



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

TWELFTH REPORT OF THE MONITOR

April 8, 2025

**TABLE OF CONTENTS**

**TO THE**

**TWELFTH REPORT OF THE MONITOR**

INTRODUCTION .....	1
PURPOSE .....	8
TERMS OF REFERENCE AND DISCLAIMER .....	9
SALE OF PARCEL 1 .....	10
PARCEL 1 DISTRIBUTION ORDER.....	17
CONCLUSION.....	18

**EXHIBITS**

A. Sumitomo Forestry Press Release

## 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 Capital Finance Corporation Canada and Export Development Canada (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 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 Royal Bank of Canada ("**RBC**"), and Business Development Bank of Canada ("**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 (the “**January 29<sup>th</sup> Hearing**”), at which the Group sought 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 Support Agreement to extend the maturity date of the Interim Financing Facility from January 31, 2025 to June 27, 2025.
- 22. On January 30, 2025, the Court granted the orders sought by the Group at the January 29<sup>th</sup> Hearing.
- 23. On February 7, 2025, the Group filed materials for the hearing scheduled to take place on February 14, 2025, at which the Group is seeking an order (the “**Parcel 10 Approval and Vesting Order**”) approving the sale of property, building and equipment at 4110 40<sup>th</sup> Ave S.E. & 4051 45<sup>th</sup> Street S.E., Salmon Arm, British Columbia.
- 24. On February 14, 2025, the Court granted the Parcel 10 Approval and Vesting Order, which was further amended and restated on March 3, 2025 to account for certain details requested by the Land Title Office.
- 25. On March 18, 2025, the Group filed materials for the hearing scheduled to take place on March 25, 2025, at which the Group sought the following orders:
  - a. (the “**Parcels 2 and 5 Approval and Vesting Order**”) approving the sale of the property, building and equipment at 417838 East 1950 Road, Antlers, Oklahoma (“**Parcel 2**” or the “**Antlers Mill**”) and at 4622 Old McComb Liberty Road, Liberty, Mississippi (“**Parcel 5**” or the “**Greentree Mill**”);
  - b. (the “**Parcel 9 Approval and Vesting Order**”) approving the sale of the timber tenure forest license A19201 and related assets; and
  - c. a distribution order related to the sales proceeds from the sale of Parcel 9 (the “**Parcel 9 Distribution Order**”)
- 26. At the hearing on March 25, 2025, this Honourable Court granted the Parcels 2 and 5 Approval and Vesting Order. Following opposition raised by two affected First Nations, the application in respect of the Parcel 9 Approval and Vesting Order and the Parcel 9 Distribution Order was adjourned on agreement of the parties until April 4, 2025.



27. After a full day hearing, on April 4, 2025, the Court granted the Parcel 9 Approval and Vesting Order and the Parcel 9 Distribution Order.
28. On April 3, 2025, the Group filed materials for the hearing scheduled to take place on April 15, 2025, at which the Group is seeking the following orders:
  - a. (the “**Parcel 1 Approval and Vesting Order**”) approving a Membership Interest Purchase Agreement dated March 31, 2025, regarding the sale of 100% of the issued and outstanding membership interests (the “**Acquired Interests**”) in Teal Jones Louisiana Holdings, LLC (“**TJ Louisiana**”) owned by Teal Jones Lumber Services Inc. (“**TJLS**”), as seller, and WPM Holdco LLC, as Buyer (the “**MIPA**”). The Acquired Interests form part of Parcel 1 of the SISP (“**Parcel 1**”); and
  - b. a distribution order related to the sales proceeds from the sale of the Acquired Interests (the “**Parcel 1 Distribution Order**”).

#### *Chapter 15 Proceedings*

29. 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**”).
30. 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.
31. 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.
32. 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 Project Horntail (as defined below), 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.
33. Subsequently, On July 31, 2024, the US Bankruptcy Court issued an order recognizing and enforcing the SISP Order.
34. On March 31, 2025, the Group filed a motion with the US Bankruptcy Court for a recognition of the Parcels 2 and 5 Approval and Vesting Order. This hearing is scheduled for April 21, 2025.

## **PURPOSE**

35. The purpose of this Twelfth Report of the Monitor (the “**Twelfth Report**”) is to provide information to the Court on:
- a. the Group’s application for the issuance of the Parcel 1 Approval and Vesting Order;
  - b. the Group’s application for the issuance of the Parcel 1 Distribution Order; and
  - c. the Monitor’s recommendations with respect to the above.
36. This Twelfth Report should be read in conjunction with the Petitioners’ Notice of Application dated April 3, 2025, and Affidavit #1 of Kiel Miller sworn on April 8, 2025 (the “**First Miller Affidavit**”).

## TERMS OF REFERENCE AND DISCLAIMER

37. In preparing this Twelfth 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**”).
38. 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.
39. Some of the information referred to in this Twelfth 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.
40. Future-oriented financial information referred to in this Twelfth 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.
41. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in this Twelfth Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.
42. The Monitor has prepared this Twelfth Report solely for the use of this Court and the stakeholders in these proceedings.

43. Capitalized terms not defined in this Twelfth Report are defined in the prior reports of the Monitor and Former Monitor.
44. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
45. The Monitor has set up a website at: [www.ey.com/ca/tealjones](http://www.ey.com/ca/tealjones).

## SALE OF PARCEL 1

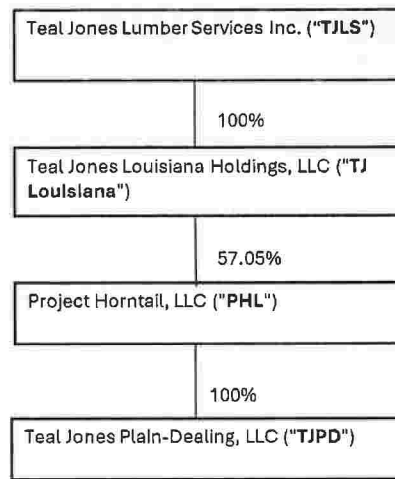
### Background

46. Parcel 1 in the SISP consists of the Group's 57.05% equity interest in a newly constructed southern yellow pine sawmill in Plain Dealing, Louisiana that is currently being commissioned ("**Project Horntail**"). The Group's equity interest in Project Horntail is owned in the name of TJ Louisiana.
47. The Group's formal involvement in Project Horntail began in about December of 2021. As mentioned above, the Seller under the MIPA, TJLS, owns 100% of the equity interests in TJ Louisiana. TJ Louisiana has a membership equity interest of 57.05% in Project Horntail LLC ("**PHL**"), a Louisiana limited liability company. The remaining 42.95% of the equity membership interest in PHL is split amongst approximately 50 local minority investors<sup>1</sup>, and all of the equity holders of PHL are parties to an amended and restated operating agreement which governs how PHL operates.
48. PHL is the sole equity holder of Teal Jones Plain-Dealing, LLC ("**TJPD**"), a Louisiana limited liability company. TJPD owns and operates Project Horntail on land leased from the local parish in Louisiana, the Caddo-Bossier Parishes Port Commission ("**Caddo-Bossier**"). TJ Louisiana is the managing member of both PHL and TJPD and oversaw the acquisition of equipment and construction of Project Horntail. For ease of reference, the table below summarizes the Group's ownership of the entities involved

---

<sup>1</sup> Tom Jones and Dick Jones each hold very small individual membership interests in PHL, each approximately 0.16%, which they have held since the Group's involvement with Project Horntail began.

in the transaction. PHL and TJPD are not subject to these CCAA proceedings and have not guaranteed any of the Group's secured indebtedness to their secured creditors.



49. Project Horntail is located on a 241-acre parcel of land in Plain Dealing, Louisiana, which land is leased from Caddo-Bossier. PHL, through a wholly owned subsidiary, also owns a 28-acre parcel of land which is undeveloped and adjacent to the sawmill parcel. Once fully commissioned and upgraded, Project Horntail is expected to achieve annual lumber production of 300 million board feet.
50. Project Horntail specializes in the production of Southern Yellow Pine lumber. The finished product is expected to be shipped and sold domestically in the US market. Given the strategic location of Project Horntail, it is expected that a significant portion of the lumber produced at Project Horntail will be sold in the southern US markets, including in the Dallas Fort Worth, Texas area.
51. The Group is seeking Court approval of the MIPA. WPM Holdco LLC, the buyer, is a subsidiary of Sumitomo Forestry America, Inc. ("SFA"). In the MIPA, the buyer is agreeing to purchase 100% of the Group's interest in TJ Louisiana. A copy of the MIPA is attached as Exhibit "A" to the First Miller Affidavit.

### Marketing of the opportunity in the SISP

52. As described in the Fifth Report of the Former Monitor, as part of the original SISP, the Former Monitor contacted 464 parties across the forestry and real estate industries in Canada, the US and internationally, of which 84 parties signed NDAs and 70 bidders requested further information and were issued CIMs.
53. While the Company had been in discussions with SFA with respect to TJ Louisiana before the CCAA Proceedings were commenced, Parcel 1 was marketed by the Former Monitor as part of the original SISP and information related to the same was made available to the 464 parties approached in the SISP prior to the Monitor's appointment on November 5, 2024. Parcel 1 was presented separately in the CIM and had its own area of the data room with files for interested parties to review.
54. As part of the outreach of the original SISP, the Former Monitor reached out to and held discussions with a wide range of potential purchasers in the forestry market.
55. SFA was the only party that submitted a bid in respect of Parcel 1.

### Negotiation of the MIPA

56. At the conclusion of Phase I of the SISP, SFA submitted a non-binding letter, dated July 26, 2024, outlining its intention to make an offer to purchase 60% of the Group's issued and outstanding membership interests owned by TJ Louisiana in Project Horntail (the "**July SFA Letter**"). The July SFA Letter included general business terms of the proposed transaction, the expected timeline, and details of SFA's due diligence process.
57. On September 30, 2024, SFA submitted a non-binding letter of interest to acquire 60% of the issued and outstanding membership interests owned by TJ Louisiana in Project Horntail, and an interest in another US mill (the "**September LOI**"). Subsequently, SFA withdrew its interest in the other US mill to focus on its acquisition of the Louisiana Mill.
58. In early November 2024, when the Monitor was appointed, it was aware of SFA's interest in Parcel 1. Shortly after its appointment, the Monitor was advised that SFA

and the Group had been working on a non-binding letter of intent (the “SFA LOI”), which would form the basis of a future transaction for SFA to acquire 80% of the issued and outstanding membership interests owned by TJ Louisiana in Project Horntail. The Monitor was also advised that, once the SFA LOI was executed by the Group, SFA would seek approval from the SFA executive committee to pursue the transactions contemplated therein, after which SFA would work hastily to conclude its due diligence and provide a form of definitive agreement.

59. The Monitor was provided with a draft of the SFA LOI on November 7, 2024, which reflected an acquisition of 80% of TJ Louisiana’s membership interests in Project Horntail. The Monitor expressed to the Group its general support for the SFA LOI, but did note certain issues which would have to be addressed. However, in light of the short timeframes to have the executed SFA LOI submitted to the SFA executive committee, the Monitor advised that it would support the Group executing the SFA LOI.
60. On November 21, 2024, the Group and SFA executed the SFA LOI. Shortly thereafter, the SFA executive committee approved the SFA LOI. As mentioned in the First Miller Affidavit, the SFA LOI contemplated the purchase of 80% of the issued and outstanding membership interests owned by TJ Louisiana in Project Horntail. The SFA LOI was conditional on the completion of third-party due diligence and the negotiation of the MIPA.
61. Following approval of the SFA LOI by the SFA executive committee, SFA undertook significant due diligence, working with the Group and the Monitor, with the goal of providing the Group with a definitive agreement.
62. In early January of 2025, a first draft of the MIPA was delivered to the Group and the Monitor for review and comment. The MIPA is a comprehensive document, and the initial drafts reflected the SFA LOI terms, which included somewhat involved processes and issues related to the Group having an ongoing 20% interest in Project Horntail through the remaining membership interests owned by TJ Louisiana.

63. After a number of discussions, between the Monitor, the Group and SFA with respect to the MIPA, SFA ultimately increased its offer from 80% to 100% of the issued and outstanding membership interests of the Group in Project Horntail, essentially transforming it into an acquisition of all of the membership interests owned by TJLS in TJ Louisiana. This approach would also permit the Buyer to more simply step into the position of managing member of both PHL and TJPD. This adjustment to the structure of the transaction helped avoid many potential issues or concerns that could have arisen if the offer remained at 80%.
64. Thereafter, counsel for the Buyer, the Group and the Monitor worked extensively, and cooperatively, to finalize the form of the MIPA to reflect the revised terms and to incorporate all final business discussions around the purchase price and adjustment mechanisms.

#### The MIPA

65. On March 28, 2025, the board of directors of Sumitomo Forestry Co., Ltd. (“**Sumitomo Forestry**”) approved the MIPA and executed the same on March 31, 2025. Attached hereto as **Exhibit “A”** is a press release issued by Sumitomo Forestry announcing the approval of the transaction.
66. The key terms of the MIPA are as follows:
- a. **Acquired Interest:** all right title and interest in the membership interests owned by TJLS in TJ Louisiana, which therefore includes the following membership interests in Project Horntail:
    - i. 38,000,000 class A units of PHL (the “**Class A Units**”), constituting 55.2901% of the outstanding Class A Units;
    - ii. 15,508,169 class A-2 units of PHL (the “**Class A-2 Units**”), constituting 61.8779% of the Class A-2 Units;
    - iii. 9,000 class B units of PHL (the “**Class B Units**”), constituting 45% of the Class B Units



- b. **Purchase Price:** USD \$46.244 million subject to certain adjustments, including adjustments for Working Capital, Seller's Transaction Expenses, Permitted Debt and Unpermitted Debt (all as defined in the MIPA). These adjustments will be estimated prior to closing with final adjustments made approximately 90 days after closing. As part of the transaction, the Buyer has bound an insurance policy to cover representations and warranties contained within the MIPA. While it is not expected that a claim will be made on this policy, it does mitigate adjustments to the Purchase Price associated with any potential inaccurate representations and warranties contained within the MIPA.
- c. **Closing Date:** The closing will occur on the first business day of the month following the satisfaction of all conditions, or on a mutually agreed date. At this time, the Group and SFA are targeting a June 1, 2025 closing date. The outside date of the agreement is August 31, 2025.
- d. **Conditions:** The MIPA includes certain conditions to closing such as finalizing the commissioning of the mill, TJ Louisiana being removed from the Group's insolvency proceedings, court approval of the transaction and associated approval and vesting order, and recognition by the US Bankruptcy Court of the approval and vesting order issued by this Honourable Court. The MIPA also contains other customary conditions that are consistent with a transaction of this nature.

67. The purchaser is a subsidiary of SFA. SFA is a subsidiary of Sumitomo Forestry, a publicly listed entity on the Tokyo Stock Exchange. Sumitomo Forestry is the fourth-largest publicly listed forest products company based on global revenues. SFA is a significant contributor to Sumitomo Forestry's revenue and profit. SFA is the eighth-largest home builder in the USA. The acquisition of TJ Louisiana will allow SFA to expand its business and build a stable material supply system for its North American housing and real estate businesses. Given the size, scale and nature of SFA, the Monitor believes that the purchaser is well capitalized and well positioned to consummate the transaction.

68. No deposit was received in connection with the MIPA. Notwithstanding the lack of deposit, the Monitor believes that SFA is motivated and has the financial capability to complete the transaction upon satisfaction of the conditions to closing. The Monitor notes that (i) SFA engaged several third-party consultants to assist them with their due diligence efforts, and (ii) several members of SFA and members of Sumitomo Forestry (from both Japan and the US) made multiple visits to the Project Horntail site in Plain Dealing, Louisiana and to the Group's head office in Surrey, British Columbia. As such, SFA has incurred significant costs to date in reviewing the opportunity and preparing and finalizing the MIPA.

#### Monitor's Commentary on the MIPA

69. The Monitor supports the Group's application for the Parcel 1 Approval and Vesting Order. In reaching this conclusion, the Monitor has considered the following:

- a. the Monitor is satisfied that there was sufficiently broad outreach to potential interested parties in the industry;
- b. the MIPA was reviewed by the Monitor and both its Canadian and US counsel, who also consulted with counsel for the Interim Lenders throughout;
- c. the Interim Lenders were consulted regularly by the Group on the SISP and by the Monitor in connection with the sale of Parcel 1 to SFA or its designee, and the Interim Lenders are supportive of the Parcel 1 Approval and Vesting Order sought;
- d. as described further below, the Interim Lenders are the only parties with an economic interest in Parcel 1, as they hold prior ranking security on the assets, property and undertakings of TJLS, who is the sole holder of the membership interests in TJ Louisiana;
- e. the Monitor has received independent security reviews from each of its US counsel and local BC counsel which confirm that, with respect to the sale of Parcel 1, the Interim Lenders have valid, enforceable and first ranking priority security over the assets being conveyed in the MIPA;

- f. the MIPA represents the best and only offer on Parcel 1. Notwithstanding the fact that no other offers were received, the Monitor believes the economic terms of the MIPA are fair and reasonable in the circumstances; and
  - g. the Monitor, in consultation with the Group and the Interim Lenders, were directly involved in the negotiations of the purchase price and terms and conditions of the MIPA.
70. Notice of the application for the issuance of the Parcel 1 Approval and Vesting Order was provided to Service List.
71. The Monitor is of the view that the Parcel 1 Approval and Vesting Order is fair and reasonable in the circumstances. The sale of Parcel 1 provides for a meaningful recovery to the Interim Lenders. The Monitor is also of the view that the sale of Parcel 1 represents a significant milestone in the Group's restructuring and positions them well to continue advancing their restructuring efforts for benefit their stakeholders.
72. For the reasons stated above, the Monitor respectfully recommends that this Honourable Court grant the Parcel 1 Approval and Vesting Order.

#### **PARCEL 1 DISTRIBUTION ORDER**

73. MLT Aikins LLP ("**MLT**"), the Monitor's local British Columbia counsel, and Blank Rome LLP ("**Blank Rome**"), the Monitor's US counsel, each performed a review of the Secured Creditors' security. In respect of the assets comprising Parcel 1 and subject to the MIPA, each of MLT and Blank Rome have confirmed to the Monitor that, subject to the usual assumptions and qualifications specifically set out therein, Wells Fargo Capital Finance Corporation Canada ("**Wells Fargo**"), Wells Fargo Capital Finance, LLC ("**Wells Fargo LLC**") and Export Development Canada ("**EDC**", and collectively with Wells Fargo and Wells Fargo LLC, the "**Senior Lenders**") hold a valid and enforceable first ranking charge against all of the assets of TJLS which is the sole equity holder of TJ Louisiana.

74. In addition, Wells Fargo and EDC are the Interim Lenders in the Court-approved Interim Facility, which is secured by a Court ordered Charge.

75. The Parcel 1 Distribution Order contemplates that the proceeds from the sale the Acquired Interests will be distributed to the Interim Lenders and applied to balances owing to them. The Parcel 1 Distribution Order does not contain the exact amount to be distributed as certain adjustments to the purchase price contained within the MIPA will be finalized after closing. Accordingly, the Parcel 1 Distribution Order directs the Monitor to distribute all of the proceeds of the sale of the Acquired Interests to the Interim Lenders as and when received by the Monitor.

76. The Monitor recommends that this Honourable Court issue the Parcel 1 Distribution Order and is not aware of any stakeholder opposing the Parcel 1 Distribution Order.

## **CONCLUSION**

77. For the reasons stated herein, the Monitor supports and recommends that this Honourable Court grant the relief sought by the Group as follows:

- a. to approve the sale of the Acquired Interests to the Buyer and to issue the Parcel 1 Approval and Vesting Order; and
- b. to issue the Parcel 1 Distribution Order.

All of which is respectfully submitted this 8th day of April 2025.

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

Per:

A handwritten signature in black ink, appearing to be 'JF Barrett', with the word 'For:' written in cursive to its right.

John F. Barrett, CPA, CA, CIRP, LIT  
Senior Vice-President

A handwritten signature in black ink, appearing to be 'P Mendelson'.

Philippe Mendelson, CPA, CIRP, LIT  
Vice President

**EXHIBIT "A"**

**[Sumitomo Forestry Press Release]**



March 28, 2025

For Immediate Release

Name of Company: Sumitomo Forestry Co., Ltd.

(Code No.1911, Prime Market, Tokyo Stock Exchange)

Representative: Toshiro Mitsuyoshi, President and Representative Director

Inquiries: Takashi Mizuno, General Manager, Corporate Communications Department

(Tel: +81-3-3214-2270)

**Notice Regarding the Acquisition of Shares (Subsidiarization) of  
Teal Jones Louisiana Holdings LLC and the Change of a Specified Subsidiary**

Sumitomo Forestry Co., Ltd. (hereinafter, Sumitomo Forestry) is pleased to announce that on March 28, 2025, the Board of Directors resolved to acquire 100% of the shares of Teal Jones Louisiana Holdings LLC (hereinafter, TJLH) through our wholly owned subsidiary Sumitomo Forestry America, Inc. (hereinafter, SFAM), and to begin procedures to make TJLH a consolidated subsidiary.

The acquisition will be carried out in accordance with procedures outlined under the Companies' Creditors Arrangement Act of Canada and Chapter 15 of the United States Bankruptcy Code. It is subject to approval by the Courts of Canada and the United States. After these procedures, we aim to complete this acquisition by the second quarter of FY2025.

In addition, since TJLH's capital is more than 10% of Sumitomo Forestry's capital, TJLH will become a specified subsidiary of Sumitomo Forestry.

**1. Overview of the acquisition of TJLH's shares**

**(1) Reasons for the acquisition**

Teal Jones-Plain Dealing, LLC (hereinafter, TJPD) is a sawmill located in Louisiana, USA, and a consolidated subsidiary of TJLH. Sumitomo Forestry will make TJPD a wholly owned subsidiary with the aim to expand its business and build a stable materials supply system for our overseas housing business and real estate business through sawmill operations in the southern United States and the sale of wood lumber products, such as dimensional lumber.

(2) Overview of the company acquiring shares

SFAM will newly establish WPM Holdco LLC and through this new company, acquire shares of TJLH.

(1) Name	WPM Holdco LLC	
(2) Head office location	15725 Dallas Parkway, Suite 125, Addison, TX 75001, USA	
(3) Name and title of representative	Sumitomo Forestry America, Inc.	
(4) Business description	Holding company of Teal Jones Louisiana Holdings LLC	
(5) Capital	USD 42 million (approximately JPY 6.2 billion)*	
(6) Establishment date	March 28, 2025 (scheduled)	
(7) Major shareholders and shareholding ratios	Sumitomo Forestry America, Inc. 100%	
(8) Relationship with the listed company	Capital relationships	100% investment through Sumitomo Forestry America, Inc.
	Personnel relationships	None
	Business relationships	None
(9) Consolidated operating results and financial position for the past three years		
Details will be omitted as we are currently in the process of preparing for establishment. The outlook of their consolidated financial position at the time of establishment is as follows:		
Net assets: USD 42 million (approximately JPY 6.2 billion)*		
Total assets: USD 42 million (approximately JPY 6.2 billion)*		

\*Calculated at USD 1=JPY 148.36 (as of March 6, 2025)

(1) Name	Teal Jones Louisiana Holdings LLC		
(2) Head office location	Lafayette, Louisiana, USA		
(3) Name and title of representative	Teal Jones Lumber Services Inc. (Managing Member of Teal Jones Louisiana Holdings LLC)		
(4) Business description	Holding company of Project Horntail, LLC		
(5) Capital at time of acquisition	USD 54 million (approximately JPY 8 billion)* <sup>1</sup>		
(6) Establishment date	November 12, 2021		
(7) Major shareholders and shareholding ratios	Teal Jones Lumber Service Inc., 100%		
(8) Relationship with the listed company	Capital relationships	None	
	Personnel relationships		
	Business relationships		
(9) Consolidated operating results and financial position for the past three years* <sup>2</sup>			
Accounting period	December 2022 term	December 2023 term	December 2024 term
Net assets	USD 69 million	USD 91 million	USD 93 million
Total assets	USD 124 million	USD 150 million	USD 175 million
Revenues	-	-	USD 33,000
Net income	-	-	USD -769,000

\*<sup>1</sup>Calculated at USD 1=JPY 148.36 (as of March 6, 2025)

\*<sup>2</sup>Teal Jones Louisiana Holdings LLC is a pure holding company of Project Horntail, LLC, and the consolidated financial results of Teal Jones Louisiana Holdings LLC are based on the consolidated financial results of Project Horntail, LLC.

(1) Name	Project Horntail, LLC	
(2) Head office location	Lafayette, Louisiana, USA	
(3) Name and title of representative	Teal Jones Louisiana Holdings LLC (Managing Member of Project Horntail, LLC)	
(4) Business description	Holding company of Teal Jones-Plain Dealing, LLC	
(5) Capital at time of acquisition	USD 94 million (approximately JPY 13.9 billion)*	
(6) Establishment date	April 9, 2021	
(7) Major shareholders and shareholding ratios	Teal Jones Louisiana Holdings LLC 57.05%	
(8) Relationship with the listed company	Capital relationships	None
	Personnel relationships	

Business relationships			
(9) Consolidated operating results and financial position for the past three years			
Accounting period	December 2022 term	December 2023 term	December 2024 term
Net assets	USD 69 million	USD 91 million	USD 93 million
Total assets	USD 124 million	USD 150 million	USD 175 million
Revenues	-	-	USD 33,000
Net income	-	-	USD -769,000

\*Calculated at USD 1=JPY 148.36 (as of March 6, 2025)

(1) Name	Teal Jones-Plain Dealing, LLC		
(2) Head office location	Lafayette, Louisiana, USA		
(3) Name and title of representative	Teal Jones Louisiana Holdings LLC (Manager of Teal Jones-Plain Dealing, LLC)		
(4) Business description	Sawmill operations		
(5) Capital at time of acquisition	USD 94 million (approximately JPY 13.9 billion)*		
(6) Establishment date	August 12, 2021		
(7) Major shareholders and shareholding ratios	Project Horntail, LLC, 100%		
(8) Relationship with the listed company	Capital relationships	None	
	Personnel relationships		
	Business relationships		
(9) Consolidated operating results and financial position for the past three years			
Accounting period	December 2022 term	December 2023 term	December 2024 term
Net assets	USD 69 million	USD 91 million	USD 93 million
Total assets	USD 124 million	USD 149 million	USD 175 million
Revenues	-	-	USD 33,000
Net income	-	-	USD -769,000

\*Calculated at USD 1=JPY 148.36 (as of March 6, 2025)

(3) Overview of the main party from whom the equity stake is being acquired

(1) Name (business description)	Teal Jones Lumber Service Inc.
(2) Location	Sumas, Washington, USA
(3) Name and title of representative	Tom Jones (President and CEO)
(4) Major shareholders and shareholding ratios	Teal Jones Holdings USA Inc., 100%
(5) Relationship with the listed company	There are no capital or personnel relationships between Sumitomo Forestry Co., Ltd. and this company to note.

(4) Teal Jones Louisiana Holdings LLC percentage of equity interests acquired and status of ownership before and after the acquisition

(1) Percentage ownership before the change	-
(2) Acquisition ratio	100%
(3) Acquisition price	USD 42 million (approximately JPY 6.2 billion)*
(4) Percentage ownership after the change	100%

\*Due to a transfer price adjustment clause, there may be a change in the final price.

\*Calculated at USD 1=JPY 148.36 (as of March 6, 2025)

(5) Timetable

(1) Date of resolution	March 28, 2025*
(2) Date of contract	March 31, 2025(scheduled)
(3) Execution date of equity transfer	June 2, 2025(scheduled)

\*The date of resolution is the day of resolution of the Sumitomo Forestry Board of Directors.



## **2. Outlook**

We are currently studying the impact this event will have on our consolidated financial results for the fiscal year ending December 31, 2025, and will promptly disclose all matters requiring disclosure as they arise.