		Clerk's Stamp
COURT FILE NUMBER	2201-08920	
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTH AMERICAN LAMB COMPANY LTD., CANADA SHEEP AND LAMB FARMS LTD., CANADA SHEEP HOLDINGS LTD., LAMB CLUB MARKETING LIMITED, CANADA LAMB GROWERS LTD., CANADA LAMB PROCESSORS LTD. AND CANINE FARE LTD.	
DOCUMENT	**FIRST REPORT OF ERNST & YOUNG INC. IN ITS CAPACITY AS THE MONITOR OF THE NALCO GROUP** **AUGUST 15, 2022**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**MONITOR**</u> Ernst & Young Inc. Calgary City Centre 2200, 215 - 2nd Street SW Calgary, Alberta T2P 1M4 Attention: Neil Narfason / Christopher Keliher Telephone: 403-206-5067 / 403-206-5661 Fax: 403-206-5075 Email: neil.narfason@parthenon.ey.com christopher.keliher@parthenon.ey.com <u>**MONITOR'S COUNSEL**</u> Norton Rose Fulbright Canada LLP 400 3rd Avenue SW, Suite 3700 Calgary, Alberta, T2P 4H2 Attn: Howard Gorman, QC / Meghan Parker Telephone: 403-267-8144 / 403-267-8211 Email: howard.gorman@nortonrosefulbright.com meghan.parker@nortonrosefulbright.com	

TABLE OF CONTENTS OF THE FIRST REPORT OF THE MONITOR

APPENDICES

INTRODUCTION

1. On August 8, 2022, North American Lamb Company Ltd. ("**NALCO**") and its subsidiaries, Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited, Canada Lamb Growers Ltd., Canada Lamb Processors Ltd., and Canine Fare Ltd. (collectively, the "**Subsidiaries**" and together with NALCO, the "**NALCO Group**" or the **"Company**") were granted protection and permission to commence proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "**CCAA**") pursuant to an Order of this Honourable Court (the "**Initial Order**").

2. The Initial Order appointed Ernst & Young Inc. as Monitor ("**EYI**" or the "**Monitor**") in the CCAA Proceedings and established an initial stay of proceedings (the "**Initial Stay of Proceedings**") in favour of the NALCO Group until August 18, 2022. Pursuant to the Initial Order, the Monitor was granted enhanced powers (the "**Enhanced Powers**") to ensure that the Company could continue to operate during the course of the CCAA proceedings and to ensure that a restructuring could be pursued.

3. The Enhanced Powers include the ability to, among other items:

    a. exercise such rights, powers and obligations of the NALCO Group as the Monitor deems necessary or advisable;

    b. exercise any power which may be properly exercised by an officer or the board of directors of the NALCO Group;

    c. take any steps in order to direct or cause the NALCO Group to exercise any rights or fulfill any of their duties under the Initial Order;

    d. take any and all steps in order to direct or cause the NALCO Group to manage the business, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, cease to perform any contracts of the NALCO Group and/or disclaim any leases on behalf of the NALCO Group;

    e. take any and all steps in order to direct or cause the NALCO Group to administer the NALCO Group's property or to perform such other functions or duties as the Monitor considers necessary or desirable to deal with the NALCO Group's property;

    f. execute, assign, issue, and endorse documents of whatever nature in respect of the NALCO Group property and/or the business in the name and on behalf of the NALCO Group;

g. cause the NALCO Group to retain the service of any person as an employee, consultant, or other similar capacity; and

h. prepare, negotiate, and file with this Court a Plan in respect of the NALCO Group.

4. On August 15, 2022**,** the NALCO Group, through the Monitor, filed a notice of application for an amended and restated Initial Order (the "**ARIO**"), to be heard at a comeback hearing scheduled for 10:00AM on August 17, 2022 (the "**Comeback Hearing**"). The ARIO provides for:

a. an extension of the Initial Stay of Proceedings until December 9, 2022 (the "**Stay Extension**");

b. the removal of the obligation to seek Court authorization before the NALCO Group completes a transaction for the sale of livestock, meat form processed livestock, or livestock feed (the "**Livestock Assets**") to a third party subject to the Monitor taking into account key considerations regarding the sale of Livestock Assets which are discussed below;

c. the creation of a Selling Agent's Charge (the "**Selling Agent's Charge**") to secure the fees and expenses of a selling agent responsible for facilitating a SISP on behalf of the NALCO Group;

d. the Monitor entering into the First Amended and Restated Interim Financing Facility for $1.5 million dated August 15, 2022 (the "**Amended Financing Facility**"); and

e. a corresponding increase in the Interim Lender Charge to facilitate increased borrowings under the Amended Financing Facility.

5. In addition, the NALCO Group, through the Monitor, filed a notice of application for a SISP Order to have a sale and investment solicitation process ("**SISP**") approved to facilitate the sale of the business and property of the NALCO Group excluding the Livestock Assets (the "**SISP Assets**"), including through a share purchase or reverse vesting order if proposed by the successful bidder.

PURPOSE

6. The purpose of this First Report is to provide this Honourable Court and the NALCO Group's stakeholders with information and the Monitor's comments with respect to the following:

a. an update on the activities of the Monitor since the Pre-filing Report;

b. a revised Cash Flow Statement ("**CFS#2**") for the 18-week period ending on December 10, 2022 (the **"Forecast Period**") and the key assumptions upon which CFS#2 is based;

c. the Monitor's request to enter into the First Amended and Restated Interim Financing Facility;

d. the NALCO Group's request to increase the Interim Lender Charge from $1,500,000 to $1,800,000 to support an increase in the NALCO Group's borrowings from $1,250,000 to $1,500,000;

e. The NALCO Group's request to remove the obligation to seek Court authorization before it completes a transaction for the sale of the Livestock Assets;

f. a proposed SISP to facilitate the sale of the NALCO Group's SISP Assets;

g. a sealing order sealing commercially sensitive components of the proposed SISP's Selling Agent's engagement agreement;

h. the proposed creation of a Selling Agent's Charge in the amount of $500,000 to secure fees payable to the SISP Selling Agent, as well the Selling Agent's Charges' relative priority among other charges and security interests against the NALCO Group;

i. The NALCO Group's requests for a stay extension to December 9, 2022; and

j. The Monitor's recommendations with respect to same.

BACKGROUND

7. The NALCO Group is a privately held lamb producer and processor. The NALCO Group carries on its business operations at six separate facilities located in Alberta and Manitoba. The NALCO Group's operations are vertically integrated, and include the operation of accelerated sheep breeding facilities, lamb growing facilities, a lamb feedlot, and a lamb processing plant. The NALCO Group has the capacity to finish approximately 80,000 lambs annually and processes lambs both from independent lamb producers throughout Western Canada and from its own breeding facilities.

8. Additional background information on the NALCO Group and the CCAA Proceedings is available on the Monitor's website, located at: www.ey.com/ca/NALCO (the **"Monitor's Website"**).

TERMS OF REFERENCE AND DISCLAIMER

9. In preparing this First Report, the Monitor has been provided with, and has relied upon certain information, including unaudited financial information of the Company, books and records, and discussions with the NALCO Group management (collectively, the "**Information**").

10. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Canadian auditing standards pursuant to the Chartered Processional Accountants of Canada Handbook.

11. Future oriented information referred to in this First Report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable; the actual results may vary from the projections and the variances may be material.

12. All references to dollars are in Canadian dollars.

13. Capitalized terms not defined herein are as defined in the Initial Order, the Originating Application, or the Pre-filing Report of the Monitor.

ACTIVITIES SINCE THE FILING OF THE PRE-FILING REPORT OF THE MONITOR

14. Since the Pre-filing Report, the activities of the Monitor include:

    a. coordinating the mailing or publication of the various notices or documents required under the Initial Order or the CCAA, including:

        i. the creditor notices pursuant to CCAA s23(1)(a);

        ii. advertising a notice regarding the CCAA proceedings in both the *Calgary Herald* and the *Winnipeg Free Press*, with ads running in each paper on August 11 and August 18, 2022;

        iii. filing the Form 1 and Form 2 notices to the Superintendent of Bankruptcy in the prescribed form as required under s23(1)(f) of the CCAA; and

        iv. preparing and publishing a list of creditors on the Monitor's website;

    b. attending at certain of the NALCO Group's real property and facilities in both Alberta and Manitoba and meeting with certain management and employees at those locations;

    c. meeting with employees via a virtual town hall and in person to discuss the CCAA proceedings generally and the impact of the CCAA proceedings on the continued operation of the NALCO Group;

    d. finalizing a Key Employee Incentive Plan ("**KEIP**") and communicating the terms of the KEIP to affected employees;

e. executing and finalizing a $1,250,000 financing facility (the "**Initial Financing Facility**") with the Bank of Nova Scotia ("**BNS**" or the "**Interim Lender**") and obtaining a $1,000,000 advance under the Initial Financing Facility (described in further detail below);

f. funding certain payables including employee payroll and certain critical insurance premiums;

g. establishing reporting protocols with Management of the NALCO Group, including but not limited to cash flow and operations reporting;

h. working with the NALCO Group's finance and operations team to develop a revised cashflow ("**CFS#2**"), described in further detail below;

i. participating in discussions with certain large creditors and suppliers of the NALCO Group to ensure continuity of supplies and services during the course of the CCAA proceedings;

j. identifying and selecting a sales agent, subject to this Honourable Court's approval, to assist the Monitor with the sale of the NALCO Group's SISP Assets; and

k. updating BNS and Farm Credit Canada ("**FCC**"), the senior secured lenders of the NALCO Group (together the "**Senior Secured Lenders**") with respect to the status of the CCAA proceedings generally, the financing requirements of the Company, and certain opportunities to realize upon the assets of the Company.

15. As of the date of this First Report, the Monitor:

a. has not identified any material or adverse changes to the Company's operations;

b. has not prepared a budget-to-actual analysis of the NALCO Group's forecasted cash flow filed in connection with the initial application due to the short timeframe between the granting of the Initial Order and the date of this First Report; and

c. has obtained the full cooperation and assistance of the Company and its employees to advance these CCAA proceedings.

REVISED CASH FLOW STATEMENT

16. The NALCO Group, in consultation with the Monitor, has prepared CFS#2 for anticipated receipts and disbursements for the 18-week period ending on December 10, 2022. A copy of CFS#2 and the

key assumptions on which CFS#2 is based is included at **Appendix "A".**

17. In accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 9. "Cash-Flow Statement", the Monitor hereby reports as follows:

    a) CFS#2 has been prepared by the NALCO Group in consultation with the Monitor for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out in the accompanying notes;

    b) The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by the NALCO Group. The Monitor's procedures with respect to the hypothetical assumptions were limited to evaluating whether they were consistent with the purpose of CFS#2. The Monitor has also reviewed the support provided by the NALCO Group for the probable assumptions, and the preparation and presentation of CFS#2; and

    c) Based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:

        i. The hypothetical assumptions are not consistent with the purpose of CFS#2;

        ii. As at the date of this First Report, the probable assumptions developed by the NALCO Group in consultation with the Monitor are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for CFS#2, given the hypothetical assumptions; or

        iii. CFS#2 does not reflect the probable and hypothetical assumptions.

18. Since CFS#2 is based on assumptions regarding future events, actual results may vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the projections outlined in the CFS#2 will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this report.

19. CFS#2 has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

20. During the Forecast Period, the NALCO Group anticipates receipts of $14.0M and operating disbursements totalling ($14.3M)**,** which primarily consist of payments for labour ($3.0M), Feed

($3.1M), and misc. other expenses, including vet services and supplies, bedding, fuel repairs, maintenance and utilities ($6.0M). CFS#2 incorporates certain KEIP payments authorized under the Initial Order which are payable during the Forecast Period.

21. Based on CFS#2, the Monitor anticipates that the NALCO Group's operations will stabilize in September 2022, requiring only a limited increase in borrowing to ensure sufficient liquidity during the CCAA proceedings. Further, the Monitor anticipates that the NALCO Group will be in a position to being making repayments on the lending facility by the end of October 2022.

22. A summary of CFS#2 is provided in exhibit 1.0 below:

The NALCO Group
Consolidated Cash Flow Statement #2
For the period of August 8, 2022 to December 10, 2022 (the "Forecast Period")

$000's Week ending:	*Notes*	18-week total
Operating receipts		
Sales	A	14,032,798
Net operating receipts		**14,032,798**
Operating disbursements		
Labour	B	(3,054,173)
Feed	C	(3,083,683)
Miscellaneous operating disbursements	D	(6,027,834)
Restructuring/professional fees	E	(1,025,000)
Key Employee Incentive Plan	F	(376,583)
Contingency	G	(701,640)
Total operating disbursements		**(14,268,912)**
Net change in cash from operations		**(236,114)**
Financing		
Interim Financing - principal draw / (repayment)	H	750,000
Interim Financing - interest / Fees		(33,462)
Net change in cash from financing		**716,538**
Net change in cash		
Opening cash		-
Net change in cash from operations		(236,114)
Net change in cash from financing		716,538
Ending cash		**480,424**
Interim financing balance		
Available balance - opening	H	1,500,000
Interim Financing - principal (draw) / repayment		(750,000)
Available balance - Closing		**750,000**

23. CFS#2 is based on the following key assumptions.

a. The NALCO Group will continue to sell meat generated from livestock processed throughout the course of the CCAA Proceedings. In addition, the NALCO group will generate receipts through the sale of livestock;

b. Labour costs will continue in the ordinary course and include all NALCO Group salaries and wages, including insurance and benefits;

c. Animal feed is required to sustain operations and maintain the health and welfare of livestock on hand. Feed expenses assume operations continue in the ordinary course;

d. Miscellaneous disbursements are based on ordinary course payments and include disbursements related to vet services and vet supplies, livestock bedding, fuel, repairs and maintenance, utilities, equipment rentals, rendering, CFIA inspector fees and other operating disbursements;

e. Restructuring/professional fees are estimates of the cost of the Monitor, the Monitor's Counsel, and the NALCO Group’s Counsel as well as the costs of counsel to Fresh Canada Meats Ltd. for their work in preparing for and obtaining the Initial Order up to and including the August 8, 2022 hearing of the application for the Initial Order;

f. Payments will be made to eligible Key Employees as authorized by the Initial Order under the Key Employee Incentive Plan;

g. CFS#2 incorporates a 5% contingency calculated on net operating receipts to account for unascertained expenditures or lower revenues during the eighteen-week forecast period; and

h. Following the Initial Order, the Monitor finalized the Initial Financing Facility for up to $1,250,000. The Monitor is seeking to enter into a Amended Financing Facility of $1.5 million. CFS#2 has assumed that this amended facility will be in place and will only be drawn upon as required to address the cash obligations of the Company.

AMENDED AND RESTATED INTERIM FINANCING FACILITY

24. As described in the Pre-Filing Report of the Monitor, the cash flow statement filed in support of the Initial Application showed that the NALCO Group had no initial cash on hand to pay operating expenses during the CCAA Proceedings. As a result, an immediate cash injection was required to meet the obligations of the Company during the Initial Stay of Proceedings.

25. To alleviate this financial pressure, the Initial Order authorized the NALCO Group to borrow pursuant to a credit facility provided by BNS for up to $1,250,000. Under the Initial Order, these borrowings were supported by an Interim Lender’s Charge to a maximum amount of $1,500,000.

26. The NALCO Group subsequently requested and received an advance of $1,000,000 under the Initial

Financing Facility which was primarily used to address the immediate operational needs of the NALCO Group, including paying employees, paying for insurance, and securing the continued supply of feed and other consumables for livestock.

27. As described by CFS#2, the NALCO Group anticipates that its cash position will stabilize by mid-September 2022. However, the NALCO Group will be required to draw another $250,000 from the Initial Financing Facility before the end of August, meaning that the facility will shortly become fully utilized.

28. To provide sufficient liquidity to the NALCO Group for the remainder of the CCAA Proceedings, the NALCO Group, in consultation with the Monitor, consulted with the Interim Lender about increasing the Initial Financing Facility to $1.5 million.

29. On the basis that the Interim Lending Charge will be increased to $1,800,000 to secure the additional borrowings, reasonable professional fees, expenses, and out-of-pocket costs incurred by the Interim Lender to facilitate the increased borrowings, the Interim Lender has agreed to increase the Initial Financing Facility to $1,500,000 based on terms similar to those already in place between the parties, if approved by this Court.

30. A copy of the Amended Financing Facility is attached as **Appendix "B".** For greater certainty, the key commercial terms of the Amended Financing Facility are as follows:

   a. The Lender is BNS. The Borrower is the NALCO Group;

   b. The facility is a $1,500,000 revolving super-priority interim financing facility;

   c. Interest is equal to the Interim Lender's Prime Lending Rate plus 4% calculated daily and payable monthly;

   d. A commitment of $10,000, $7,500 of which was earned on August 9, 2022, is earned upon execution of the term sheet. Reasonable professional fees of the Interim Lender are also payable under the facility; and

   e. The facility is available until the earlier of December 9, 2022, the completion of the sale of the last remaining livestock of the NALCO Group, the occurrence of an event of default, or the termination of the CCAA Proceedings or the commencement of any other insolvency or restructuring proceedings in respect of the NALCO Group.

31. The NALCO Group continues to have similar reporting obligations under the Amended Financing

Facility, which includes weekly updates regarding cash flows and variance reports, as well as reports on the health and welfare of the NALCO Group's livestock.

32. It is the Monitor's view that the extension of additional credit under the Amended Financing Facility along with the corresponding increase in the Interim Lending Charge are appropriate and sufficient to allow the NALCO Group to continue to fund operations and restructuring costs during the course of the CCAA proceedings. The terms of the Amended Financing Facility remain commercially reasonable and consistent with rates and fees charged in other CCAA proceedings.

SALE PROCESS

33. Pursuant to paragraph 22(g) of the Initial Order, the Monitor, subject to certain requirements for Court Approval set out in the CCAA, is authorized and empowered to negotiate, enter into, direct or cause the NALCO Group to complete one or more expedited transactions for the sale of all or any part of the business or the property (including for the sale of livestock), or any part thereof. Further, the Monitor pursuant to paragraph 22(h) of the Initial Order is empowered to retain the services of any person as an employee, consultant, or in some other similar capacity.

A. LIVESTOCK ASSETS

34. The authorization provided under 22(g) of the Initial Order is subject to certain restrictions outlined in the Initial Order, including para 10(a). Para 10(a) provides that the NALCO Group has the right to… "dispose of redundant or non-material assets not exceeding $100,000 in any one transaction or $250,000 in the aggregate, provided that any sale that is: (i) in excess of the above thresholds or (ii) in favour of a person related to the NALCO Group"… shall require authorization by the Court in accordance with section 36 of the CCAA.

35. As laid out in the draft ARIO, and in particular draft para 10(a), the NALCO Group is requesting to amend the Initial Order to allow for the sale of the Livestock Assets without the need to request further authorization of the Court and without reference to a monetary cap or maximum, provided that any disposition in favour of a related person to the NALCO Group shall still require authorization by the Court.

36. In lieu of Court authorization, the NALCO Group is seeking to amend the ARIO to allow the Monitor to dispose of any of the NALCO Group's Livestock Assets on such terms and conditions as the Monitor deems reasonable and appropriate, having regard to:

   a. the views of BNS and FCC, including any guarantors of the NALCO Group's secured loans, if those guarantors confirm to the Monitor that they have no intention of participating as potential buyers in the SISP or livestock sales;

b. the health and welfare of the NALCO Group's livestock;

c. the reasonably foreseeable cost of feeding and caring for the NALCO Group's livestock if the livestock is not disposed of on such terms and conditions;

d. the reasonably foreseeable availability of labour, feed, veterinary care and transportation if the livestock is not disposed of on such terms and conditions;

e. the recommendations of the NALCO Group's management;

f. prevailing Canadian market prices based on recent lamb and sheep auctions, recent lamb and sheep sale transactions and market offers for finished lambs from Canadian lamb processing plants; and

g. the Monitor's solicitation of parties for offers to acquire livestock.

37. While the Monitor understands that there is general consensus and agreement with respect to the above noted criteria amongst the NALCO Group's relevant stakeholders, including FCC and BNS, the precise criteria to be considered by the Monitor pursuant to draft para 10(a) is subject to ongoing review and discussion. For example, on August 15, 2022, i.e., the date this First Report, FCC suggested that two further criteria be included in draft para 10(a). The newly proposed criteria are as follows:

a. the reasonably foreseeable effects on the value of the NALCO Group's other assets, including but not limited to the NALCO Group's lamb processing plant, feedlot, and farms; and

b. the recommendations of the SISP Sales Agent.

38. The precise criteria to be considered by the Monitor will be subject to ongoing discussion between the various stakeholders between the date of this First Report and the Comeback Hearing. The Monitor anticipates being able to provide an update to the Court on this matter during the Comeback Hearing.

39. The Monitor, in consultation with the NALCO Group, has already identified several potential opportunities to sell various quantities of the Livestock Assets to arm's length third parties. Due to quickly changing market conditions, requiring the approval of the Court to sell Livestock Assets may impede the ability of the NALCO Group to optimize recoveries for creditors and lenders and could adversely affect the Company's ability to quickly close transactions with third parties.

40. Further, the ability to quickly close transactions for the sale of Livestock Assets as provided by draft para 10(a) of the draft ARIO (subject to further refinement after consulting with the NALCO Group's key stakeholders):

   a. is likely to help ensure the overall welfare of the animals;

   b. is likely to reduce overall costs of the CCAA proceedings by reducing the total cost of feed or labour required to sustain the NALCO Group's operations;

   c. is supported by the Company's retention of long-term NALCO Group management with deep industry experience which will help ensure that any sale for the Livestock Assets will be sold at supportable rates, based on then existing market conditions; and

   d. will remain subject to the views of the NALCO Group's secured creditors and guarantors, as applicable.

41. The Monitor notes that the NALCO Group's senior management with established expertise and marketing and inventory contacts remain directly involved in the Livestock Asset sale process.

42. After consulting with the NALCO Group's Senior Secured Lenders, i.e., the primary secured entities to be affected by the sale of the Livestock Assets, the Monitor understands that both BNS and FCC support the NALCO Group's request to remove the requirement to seek the authorization of the Court before the sale of the Livestock Assets to a third party can be completed, subject to finalizing the precise criteria to be considered by the Monitor before completing any sale, as described above.

43. Based on the foregoing, the Monitor is of the view that it would be administratively more efficient and less costly to allow the NALCO Group to sell Livestock Assets to arm's length third parties without the need to request further authorization of the Court, subject to the restrictions and considerations articulated above and as further described in para 10(a) of the draft ARIO.

B. SISP ASSETS

Selection of Selling Agent

44. In consultation with FCC and BNS the Monitor determined that the SISP Assets were likely to attract more value if sold while livestock activity remained at the NALCO Group's facilities. Accordingly, the Monitor determined that it was appropriate to commence a sales process immediately for the SISP Assets.

45. Based on the Monitor and FCC's (as senior secured lender over the SISP Assets) assessment of the

qualifications, extensive and relevant network, proposed fee structure, experience in the sector, and market space for agricultural assets, the Monitor proposed to engage Ernst & Young Orenda Corporate Finance Inc. and Ernst & Young Real Estate Services Inc. to act as the NALCO Group's exclusive selling agent (the "**Selling Agent**") and FCC asked for a pre-emptive SISP proposal in that regard.

46. The Monitor with input and support from FCC has negotiated a Selling Agent Engagement Agreement (the "**SAE Agreement**"), dated August 12, 2022 with the Selling Agent, subject to the approval of this Honourable Court.

47. A redacted copy of the SAE Agreement is attached as **Appendix "C**" to this First Report and the full unredacted SAE Agreement has been provided to the Court in a confidential supplement (the "**Confidential Supplemen**t") supporting the SISP Application.

48. Based on a discussion with the Selling Agent, the Monitor understands that redacting certain aspects of the Selling Agent Agreement is necessary to allow the Selling Agent to better negotiate with co-operating brokers (if any) that are representing prospective purchasers. Accordingly, it is the Monitor's view that the redacted portions of the SAE Agreement are commercially sensitive information which could negatively impact the sale of the SISP Assets.

49. The Monitor has provided the unredacted version of the SAE Agreement to the Court in the Confidential Supplement. The Monitor is seeking to have the unredacted SAE Agreement sealed until August 17, 2023 or sales of all SISP Assets have closed.

50. The Monitor is supportive of the proposed Selling Agent and considers the scope of the SAE Agreement and proposed compensation to be commercially reasonable for the following reasons:

    a. The proposed Selling Agent has considerable experience in the real estate and mergers and acquisitions markets as they have advised on dispositions of all different types of asset classes, including industrial, farmland, special purpose assets. This experience will enable the proposed Selling Agent to sell the SISP Assets in a timely manner in order to optimize recoveries in these proceedings;

    b. The proposed Selling Agent's team will be comprised of specialists from real estate, capital equipment M&A and restructuring;

    c. The proposed Selling Agent has global reach with local Canadian connections which allows for a broad canvass of the market for the SISP Assets;

d. The scope of the agreement is consistent with the scope observed on other CCAA sales processes; and

e. All disbursements or other out of pocket expenses incurred by the Selling Agent will be absorbed by the Selling Agent (and not billed to or paid by the NALCO Group).

The Proposed SISP

51. For the purpose of efficiently advancing the sale of the SISP Assets, the Monitor has actively worked with the Selling Agent to develop a SISP for the sale of the SISP Assets. In addition to beginning the process to evaluate the SISP Assets, completing market research, and developing a marketing plan and materials, the Selling Agent, in consultation with the Monitor, has developed a SISP timeline with the following key Milestones:

Milestone	Deadline
Selling Agent to initiate marketing	September 12, 2022
Bid Deadline	October 27, 2022
Signed PSA	November 15, 2022
Court Approval	On or before December 7, 2022
Transaction Closing	On or before December 23, 2022

52. Subject to adjustments for changing market conditions and to achieve the Milestones described above, the SISP consists of the following key components:

a. As soon as practicable following the issuance of any Court Order approving the SISP, advertisements will be published in the *Calgary Herald,* the *National Post,* the *Lethbridge Herald* and the *Winnipeg Free Press* advising of the SISP;

b. The Selling Agent, in consultation with the Monitor, will prepare a list of potential bidders who the Selling Agent and the Monitor believe may be interested in purchasing all or part of the SISP Assets;

c. The Selling Agent will develop a non-confidential teaser advising prospective purchasers or investors of the opportunity to acquire some, all or substantially all of the SISP Assets;

d. An electronic data room will be established which will allow prospective purchasers or investors to obtain confidential information about the NALCO Group and the SISP Assets. Qualified parties will be obligated to execute a confidentiality agreement prior to accessing the data room;

e. The sale of any of the SISP Assets will be on "as is, where is" basis and will not include any surviving representations or warranties of any kind, nature or description of the Monitor or the NALCO Group. Prospective bidders and ultimate purchasers are expected to complete their own due diligence at their own expense;

f. Following the receipt of bids after the Bid Deadline, the Monitor, in consultation with the Selling Agent, the Senior Secured Lenders, and the Interim Lender, will assess the bids and will determine whether one or more bids produce favourable offers on the SISP Assets; and

g. In the event a favourable bid(s) is/are produced, the Monitor, in consultation with the Selling Agent, the Senior Secured Lenders, and the Interim Lender, will then negotiate and settle the terms and conditions with any prospective purchaser for the purpose of concluding a definitive sale agreement which shall be conditional upon Court Approval.

53. A full copy of the procedures for the SISP is attached as Appendix A to the draft SISP Order.

54. Based on the foregoing, the Monitor is supportive of the proposed SISP and the timeline to complete a sale of the SISP Assets. In the Monitor's view, the condensed timeframe to complete the sale of the SISP Assets will not only help mitigate ongoing costs in the CCAA proceedings but is sufficient to ensure that the SISP Assets are marketed for a commercially reasonable length of time.

SELLING AGENT'S CHARGE

55. As further outlined in the draft ARIO, a Selling Agent's Charge is being proposed up to a maximum amount of $500,000. The proposed charge is designed to secure the fees payable to the Selling Agent pursuant to the Selling Agent Agreement attached to this First Report at **Appendix "C".**

56. The Selling Agent's Charge will rank fourth in priority to all other charges and security interests of the NALCO Group, behind only the Administration Charge, the Interim Lender Charge, and the KEIP Charge, respectively, described in the Initial Order. Unlike the Administration Charge, the Interim Lender Charge, and the KEIP Charge, the Selling Agent's Charge only charges the SISP Assets as further described in the SISP and will not charge the Livestock Assets.

57. It is the Monitor's view that a Selling Agent's Charge for the Selling Agent during the CCAA proceedings would be beneficial to the NALCO Group's efforts to preserve value and maximize recoveries for stakeholders through the completion of the CCAA proceedings.

EXTENSION OF THE STAY PERIOD

58. Pursuant to the Initial Order, the Initial Stay of Proceedings in favour of the NALCO Group expires on August 18, 2022. The NALCO Group is seeking a stay extension up to and including December 9, 2022 (the **"Proposed Stay Extension Date"**).

59. The Proposed Stay Extension Date is supported by CFS#2 and provides sufficient time for the Monitor to receive qualified bids and negotiate a purchase and sale agreement under the proposed SISP and to sell the Livestock Assets. The Proposed Stay Extension Date also approximately coincides with the proposed milestone date to obtain court approval for any purchase and sale agreement for the SISP Assets (i.e., December 7, 2022), which would allow any further stay extension application or sale approval application to be heard together, thereby increasing the administrative efficiency of these proceedings.

60. As highlighted in this First Report, the NALCO Group is actively working with the Monitor to develop a plan to sell all or parts of its business. Further, the NALCO Group continues to care for and maintain its livestock and, as demonstrated by CFS#2, is projected to have sufficient funds through the Proposed Stay Extension Date assuming the NALCO Group will have access to additional funding under the Interim Lending Facility as discussed above.

61. In the Monitor's view, the NALCO Group has and continues to act in good faith and with due diligence, is operating in the ordinary course of business, and is complying with its obligations as set out in the Initial Order.

62. The Monitor does not believe that any creditor will be materially prejudiced if the Proposed Stay Extension is granted.

RECOMMENDATIONS

63. The Monitor respectfully recommends that this Honourable Court:

    a. approve the Monitor, on behalf of the NALCO Group, entering into the First Amended and Restated Interim Financing Facility;

    b. approve an increase in the Interim Lender Charge from $1,500,000 to $1,800,000;

    c. remove the obligation of the NALCO Group to seek court authorization before it completes a transaction for the sale of the Livestock Assets to third parties;

    d. approve the engagement of the proposed Selling Agent under the SAE Agreement;

e. approve the proposed SISP Order;

f. approve the Sealing Order;

g. approve the Selling Agent's Charge; and,

h. approve the NALCO Group's request for a stay extension through to December 9, 2022,

Dated at Calgary, this 15th day of August, 2022.

ERNST & YOUNG INC.
Licensed Insolvency Trustee
acting solely in its capacity as the Monitor of the NALCO Group
and not in its personal or corporate capacity

per:

Neil Narfason, CPA, CA, CIRP, LIT, CBV
President, Ernst & Young Inc.

Christopher Keliher, JD, MBA, CIRP, LIT
Vice President, Ernst & Young Inc.

Appendix A –

Cash Flow Statement of the NALCO Group for the 18-week period ending December 10, 2022

The NALCO Group
Consolidated Cash Flow Statement #2
For the period of August 8, 2022 to December 10, 2022 (the "Forecast Period")

$000's		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	18-week
Week ending:	*Notes*	Aug/13	Aug/20	Aug/27	Sep/03	Sep/10	Sep/17	Sep/24	Oct/01	Oct/08	Oct/15	Oct/22	Oct/29	Nov/05	Nov/12	Nov/19	Nov/26	Dec/03	Dec/10	total
Operating receipts																				
Sales	A	753,150	928,150	855,650	840,829	683,898	812,929	683,898	831,029	713,198	817,729	688,698	837,729	708,698	837,729	710,448	847,704	688,648	792,679	14,032,798
Net operating receipts		**753,150**	**928,150**	**855,650**	**840,829**	**683,898**	**812,929**	**683,898**	**831,029**	**713,198**	**817,729**	**688,698**	**837,729**	**708,698**	**837,729**	**710,448**	**847,704**	**688,648**	**792,679**	**14,032,798**
Operating disbursements																				
Labour	B	(323,270)	-	(356,989)	-	(356,989)	-	(356,989)	-	(356,989)	-	(339,401)	-	(339,401)	-	(306,381)	-	(317,764)	-	(3,054,173)
Feed	C	(335,000)	(215,000)	(185,965)	(337,695)	(165,121)	(318,820)	(162,995)	(147,123)	(141,321)	(135,226)	(129,052)	(132,968)	(112,862)	(102,788)	(92,747)	(82,154)	(230,034)	(56,811)	(3,083,683)
Miscellaneous operating disbursements	D	(614,328)	(541,720)	(358,079)	(211,637)	(451,506)	(207,637)	(359,279)	(207,637)	(437,000)	(195,324)	(346,966)	(195,324)	(408,666)	(203,821)	(326,748)	(273,092)	(337,848)	(351,219)	(6,027,834)
Restructuring/professional fees	E	-	(150,000)	(100,000)	(75,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(1,025,000)
Key Employee Incentive Plan	F	(20,315)	(7,815)	(58,565)	(8,815)	(26,025)	(6,025)	(65,025)	(7,835)	(28,955)	(6,505)	(26,505)	(8,505)	(28,505)	(8,505)	(28,680)	(9,503)	(26,500)	(4,000)	(376,583)
Contingency	G	(37,658)	(46,408)	(42,783)	(42,041)	(34,195)	(40,646)	(34,195)	(41,551)	(35,660)	(40,886)	(34,435)	(41,886)	(35,435)	(41,886)	(35,522)	(42,385)	(34,432)	(39,634)	(701,640)
Total operating disbursements		**(1,330,571)**	**(960,943)**	**(1,102,381)**	**(675,189)**	**(1,083,836)**	**(623,128)**	**(1,028,483)**	**(454,147)**	**(1,049,925)**	**(427,942)**	**(926,360)**	**(428,683)**	**(974,869)**	**(407,000)**	**(840,079)**	**(457,134)**	**(996,580)**	**(501,664)**	**(14,268,912)**
Net change in cash from operations		**(577,421)**	**(32,793)**	**(246,731)**	**165,640**	**(399,937)**	**189,801**	**(344,584)**	**376,882**	**(336,726)**	**389,787**	**(237,661)**	**409,046**	**(266,171)**	**430,729**	**(129,631)**	**390,571**	**(307,931)**	**291,015**	**(236,114)**
Financing																				
Interim Financing - principal draw / (repayment)	H	1,000,000	-	250,000	-	250,000	-	-	-	-	-	-	(250,000)	-	(250,000)	-	-	-	(250,000)	750,000
Interim Financing - interest / Fees		-	-	-	(6,483)	-	-	-	(9,829)	-	-	-	(9,829)	-	-	-	(7,320)	-	-	(33,462)
Net change in cash from financing		**1,000,000**	**-**	**250,000**	**(6,483)**	**250,000**	**-**	**-**	**(9,829)**	**-**	**-**	**-**	**(259,829)**	**-**	**(250,000)**	**-**	**(7,320)**	**-**	**(250,000)**	**716,538**
Net change in cash																				
Opening cash		-	422,580	389,787	393,056	552,213	402,276	592,077	247,493	614,546	277,819	667,607	429,945	579,162	312,991	493,720	364,089	747,340	439,409	-
Net change in cash from operations		(577,421)	(32,793)	(246,731)	165,640	(399,937)	189,801	(344,584)	376,882	(336,726)	389,787	(237,661)	409,046	(266,171)	430,729	(129,631)	390,571	(307,931)	291,015	(236,114)
Net change in cash from financing		1,000,000	-	250,000	(6,483)	250,000	-	-	(9,829)	-	-	-	(259,829)	-	(250,000)	-	(7,320)	-	(250,000)	716,538
Ending cash		**422,580**	**389,787**	**393,056**	**552,213**	**402,276**	**592,077**	**247,493**	**614,546**	**277,819**	**667,607**	**429,945**	**579,162**	**312,991**	**493,720**	**364,089**	**747,340**	**439,409**	**480,424**	**480,424**
Interim financing balance																				
Available balance - opening	H	1,500,000	500,000	500,000	250,000	250,000	-	-	-	-	-	-	-	250,000	250,000	500,000	500,000	500,000	500,000	1,500,000
Interim Financing - principal (draw) / repayment		(1,000,000)	-	(250,000)	-	(250,000)	-	-	-	-	-	-	250,000	-	250,000	-	-	-	250,000	(750,000)
Available balance - Closing		**500,000**	**500,000**	**250,000**	**250,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**250,000**	**250,000**	**500,000**	**500,000**	**500,000**	**500,000**	**750,000**	**750,000**

Appendix B –

AMENDED AND RESTATED INTERIM FINANCING FACILITY

$1,500,000
FIRST AMENDED AND RESTATED INTERIM FINANCING FACILITY
(Debtor-in-Possession)

WHEREAS the Borrowers (as defined below) and Interim Lender (as defined below) are party to a $1,250,000 Interim Financing Facility (Debtor-in-Possession) dated as of August 9, 2022 (the "**Original Term Sheet**") and Borrowers have requested that the Interim Lender provide additional interim financing and extend the maturity date of the interim financing provided to the Borrowers during the pendency of the Borrowers' proceedings (the "**CCAA_Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") commenced before the Alberta Court of Queen's Bench (Commercial List) (the "**Court**") on or about August 8, 2022 (the "**Filing Date**") in accordance with the terms and conditions set out herein;

AND WHEREAS, the Borrowers lack access to any liquidity and urgently require critical funding in order to protect the health and welfare of their livestock while they wind down their business and The Bank of Nova Scotia (the "**Interim Lender**") has agreed to continue to provide interim financing during the CCAA Proceedings in order to provide such critical funding in accordance with the terms set out in this first amended and restated term sheet (which, together with the Schedules, is referred to as this "**Term Sheet**") and the Interim Lender has agreed to do so on the terms and subject to the conditions set out in this Term Sheet, which upon execution by the Borrowers (or the Monitor on their behalf) shall become an enforceable agreement, subject to the satisfaction of the conditions precedent herein and the approval of the Court;

AND WHEREAS, this Term Sheet amends and restates the Original Term Sheet, nothing in this Term Sheet shall be construed as a substitution or novation of the Obligations outstanding under the Original Term Sheet, which shall remain outstanding under this Term Sheet, and for greater certainty, notwithstanding any other provision of this Term Sheet, all Obligations outstanding under the Original Term Sheet are and shall be Obligations under this Term Sheet and shall be secured by the Security.

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

1.	**Borrowers:**	Canada Sheep and Lamb Farms Ltd., Lamb Club Marketing Limited, Canada Lamb Processors Ltd., Canine Fare Ltd., North American Lamb Company Ltd., Canada Sheep Holdings Ltd. and Canada Lamb Growers Ltd. (each a "**Borrower**" and together, the "**Borrowers**").
2.	**Interim Lender:**	The Bank of Nova Scotia.
3.	**Defined Terms and Currency:**	Unless otherwise defined herein, capitalized words and phrases used in this Term Sheet have the meanings given herein. Unless otherwise noted, all references to currency, "dollars" or "$" shall refer to Canadian dollars.
4.	**DIP Facility:**	Up to $1,500,000 (the "**Commitment**") provided by way of a revolving super-priority interim financing facility (collectively with Interest (as defined below), the "**DIP Facility**") in favour of the Borrowers for the purposes set out in Section 10.
5.	**Interest:**	Interest payable under this Term Sheet (the "**Interest**") shall be at the Interim Lender's Prime Lending Rate from time to time plus four percent (4.00%) calculated daily and payable monthly as set out below until the indebtedness, obligations, covenants or liabilities owing by the

Borrowers to the Interim Lender under the DIP Facility, this Term Sheet, the Security Documents (as defined below), and all other instruments, agreements and documents from time to time executed and delivered to the Interim Lender in connection with this Term Sheet (collectively, the "**Definitive Documents**"), including without limitation all principal, Interest, fees, indemnities and expenses owing to the Interim Lender hereunder (collectively, the "**Obligations**") are repaid in full and the DIP Facility is terminated. All accrued Interest shall be capitalized monthly to form part of the principal amounts owing under this Term Sheet and shall be payable to the Interim Lender in cash monthly.

6. **Reserved**

7. **Commitment Fee:** $10,000 (the "**Commitment Fee**"), $7,500 of which was earned by the Borrowers to the Interim Lender on August 9, 2022 and the balance of which Commitment Fee is fully earned by the Interim Lender upon execution of this Term Sheet. The Commitment Fee shall be capitalized upon execution of this Term Sheet to form part of the principal amounts owing under this Term Sheet and payable to the Interim Lender in cash on the Maturity Date.

8. **Withholding Tax:** All payments by a Borrower (or the Monitor on their behalf) to the Interim Lender under the Definitive Documents, including any payments required to be made from and after the exercise of any remedies available to the Interim Lender upon an Event of Default (as defined below), shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively "**Taxes**"); provided, however, that if any Taxes are required by Applicable Law to be withheld ("**Withholding Taxes**") from any amount payable to the Interim Lender under the Definitive Documents, the amount so payable to the Interim Lender shall be increased to the extent necessary so that after making all required deductions, including deductions applicable to amounts payable under this section, the Interim Lender will receive an amount equal to the amount it would have received had no such deductions in respect of such Taxes been made, and the relevant Borrower (or the Monitor on its behalf) shall provide evidence satisfactory to the Interim Lender that the Taxes have been so withheld and remitted.

9. **Expenses:** All of the reasonable professional fees, expenses and out-of-pocket costs incurred by the Interim Lender shall be paid in full to the Interim Lender in cash on the third Business Day of each Month.

   In this Term Sheet, "**Business Day**" means any day other than a Saturday, Sunday or any other day in which banks in Calgary, Alberta or Toronto, Ontario are not open for business.

10. **Availability & Permitted Payments:** The Borrowers (or the Monitor on their behalf) shall use advances under the DIP Facility (each an "**Advance**") solely for the following purposes, in each case in accordance with the CCAA Orders and the amended cash flow budget approved by the Interim Lender that is attached hereto as Schedule A or such further amended cash flow

budget as may be approved by the Interim Lender in writing and in its sole discretion from time to time (the "**Approved Cash Flow Budget**"):

(a) to pay costs relating to the operation of the Borrower's processing plant, the wind down of the Borrowers' other business, and the feeding, health and welfare of the Borrowers' livestock, in each case in a manner that is consistent with the Approved Cash Flow Budget and this Term Sheet;

(b) to pay the reasonable and documented legal fees and expenses of (i) the Borrowers to the extent incurred in connection with the advancement of the CCAA Proceedings, and (ii) Fresh Canada Meats Ltd. to the extent incurred in connection with the application for the Initial CCAA Order, and, for greater certainty, not in connection with any litigation as among the Borrowers or any affiliate or direct or indirect shareholder of any Borrower, or otherwise adverse to the Interim Lender or Farm Credit Canada ("**FCC**");

(c) to pay the reasonable and documented fees and expenses of the Monitor and its legal counsel incurred in connection with the CCAA Proceedings; and

(d) to pay the fees owing to the Interim Lender and its legal counsel and its financial advisor under this Term Sheet and the other Definitive Documents.

A Cash Flow Budget shall only constitute the "**Approved Cash Flow Budget**" when it is approved in writing by the Interim Lender. For the avoidance of doubt, the Approved Cash Flow Budget in force at any time shall be the most recent Cash Flow Budget approved in writing by the Interim Lender.

11. **Revolving Advances:**

Subject to the other terms and conditions of this Term Sheet, the Borrowers (or the Monitor on their behalf) may avail the DIP Facility to the amount of the Commitment set forth above by way of direct advances. So long as the Funding Conditions have been satisfied or waived, the Borrowers (or the Monitor on their behalf) shall be permitted to obtain one or more Advances provided that:

(a) any Advance(s) made from time to time shall be in a multiple of $250,000 such that the sum of all Advances shall not exceed the Commitment; and

(b) the Borrowers (or the Monitor on their behalf) shall provide the Interim Lender with not less than one (1) Business Day prior written notice requesting an Advance, substantially in the form of the advance request set out on Schedule B (an "**Advance Request**"), setting out the amount of the Advance being requested, the proposed date of the Advance and certifying that (i) no Event of Default then exists and is continuing or would result therefrom and (ii) that the use of proceeds of such Advance will comply with the

Approved Cash Flow Budget or was approved in writing by the Interim Lender.

Prior to cancellation of the availability of the DIP Facility or the Interim Lender having issued to any one or more Borrowers a demand for payment, the DIP Facility shall be a revolving credit facility; that is, the Borrowers may increase or decrease loans under the DIP Facility up to the Commitment by requesting Advances or making repayments and requesting further Advances.

12. **Initial Conditions:**

The Commitment and the DIP Facility shall become effective on the satisfaction of each of the following conditions precedent (collectively, the "**Initial Conditions**"):

(a) the Borrowers (or the Monitor on their behalf) shall have fully executed and delivered this Term Sheet and all other Definitive Documents; and

(b) the Court shall have granted an Initial Order pursuant to the CCAA (the "**Initial CCAA Order"**), which Initial Order shall be in form and substance satisfactory to the Interim Lender acting reasonably,

(c) the Court shall have granted an Amended and Restated Initial Order pursuant to the CCAA (the "**Amended and Restated Initial CCAA Order**"), which Amended and Restated Initial Order shall be in form and substance satisfactory to the Interim Lender acting reasonably, and pursuant to which the Court shall have increased the amount of the super priority court-ordered charge (subject only to the Permitted Priority Lien) over all of the Property (as defined below) in favour of the Interim Lender granted pursuant to the Initial CCAA Order (the "**Interim Lender's Charge**") in an amount up to $1,800,000, which increased amount shall secure the principal amount of the DIP Facility together with all unpaid Interest, fees, costs and expenses payable under this Term Sheet on terms and conditions satisfactory to the Interim Lender, acting reasonably.

13. **Funding conditions:**

The Interim Lender's obligation to make Advances under the DIP Facility is subject to the satisfaction of the conditions precedent set out below (collectively, the "**Funding Conditions**"):

(a) the Initial Conditions shall have been satisfied or waived by the Interim Lender and shall continue to be satisfied or waived by the Interim Lender at the time of the relevant Advance;

(b) the Initial CCAA Order and the Amended and Restated Initial CCAA Order (collectively, the "**Initial CCAA Orders**") shall not have been vacated or appealed and shall not have been varied except with the consent of the Interim Lender and any other Orders made by the Court in the CCAA Proceedings (together with the Initial CCAA Orders, the "**CCAA Orders**") shall be in form and substance satisfactory to the Interim Lender;

(c) the execution and delivery of the FCC Guarantee (as defined below); and

(d) no Event of Default then exists and is continuing or would result from the Advance.

The Funding Conditions are for the sole benefit of the Interim Lender and may be waived by the Interim Lender in whole or in part with or without terms or conditions, in respect of all or any portion of an Advance, without affecting the right of the Interim Lender to assert such terms and conditions in whole or in part in respect of any other Advance.

14. **Maturity Date/Repayment:**

The DIP Facility shall become effective upon the satisfaction or waiver of the Initial Conditions and shall be available, subject to the satisfaction or waiver of the Funding Conditions, until the earliest to occur of: (a) **[December 9]**, 2022; (b) the completion of the sale of the last remaining livestock of the Borrowers, (c) the occurrence of an Event of Default, and (d) the termination of the CCAA Proceedings or the commencement of any other insolvency or restructuring proceedings in respect of any of the Borrowers (such earliest date being the "**Maturity Date**" and the period between the DIP Facility becoming effective and the Maturity Date, being the "**Term**"). Effective on the Maturity Date, the DIP Facility and the Commitment shall terminate and all of the Obligations shall become immediately due and payable to the Interim Lender in cash without any further notice or action by the Interim Lender.

15. **Mandatory Payments**

The Borrowers shall forthwith pay to the Interim Lender from time to time all of the following amounts, which payments shall be applied to the Obligations then outstanding:

(a) net proceeds of any sale or other disposition of any livestock of the Borrowers (other than in the ordinary course of business);

(b) net proceeds of sale or other disposition of any real estate, feed or equipment of the Borrowers;

(c) subject to exceptions for repairs and replacements, all net insurance proceeds or other awards payable in connection with the loss, destruction or condemnation of any assets of any of the Borrowers; and

(d) all refunds of Goods and Services or Harmonized Sales Tax Received by any of the Borrowers from time to time.

16. **Security:**

The Borrowers (or the Monitor on their behalf) shall provide to the Interim Lender:

(a) the Interim Lender's Charge over all of the present and after acquired property, assets, and undertaking, wherever located, of the Borrowers (collectively, the "**Property**");

(b) mortgages over all of the Borrowers' real property; (collectively, the "**Mortgages**" and together with the Interim Lender's Charge, the "**Security**").

(c) a limited guarantee and indemnity in the maximum amount of $850,000 executed by FCC in favour of the Interim Lender in form and substance satisfactory to the Interim Lender pursuant to which FCC agrees to guarantee and indemnify the Interim Lender for (i) all Obligations, and (ii) use of the The Bank of Nova Scotia's first lien collateral (whether existing on or after the Filing Date), to the extent that (i) and (ii) arise from, or are attributable to, the operation of the Borrowers' processing plant business from and after the Filing Date (the "**FCC Guarantee**");

(d) at the reasonable request of the Interim Lender from time to time:

    (i) certificates or other evidence satisfactory to the Interim Lender evidencing that the Borrowers (or the Monitor on their behalf) continue to maintain policies of insurance issued by insurers of recognized standing insuring the Property and operations of the Borrowers and providing such coverage as would be maintained by similar businesses in the localities where the Property and operations are located, and shall add the Interim Lender as loss payees, additional insured and mortgagees, as its interests may appear;

    (ii) debentures and other security agreements granting mortgages, charges, liens, encumbrances and security interests (collectively, the "**Security Interests**" and each a "**Security Interest**") in favour of the Interim Lender in all of the Borrowers' present and after acquired property as security for the Obligations, in form and substance acceptable to the Interim Lender; and

    (iii) all such instruments, agreements, and certificates and provide such further assurances as the Interim Lender may reasonably request from time to time to ensure that the priority of such Security is duly protected and perfected by registration, filing or recordation of such security or a caution, caveat, security notice or other appropriate instrument at all offices where necessary or of advantage to the protection or perfection thereof and to cooperate with the Interim Lender and the Interim Lender's counsel in renewing or refiling any registration, filing or recordation required hereby in order to preserve, protect and maintain the priority of such Security and the Security Interests, from time to time;

(all such security documents being collectively referred to as the "**Security Documents**").

17. **Priority and Permitted Liens:**

The Interim Lender's Charge shall constitute a first ranking super priority court ordered charge over all of the Property subordinate only to an Administration Charge in the amount of not more than $700,000 to secure the unpaid fees and expenses of (i) the legal counsel for the Borrowers, (ii) legal counsel for the Applicant in the CCAA Proceedings, Fresh Canada Meats Ltd., and (iii) the Monitor (as defined below) and the Monitor's legal counsel ("**Permitted Priority Lien**").

"**Permitted Liens**" mean the: (i) the Permitted Priority Lien, (ii) the Interim Lender's Charge and other Security, (iii) a key employee incentive plan charge in the maximum amount of $500,000 granted pursuant to the Initial CCAA Orders, (iv) a Selling Agent's Charge in the maximum amount of $500,000 granted pursuant to the Amended and Restated Initial CCAA Order, (v) validly perfected liens existing as of the date hereof; and (vi) statutory (including, without limitation, construction liens and builders liens) or inchoate liens arising in the ordinary course of business of the Borrowers.

18. **Covenants:**

During the Term and so long as the Obligations remain outstanding, the Borrowers (or the Monitor on their behalf) covenant and agree in favour of the Interim Lender to comply with the affirmative and negative covenants listed in Schedule C hereto.

19. **Events of Default:**

The occurrence of any one or more of the events listed in Schedule D hereto shall constitute an event of default (each an "**Event of Default**") under this Term Sheet.

20. **Remedies:**

Upon the occurrence and during the continuance of an Event of Default, the Interim Lender may (i) immediately terminate the Commitment and the DIP Facility; and (ii) on notice to the Borrowers and the Monitor:

(a) apply to the Court for leave to exercise any and all of the rights and remedies of the Interim Lender against the Borrowers or the Property under or pursuant to this Term Sheet, the other Definitive Documents and the Interim Lender's Charge, including without limitation for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against one or more of the Borrowers and for the appointment of a trustee in bankruptcy of one or more of the Borrowers;

(b) subject to approval of the Court, set-off or consolidate any amounts then owing by the Interim Lender to a Borrower against the Obligations; and

(c) exercise all such other rights and remedies as are available under Applicable Law.

The rights, powers and remedies under this Term Sheet, the other Definitive Documents and the Interim Lender's Charge are cumulative and are in addition to and not in substitution for any other rights, powers and remedies available at law or in equity or otherwise. No single or partial exercise by the Interim Lender of any right, power or remedy precludes or otherwise affects the exercise of any other right, power or remedy to which the Interim Lender may be entitled.

21. **Indemnity & Release:**	Each of the Borrowers agrees to indemnify and hold harmless each of the Interim Lender and its directors, officers, employees, advisors and agents (all such persons and entities being referred to hereafter as "**Indemnified Persons**") from and against any and all actions, suits, proceedings, claims, losses, damages and liabilities of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against any Indemnified Person as a result of or arising out of or in any way related to the DIP Facility or any Definitive Document and, upon demand, to pay and reimburse any Indemnified Person for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding or claim; provided, however, none of the Borrowers shall be obligated to indemnify any Indemnified Person against any loss, claim, damage, expense or liability (x) to the extent it resulted from the gross negligence, wilful misconduct or intentional breach of such Indemnified Person as finally determined by a court of competent jurisdiction, or (y) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of any of the Borrowers. The Borrowers shall not be responsible or liable to any Indemnified Person or any other person for loss of profits or punitive damages.
22. **Interim Lender's Approvals:**	Any consent, agreement, amendment, approval, waiver or instruction of the Interim Lender to be delivered hereunder, may be delivered by any written instrument, including by way of electronic mail, by the Interim Lender or by counsel on behalf of the Interim Lender.
23. **Further Assurances:**	The Borrowers (or the Monitor on their behalf) shall, at the expense of the Borrowers from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, registrations, filings, recordings, documents and things as the Interim Lender may reasonably request for the purpose of giving effect to this Term Sheet, any other Definitive Document and the Interim Lender's Charge.
24. **Interest Compliance:**	All interest and fees payable under this Term Sheet or in connection with the DIP Facility shall be computed on the basis of a year of 365 days, provided that whenever a rate of interest or fee hereunder is calculated on the basis of a year (the "**deemed year**") that contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest or fee rate shall be expressed as a yearly rate by multiplying such rate of interest or fee by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year. The parties shall comply with the following provisions to ensure that no receipt by the Interim Lender of any payments under this Term Sheet would result in a breach of section 347 of the *Criminal Code* (Canada): (a) if any provision of this Term Sheet would obligate any Borrower (or the Monitor on their behalf) to make any payment to the Interim

Lender of an amount that constitutes "interest", as such term is defined in the *Criminal Code* (Canada) and referred to in this section as "**Criminal Code Interest**", which would result in the receipt by the Interim Lender of Criminal Code Interest at a criminal rate (as defined in the *Criminal Code* (Canada) and referred to in this section as a "**Criminal Rate**"), then, notwithstanding such provision, that 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 result in the receipt by the Interim Lender of Criminal Code Interest at a Criminal Rate, and the adjustment shall be effected, to the extent necessary, as follows:

(i) *first*, by reducing the amount or rate of interest required to be paid to the DIP Facility; and

(ii) *thereafter*, by reducing any other amounts (other than costs and expenses) (if any) required to be paid to the Interim Lender which would constitute Criminal Code Interest.

(b) any amount or rate of Criminal Code Interest referred to in this section shall be calculated and determined in accordance with generally accepted actuarial practices and principles as an effective annual rate of interest over the term that any portion of the Advances remain outstanding on the assumption that any charges, fees or expenses that constitute Criminal Code Interest shall be pro-rated over the period commencing on the date of an Advance and ending on the Maturity Date.

25. **Entire Agreement:** This Term Sheet and the other Definitive Documents constitute the entire agreement between the parties pertaining to the subject matter thereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no representations, warranties or other agreements between the parties in connection with the subject matter thereof except as specifically set out herein and therein. None of the Borrowers (or the Monitor on their behalf) has been induced to enter into this Term Sheet or any other Definitive Document in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Term Sheet or in any of the other Definitive Document.

26. **Amendments, Waivers & Consents:** No amendment, discharge, modification, restatement, supplement, termination or waiver of this Term Sheet or any provision hereof is binding unless it is in writing and executed by the Interim Lender. No waiver of, failure to exercise, or delay in exercising, any provision of this Term Sheet constitutes a waiver of any other provision (whether or not similar) nor does any waiver constitute a continuing waiver unless otherwise expressly provided. No approval, consent or permission on the part of the Interim Lender in exercising any right or privilege under any Definitive Document will operate as an approval, consent or permission hereof or thereof unless made in writing by the Interim Lender and delivered in accordance with the terms of this Term Sheet,

and then such approval, consent or permission shall be effective only in the specific instance and for the specific purpose given. Unless otherwise stated in this Term Sheet, the granting of any approval, consent or permission by the Interim Lender shall be in the Interim Lender's sole and absolute discretion.

27. **Assignment:**

The Interim Lender may, without notice to or consent of the Borrowers, assign all or part of its interest in this Term Sheet, the Definitive Documents, the Obligations and the Interim Lender's Charge in whole or in part to any individual, partnership, corporation, business trust, joint stock company, limited liability company, unlimited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature (each a "**Person**"). Neither this Term Sheet, any other Definitive Document nor any right or obligation hereunder or thereunder may be assigned by any Borrower. Notwithstanding the foregoing, no grant of participation interests by the Interim Lender shall include any right of the Interim Lender to provide its approval or consent hereunder.

28. **Severability:**

Any provision in this Term Sheet 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 or affecting the validity or enforceability of such provision in any other jurisdiction.

29. **No Third Party Beneficiary:**

No Person, other than the Borrowers (or the Monitor on their behalf), the Interim Lender, FCC and the Indemnified Parties, is entitled to rely upon this Term Sheet or the other Definitive Documents and the parties expressly agree that this Term Sheet and the other Definitive Documents do not confer rights upon any other party.

30. **Counterparts and Electronic Signatures:**

This Term Sheet may be executed in any number of counterparts and by email or other electronic transmission including "pdf email", 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.

31. **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 such Person at its address set out below.

To the Borrowers:

c/o Ernst & Young Inc.
215 2 St SW #2200,
Calgary, AB T2P 1M4
Email: neil.narfason@parthenon.ey.com
Attention: Neil Narfason

To the Monitor:

Ernst & Young Inc.
215 2 St SW #2200,

Calgary, AB T2P 1M4
Email: neil.narfason@parthenon.ey.com
Attention: Neil Narfason

Copy to :

Norton Rose Fulbright Canada LLP
400 3rd Avenue SW, Suite 3700
Calgary, Alberta
T2P 4H2
Email : howard.gorman@nortonrosefulbright.com
Attention: Howard Gorman

To the Interim Lender:

The Bank of Nova Scotia
40 King St. West
Toronto, Ontario
M5H 1H1
Attention: Special Accounts Management, Vice President

Copy to:

McMillan LLP
TD Canada Trust Tower, Suite 1700
421 7th Avenue S.W.
Calgary, Alberta
T2P 4K9
Email:adam.maerov@mcmillan.ca
Attention: Adam Maerov

Any such notice shall be deemed to be given and received when received, unless received after 5:00 Mountain Time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.

32. **CCAA Monitor**: Ernst & Young Inc. appointed Monitor (the "**Monitor**") by the Court.

33. **Currency:** If any payment is received by the Interim Lender in a currency other than dollars, or, if for the purposes of obtaining judgment in any court it is necessary to convert a sum due in one currency (the "**Original Currency**") into another currency (the "**Other Currency**"), the Borrowers agree that the rate of exchange used shall be the rate at which the Interim Lender is able to purchase the Original Currency with the Other Currency after any premium and costs of exchange on the Business Day preceding that on which such payment is to be made or final judgment is given.

34. **Joint & Several Liability:** Each of the Borrowers (or the Monitor on their behalf) acknowledges and agrees that its obligations and liabilities under this Term Sheet and each other Definitive Document are joint and several with the other Borrowers.

35. **Rules of Interpretation:**

(a) References in this Term Sheet to Sections and Schedules mean to sections of and schedules to this Term Sheet;

(b) In this Term Sheet, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the words "including" or "includes" in this Term Sheet is to be construed as meaning "including, without limitation" or "includes, without limitation", respectively;

(c) The division of this Term Sheet into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Term Sheet;

(d) Unless otherwise specified in this Term Sheet, a time period within which or following which any calculation or payment is to be made, or action is to be taken, will be calculated by excluding the day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day;

(e) Wherever reference is made in this Term Sheet to a calculation to be made in accordance with IFRS, the reference is to the generally accepted accounting principles in Canada, applied on a consistent basis, and statements and interpretations (if applicable) issued by the Canadian Institute of Chartered Accountants or any successor body from time to time, including International Financial Reporting Standards;

(f) Time is of the essence in all respects in this Term Sheet;

(g) Unless otherwise specified in this Term Sheet, any reference to any statute includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time; and

This Term Sheet enures to the benefit of and is binding upon the parties and their respective successors and permitted assigns.

36. **Governing Law & Jurisdiction:** This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein, and the parties irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Term Sheet to be duly executed by their respective authorized officers as of ____ day of August, 2022.

Interim Lender:

THE BANK OF NOVA SCOTIA

By: ____________________________
Name:
Title:

By: ____________________________
Name:
Title:

Borrowers:

CANADA SHEEP and LAMB FARMS LTD.,
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ______________________________
Name:
Title:

LAMB CLUB MARKETING LIMITED,
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ___________________________
Name:
Title:

By: _______________________________
Name:
Title:

CANADA LAMB PROCESSORS LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ___________________________
Name:
Title:

By: _______________________________
Name:
Title:

CANINE FARE LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ___________________________
Name:
Title:

By: _______________________________
Name:
Title:

NORTH AMERICAN LAMB COMPANY LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ____________________________
Name:
Title:

By: ________________________________
Name:
Title:

CANADA SHEEP HOLDING LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ____________________________
Name:
Title:

By: ________________________________
Name:
Title:

CANADA LAMB GROWERS LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ____________________________
Name:
Title:

By: _________________________________
Name:
Title:

Schedule A

APPROVED CASH FLOW BUDGET

See attached.

Schedule B – Advance Request

FORM OF ADVANCE REQUEST

TO: The Bank of Nova Scotia as Interim Lender

Reference is made to that certain First Amended and Restated Term Sheet among Canada Sheep and Lamb Farms Ltd., Lamb Club Marketing Limited, Canada Lamb Processors Ltd., Canine Fare Ltd., North American Lamb Company Ltd., Canada Sheep Holdings Ltd. and Canada Lamb Growers Ltd. (each a "**Borrower**" and together, the "**Borrowers**"). and The Bank of Nova Scotia as lender dated as of August [_], 2022 (the "**Term Sheet**", with capitalized terms used herein and not otherwise defined have the meanings given to them in the Term Sheet).

The Borrowers (or the Monitor on their Behalf) hereby give irrevocable notice pursuant to the terms of the Term Sheet for the proposed Advance as follows:

The date of the proposed Advance is: ●, 2022.

The aggregate amount of the Advance is: $ ●

The Borrowers (or the Monitor on their behalf) hereby jointly and severally certify that:

(i) all of the covenants of the Companies contained in the Term Sheet have been complied with;

(ii) all Funding Conditions have been satisfied;

(iii) no Event of Default then exists and is continuing or would result from the Advance; and

(iv) the proceeds of the Advance will be in compliance with Section 10 of the Term Sheet and will be consistent with the Approved Cash Flow Budget.

Dated this ● day of ●, 2022.

[SIGNATURE PAGE FOLLOWS]

Borrowers:

CANADA SHEEP and LAMB FARMS LTD.,
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ______________________________
Name:
Title:

LAMB CLUB MARKETING LIMITED,
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ___________________________
Name:
Title:

By: _______________________________
Name:
Title:

CANADA LAMB PROCESSORS LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ___________________________
Name:
Title:

By: _______________________________
Name:
Title:

CANINE FARE LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ___________________________
Name:
Title:

By: _______________________________
Name:
Title:

NORTH AMERICAN LAMB COMPANY LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ____________________________
Name:
Title:

By: ________________________________
Name:
Title:

CANADA SHEEP HOLDING LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ____________________________
Name:
Title:

By: ________________________________
Name:
Title:

CANADA LAMB GROWERS LTD.
By its court-appointed Monitor, Ernst & Young Inc.
(Ernst & Young Inc. is signing this Agreement in its representative capacity as court-appointed Monitor and not in its personal or corporate capacity)

By: ____________________________
Name:
Title:

By: _________________________________
Name:
Title:

Schedule C Covenants

Each of the Borrowers (or the Monitor on their behalf) hereby covenants and agrees that so long as the Interim Lender is committed to make loans under the DIP Facility and thereafter so long as any Obligations remain outstanding, each of the Borrowers (or the Monitor on their behalf) shall:

Affirmative Covenants

(1) comply with all laws, rules, regulations and orders, including, without limitation, animal welfare laws and regulations, laws and regulations governing or relating to the slaughter of livestock and processing of meat and all environmental laws and regulations (collectively "**Applicable Laws**") and shall promptly notify the Interim Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to the knowledge of any of the Borrowers, threatened against any of the Borrowers, before any court, governmental authority, regulatory authority, arbitrator or tribunal;

(2) preserve, renew and keep in full force and good standing its corporate existence;

(3) maintain in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar business to the business of the Borrowers, or as may reasonably be required by the Interim Lender;

(4) maintain in good standing at all times, and comply in all material respects with, all real property leases and all material contracts;

(5) comply, and conduct their business, operations and wind down and make disbursements materially consistent with the Approved Cash Flow Budget and subject to the limits contained therein;

(6) (i) provide representatives of the Interim Lender and the Interim Lender's counsel with reasonable access to the books, records, financial information and electronic data rooms of or maintained by the Borrowers, (ii) cause management and legal counsel to the Borrowers, to cooperate with reasonable requests for information by the Interim Lender and its advisors; and (iii) comply in all material respects with all CCAA Orders;

(7) keep the Interim Lender apprised on a timely basis of all material developments with respect to the business, wind down and affairs of the Borrowers and the CCAA Proceedings;

(8) deliver to the Interim Lender and the Interim Lender's counsel reporting and other information reasonably requested by them from time to time as set out in this Term Sheet including, without limitation, the Cash Flow Budgets at the times set out herein;

(9) provide the Interim Lender's counsel with draft copies of all material motions, applications for proposed CCAA Orders that any Borrower intends to file in the CCAA Proceedings as soon as is reasonably practicable in advance of the service of such materials to the service list in respect of the CCAA Proceedings, and all such material motions, applications and proposed CCAA Orders shall be in form and substance reasonably acceptable to the Interim Lender, acting reasonably;

(10) take all actions necessary or available to defend the CCAA Orders from any appeal, reversal, modifications, amendment, stay or vacating to the extent that it would materially affect the rights and interests of the Interim Lender;

(11) use the proceeds of Advances only in accordance with Section 10 and in accordance with the restrictions set out herein and in the manner contemplated by the Approved Cash Flow Budgets;

(12) pay when due all amounts accruing that (i) are secured by statutory liens or trusts including employee source deductions, goods and services taxes, municipal and linear taxes, workplace safety payments and employee salary, and (ii) arise under mineral and surface leases included in the Property;

(13) pay all costs and expenses of the Interim Lender no less frequently than monthly following the delivery of a redacted invoice to the Borrowers, provided that the Interim Lender shall provide reasonable estimates of such expenses for purposes of the Approved Cash Flow Budgets;

Reporting Covenants

(14) deliver to the Interim Lender each of the following reports:

- by noon on Tuesday of each week, a weekly reporting package, including a rolling thirteen week cash flow forecast broken out by legal entity, a detailed report on the health and welfare of the Borrowers' livestock, the format and content of which reporting package shall otherwise be mutually agreed by the Borrowers and the Interim Lender, each acting reasonably;
- by noon on Tuesday of each week, a weekly variance calculation (each, a "**Variance Report**") against the Approved Cash Flow Budget setting forth (i) actual receipts and disbursements for the preceding week and (ii) actual receipts and disbursements on a cumulative basis since the beginning of the period covered by the then-current Approved Cash Flow Budget, in form and substance satisfactory to the Interim Lender acting reasonably, and provided to the Interim Lender no later than Tuesday of each week;
- by noon on Tuesday of each week, a weekly updated animal inventory update by location and classification consistent with past practice and projection of the following week's sales and movements using the same classification (the "**Livestock Projection**"); and
- any other financial, animal health, operational or wind down information as the Interim Lender may reasonably request from time to time.

(15) deliver to the Interim Lender copies of all pleadings, motions, applications, judicial information, financial information, and other documents filed by or on behalf of the Borrowers with the Court or distributed by or on behalf of the Borrowers and all reports prepared by the Monitor;

(16) deliver or cause to be delivered to the Interim Lender such other reports and information respecting the Borrowers' business, financial condition or prospects, on a confidential basis, as the Interim Lender may, from time to time, reasonably request;

(17) promptly upon becoming aware thereof, notify the Interim Lender and its counsel, keep them apprised, and provide details, of:

(v) the occurrence of any Event of Default and any other event or circumstance that may negatively impact the Approved Cash Flow Budgets, including any material change in its contractual arrangements or its relationships with third parties;

(vi) any material developments in respect of any material contract and of any material notices, orders, decisions, letters, or other documents, materials, information or correspondence received from any Governmental Authority having jurisdiction over the Borrowers;

(vii) any pending, or threatened claims, potential claims, litigation, actions, suits, arbitrations, other proceedings or notices received in respect of same, against a Borrower, by or before any court, tribunal, governmental authority, which would be reasonably likely to result, individually or in the aggregate, in a judgment in excess of $250,000, to the extent not stayed by the CCAA Initial Order (the "**CCAA Stay**"), and (ii) any default or dispute with respect to any of its material contracts, to the extent enforcement thereof is not stayed by the CCAA Stay;

Negative Covenants

(18) except as contemplated by this Agreement, the Approved Cash Flow Budget or the CCAA Orders, make any payment of any Indebtedness or obligations existing as at the Filing Date;

(19) not enter any restrictive covenants or agreements which might negatively affect the value or liquidity of any collateral;

(20) not declare or pay any dividends on, or make any other distributions (whether by reduction of capital or otherwise) with respect to any shares of any of the Borrowers, without the prior written consent of the Interim Lender;

(21) except as permitted, not to make (i) any purchase or other acquisition of shares or other securities of any Person, (ii) any form of financial assistance to or for the benefit of any Person, (iii) any capital contribution to any other Person, and (iv) any purchase or other acquisition of any assets, property or undertaking other than an acquisition in the ordinary course of business of the Borrowers;

(22) except as permitted, not incur, create, assume, permit or suffer to exist any: (i) indebtedness (including, without limitation, guarantees and contingent obligations) other than for the provision of goods and services or intercompany advances consistent with the Approved Cash Flow Budget, and (ii) any indebtedness acceptable to the Interim Lender in its sole discretion; other super priority claim which is pari passu with or senior to the claims of the Interim Lender against any or all of the Borrowers except for the Permitted Priority Lien;

(23) other than the Permitted Liens, not create, incur, assume or suffer to exist any liens upon any of its property or assets without the prior written consent of the Interim Lender;

(24) not enter into any merger, amalgamation, consolidation, reorganization or recapitalization or change ownership or control of any of the Borrowers without the prior written consent of the Interim Lender or Order of the Court;

(25) not seek or consent to, any modification, stay, vacation or amendment to any CCAA Order or any other order granted by the Court or seek approval of any other order of the Court or any modification, stay, vacation or amendment thereof that would reasonably be expected to adversely affect the Interim Lender's rights, remedies, liens, charges, priorities, benefits or protections under any or all of the CCAA Orders or any other order made by the Court, the Definitive Documents or the Interim Lender's Charge, without the prior written consent of the Interim Lender, which consent shall be in the sole and absolute discretion of the Interim Lender;

(26) not seek or consent to any Plan of Compromise or Arrangement (a "**CCAA Plan**") other than a CCAA Plan approved or supported by the Interim Lender in writing unless: (i) all of the indebtedness of the Borrowers to the Interim Lender under the DIP Facility and the Borrowers' pre-filing credit facility are to be paid in full in cash or other immediately available funds and the commitments provided for herein terminated pursuant prior to or contemporaneously with the effectiveness of such plan, or (ii) otherwise agreed by the Interim Lender;

(27) not challenge or fail to support the Interim Lender's Charge or any other liens directly or indirectly in favour of the Interim Lender in any capacity, or challenge or fail to support a CCAA Plan approved or supported by the Interim Lender in writing, other than with the prior consent of the Interim Lender;

(28) not terminate any material contract or amend any material contract in any material manner except with the prior consent of the Interim Lender;

(29) not enter into any agreements, or apply for or support an application for any order, judgment, determination, declaration or similar relief or any material change, amendment or modification to any CCAA Order which has a material and adverse affect on the Interim Lender or its interests other than with the prior consent of the Interim Lender; and

(30) not enter into any material settlement agreement or agree to any material settlement arrangements with any governmental authority or in connection with any litigation, arbitration, other investigations, proceedings or disputes or other similar proceedings which are threatened or pending against any one of them without the prior consent of the Interim Lender, or make any payments or repayments to customers, outside the ordinary course of business, other than those set out in the Approved Cash Flow Budgets.

Schedule D – Events of Default

The occurrence of any one or more of the following events shall constitute an Event of Default under this Term Sheet:

(1) any order made varying, amending, supplementing, staying, reversing or otherwise modifying or affecting either of the Initial CCAA Orders or any other CCAA Order by way of appeal, by way of variation or other relief, that, in the reasonable judgement of the Interim Lender, adversely affects the Interim Lender's rights, remedies, liens, charges, priorities, benefits or protections under any or all of the CCAA Orders, the Interim Lender's Charge or the Definitive Documents without the Interim Lender's prior written consent;

(2) the stay of creditors' remedies against the Borrowers provided for in the Initial CCAA Orders shall, for any reason be lifted or otherwise terminated with respect to all, or a material part, of the assets of any of the Borrowers; or all, or any material part, of the assets of any Borrower shall, with the approval of the Court or otherwise be attached, seized, levied upon or subjected to execution, garnishment, distress or any other similar process; or any of the Borrowers;

(3) there shall exist a negative variance from the Approved Cash Flow Budget in excess of ten percent (10%) of projected receipts, disbursements or net cash flow for any one week period;

(4) the filing of an application for leave to appeal, a notice of appeal or an appeal in respect of either of the Initial CCAA Orders and such application for leave to appeal, notice of appeal or appeal has not been withdrawn or otherwise resolved in a manner acceptable to the Interim Lender acting reasonably within 30 days of such filing;

(5) the appointment of a (i) receiver, interim receiver, receiver and manager, or trustee in bankruptcy or (ii) other official with powers to operate or manage the affairs of any or all of the Borrowers;

(6) failure by any of the Borrowers to pay any Interest on the DIP Facility or any fees, expenses, or other amounts payable under this Term Sheet or any other Definitive Document when the same shall become due and payable hereunder and any such failure remains unremedied for one (1) Business Day;

(7) except for Events of Default specifically referenced herein, failure by any of the Borrowers to perform or comply with any material term, condition, covenant or obligation contained herein or in any Definitive Document to be performed or complied with, where, if such failure to perform or comply is capable of being remedied, it is not remedied within three (3) Business Days of the occurrence of such failure;

(8) any material representation or warranty made under any of the documents executed in connection with the DIP Facility, or any information provided to the Interim Lender or, is untrue or incorrect in any material respect as of the date when made or deemed made;

(9) failure by any of the Borrowers to comply with the CCAA Orders which failure adversely affects the Interim Lender's rights, remedies, liens, charges, priorities, benefits or protections under any or all of the CCAA Orders or any other order made by the Court or the DIP Facility documentation;

(10) any of the Borrowers becomes subject to a proceeding under the *Bankruptcy and Insolvency Act* (Canada) or any of the Borrowers shall file a motion or other pleading seeking the dismissal of the CCAA Proceedings or the Borrowers making an application under the *Farm Debt Mediation Act* (Canada);

(11) the entry of an order after the date hereof of any court granting or approving the granting of any lien, charge or super-priority claim that is pari passu with or senior to the liens, charges and claims of the Interim Lender securing the DIP Facility;

(12) the payment of, or application for authority to pay, any pre-filing claim of any of the Borrowers without consent of the Interim Lender unless permitted hereunder or under any of the CCAA Orders, as applicable;

(13) the assertion of or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defense or other contested matter, the purpose of which is to seek or the result of which would be to obtain any order, judgment, determination, declaration or similar relief (i) invalidating, setting aside, avoiding or subordinating, in whole or in part, the obligations of any of the Borrowers under this Term Sheet, any Definitive Document, the Interim Lender's Charge, any Security Interest, or the Interim Lender's liens on its collateral, (ii) for monetary, injunctive or other affirmative relief against any or all of the Interim Lender or its collateral, or (iii) preventing, hindering or otherwise delaying the exercise by any or all of the Interim Lender of any of its rights and remedies under this Term Sheet or Applicable Law, or the enforcement or realization (whether by foreclosure, credit bid, further order of the Court or otherwise) by the Interim Lender upon any of its collateral;

(14) the entry of: (i) an order avoiding or requiring disgorgement of any portion of the payments made on account of the obligations owing to the Interim Lender hereunder; or (ii) any regulatory order as against any of the Borrowers or any of their assets which the Interim Lender determines, has, or could reasonably be expected to result in, a material and adverse change to, or impact on, the financial condition, prospects, operations or wind down of any Borrower or the Borrowers taken as a whole; or

(15) any Borrower becomes subject to a material environmental or animal welfare liability arising after the commencement of the CCAA Proceedings.

Appendix C –

Redacted Selling Agent Agreement between the NALCO Group and the Selling Agent dated August 12, 2022

Ernst & Young Orenda
Corporate Finance Inc.
EY Tower
100 Adelaide Street West, PO Box 1
Toronto, ON M5H 0B3

Tel: +1 416 864 1234
Fax: +1 416 943 3365
ey.com

Ernst & Young Inc.
2200 – 215 2nd Street SW
Calgary AB T2P 1M4

August 12, 2022

Attn: Neil Narfason, Ernst & Young Inc., as Monitor of North American Lamb Company Ltd., Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited, Canada Lamb Growers Ltd., Canada Lamb Processors Ltd. and Canine Fare Ltd. (collectively, the "Debtor Companies")

Proposed divestiture of the business and property, but excluding all livestock, meat from processed livestock, and feed, of the Debtor Companies

Dear Mr. Narfason

Thank you for choosing Ernst & Young Orenda Corporate Finance Inc. and Ernst & Young Real Estate Services Inc. ("we" or "EY") to perform certain professional services (the "Services") for Ernst & Young Inc., as Monitor of North American Lamb Company Ltd., Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited, Canada Lamb Growers Ltd., Canada Lamb Processors Ltd. and Canine Fare Ltd. (collectively, the "Debtor Companies"). The Debtor Companies own land, building and equipment assets in Alberta and Manitoba (the "Subject Portfolio"). The Alberta Court of Queen's Bench (the "Court") made an order (the "Initial Order") appointing Ernst & Young Inc. ("EYI") as Monitor of the Debtor Companies on August 8, 2022. We appreciate the opportunity to assist you and look forward to working with you.

The attached Statement of Work describes the scope of the Services, our fees for the Services, and any additional arrangements. The Services will be subject to the terms and conditions of this letter, together with its attachments, including the General and Supplemental terms and conditions attached to this letter (together, this "Agreement").

Please sign this letter in the space provided below to indicate your agreement with these arrangements and return it to Zach Pendley or Duncan Yang at your earliest convenience. If you have any questions about any of these materials, please do not hesitate to contact Zach Pendley or Duncan Yang so that we can address any issues you identify before we begin to provide any Services.

Yours very truly,

Ernst & Young Orenda
Corporate Finance Inc.

per Zach Pendley, Senior Vice-President &
Duncan Yang, Senior Vice-President

Agreed:

Ernst & Young Inc., as Monitor of North American Lamb Company Ltd., Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited, Canada Lamb Growers Ltd., Canada Lamb Processors Ltd. and Canine Fare Ltd.

per ______________________________

Neil Narfason, Partner & Senior Vice President, Ernst & Young Inc., as Monitor of North American Lamb Company Ltd., Canada Sheep and Lamb Farms Ltd., Canada Sheep Holdings Ltd., Lamb Club Marketing Limited, Canada Lamb Growers Ltd., Canada Lamb Processors Ltd. and Canine Fare Ltd.

Encl:

- Statement of work
- General terms and conditions
- Supplemental terms and conditions

Statement of work

Scope of engagement

We are pleased to accept this engagement as the Selling Agent pursuant to the Court's approval of the Sale and Investment Solicitation Process ("SISP"), at a Court application scheduled on August 17, 2022. You have asked for our assistance in connection with the proposed divestiture of the Debtor Companies' business and property, but excluding all livestock, meat from processed livestock, and feed (the "Subject Portfolio").

The Debtor Companies' real estate assets consist of the following properties:

	1	2	3	4	5	6
Address	4312 51st Street Innisfail, Alberta	115015 Highway 845 Iron Springs, Alberta	NW 14-19-5 W1 Lundar, Manitoba	Stony Mountain SW 27-12-2E Rosser, Manitoba	Rockwood Farm SE 5-13-3 E Winnipeg, Manitoba	NW 21-5-6-E1 Sarto, Manitoba
Function	Meat Processing Plant	Feed Lot and Breeding Unit	Farm Buildings, 230 acres	Farm Buildings, 80 acres	Farm Buildings, 156 acres	Farm Buildings, 198 acres
Owned Through	Canada Gold Beef Inc., et al	Canada Gold Beef Inc., et al	Fresh Canada Meats Ltd., et al	Fresh Canada Meats Ltd., et al	Fresh Canada Meats Ltd., et al	Fresh Canada Meats Ltd., et al

EY's team is to be led by Zach Pendley, EY's National Real Estate Leader and Duncan Yang, EY's Alberta Real Estate Managing Broker. The EY team will also be supported by Ross Johnson, Brent Cheung and other EY staff as required. We expect to work closely with your divestiture team, comprised of your team, management and legal and other advisors, to:

Phase 1 – Development of a transaction strategy

- Review all available documentation on the Subject Portfolio
- Create a prospective purchaser list for the Subject Portfolio
- Complete pre-diligence and underwriting on the Subject Portfolio
- Develop value estimates for Subject Portfolio
- Evaluate the viability of marketing portions of the operations as a going concern, and identify prospective purchasers who may attribute value beyond the land and buildings

Phase 2 – Execution of the transaction process

- Develop marketing material for the Subject Portfolio, including a Confidential Offering Memorandum ("CIM") and Teaser
- Set up and manage the dataroom
- Send marketing materials and hold discussions with prospective purchasers
- Review Phase 1 Letter of Intent ("LOI") submissions and select bidders for Purchase and Sale Agreement ("PSA") submission
- Coordinate additional due diligence from bidders for PSA submission
- Review PSA submissions and support transaction closing process.

Proposed Timeline

- Go to market on or before: September 12, 2022
- Due diligence and LOI submission deadline: October 27, 2022
- PSA Deadline: November 15, 2022
- Court Approval: On or before December 7, 2022
- Transaction closing on or before: December 23, 2022

Some of the steps in the foregoing process may be altered or omitted based upon various circumstances including market response.

EY's role is to assist you by providing advice and experience. You retain complete and final control of all transaction decisions including: (i) approving the transaction strategy; (ii) approving prospective purchasers before they are contacted; (iii) approving specific information being disclosed to prospective purchasers; (iv) selecting the best proposal, after our analysis and comparison; (v) approving the commencement of each phase of the divestiture process; (vi) agreeing to an agreement in principle; and (vii) agreeing to the definitive purchase and sale agreement.

All marketing documents including the CIM will be provided to you in draft form for review and approval prior to being finalized or distributed. EY will rely upon the accuracy and completeness of all information supplied by you without assuming any responsibility for independent investigation or verification of the information. You will be required to sign a letter of representation regarding the content of marketing documents prior to distribution.

Client contact

We understand that our main point of contact in this matter shall be Neil Narfason. We shall take instruction from such person until advised otherwise.

[redacted]

[redacted]

- [redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

Termination

EY's engagement hereunder may be terminated at any time with or without cause by either you or EY upon ten days written notice thereof to the other party, provided, however, that in the event of termination for convenience, EY will continue to be entitled to payment of the full amount of the Transaction Fee and to retain any other rights arising from completion, if a transaction is consummated within twelve (12) months of termination with a prospective purchaser, or affiliated company, who EY had contacted in connection with the divestiture, who received information during our engagement, or who had been identified by EY and not contacted based on instructions from you. Any termination for convenience of EY's engagement hereunder shall not affect your obligation to pay fees earned and expenses incurred prior to such termination.

"termination for convenience" means termination of this engagement for any reason other than material non-performance by EY in the performance of its duties.

Reports

Notwithstanding Sections 11 and 12 of the General Terms and Conditions, in connection with an application before a court or courts of competent jurisdiction in connection with seeking approval of a sale of any part of or all of the Subject Property, the final written summary the sales process prepared by us may be distributed to the court. To the extent that you are permitted to disclose any written Report as set forth herein, it shall disclose such report only in the original, complete, and unaltered form provided by EY.

Any Report provided hereunder is prepared solely in order to assist you in the context above. Our work will not be planned and our Report(s) will not be drafted in contemplation of any other use and it may not be used for any other purpose without our prior written consent. Any Report will state that EY shall have no responsibility whatsoever to any third party which obtains a copy of a Report; any use such a third party may choose to make of EY Reports is entirely at its own risk.

Publication

Appropriate reference shall be made to EY in any press releases and other media communications regarding the divestiture. Following completion of the divestiture, EY shall have the right to use your name and trade-mark and the Business name and trade-mark, as well as other public information on the divestiture, in promotional materials such as marketing tombstones.

GENERAL TERMS AND CONDITIONS

Our relationship with you

1. We will perform the Services in accordance with applicable professional standards.

2. We are a member of the global network of Ernst & Young firms (**"EY Firms"**), each of which is a separate legal entity.

3. We will provide the Services to you as an independent contractor and not as your employee, agent, partner or joint venturer. Neither you nor we have any right, power or authority to bind the other.

4. We may subcontract portions of the Services to other EY Firms, as well as to other service providers, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Reports (as defined in Section 11), the performance of the Services, and our other obligations under this Agreement.

5. We will not assume any of your management responsibilities in connection with the Services. We will not be responsible for the use or implementation of the output of the Services.

Your responsibilities

6. You shall assign a qualified person to oversee the Services. You are responsible for all management decisions relating to the Services, the use or implementation of the output of the Services and for determining whether the Services are appropriate for your purposes.

7. You shall provide (or cause others to provide) to us, promptly, the information, resources and assistance (including access to records, systems, premises and people) that we reasonably require to perform the Services.

8. To the best of your knowledge, all information provided by you or on your behalf (**"Client Information"**) will be accurate and complete in all material respects. The provision of Client Information to us will not infringe any copyright or other third-party rights.

9. We will rely on Client Information made available to us and, unless we expressly agree otherwise, will have no responsibility to evaluate or verify it.

10. You shall be responsible for your personnel's compliance with your obligations under this Agreement.

Our reports

11. Any information, advice, recommendations or other content of any reports, presentations or other communications we provide under this Agreement (**"Reports"**), other than Client Information, are for your internal use only (consistent with the purpose of the particular Services).

12. You may not disclose a Report (or any portion or summary of a Report) externally (including to your affiliates and lenders) or refer to us or to any other EY Firm in connection with the Services, except:

    (a) to your lawyers (subject to these disclosure restrictions), who may review it only to give you advice relating to the Services,

    (b) to the extent, and for the purposes, required by law (and you will promptly notify us of any such requirement, to the extent you are permitted by law to do so),

    (c) to other persons (including your affiliates and lenders) with our prior written consent, who have executed an access letter substantially in the form we prescribe,

    (d) to the extent it contains Tax Advice, as set forth in Section 13.

    If you are permitted to disclose a Report (or a portion thereof) externally, you shall not alter, edit or modify it from the form we provided.

13. You may disclose to anyone a Report (or a portion thereof) solely to the extent that it relates to tax matters, including tax advice, tax opinions, tax returns, or the tax treatment or tax structure of any transaction to which the Services relate (**"Tax Advice"**). With the exception of tax authorities, you shall inform those to whom you disclose Tax Advice that

they may not rely on it for any purpose without our prior written consent.

14. You may incorporate into documents that you intend to disclose externally EY summaries, calculations or tables based on Client Information contained in a Report, but not our recommendations, conclusions or findings. However, you must assume sole responsibility for the contents of those documents and not refer to us or any other EY Firm in connection with them. This provision does not affect your ability to circulate Reports internally.

15. You may not rely on any draft Report. We shall not be required to update any final Report for circumstances of which we become aware, or events occurring, after its delivery.

Notice re: Québec

16. From time to time, we may have individual partners and employees performing the Services who are members of the *Ordre des comptables professionnels agréés du Québec* (the "**Québec Order**"). Any individual member of the Québec Order practising the profession of chartered professional accountant assumes full personal civil liability arising therefrom, regardless of his or her status within our organization. He or she may not invoke the liability of our organization as a ground for excluding or limiting his or her own personal liability for the practice of the profession. The sections that follow below under the heading *"Limitations"* shall not apply to limit the personal civil liability of individual members of the Québec Order arising from their practice of the chartered professional accountant profession (and to such extent, shall be deemed to not be included in this Agreement).

Limitations

17. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, any consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this Agreement or otherwise relating to the Services, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.

18. Our total aggregate liability to you (and any others for whom Services are provided) for any loss or damage arising out of or relating to this Agreement or the Services shall be limited to the amount of the fees you have paid us for the particular Services directly giving rise to such loss or damage. This limitation applies regardless of whether our liability arises under contract, tort (including negligence), statute or otherwise. This limitation will not limit liability for loss or damage caused by our fraud or willful misconduct and will not apply to the extent prohibited by applicable law or professional regulations.

19. If we are liable to you (or to any others for whom Services are provided) under this Agreement or otherwise in connection with the Services, for loss or damage to which any other persons have also contributed, our liability to you shall be several and not joint and several, solidary or *in solidum*, with such others, and shall be limited to our proportionate share of that total loss or damage, based on our contribution to the loss and damage relative to the others' contributions. No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.

20. You shall make any claim relating to the Services or otherwise under this Agreement no later than one year after you became aware (or ought reasonably to have become aware) of the facts giving rise to any alleged such claim and in any event, no later than two years after the completion of the particular Services (and the parties agree that the limitation periods established by the *Limitations Act*, (Alberta) or any other applicable legislation shall be varied and/or excluded accordingly). This limitation will not apply to the extent prohibited by applicable law or professional regulations.

21. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees (**"EY Persons"**). You shall make any claim or bring proceedings only against us. Sections 17

through 20 and this Section 21 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to rely on and enforce them.

Indemnity

22. To the fullest extent permitted by applicable law and professional regulations, you shall indemnify and hold harmless EY, the other EY Firms and the EY Persons from and against all claims by third parties (including your affiliates and lawyers) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of the disclosure of any Report (other than Tax Advice) or such third parties' use of or reliance on any Reports (including Tax Advice) disclosed to them by you or at your request.

Intellectual property rights

23. We may use data, software, designs, utilities, tools, models, systems and other methodologies and know-how that we own or license (**"Materials"**) in performing the Services. Notwithstanding the delivery of any Reports, we retain all intellectual property rights in the Materials (including any improvements or knowledge developed while performing the Services), and in any working papers compiled in connection with the Services (but not Client Information reflected in them).

24. Upon payment for the Services, you may use any Materials included in the Reports, as well as the Reports themselves, solely as permitted by this Agreement.

Confidentiality

25. Except as otherwise permitted by this Agreement, neither of us may disclose to third parties the contents of this Agreement or any information (other than Tax Advice) provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary. Either of us may, however, disclose such information to the extent that it:

    (a) is or becomes public other than through a breach of this Agreement,

    (b) is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information,

    (c) was known to the recipient at the time of disclosure or is thereafter created independently,

    (d) is disclosed as necessary to enforce the recipient's rights under this Agreement, or

    (e) must be disclosed under applicable law, legal process or professional regulations.

26. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement.

27. We may provide Client Information to other EY Firms (which are listed at www.ey.com), EY Persons, and service providers to EY and other EY Firms, all of whom may collect, use, transfer, store or otherwise process (collectively "**Process**") it in various jurisdictions in which we and they operate in order to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, to provide technology or administrative services, or for quality, risk management or financial accounting purposes. We shall be responsible to you for maintaining the confidentiality of Client Information, regardless of where or by whom such information is Processed on our behalf.

28. With respect to any Services, if U.S. Securities and Exchange Commission auditor independence requirements apply to the relationship between you or any of your associated entities and any EY Firm, you represent, to the best of your knowledge, as of the date of this Agreement and as of the date of each Statement of Work hereunder, that neither you nor any of your affiliates has agreed, either orally or in writing, with any other advisor to restrict your ability to disclose to anyone the tax treatment or tax structure of any transaction to which the Services relate. An agreement of this kind could impair an EY Firm's independence as to your audit or that of any of your affiliates, or require specific tax disclosures as to those restrictions. Accordingly, you agree that the impact of any such agreement is your responsibility.

Data protection

29. EY, the other EY Firms and our respective service providers may Process Client Information that can be linked to specific

individuals ("**Personal Data**") in various jurisdictions in which we and they operate, for the purposes described in section 27. All Personal Data will be Processed in accordance with applicable law and professional regulations. We will require any service provider that Processes Personal Data on our behalf to adhere to such requirements and we shall be responsible to you for maintaining the confidentiality of Personal Data, regardless of where or by whom such Personal Data is Processed on our behalf. Our Canadian privacy policy is available at www.ey.com/ca.

30. You warrant that you have the authority to provide the Personal Data to us in connection with the performance of the Services and that the Personal Data provided to us has been Processed in accordance with applicable law.

Fees and expenses generally

31. You shall pay our professional fees and specific expenses in connection with the Services as detailed in the applicable Statement of Work. You shall also reimburse us for other reasonable expenses incurred in performing the Services. Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs imposed in respect of the Services, all of which you shall pay (other than taxes imposed on our income generally). Unless otherwise set forth in the applicable Statement of Work, payment is due within 30 days following receipt of each of our invoices.

32. We may charge additional professional fees if events beyond our control (including your acts or omissions) affect our ability to perform the Services as originally planned or if you ask us to perform additional tasks provided that you have first agreed to pay such additional fees.

33. If we are required by applicable law, legal process or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external and internal legal costs) incurred to respond to the request, unless we are a party to the proceeding or the subject of the investigation.

Force majeure

34. Neither party shall be liable for any failure or delay in performance of its obligations under this Agreement (other than payment obligations) arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; acts of terrorism; sabotage; strikes; epidemics; riots; power failures; computer failure and any such circumstances beyond its reasonable control as may cause interruption, loss or malfunction of utility, transportation, computer (hardware or software) or telephone communication service; accidents; labor disputes; acts of civil or military authority; governmental actions; or inability to obtain labor, material, equipment or transportation; provided, however, that in the event of a failure or delay, each party shall use its best efforts to ameliorate the effects of any such failure or delay.

Term and termination

35. This Agreement applies to the Services whenever performed (including before the date of this Agreement).

36. This Agreement shall terminate upon the completion of the Services. Either of us may terminate it, or any particular Services, earlier upon 30 days' prior written notice to the other. In addition, we may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.

37. You shall pay us for all work-in-progress, Services already performed, and expenses incurred by us up to and including the effective date of the termination of this Agreement. Payment is due within 30 days following receipt of our invoice for these amounts.

38. The provisions of this Agreement, including Section 14 and otherwise with respect to Reports, that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement, except that our respective confidentiality obligations (other than those relating to Reports or under Section 14) shall continue thereafter for three years only.

Governing law and dispute resolution

39. This Agreement, and any non-contractual matters or obligations arising out of this Agreement or the Services, shall be governed by, and construed in accordance with, the laws

of the Province of Alberta and the laws of Canada applicable therein, without regard to principles of conflicts of law. Any dispute, claim or other matter arising out of or relating to this Agreement or the Services shall be subject to the exclusive jurisdiction of the Alberta courts, to which each of us agrees to submit for these purposes.

Miscellaneous

40. This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered.

41. Both of us may execute this Agreement (including Statements of Work), as well as any modifications thereto, by electronic means and each of us may sign a different copy of the same document. Both of us must agree in writing to modify this Agreement or any Statement of Work hereunder.

42. Each of us represents to the other that each person signing this Agreement or any Statement of Work hereunder on its behalf is expressly authorized to execute it and to bind such party to its terms. You also represent that this Agreement has, if necessary, been considered and approved by your Audit Committee. You represent that any others for whom Services are provided shall be bound by the terms of this Agreement and the applicable Statement of Work.

43. You agree that we and the other EY Firms may, subject to professional obligations, act for other clients, including your competitors.

44. Neither of us may assign any of our rights, obligations or claims arising out of or related to this Agreement or any Services.

45. If any provision of this Agreement (in whole or part) is held to be illegal, invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.

46. If there is any inconsistency between provisions in different parts of this Agreement, those parts shall have precedence as follows (unless expressly agreed otherwise): (a) the Cover Letter, (b) the applicable Statement of Work and any attachments thereto, (c) these General Terms and Conditions, and (d) other attachments to this Agreement.

47. Neither of us may use or reference the other’s name, logos or trademarks publicly without the other’s prior written consent, although we may publicly identify you as a client in connection with specific Services or generally.

48. Without limiting any other terms of this Agreement, the provisions of Sections 22, 27, 29 and 43 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to rely on and enforce them.

49. For administrative reasons, you may from time to time ask that fees and expenses for Services performed for your international affiliates or at international locations be invoiced to you or your designate there, in local currency. You guarantee the timely payment of all those invoices by your affiliates. In addition, from time to time other EY Firms providing Services as our subcontractors may bill you directly for fees and expenses incurred for work performed outside of Canada (in local currency or otherwise).

50. Where you have engaged the Canadian firm of Ernst & Young LLP, please note the following. We are a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and we are registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, an LLP partner is not personally liable for the debts, obligations or liabilities of the LLP arising from the negligence of persons not under his or her direct supervision (including other LLP partners) or most other debts or obligations of the LLP. As an LLP, we are required to maintain certain insurance. Our insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute of Chartered Accountants/Order of Chartered Professional Accountants.

SUPPLEMENTAL TERMS AND CONDITIONS

You will make all filings required by applicable securities or other regulatory authorities in connection with the Agreement, including without limitation applicable Regulation D filings related to the sale of securities to accredited US based investors, and will provide advance copies of any such filings to us.

Pursuant to Canadian and US securities regulations, EY and Ernst & Young Corporate Finance (Canada) Inc. have developed business continuity plans describing how we intend to respond to disasters or other significant business disruptions. Some of the goals of our business continuity plan are to protect human life and to ensure that we respond to a disaster or other serious business disruption in an organized, effective and professional manner with a goal of minimizing the effect of the disruption on our people, clients and business operations. Since disasters and significant business disruptions are inherently unpredictable, we need to be flexible in responding to actual events as they occur. Our plans provide for steps and communication procedures to be followed at each stage of crisis response, from the initial assessment stage to the response and recovery stage to the resumption stage. Our systems have also been designed to deliver high reliability without having to engage the business continuity plan. For example, where possible our systems have been designed with redundancy and automatic fail-over to secondary services.

Ernst & Young Corporate Finance (Canada) Inc. is a member of the U.S. Securities Investor Protection Corporation ("SIPC"). You may obtain information about SIPC, including the SIPC brochure describing its activities by contacting SIPC at: Securities Investor Protection Corporation, 805 15th Street, N.W. Suite 800, Washington, D.C. 20005-2215, Tel: (202)371-8300 or by visiting the website of the SIPC at http://www.sipc.org.

National Instrument 31-103 ("*Registration Requirements and Exemptions*") contains certain requirements that may be waived by a registrant's client in writing. According to section 13.3, a registrant must take reasonable steps to ensure that, before it makes a recommendation to or accepts an instruction from a client to buy or sell a security, or makes a purchase or sale of a security for a client's managed account, the purchase or sale is suitable for the client. According to section 14.2, a registered firm must deliver to a client all information that a reasonable investor would consider important about the client's relationship with the registrant (including various enumerated pieces of information). A copy of the full National Instrument is available publicly at www.osc.gov.on.ca. By signing this Agreement you hereby waive the requirements of these sections.