **"Backup Bid"**). A person or persons who make a Successful Bid shall be a **"Successful Bidder"** and a person or person who makes a Backup Bid shall be a **"Backup Bidder"**.
 28. The Monitor, after consulting with the Company and with the consent of the Interim Lender, shall notify a Successful Bidder, if any, a Backup Bidder, if any, and any other bidders of their respective status as soon as reasonably practicable in the circumstances.
 29. The Monitor will notify a Backup Bidder, if any, that their bid is a successful Backup Bid and the Backup Bid shall remain open and capable of acceptance by the Company until the earlier of (i) the consummation of the transaction contemplated by a Successful Bid; and (ii) the date that is 30 days after the applicable Final Agreement Deadline, as defined in paragraph 30, (the **"Backup Bid Release Date"**). For greater certainty, the Monitor shall be entitled to continue to hold the Deposit in respect of a Backup Bid until the Backup Bid Release Date.
 30. The Company, with the consent of the Monitor and the Interim Lender, may, but shall have no obligation to, enter into an agreement or agreements with a Successful Bidder (a **"Final Agreement"**). Any Final Agreement entered into with a Successful Bidder shall be executed on or before **April 26, 2024** (the **"Final Agreement Deadline"**).
 31. The Company, with the consent of the Monitor and the Interim Lender, has the right not to accept any Qualified Bid.
 32. The Monitor, in consultation with the Company and with the consent of the Interim Lender, further has the right to deal with one or more Qualified Bidders to the exclusion of other Persons, to accept a Qualified Bid for some or all of the Property, to accept multiple Qualified Bids and enter into multiple Final Agreements.

APPROVAL ORDER

33. If the Company enters into a Final Agreement in respect of a Successful Bid, a Backup Bid, or any other Bid, the Monitor shall apply for an order from the Court approving the transaction contemplated by that bid and any necessary or appropriate related relief required to consummate the transaction contemplated by that bid. Court approval shall be a condition precedent to the consummation of any transaction or transactions contemplated by a Final Agreement.

34. The Monitor may also:
- (a) concurrently obtain relief approving the transaction contemplated by a Backup Bid and any necessary related relief required to consummate the transaction contemplated by a Backup Bid; and
 - (b) if deemed necessary or advisable, seek approval of or other relief in respect of the Successful Bid and/or Backup Bid from the courts or governmental bodies in other relevant jurisdictions.

DEPOSITS

35. All Deposits paid pursuant to this Sale Process shall be held in trust by the Monitor in a non-interest-bearing account. The Monitor shall hold Deposits paid by each Successful Bidder and Backup Bidder in accordance with the terms of the Final Agreement with the Successful Bidder and the Backup Bidder, or as may be ordered by the Court.
36. If a Deposit is paid pursuant to this Sale Process, and the Company, acting through the Monitor, elects not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the person that paid such Deposit, the Monitor shall return the Deposit.
37. If:
- (a) a Qualified Bidder breaches any of its obligations under its Qualified Bid, any Final Agreement, or the terms of this Sale Process (including the Confidentiality Agreement); or
 - (b) a Qualified Bidder breaches its obligations under the terms of this Sale Process (including the Confidentiality Agreement) or under the terms of its Qualified Bid if required by the Company to complete such transaction contemplated by its Qualified Bid,

then, in each case, such Qualified Bidder's Deposit will be forfeited as liquidated damages and not as a penalty.

ACCESS TO INFORMATION BY MANAGEMENT

38. Prior to receiving any information under this Sale Process, the Company's directors and senior management ("**Management**") shall each: (a) execute a confidentiality agreement in form satisfactory to the Monitor; and (b) confirm to the Monitor that they are not, directly or indirectly (including through affiliates or companies in which they control or have a majority ownership interest) participating in the preparation or submission of any bid, including for a potential Asset Bid or a potential Restructuring Bid (together, the "**Independence Confirmation**").
39. Members of Management that do not provide the Independence Confirmation are deemed to be potential bidders and are not entitled to receive information under this Sale Process and shall not attend meetings with, or otherwise communicate with, Qualified Bidders except with the written consent of the Monitor (which maybe provided by email) and which consent may be subject to conditions, including requiring the Monitor to attend such meetings or communications. For greater clarity, all references

to consultation with the Company in this Sale Process shall be limited to Management that have provided the Independence Confirmation.

OTHER MATTERS

40. The Sale Process does not, and will not be interpreted to, create any contractual or other legal relationship between the Company or the Monitor and any Potential Bidder, Qualified Bidder, or any other party, other than as specifically set out in an agreement executed by the Company or the Monitor, as applicable.
41. Participants in the Sale Process are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, and any other negotiations, steps, or actions, whether or not they lead to the consummation of a Transaction.
42. Notwithstanding the process and deadlines set out above, in consultation with the Company and with the prior consent of the Interim Lender, the Monitor may, at any time:
 - (a) pause, terminate, amend, or modify the Sale Process;
 - (b) remove any portion of the Business or the Property from the Sale Process;
 - (c) bring an application to the Court to seek approval of a transaction for the Property or the Business, whether or not such transaction is in accordance with the terms or timelines in this Sale Process; and
 - (d) establish further or other procedures for the Sale Process, provided that the service list in the CCAA Proceedings shall be advised of any substantive modification to the procedures set out in this Sale Process.

SCHEDULE "A"

Address for Deliveries

Any delivery made to the Monitor pursuant to this Sale Process shall be made to:

Alvarez & Marsal Canada Inc.
925 W Georgia Street
Unit 902
Vancouver BC V6C 3L2

Attention: Todd Martin and Taylor Poirier
Email: tmartin@alvarezandmarsal.com and tpoirier@alvarezandmarsal.com

Deliveries pursuant to this Sale Process by email shall be deemed to be received when sent. In all other instances, deliveries made pursuant to this Sale Process shall be deemed to be received when delivered to the address as identified above.