



Court File No. S-242700

VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER *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 TEAL
JONES HOLDINGS LTD., TEAL CEDAR PRODUCTS LTD., COLUMBIA RIVER
SHAKE & SHINGLE LTD., TEAL-JONES AVIATION GP LTD., TEAL-JONES
GROUP, TEAL-JONES AVIATION LIMITED PARTNERSHIP, TEAL JONES
HOLDINGS USA INC., TEAL JONES LUMBER SERVICES INC., TEAL JONES DRY
KILNS LLC, TEAL JONES LUMBER SALES LLC, PINE PRODUCTS, LLC,
POTOMAC SUPPLY, LLC, TEAL JONES LUMBER LLC, TEAL JONES LOUISIANA
HOLDINGS LLC, & GREENTREE LUMBER COMPANY, LLC

NINTH REPORT OF THE MONITOR

January 27, 2025

TABLE OF CONTENTS

TO THE

NINTH REPORT OF THE MONITOR

INTRODUCTION.....	3
PURPOSE.....	9
TERMS OF REFERENCE AND DISCLAIMER.....	9
UPDATE ON THE SISP.....	11
REPORT ON ACTUAL CASH FLOWS.....	12
REVISED CASH FLOW FORECAST.....	13
STAY EXTENSION.....	15
AMENDMENT TO THE INTERIM FINANCING FACILITY.....	15
CONCLUSION.....	17

EXHIBITS

- A. Amendment to Interim Financing Facility

APPENDICES

- A. Cash Flow Variance Analysis
- B. Revised Cash Flow Forecast

INTRODUCTION

1. On April 25, 2024 (the "**Filing Date**"), Teal Jones Holdings Ltd., Teal Cedar Products Ltd., Columbia River Shake & Shingle Ltd., Teal-Jones Aviation GP Ltd., Teal-Jones Group, Teal-Jones Aviation Limited Partnership, Teal Jones Holdings USA Inc., Teal Jones Lumber Services Inc., Teal Jones Dry Kilns LLC, Teal Jones Lumber Sales, LLC, Pine Products, LLC, Potomac Supply, LLC, Teal Jones Lumber LLC, Teal Jones Louisiana Holdings, LLC, GreenTree Lumber Company, LLC (collectively the "**Petitioners**" or the "**Group**"), were granted an order (the "**Initial Order**") commencing proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Under the Initial Order, PricewaterhouseCoopers Inc. ("**PwC**") was appointed as the monitor of Teal Jones (the "**Former Monitor**").
2. Pursuant to the Initial Order, among other things, all creditors were stayed from commencing or continuing any proceedings against the Petitioners until and including May 3, 2024 (the "**Stay of Proceedings**").
3. On April 30, 2024, the Petitioners filed a notice of application returnable May 3, 2024 (the "**Comeback Hearing**"), seeking an amended and restated initial order (the "**ARIO**") and two sale approval orders. On May 2, 2024, the Former Monitor filed its First Report to the Court (the "**First Report**") in connection with the Petitioners' motion for the ARIO.
4. At the Comeback Hearing, the Court granted the ARIO which, among other things:
 - a. extended the Stay of Proceedings from May 3, 2024, to August 1, 2024;
 - b. approved the Interim Financing Facility made available to the Petitioners by the Wells Fargo Syndicate (in this capacity the "**Interim Lenders**") and created a super-priority charge on the property, assets, and undertakings of the Petitioners in the amount of \$116,509,000, plus interest, fees, costs, and other expenses payable under the Restructuring Support Agreement dated April 30, 2024 (the "**RSA**") (the "**Interim Lenders' Charge**");

- c. increased the Administration Charge from \$350,000 to \$650,000;
 - d. approved the HG Property Sale and Softwood Duties Sale; and
 - e. authorized the Petitioners to sell any non-material real property, with the Monitor's approval, not exceeding \$2,000,000 in any one transaction or \$10,000,000 in the aggregate.
5. On May 7, 2024, the Petitioners filed a notice of application returnable May 10, 2024 (the "**May 10 Hearing**"), seeking orders approving a SISP and the distribution of proceeds from the HG Property Sale and the Softwood Duties Sale. On May 8, 2024, the Former Monitor filed its Second Report to the Court (the "**Second Report**") containing information pertaining to the SISP and the Petitioners' application.
6. At the May 10 Hearing, the Court granted the orders as sought, which among other things:
- a. approved the SISP as described in the Second Report;
 - b. approved the distribution of the proceeds from the HG Property Sale to RBC and BDC; and
 - c. approved the distribution of the proceeds of the Softwood Duties Sale to the WF Syndicate.
7. At the May 10 Hearing, the Court issued the Second Amended and Restated Initial Order (the "**SARIO**") updating the validity and priority of charges created by the Initial Order, including:
- a. updating section 43 of the ARIIO to clarify an issue that was brought forward regarding the priming of equipment subject to BAL Global Finance Canada Corporation and Banc of America Leasing and Capital, LLC (collectively, "**BoA**") equipment liens and overlapping security claims. The SARIO, under section 43, recognizes BoA's equipment liens on the BoA Equipment, subordinate only to the

Administration Charge. The SARIO also recognizes the priority of the Interim Lenders' Charge on the Overlapping Equipment; and

- b. recognizing a first-ranking charge on the Performance Payment and the Post-Performance Threshold Distributions, if any, in favour of OCP Lumber LLP, the purchaser in the Softwood Duties Sale.
8. On July 24, 2024, the Petitioners filed a notice of application returnable July 30, 2024 (the “**July 30 Hearing**”), seeking orders extending the stay of proceedings to November 23, 2024. On July 25, 2024, the Former Monitor filed its Third Report to the Court supporting the Petitioners' application and applied for the Court's approval of its activities to date.
9. At the July 30 Hearing, the Court extended the stay of proceedings to November 23, 2024 (the “**Third ARIO**”). The court also approved the Former Monitor's activities to the Third Report.
10. On September 18, 2024, the Petitioners filed a notice of application returnable September 23, 2024 (the “**September 23 Hearing**”) seeking approval of the sale of the Cessna plane (the “**Cessna Approval and Vesting Order**”) and an order authorizing the Petitioners to distribute the proceeds of the sale to the Interim Lenders (the “**Cessna Distribution Order**”). On September 20, the Former Monitor filed its Fourth Report to the Court containing information pertaining to the sale of the Cessna plane and the distribution of the proceeds.
11. At the September 23 Hearing, the Court issued the Cessna Approval and Vesting Order and the Cessna Distribution Order.
12. On October 17, 2024, the Petitioners filed materials for the hearing scheduled to take place on October 21, 2024 (the “**October 21 Hearing**”) seeking the following:
 - a. an order (the “**Parcel 11 Approval and Vesting Order**”) approving the sale of property, building and equipment at 3631 and 3721 Trans Canada Highway in Revelstoke, British Columbia (“**Parcel 11**”);

- b. a distribution order relating to the sales proceeds from the sale of Parcel 11 (the “**Parcel 11 Distribution Order**”); and
 - c. an order confirming that the SARIO applies to Intact Insurance Company (“**Intact**”).
13. On October 20, 2024, the Former Monitor issued the Fifth Report to the Court, which provided updates on various aspects of the CCAA proceedings, and supported the Petitioners’ application for the Parcel 11 Approval and Vesting Order and related Parcel 11 Distribution Order.
14. At the October 21 Hearing, the Court:
- a. Granted the Parcel 11 Approval and Vesting Order and Parcel 11 Distribution Order;
 - b. Adjourned a hearing related to Intact until November 5, 2024; and
 - c. Adjourned a hearing related to Mr. Arora’s Application to November 8, 2024.
15. On November 1, 2024, the Petitioners filed a notice of application for the hearing scheduled to take place on November 5, 2024, seeking an order (the “**Substitution Order**”) including the following:
- a. appointing Ernst & Young Inc. in place of the Former Monitor as Monitor of the Petitioners (in such capacity, Ernst & Young Inc. is the “**Monitor**”);
 - b. discharging PwC as the Former Monitor of the Petitioners, and providing that PwC is to complete such matters as may be required to fulfill any outstanding statutory or other duties;
 - c. approving activities of PwC, in its capacity as Former Monitor, as set out in its reports filed with the Court; and
 - d. releasing PwC and its respective affiliates, officers, directors, partners, employees, advisors and agents from any liability relating to the acts of omission of such

persons while acting as or on behalf of the Former Monitor, as described in the Substitution Order.

16. On November 5, 2024, the Court:

- a. adjourned the hearing regarding Intact to December 12, 2024 on terms related to potential examinations of affiants; and
- b. granted the Substitution Order.

17. On November 8, 2024, the Petitioners came to a settlement with Amandeep Singh Arora, who had previously sought to lift the Stay of Proceedings in order to vary or set aside an Order granted on December 16, 2022, by the Honourable Justice Groves in Action No. 246296 (the “**Injunction Order**”). By a Consent Order on the same day, the Court set aside and discharged the Injunction Order as it related to Mr. Arora.

18. On November 18, 2024, the Petitioners filed materials for the hearing scheduled to take place on November 21, 2024 (the “**November 21 Hearing**”) seeking an order extending the stay of proceedings to January 31, 2025.

19. On November 21, 2024, the Court granted an order extending the stay of proceedings to January 31, 2025.

20. On December 12, 2024, the Petitioners filed a notice of application returnable December 15, 2024, seeking an order updating the transaction thresholds specified in section 12(b) of the SARIO regarding the sale of Non-SISP Assets. On December 15, 2024, the Court granted the order.

21. On January 24, 2025, the Group filed materials for the hearing scheduled to take place on January 29, 2025, at which the Group is seeking the following:

- a. an order extending the stay of proceedings from January 31, 2025 to June 27, 2025; and

- b. an order approving an amendment to the RSA to extend the maturity date of the Interim Financing Facility from January 31, 2025 to June 27, 2025.

Chapter 15 Proceedings

- 22. On April 26, 2024, the Petitioners filed a Chapter 15 Petition for Recognition of a Foreign Proceeding and sought to obtain an order from the US Bankruptcy Court recognizing the CCAA Proceedings (the “**Recognition Order**”).
- 23. On May 9, 2024, a provisional hearing in the U.S. Bankruptcy Court for the District of Delaware was held and the Petitioners obtained an Order granting Provisional Relief under section 1519 of the Bankruptcy Code in the U.S. Bankruptcy Court.
- 24. On May 29, 2024, a further hearing was held in the state of Delaware, where Teal Jones Holdings Ltd, as the Foreign Representative of the Petitioners, obtained an order granting recognition of the CCAA Proceedings as a foreign main proceeding and certain related relief on a final basis (the “**Recognition of Foreign Main Proceeding Order**”). Among other items, the Recognition of Foreign Main Proceeding Order provided the following:
 - a. the CCAA Proceedings were granted recognition as a foreign main proceeding pursuant to section 1517 of the Bankruptcy Code; and
 - b. the Initial Order, including any extensions, amendments, or modifications (which would include the ARIO and the SARIO), was enforced on a final basis and given full force and effect in the United States.
- 25. On June 14, 2024, the Petitioners applied for recognition of the SISP Order in the Chapter 15 Proceedings. The hearing was originally scheduled for July 1, 2024. On June 24, 2024, High Cotton Capital, LLC and Borrego Holdings, LLC, two of the minority owners in Project Horntail, LLC, the company involved in the construction of the Louisiana Sawmill (the “**Chapter 15 SISP Recognition Objectors**”), filed objections (collectively, the “**Objection**”). As a result, the hearing was delayed to

August 2, 2024. The Objection was subsequently resolved through the inclusion of certain provisions of the order sought.

26. Subsequently, On July 31, 2024, the US Bankruptcy Court issued an order recognizing and enforcing the SISP Order.

PURPOSE

27. The purpose of this Ninth Report of the Monitor (the “**Ninth Report**”) is to provide information to the Court on:

- a. the status of the SISP;
- b. the Petitioners' actual receipts and disbursements for the 10-week period from November 10, 2024 to January 17, 2025 (the “**Reporting Period**”) compared to the cash flow forecast appended to the Monitor’s Seventh Report;
- c. the Petitioners’ cash flow forecast (the “**Revised Cash Flow Forecast**”) for the 24-week period from January 18, 2025 to June 27, 2025 (the “**Forecast Period**”);
- d. the Petitioners’ request for an order that, among other things,
 - i. extends the stay of proceedings from January 31, 2025 to June 27, 2025; and
 - ii. approves the amendment to the RSA to extend the maturity date of the Interim Financing Facility from January 31, 2025 to June 27, 2025 (the “**Amended Interim Financing Facility**”); and
- e. the Monitor’s recommendations with respect to the above.

TERMS OF REFERENCE AND DISCLAIMER

28. In preparing this Ninth Report and making the comments herein, the Monitor has been provided with and has relied upon certain unaudited, draft and/or internal financial

information, books and records prepared by the Petitioners, and discussions with management of the Petitioners (“**Management**”) (collectively, the “**Information**”).

29. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.
30. Some of the information referred to in this Ninth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
31. Future-oriented financial information referred to in this Ninth 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 will vary from the projections, even if the assumptions materialize, and the variations could be significant.
32. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in this Ninth Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.
33. The Monitor has prepared this Ninth Report solely for the use of this Court and the stakeholders in these proceedings.
34. Capitalized terms not defined in this Report are defined in the prior reports of the Monitor and Former Monitor.
35. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

36. The Monitor has set up a website at: www.ey.com/ca/tealjones.

UPDATE ON THE SISP

37. The Monitor continues to work with bidders, the Group, and the secured lenders, on moving various bids toward completion, and has advanced the process to remarket certain parcels where no satisfactory bids existed when the Monitor was appointed on November 5, 2024.

Canadian Operations

38. The Monitor is in the process of launching a remarketing process (the “**Canadian Ops SISP**”) over Parcel 6 (being the Sumas facility), Parcel 7 (being the Surrey facility, with Parcels 6 and 7 being collectively referred to herein as the “**Canadian Operations**”), Parcel 8 (being the TFL 46 Tree Farm License) and Parcel 9 (being the A19201 Forest License, with Parcels 8 and 9 being collectively referred to herein as the “**Timber Tenures**”).

39. The Canadian Ops SISP is structured as a dual track process. The first track will involve offers being solicited for the purchase of all or part of the going concern business and assets of the Canadian Operations and Timber Tenures (“**Track 1**”). Track 1 will be conducted by the Monitor and its affiliate, Ernst & Young Orenda Corporate Finance (Canada) Inc. and Ernst & Young Corporate Finance (Canada) Inc. In parallel to Track 1, the Group has engaged CBRE to act as the exclusive listing agent of the Surrey property and to market all or part of the Surrey property for sale and/or sale leaseback (“**Track 2**”).

40. The Monitor and CBRE are beginning to invite parties to participate in the Canadian Ops SISP and will be establishing timelines and bidding procedures in respect of the Canadian Ops SISP at a later date and partially based on the level and type of interest received. The Monitor will keep the Court apprised of the status and progress of the Canadian Ops SISP as it believes appropriate in the circumstances, and certainly should any transactions be brought forward as a result thereof.

United States Operations

41. The Monitor and the Petitioners are actively engaged in discussions with interested parties encompassing all United States Parcels, including Parcel 1 (being the interest in the Louisiana Mill), Parcel 2 (being the Antlers Sawmill in Oklahoma), Parcel 3 (being the Pine Sawmill in Virginia), Parcel 4 (being the Potomac Sawmill in Virginia) and Parcel 5 (being the Greentree Sawmill in Mississippi, with Parcels 1 through 5 being collectively referred to herein as the “**United States Operations**”).
42. While it is premature to confirm that these discussions will result in transactions, the Monitor notes that there has been positive progress on a number of the United States Operations. The Company is aware of and involved in all such discussions, and the secured lenders are being consulted with on a regular basis. The Monitor will provide an update in the near future if a re-launch of a formal marketing process for any of the assets in the United States Operations is required to advance efforts to sell these mills.

REPORT ON ACTUAL CASH FLOWS

43. Attached at Appendix “A” to this Ninth Report is a variance analysis of the Group’s actual cash flows for the Reporting Period as compared to the Revised Cash Flow Forecast appended to the Monitor’s Seventh Report.
44. The Monitor notes the following with respect to the Group’s actual cash flows for the Reporting Period:
- a. the Group incurred net cash flow of \$8.5 million and ended the Reporting Period with DIP borrowing totalling \$84.4 million, which is within the revised maximum borrowing limit of the RSA;
 - b. total receipts of \$46.7 million represents the collection of sales through normal operations as well as other receipts. The total receipts are higher than forecast due to favourable lumber pricing, favourable foreign exchange movement as well as the receipt of the cash surrender portion of a life insurance policy;

- c. operating disbursements of \$32.9 million were slightly lower than forecast and reflects the Group staying relatively on track with its production plan and managing its operating disbursements;
- d. non-operating disbursements of \$5.3 million were slightly higher than forecast primarily due to higher than forecasted interest; and
- e. the borrowing base collateral as of January 10, 2025, was \$36.9 million, resulting in a borrowing base shortfall of \$47.5 million, which is within the permitted shortfall provided pursuant to the RSA.

REVISED CASH FLOW FORECAST

- 45. The Revised Cash Flow Forecast, attached as Appendix “B” to this Ninth Report, has been prepared by Management, using the probable and hypothetical assumptions set out in the notes to the Revised Cash Flow Forecast (the “**Assumptions**”) and represents the estimates of Management of the projected cash flow during the Forecast Period on a weekly basis. It is important to note that the Revised Cash Flow Forecast does not account for any particular expected realizations from potential asset sales in the SISF, since none are presently certain.
- 46. The Revised Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.
- 47. The Monitor has reviewed the Revised Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor’s cash flow statement as to its reasonableness and to file a report with the Court on the Monitor’s findings.
- 48. Pursuant to this standard, the Monitor’s review of the Revised Cash Flow Forecast consisted of inquiries, analytical procedures, and discussions related to information supplied to it by certain key members of Management and employees of the Petitioners. Since the Assumptions need not be supported, the Monitor’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of

the Revised Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the Assumptions and the preparation and presentation of the Revised Cash Flow Forecast.

49. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

- a. the Assumptions are not consistent with the purpose of the Revised Cash Flow Forecast;
- b. as at the date of this Ninth Report, the Assumptions are not suitably supported and consistent with the plans of the Petitioners or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the Assumptions; or
- c. the Revised Cash Flow Forecast does not reflect the Assumptions.

50. The Monitor notes the following observations of the Revised Cash Flow Forecast during the Forecast Period:

- a. the Petitioners project net cash flow of \$0.8 million for the 24-weeks ending June 27, 2025, resulting in total borrowings under the Interim Financing Facility of \$83.9 million. This is within the maximum amount that the Petitioners can borrow under the Interim Financing Facility;
- b. sales receipts and operating disbursements have been revised based on current operating plans in the US and Canada, reflecting current pricing expectations, fibre supply availability and the product mix which the Petitioners intend to produce;
- c. non-operating disbursements are projected to be approximately \$13.8 million, which includes primarily the payment of principal and interest on the pre-filing term loans and the Interim Financing Facility and professional fees;
- d. the Revised Cash Flow Forecast projects that the Petitioners will have access to sufficient liquidity under the Interim Financing Facility during the Forecast Period; and

- e. the Interim Lenders have not objected to the Revised Cash Flow Forecast.

STAY EXTENSION

51. The Stay Period is currently set to expire on January 31, 2025. The Petitioners request an extension of the Stay period up to and including June 27, 2025.

52. The Monitor is of the view that the requested extension of the Stay Period is appropriate for the following reasons:

- a. the length of the stay extension sought will allow the Petitioners and the Monitor to advance the SISP and additional Non-SISP Asset sales;
- b. the Interim Lenders are supportive of the extension of the Stay Period;
- c. the Petitioners have sufficient liquidity under the Interim Lending Facility to fund the cash flow requirements during the extension of the Stay Period;
- d. the extension of the Stay Period does not create material prejudice to the Petitioners' creditors; and
- e. the Petitioners continue to operate in good faith and with due diligence.

53. If there are any material events to report in the interim period, the Petitioners and the Monitor will return to the Court.

54. For the foregoing reasons, the Monitor supports the Petitioners' request for an order extending the Stay Period to June 27, 2025.

AMENDMENT TO THE INTERIM FINANCING FACILITY

55. The maturity date of the Interim Financing Facility is January 31, 2025.

56. The Petitioners do not expect that they will require an increase in financing before for the proposed extended maturity of the Interim Financing Facility. While the Petitioners expect to maintain stable cash flows and borrowings, the Interim Financing Facility

continues to be required to allow the Petitioners to operate and allow for the advancement of the SISP.

57. Accordingly, the Petitioners have negotiated an Amended Interim Financing Facility which contemplates the Interim Lenders extending the maturity date of the Interim Financing Facility to June 27, 2025. In light of the length of the extension and the size of the over-advance above the current asset availability projections, the Interim Lenders have requested, and the Petitioners have agreed, to an extension fee of \$250,000 in respect of the amendment needed to extend the Interim Financing Facility to June 27, 2025. Although the Amended Interim Financing Facility is in agreed final form, the Amended Interim Financing Facility still remains subject to credit committee approval from the Interim Lenders. The Monitor understands from the Interim Lenders that they expect to receive approval of the Amended Interim Financing Facility on January 28, 2025.
58. Attached hereto as Exhibit “A” is a copy of the amendment to the Interim Financing Facility, as has been provided to the credit committee of the Interim Lenders, and which is subject to court approval.
59. The Monitor is of the view that the terms of the amendment to the Interim Financing Facility are reasonable, particularly considering the risk and uncertainties associated with the future of the Petitioners’ business.
60. The Revised Cash Flow Forecast suggests that the Petitioners do not expect to have sufficient liquidity or ability to finance the continuation of the CCAA Proceedings without the Amended Interim Financing Facility.
61. Accordingly, the Monitor is of the view that the Petitioners request to approve the Amended Interim Financing Facility is necessary and reasonable and supports the request.

CONCLUSION

62. For the reasons stated herein, the Monitor supports and recommends that the Court grant the relief sought by the Petitioners to:

- a. extend the stay of proceedings to June 27, 2025; and
- b. approve the amendment to the Interim Financing Facility to extend the maturity date from January 31, 2025 to June 27, 2025.

All of which is respectfully submitted this 27th day of January 2025.

**Ernst & Young Inc., in its capacity as
court-appointed Monitor of the Petitioners
and not in its personal capacity**

Per:



Mike Bell, CPA, CA, CIRP, LIT
Senior Vice-President



for:
MNathaniel

Michael Nathaniel, CPA, CA, CIRP, LIT
Vice-President

EXHIBIT “A”

[Amendment to the Interim Financing Facility]

[LETTERHEAD OF WELLS FARGO]

January 27, 2025

VIA EMAIL

Teal Jones Holdings Ltd.
Teal Cedar Products Ltd.
Teal Jones Lumber Sales LLC
17897 Trigg Road
Surrey, British Columbia, V4N 4M8

Attention: Mr. Thomas Jones & Mr. Richard Jones
Email: tjones@tealjones.com & djones@tealjones.com

Dear Sirs:

Re: Support Agreement dated April 30, 2024 among Teal Jones Holdings Ltd. (the "Parent"), Teal Cedar Products Ltd. and Teal Jones Lumber Sales LLC (the "Borrowers"), Wells Fargo Capital Finance Corporation Canada (the "Agent"), the Lenders party thereto and the other guarantors party thereto, as amended by a letter agreement dated July 17, 2024, a letter agreement dated November 4, 2024, a letter agreement dated December 18, 2024 (the "December Letter Agreement") and the Acknowledgement (as amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Support Agreement"). Capitalized terms not otherwise defined herein shall have the meanings given to them in the Support Agreement unless stated otherwise.

and re: Acknowledgment letter agreement dated the date hereof among the Agent, the Lenders and the Loan Parties (the "Acknowledgement")

Amendment to Support Agreement

The undersigned parties hereby agree to amend the Support Agreement on the date hereof as follows:

- a) Section 4.19 (Termination) is amended as follows:
 - i. add the following immediately following "Loan Parties;"

“(b) demand for payment of the Post-Filing Obligations being made by the Agent, on behalf of the Lenders, to the Borrower, which demand may be made at any time in the unfettered discretion of the Agent;” and
 - ii. delete in its entirety the following “(b) January 31, 2025” and replace it with “(c) June 27, 2025”.
- b) Schedule “B” to the Support Agreement shall be deleted in its entirety and replaced with the Cash Flow Projections attached in Schedule “A” hereto.

Agreement of the Parties

Notwithstanding the terms of the Support Agreement, the undersigned parties hereby agree as follows:

- a) the Loan Parties shall comply with the Cash Flow Projections, in each case, in all material respects; and
- b) the Loan Parties shall pay to the Agent, for the ratable account of the Lenders, an extension fee in the amount of \$250,000, which extension fee shall be fully earned and payable as of the date hereof to the Agent, on behalf of the Lenders, provided that it will not be debited to the Loan Account until March 31, 2025.

The Loan Parties, the Agent and the Lenders agree that a breach by any Loan Party of any covenant, term or condition contained in this Letter Agreement shall constitute an Event of Default under the Support Agreement.

This Letter Agreement is a Loan Document.

The Support Agreement, as amended by this Letter Agreement, and all other Loan Documents shall continue in full force and effect and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein. Nothing in this Letter Agreement or the Acknowledgement shall constitute or be deemed to be a waiver by the Agent or Lenders of any Default or Event of Default that has occurred to the date hereof or an amendment or modification of any term or condition of the Support Agreement or the other Loan Documents (except for any amendment specifically set forth in the sections of this letter titled "Amendment to the Support Agreement" and "Agreement of the Parties" and in the Acknowledgement), and the Agent and Lenders specifically reserve all of their rights and remedies at law, under the Support Agreement, the other Loan Documents and any Court Orders (as defined in the Acknowledgement). No failure on the part of the Agent and Lenders to exercise, and no delay in exercising, any right or remedy at law, set out in the Support Agreement, the other Loan Documents or any Court Orders as a result of the aforementioned Events of Default shall operate as a waiver thereof. Time will, in all respects, be of the essence with respect to the matters set out in this letter.

Each Loan Party shall execute and deliver such documents and take such actions as may be reasonably necessary or desirable by the Agent or the Lenders to give effect to the provisions and purposes of this Letter Agreement, all at the expense of each Loan Party.

Each Loan Party shall pay all fees, expenses and disbursements including, without limitation, reasonable legal fees, incurred by or payable by the Agent or the Lenders in connection with the preparation, negotiation, execution, delivery, review and enforcement of this Letter Agreement and all other documents and instruments arising therefrom and/or executed in connection therewith.

This Letter Agreement may be executed and delivered by pdf or other electronic transmission and in any number of counterparts, each of which when so executed and delivered is an original and all of which taken together constitute one and the same instrument.

This Letter Agreement shall be governed by the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

We ask that you evidence your agreement with and acknowledgement of the foregoing by signing the agreement and acknowledgement section below and returning it to us via email at the following email addresses:

Trevor.G.Tysick@wellsfargo.com and Carmela.Massari@wellsfargo.com with a copy to our counsel rotchtind@bennettjones.com and shakram@bennettjones.com.

[Signature pages follow]

Yours truly,

**WELLS FARGO CAPITAL FINANCE
CORPORATION CANADA, as Agent**

By: _____
Name:
Title:

cc. DLA Piper (Canada) LLP
1133 Melville St Suite 2700
Vancouver, British Columbia V6E 4E5
Attention: Colin Brousson
Email: colin.brousson@dlapiper.com

And to: Jeffrey Bradshaw
jeffrey.bradshaw@dlapiper.com

Each of the undersigned acknowledges and agrees with the foregoing letter as of the date set out on the first page.

PARENT:

TEAL JONES HOLDINGS LTD.,
a British Columbia corporation

By: _____
Name:
Title:

BORROWERS:

TEAL CEDAR PRODUCTS LTD.,
a British Columbia corporation

By: _____
Name:
Title:

TEAL JONES LUMBER SALES LLC,
a Washington limited liability company

By: _____
Name:
Title:

GUARANTORS:

**COLUMBIA RIVER SHAKE & SHINGLE
LTD.**

By: _____
Name:
Title:

TEAL-JONES GROUP by its partners:

TEAL CEDAR PRODUCTS LTD.

By: _____
Name:
Title:

**COLUMBIA RIVER SHAKE &
SHINGLE LTD.**

By: _____
Name:
Title:

TEAL JONES LUMBER SERVICES INC.

By: _____
Name:
Title:

TEAL JONES LUMBER LLC

By: _____
Name:
Title:

TEAL JONES HOLDINGS USA INC.

By: _____
Name:
Title:

PINE PRODUCTS, LLC

By: _____
Name:
Title:

POTOMAC SUPPLY, LLC

By: _____
Name:
Title:

TEAL JONES DRY KILNS LLC

By: _____
Name:
Title:

**TEAL JONES LOUISIANA HOLDINGS
LLC**

By: Teal Jones Lumber Services Inc., its sole
member

By: _____
Name:
Title:

**GREENTREE LUMBER COMPANY,
LLC**

By: _____
Name:
Title:

TEAL-JONES AVIATION GP LTD.

By: _____
Name:
Title:

**TEAL-JONES AVIATION LIMITED
PARTNERSHIP, by its general partner,
TEAL-JONES AVIATION GP LTD.**

By: _____
Name:
Title:

LENDERS:

**WELLS FARGO CAPITAL FINANCE
CORPORATION CANADA,**
as a Lender

By: _____
Its Authorized Signatory

**WELLS FARGO CAPITAL FINANCE,
LLC,** as a Lender

By: _____
Its Authorized Signatory

EXPORT DEVELOPMENT CANADA,
as a Lender

By: _____
Its Authorized Signatory

By: _____
Its Authorized Signatory

SCHEDULE “A”
Cash Flow Projections

See attached.

For the Period of January 11, 2025 to June 27, 2025

		W1	W2	W3	W4	W5	W6	W7	W8	W9	W10	W11	W12	W14	W15	W16	W17	W18	W19	W20	W21	W22	W23	W24	11-Jan-25
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	27-Jun-25
Week ending (in \$000 CAD)		17-Jan-25	24-Jan-25	31-Jan-25	07-Feb-25	14-Feb-25	21-Feb-25	28-Feb-25	07-Mar-25	14-Mar-25	21-Mar-25	28-Mar-25	04-Apr-25	18-Apr-25	25-Apr-25	02-May-25	09-May-25	16-May-25	23-May-25	30-May-25	06-Jun-25	13-Jun-25	20-Jun-25	27-Jun-25	TOTAL (Week 1-24)
Sales	Notes																								
Total sales	1	3,134	3,340	3,821	4,157	3,887	4,157	4,181	4,475	4,372	4,033	4,039	4,376	4,327	4,250	4,501	4,226	4,013	4,205	4,376	4,573	4,299	4,257	4,229	99,940
Receipts																									
Sales collections	2	4,200	2,353	3,559	2,348	3,840	3,821	4,157	3,887	4,157	4,181	4,475	4,372	4,039	4,376	4,714	4,327	4,250	4,501	4,226	4,013	4,205	4,376	4,573	96,982
Proceeds from sales process	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	4	-	-	1,565	-	-	-	300	-	-	-	-	2,217	-	-	375	-	-	375	-	-	-	-	375	5,207
Total receipts		4,200	2,353	5,124	2,348	3,840	3,821	4,457	3,887	4,157	4,181	6,692	4,372	4,039	4,751	4,714	4,327	4,250	4,876	4,226	4,013	4,205	4,376	4,948	102,189
Operating disbursements																									
Payroll, Benefits and contract labour	5	(915)	(947)	(1,165)	(551)	(860)	(578)	(1,015)	(482)	(860)	(578)	(1,015)	(482)	(983)	(1,015)	(215)	(1,078)	(311)	(1,228)	(536)	(865)	(533)	(1,015)	(482)	(18,575)
Raw materials	6	(1,124)	(1,500)	(1,500)	(1,500)	(1,500)	(1,400)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,400)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(37,124)
Site Operating Costs	7	(1,016)	(1,187)	(1,254)	(1,101)	(1,185)	(1,218)	(1,342)	(1,167)	(1,190)	(1,233)	(1,347)	(1,167)	(1,225)	(1,347)	(1,167)	(1,190)	(1,225)	(1,347)	(1,167)	(1,190)	(1,225)	(1,347)	(1,142)	(29,169)
General Administration Expenses	8	(24)	(50)	(348)	(61)	-	(50)	(348)	(61)	-	(50)	(348)	(61)	(50)	(348)	(61)	-	(50)	(348)	(61)	-	(50)	(348)	(61)	(2,780)
Total operating disbursements		(3,080)	(3,684)	(4,267)	(3,213)	(3,545)	(3,246)	(4,305)	(3,311)	(3,650)	(3,461)	(4,310)	(3,311)	(3,658)	(4,310)	(3,044)	(3,868)	(3,186)	(4,523)	(3,365)	(3,655)	(3,408)	(4,310)	(3,286)	(87,648)
Net operating cash flow		1,121	(1,331)	857	(866)	294	575	152	577	506	720	2,382	1,061	381	441	1,671	459	1,065	353	862	358	797	66	1,662	14,541
Non operating disbursements																									
Pre filing loan & DIP interest	9	-	-	-	(1,460)	-	-	-	(1,328)	-	-	-	(1,718)	-	-	(1,410)	-	-	-	-	(1,446)	-	-	-	(7,362)
Debt principal repayments	10	-	-	-	(290)	-	-	-	(290)	-	-	-	(290)	-	-	(290)	-	-	-	-	(290)	-	-	-	(1,448)
Professional fees	11	(213)	(100)	(300)	(175)	(300)	(300)	(100)	(175)	(300)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(4,963)
Total non-operating disbursements		(213)	(100)	(300)	(1,924)	(300)	(300)	(100)	(1,792)	(300)	(200)	(200)	(2,208)	(200)	(200)	(1,900)	(200)	(200)	(200)	(200)	(1,936)	(200)	(200)	(200)	(13,774)
Net cash receipts/(disbursements)		907	(1,431)	557	(2,790)	(6)	275	52	(1,216)	206	520	2,182	(1,147)	181	241	(229)	259	865	153	662	(1,578)	597	(134)	1,462	767
Rolling DIP facility	12																								
DIP opening balance		(84,378)	(83,797)	(85,228)	(84,671)	(87,461)	(87,467)	(87,192)	(87,140)	(88,356)	(88,150)	(87,630)	(85,447)	(86,416)	(86,235)	(85,994)	(86,223)	(85,964)	(85,100)	(84,947)	(84,285)	(85,863)	(85,266)	(85,400)	(84,378)
Draws on DIP		(3,293)	(3,784)	(4,567)	(5,138)	(3,845)	(3,546)	(4,405)	(5,103)	(3,950)	(3,661)	(4,510)	(5,519)	(3,858)	(4,510)	(4,943)	(4,068)	(3,386)	(4,723)	(3,565)	(5,591)	(3,608)	(4,510)	(3,486)	(101,422)
Payment of DIP		4,200	2,353	5,124	2,348	3,840	3,821	4,457	3,887	4,157	4,181	6,692	4,372	4,039	4,751	4,714	4,327	4,250	4,876	4,226	4,013	4,205	4,376	4,948	102,189
DIP FX and funding adjustments		(327)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(327)
Ending DIP balance		(83,797)	(85,228)	(84,671)	(87,461)	(87,467)	(87,192)	(87,140)	(88,356)	(88,150)	(87,630)	(85,447)	(86,594)	(86,235)	(85,994)	(86,223)	(85,964)	(85,100)	(84,947)	(84,285)	(85,863)	(85,266)	(85,400)	(83,937)	(83,937)
Borrowing base collateral	13																								
AR availability		8,253	7,392	9,232	10,399	10,512	10,734	10,887	11,321	11,428	11,226	10,945	11,104	11,779	11,647	11,483	11,362	11,136	10,980	11,206	11,595	11,630	10,122	9,924	
Inventory availability		27,201	24,362	24,465	24,473	24,768	24,664	24,664	24,480	24,627	24,768	24,826	24,775	24,569	24,650	24,465	24,664	24,738	24,738	24,686	24,583	24,768	24,885	24,885	
Less: Borrowing base reserves		(1,012)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	
Collateral balance		34,442	30,728	32,670	33,846	34,253	34,372	34,525	34,775	35,029	34,967	34,745	34,852	35,321	35,270	34,922	35,000	34,848	34,691	34,866	35,152	35,371	33,981	33,783	
Borrowing base availability		(49,355)	(54,500)	(52,000)	(53,615)	(53,214)	(52,820)	(52,615)	(53,581)	(53,121)	(52,662)	(50,703)	(51,742)	(50,914)	(50,724)	(51,301)	(50,965)	(50,252)	(50,255)	(49,419)	(50,711)	(49,895)	(51,419)	(50,155)	
Permitted overadvance		56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	
Borrowing base availability under DIP	14	6,645	1,500	4,000	2,385	2,786	3,180	3,385	2,419	2,879	3,338	5,297	4,258	5,086	5,276	4,699	5,035	5,748	5,745	6,581	5,289	6,105	4,581	5,845	

In the matter of the plan of compromise or arrangement of the Petitioners
Notes and assumptions relating to the Revised Cash Flow Forecast
For the period from January 11, 2025 to June 27, 2025

This cash flow forecast has been prepared by the Petitioners, with the assistance of the Monitor, for the 24-week period ending June 27, 2025, using the following probable and hypothetical assumptions.

In preparing this cash flow forecast, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Petitioners, and upon discussions with management of the Petitioners (“**Management**”) (collectively, the “**Information**”).

The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information. To the extent any of the information referred to in this cash flow forecast consists of forecasts and projections, an examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

General assumptions:

- Receipts and disbursements denominated in US currency have been converted into Canadian dollars using an exchange rate of CDN\$1.42 = US\$1.00. It is assumed that the exchange rate will remain stable over the period covered by the cash flow forecast.

Notes:

1. **Sales:** Sales primarily made up of sales of Southern Yellow Pine in the US, Western Red Cedar, Yellow Cedar, Douglas Fir, Hem-Fir, Sitka Spruce in Canada and shake and shingle, and byproduct. The forecast is based on projected sales of each sawmill based on their respective production plans.
2. **Sales collections:** Sales proceeds are forecast based on the combination of i) existing accounts receivable ledger and ii) collection of sales based on historical collection experience.
3. **Proceeds from sales process:** Currently there are no amounts forecast.
4. **Other Receipts:** Forecast receipts based on normal course sales tax and custom duties refunds. The timing of government receipts may be subject to processing delays.
5. **Payroll, Benefits and Contract Labour:** Payroll is projected based on the current run rates of all hourly and salaried employees inclusive of required benefits and taxes.
6. **Raw Materials:** Represents primarily the estimated log purchases for the small log mill in Surrey to meet its production plan and expected forestry costs.

- 7. Site Operating Costs:** Represents the costs related to operating the sawmills including remanufacturing, reloading, site repair, maintenance, consumables, freight and equipment leases.
- 8. General Administration Expenses:** Represents general expenses including utilities, insurance, rent, IT expenses and other ongoing fees.
- 9. Pre-filing loan & DIP Interest:** Debt interest payments are stayed during the CCAA proceeding, with the exception of interest payable on the DIP Lenders' debts. Interest and fees will be applied on the Interim Financing Facility as set out in the Restructuring Support Agreement.
- 10. Debt principal payments:** Represents principal payments for one of the DIP Lenders' term loans.
- 11. Professional fees:** Represents the professional fees associated with conducting the CCAA proceeding, including but not limited to the Debtors' counsel, the Monitor, the Monitor's counsel, and DIP Lender's legal counsel. Professional fees are forecast based on anticipated run rates.
- 12. Rolling DIP facility:** Represents the projected DIP balance after reflecting the DIP draws and repayments resulting from the Petitioners cash flows.
- 13. Borrowing base collateral:** Represents the projected borrowing base collateral values, net of reserves.
- 14. Borrowing base availability under DIP:** Represents the Debtor's availability to draw on the DIP facility in accordance with Restructuring Support Agreement.

APPENDIX “A”
[Cash Flow Variance Analysis]

The Teal Jones Group

Variance Analysis

For the period of November 10, 2024 to January 10, 2025

		Actual	Forecast	Variance (\$)	
	Week starting Week ending	10-Nov-24 10-Jan-25	10-Nov-24 10-Jan-25	10-Nov-24 10-Jan-25	Notes
CAD 000'S					
Sales		37,004	37,982	(977)	1
Receipts					
Collection of sales		41,431	40,943	488	2
Proceeds Asset Sales		-	-	-	
Other Receipts		5,240	-	5,240	3
Total receipts		46,671	40,943	5,728	
Operating disbursements					
Payroll, Benefits and contract labour		(8,744)	(8,427)	(317)	4
Raw materials		(8,868)	(10,651)	1,783	5
Site Operating Costs		(12,860)	(13,605)	745	6
General Administration Expenses		(2,411)	(1,251)	(1,161)	7
Total operating costs		(32,884)	(33,934)	1,050	
Net operating cash flow		13,788	7,009	6,778	
Non Operating disbursements					
Pre filing loan and DIP Interest		(2,970)	(2,731)	(239)	
Debt principal repayments		(579)	(579)	-	
Professional fees		(1,740)	(1,804)	64	8
Key vendor payment		-	-	-	
Total restructuring disbursements		(5,289)	(5,114)	(175)	
Total disbursements		(38,172)	(39,048)	875	
Net cash flow for the period		8,499	1,896	6,603	
Rolling DIP facility					
DIP Opening Balance		(92,657)	(92,657)	-	
Draws on DIP		(38,172)	(39,048)	875	
Payment of DIP		46,671	40,943	5,728	
DIP FX and funding adjustments		(219)	-	(219)	9
Ending DIP Balance		(84,378)	(90,762)	6,384	
Borrowing base collateral					
AR Availability		10,727	11,058	(331)	
Inventory Availability		27,201	28,580	(1,379)	
Less: Borrowing base reserve		(1,012)	(1,026)	14	
Collateral balance		36,916	38,611	(1,695)	
Borrowing base availability		(47,461)	(52,150)	4,689	
Permitted over advance		56,000	56,000	-	
Borrowing base availability under DIP		8,539	3,850	4,689	

Notes

1. Sales were slightly lower than forecast partially due to lower than anticipated sales volumes over the holiday period, partial offset by higher lumber pricing than forecast and favourable foreign exchange differences in US sales
2. Sales collections were higher than forecast primarily due to timing differences in the collection of sales.
3. Represents the cash surrender proceeds of a life insurance policy.
4. Payroll, benefits and contract labour were slightly higher than forecast primarily due to higher hourly labour requirement in the period.
5. Purchases of raw materials were lower than forecast due to the changes in the production schedule and less than forecasted log payments at the US operations.
6. Site operating costs were lower than forecast primarily due to timing differences in the payment of vendors but also as a result of permanent positive variances in the US operations.
7. General and administration expenses were higher than forecast primarily due to an unfavourable change in payment terms of an insurance policy.
8. Represents the payment of professional fees including fees of the Former Monitor and Former Monitor's counsel. Professional fees were slightly lower than forecast primarily due to the timing of payment of professional fee invoices.
9. Primarily represents the unfavourable impact of the increase in DIP balance due to the strengthening of the US dollar.

APPENDIX “B”
[Revised Cash Flow Forecast]

For the Period of January 11, 2025 to June 27, 2025

		W1	W2	W3	W4	W5	W6	W7	W8	W9	W10	W11	W12	W14	W15	W16	W17	W18	W19	W20	W21	W22	W23	W24	11-Jan-25
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	27-Jun-25
Week ending (in \$000 CAD)		17-Jan-25	24-Jan-25	31-Jan-25	07-Feb-25	14-Feb-25	21-Feb-25	28-Feb-25	07-Mar-25	14-Mar-25	21-Mar-25	28-Mar-25	04-Apr-25	18-Apr-25	25-Apr-25	02-May-25	09-May-25	16-May-25	23-May-25	30-May-25	06-Jun-25	13-Jun-25	20-Jun-25	27-Jun-25	TOTAL (Week 1-24)
Sales	Notes																								
Total sales	1	3,134	3,340	3,821	4,157	3,887	4,157	4,181	4,475	4,372	4,033	4,039	4,376	4,327	4,250	4,501	4,226	4,013	4,205	4,376	4,573	4,299	4,257	4,229	99,940
Receipts																									
Sales collections	2	4,200	2,353	3,559	2,348	3,840	3,821	4,157	3,887	4,157	4,181	4,475	4,372	4,039	4,376	4,714	4,327	4,250	4,501	4,226	4,013	4,205	4,376	4,573	96,982
Proceeds from sales process	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	4	-	-	1,565	-	-	-	300	-	-	-	-	2,217	-	375	-	-	-	375	-	-	-	-	375	5,207
Total receipts		4,200	2,353	5,124	2,348	3,840	3,821	4,457	3,887	4,157	4,181	6,692	4,372	4,039	4,751	4,714	4,327	4,250	4,876	4,226	4,013	4,205	4,376	4,948	102,189
Operating disbursements																									
Payroll, Benefits and contract labour	5	(915)	(947)	(1,165)	(551)	(860)	(578)	(1,015)	(482)	(860)	(578)	(1,015)	(482)	(983)	(1,015)	(215)	(1,078)	(311)	(1,228)	(536)	(865)	(533)	(1,015)	(482)	(18,575)
Raw materials	6	(1,124)	(1,500)	(1,500)	(1,500)	(1,500)	(1,400)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,400)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(37,124)
Site Operating Costs	7	(1,016)	(1,187)	(1,254)	(1,101)	(1,185)	(1,218)	(1,342)	(1,167)	(1,190)	(1,233)	(1,347)	(1,167)	(1,225)	(1,347)	(1,167)	(1,190)	(1,225)	(1,347)	(1,167)	(1,190)	(1,225)	(1,347)	(1,142)	(29,169)
General Administration Expenses	8	(24)	(50)	(348)	(61)	-	(50)	(348)	(61)	-	(50)	(348)	(61)	(50)	(348)	(61)	-	(50)	(348)	(61)	-	(50)	(348)	(61)	(2,780)
Total operating disbursements		(3,080)	(3,684)	(4,267)	(3,213)	(3,545)	(3,246)	(4,305)	(3,311)	(3,650)	(3,461)	(4,310)	(3,311)	(3,658)	(4,310)	(3,044)	(3,868)	(3,186)	(4,523)	(3,365)	(3,655)	(3,408)	(4,310)	(3,286)	(87,648)
Net operating cash flow		1,121	(1,331)	857	(866)	294	575	152	577	506	720	2,382	1,061	381	441	1,671	459	1,065	353	862	358	797	66	1,662	14,541
Non operating disbursements																									
Pre filing loan & DIP interest	9	-	-	-	(1,460)	-	-	-	(1,328)	-	-	-	(1,718)	-	-	(1,410)	-	-	-	-	(1,446)	-	-	-	(7,362)
Debt principal repayments	10	-	-	-	(290)	-	-	-	(290)	-	-	-	(290)	-	-	(290)	-	-	-	-	(290)	-	-	-	(1,448)
Professional fees	11	(213)	(100)	(300)	(175)	(300)	(300)	(100)	(175)	(300)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(4,963)
Total non-operating disbursements		(213)	(100)	(300)	(1,924)	(300)	(300)	(100)	(1,792)	(300)	(200)	(200)	(2,208)	(200)	(200)	(1,900)	(200)	(200)	(200)	(200)	(1,936)	(200)	(200)	(200)	(13,774)
Net cash receipts/(disbursements)		907	(1,431)	557	(2,790)	(6)	275	52	(1,216)	206	520	2,182	(1,147)	181	241	(229)	259	865	153	662	(1,578)	597	(134)	1,462	767
Rolling DIP facility	12																								
DIP opening balance		(84,378)	(83,797)	(85,228)	(84,671)	(87,461)	(87,467)	(87,192)	(87,140)	(88,356)	(88,150)	(87,630)	(85,447)	(86,416)	(86,235)	(85,994)	(86,223)	(85,964)	(85,100)	(84,947)	(84,285)	(85,863)	(85,266)	(85,400)	(84,378)
Draws on DIP		(3,293)	(3,784)	(4,567)	(5,138)	(3,845)	(3,546)	(4,405)	(5,103)	(3,950)	(3,661)	(4,510)	(5,519)	(3,858)	(4,510)	(4,943)	(4,068)	(3,386)	(4,723)	(3,565)	(5,591)	(3,608)	(4,510)	(3,486)	(101,422)
Payment of DIP		4,200	2,353	5,124	2,348	3,840	3,821	4,457	3,887	4,157	4,181	6,692	4,372	4,039	4,751	4,714	4,327	4,250	4,876	4,226	4,013	4,205	4,376	4,948	102,189
DIP FX and funding adjustments		(327)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(327)
Ending DIP balance		(83,797)	(85,228)	(84,671)	(87,461)	(87,467)	(87,192)	(87,140)	(88,356)	(88,150)	(87,630)	(85,447)	(86,594)	(86,235)	(85,994)	(86,223)	(85,964)	(85,100)	(84,947)	(84,285)	(85,863)	(85,266)	(85,400)	(83,937)	(83,937)
Borrowing base collateral	13																								
AR availability		8,253	7,392	9,232	10,399	10,512	10,734	10,887	11,321	11,428	11,226	10,945	11,104	11,779	11,647	11,483	11,362	11,136	10,980	11,206	11,595	11,630	10,122	9,924	
Inventory availability		27,201	24,362	24,465	24,473	24,768	24,664	24,664	24,480	24,627	24,768	24,826	24,775	24,569	24,650	24,465	24,664	24,738	24,738	24,686	24,583	24,768	24,885	24,885	
Less: Borrowing base reserves		(1,012)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	
Collateral balance		34,442	30,728	32,670	33,846	34,253	34,372	34,525	34,775	35,029	34,967	34,745	34,852	35,321	35,270	34,922	35,000	34,848	34,691	34,866	35,152	35,371	33,981	33,783	
Borrowing base availability		(49,355)	(54,500)	(52,000)	(53,615)	(53,214)	(52,820)	(52,615)	(53,581)	(53,121)	(52,662)	(50,703)	(51,742)	(50,914)	(50,724)	(51,301)	(50,965)	(50,252)	(50,255)	(49,419)	(50,711)	(49,895)	(51,419)	(50,155)	
Permitted overadvance		56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	
Borrowing base availability under DIP	14	6,645	1,500	4,000	2,385	2,786	3,180	3,385	2,419	2,879	3,338	5,297	4,258	5,086	5,276	4,699	5,035	5,748	5,745	6,581	5,289	6,105	4,581	5,845	

In the matter of the plan of compromise or arrangement of the Petitioners
Notes and assumptions relating to the Revised Cash Flow Forecast
For the period from January 11, 2025 to June 27, 2025

This cash flow forecast has been prepared by the Petitioners, with the assistance of the Monitor, for the 24-week period ending June 27, 2025, using the following probable and hypothetical assumptions.

In preparing this cash flow forecast, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Petitioners, and upon discussions with management of the Petitioners (“**Management**”) (collectively, the “**Information**”).

The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information. To the extent any of the information referred to in this cash flow forecast consists of forecasts and projections, an examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

General assumptions:

- Receipts and disbursements denominated in US currency have been converted into Canadian dollars using an exchange rate of CDN\$1.42 = US\$1.00. It is assumed that the exchange rate will remain stable over the period covered by the cash flow forecast.

Notes:

1. **Sales:** Sales primarily made up of sales of Southern Yellow Pine in the US, Western Red Cedar, Yellow Cedar, Douglas Fir, Hem-Fir, Sitka Spruce in Canada and shake and shingle, and byproduct. The forecast is based on projected sales of each sawmill based on their respective production plans.
2. **Sales collections:** Sales proceeds are forecast based on the combination of i) existing accounts receivable ledger and ii) collection of sales based on historical collection experience.
3. **Proceeds from sales process:** Currently there are no amounts forecast.
4. **Other Receipts:** Forecast receipts based on normal course sales tax and custom duties refunds. The timing of government receipts may be subject to processing delays.
5. **Payroll, Benefits and Contract Labour:** Payroll is projected based on the current run rates of all hourly and salaried employees inclusive of required benefits and taxes.
6. **Raw Materials:** Represents primarily the estimated log purchases for the small log mill in Surrey to meet its production plan and expected forestry costs.

- 7. Site Operating Costs:** Represents the costs related to operating the sawmills including remanufacturing, reloading, site repair, maintenance, consumables, freight and equipment leases.
- 8. General Administration Expenses:** Represents general expenses including utilities, insurance, rent, IT expenses and other ongoing fees.
- 9. Pre-filing loan & DIP Interest:** Debt interest payments are stayed during the CCAA proceeding, with the exception of interest payable on the DIP Lenders' debts. Interest and fees will be applied on the Interim Financing Facility as set out in the Restructuring Support Agreement.
- 10. Debt principal payments:** Represents principal payments for one of the DIP Lenders' term loans.
- 11. Professional fees:** Represents the professional fees associated with conducting the CCAA proceeding, including but not limited to the Debtors' counsel, the Monitor, the Monitor's counsel, and DIP Lender's legal counsel. Professional fees are forecast based on anticipated run rates.
- 12. Rolling DIP facility:** Represents the projected DIP balance after reflecting the DIP draws and repayments resulting from the Petitioners cash flows.
- 13. Borrowing base collateral:** Represents the projected borrowing base collateral values, net of reserves.
- 14. Borrowing base availability under DIP:** Represents the Debtor's availability to draw on the DIP facility in accordance with Restructuring Support Agreement.