

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC
1985, C C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
SHAW-ALMEX INDUSTRIES LIMITED AND SHAW ALMEX FUSION, LLC**

**RESPONDING MOTION RECORD
(*Motion Returnable December 4, 2025*)**

November 20, 2025

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To: The Service List

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INDEX

TAB	DOCUMENT DESCRIPTION	PG NOS.
1.	Affidavit of Timothy Shaw, affirmed November 20, 2025	04 - 15
	Exhibit A ~ Share Purchase Agreement, dated December 31, 2021	16 - 23
	Exhibit B ~ Cerezo, Impact of the COVID-19 Pandemic on the Spanish Commercial Real Estate Market, dated July 2021	24 - 37

TAB 1

Court File No.: CV-25-00743136-00CL

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**AFFIDAVIT OF TIMOTHY GLEN SHAW
(AFFIRMED NOVEMBER 20, 2025)**

I, Timothy Glen Shaw, of the Community of Stoney Creek, in the City of Hamilton, in the Province of Ontario AFFIRM:

1. I am a former director, majority shareholder and officer of Shaw-Almex Industries Limited ("**SAIL**") and Shaw Almex Global Holdings Limited ("**Global Holdings**"). As such, I have personal knowledge of the following matters. Where matters described herein are based on information not within my personal knowledge, I have stated the source of the information and verily believe it to be true.

2. This affidavit is affirmed in opposition to the motion brought by FTI Consulting Canada Inc. (the "**Monitor**") returnable on Thursday, December 4, 2025, with respect to the Monitor's motion for, among other things, a declaration that the transfer of 2,400,600 shares (the "**Shares**") of Shaw Almex Spain Real Holdings, S.L. ("**Real Holdings**") from SAIL to Global Holdings pursuant to a share sale and purchase agreement dated December 31, 2021 (the "**Share Purchase Agreement**") was a transfer at undervalue for the purposes of section 96 of the *Bankruptcy and Insolvency Act* and section 36.1 the *Companies' Creditors Arrangement Act*.

Corporate Structure and Ownership of the Spanish Property

3. SAIL started as a family business. In 1957, my father James Conwell Shaw and my mother Doris Evelyn Shaw, founded Shaw Sales and Services in Parry Sound, Ontario. At the time it was a small automobile repair company. Throughout the 1960s, Shaw Sales and Services received the right to use patents from Alm Experimental (resulting in the “Shaw Almex” name) and shifted its focus from small scale automobile repair to developing equipment to support the growing conveyor belt industry.

4. For more than 60 years, SAIL has been a global leader in the manufacturing of conveyor belt vulcanizing equipment and technology, and related products and services.

5. SAIL’s products and services are essential to the mining, food, package handling and power industries (among others).

6. I was a shareholder and part of the senior management team of SAIL during the 1990’s onward and in early 2008 I purchased the balance of shares from my siblings and parents and became the Chief Executive Officer of SAIL. I was terminated from my role after the Initial Order was granted in these proceedings.

7. I have also served as a director of SAIL since in or about 2008.

8. As a global business, prior to these proceedings, SAIL operated internationally and had offices in North and South America, Australia, Europe, and South Africa.

9. In addition to its direct operations, SAIL was the parent company of a group of companies across the Globe.

10. One of those companies was Fonmar Group S.L. (“**Fonmar OpCo**”). SAIL acquired Fonmar OpCo and its related companies as part of SAIL’s acquisition of the Fonmar business in or about 2012, when SAIL sought to eliminate a growing competitor in the market.

11. Fonmar OpCo was (and to my understanding still is) a Spanish-based company in the business of manufacturing vulcanizers for rubber conveyor belts and tires and machinery and tools for splicing and repairing conveyor and transmission belts.

12. Fonmar OpCo operates out of a manufacturing facility located at Parque Empresarial Nuevo Jaén, C/ Mariana de Montoya, nº 3-9, P.O. Box 733, 23009, Spain (the “**Spanish Property**”).

13. Fonmar OpCo does not own the Spanish Property. Instead, the Spanish Property is owned by a Spanish real estate holding company, known as Fonmar S.A. (“**Fonmar RealCo**”) and leased to Fonmar OpCo.

14. Fonmar RealCo purchased the Spanish Property in 2009 at auction for approximately 500,000 euros. Over the next few years, Fonmar RealCo invested approximately 800,000 euros into the Spanish Property to develop it into a manufacturing facility for Fonmar OpCo. Fonmar RealCo has not developed the Spanish Property any further since at least 2015.

15. Fonmar RealCo purchased the Spanish Property in 2009 because it was a cheap, vacant and unfinished commercial property in the same city where Fonmar OpCo already had its operations. The Spanish Property works well for Fonmar OpCo’s manufacturing operations, but it is by no means perfect. After Fonmar RealCo purchased the Spanish Property in 2009, we soon discovered that the basement (which was designed as a parking garage) created serious problems for Fonmar OpCo. In particular, because Fonmar OpCo’s manufacturing operations take place on the main level above the basement, Fonmar OpCo cannot place certain heavy pieces of machinery on the main floor, limiting Fonmar OpCo’s operational capacity.

16. I am an administrator of Fonmar RealCo, which is similar to a director under Ontario law. Fonmar RealCo’s controlling shareholder is Shaw Almex Real Holdings S.L. (“**Real Holdings**”). I am also an administrator of Real Holdings.

17. Until December 31, 2021, SAIL was the controlling shareholder of Real Holdings. As described below, Real Holdings was sold to Global Holdings as part of the efforts to

align Fonmar's structure to match that of SAIL's other subsidiaries (which did not own real estate property).

The Share Purchase Agreement

18. In 2017, SAIL was in talks with Semperit, an Austrian-based company specialized in rubber gloves, conveyor belt and escalator hand rails, to buy SAIL. During these discussions, Semperit made it clear that they did not want to buy any of the real estate owned by SAIL or its subsidiaries – they just wanted to purchase the company, including its brand and intellectual property. Ultimately the deal with Semperit fell through. However, SAIL's leadership, including Ryan Neufeld (the former CFO of SAIL), and myself, understood that if we wanted to sell SAIL, it was in the company's best interests to get the business ready for a sale, including by separating the real estate from the brand, intellectual property, and sales and manufacturing operations.

19. The separation of the real estate from the operating business was a structure that I had understood well, and had understood that many companies operate in that manner as it allows operating companies flexibility in managing their operations (allowing them to scale up and down or otherwise optimize operations by moving their operations without the burden of having to sell real estate to effect such changes). Also, at that time, most of the real property that SAIL and its subsidiaries operated out of was held by Global Holdings, including real property located in North America, Australia, India and South Africa.

20. By 2019, only one property that SAIL operated out of was not held by Global Holdings: the Spanish Property. And, as noted above, the fact that it was not held in a separate company was an impediment to the sale of SAIL.

21. Around that time, I began working with SAIL's former CFO (Ryan Neufeld) to develop a plan to move the Spanish Property from SAIL to Global Holdings.

22. I was advised that the easiest and most tax efficient way to move the Spanish Property to Global Holdings was for Global Holdings to buy the shares of Real Holdings from SAIL.

23. The plan to consolidate SAIL's real property in Global Holdings culminated in the December 31, 2021 Share Purchase Agreement. A partial copy of the Share Purchase Agreement is attached hereto as **Exhibit "A"**.

24. Under the Share Purchase Agreement, Global Holdings agreed to purchase all 2,400,600 shares of Real Holdings from SAIL for a total purchase price of 2,400,600 euros (the "**Purchase Price**").

25. The Share Purchase Agreement contemplated that the Purchase Price would be paid over a period of twenty years in annual instalments of 120,030 euros but allowed Global Holdings to pay in advance. We set up the Share Purchase Agreement this way to give Global Holdings flexibility to pay the Purchase Price to SAIL. However, it was never the parties' intention to pay the Purchase Price in equal annual instalments over 20 years – Global Holdings did not even have a bank account through which it could make payments to SAIL.

26. Instead, Global Holdings planned to pay the Purchase Price in two ways: (i) by off-setting rent owed by SAIL to Global Holdings from SAIL's head office located at 323 Glover Road, in Stoney Creek, Ontario (the "**Glover Road Property**"), which was owned by Global Holdings and leased to SAIL; and (ii) by off-setting amounts received through mortgaging and selling real property owned by Global Holdings against the Purchase Price. In fact, as described further below, this is exactly what happened. SAIL was paid the entire Purchase Price within just three years.

27. This transaction was not done on a whim or done without proper and due consideration. To this end, SAIL and Global Holdings retained and had the benefit of professional advisors to review, structure and provide advice on this transaction. In particular, I caused SAIL and Global Holdings to retain a Spanish lawyer Luis Giménez Godosar of Giménez Torres Abogados and KPMG in Spain to provide the professional advice necessary to make sure that the transaction was proper and valid in accordance with Spanish law. The written communications with, and the reports provided by, these professionals are no longer in my possession as a result of me having been terminated by SAIL and the Monitor taking the position that I was not entitled to retain backups of

documents. While I maintain that I am entitled to documents properly belonging to or properly being in the possession of Global Holdings, I have not been able to address the obtaining of these documents yet.

28. The Spanish lawyers and KPMG advised me that the transaction was proper and appropriate under Spanish law, and the transaction.

The Purchase Price Was Paid by Global Holdings

29. I understand from the Monitor's motion materials that the Monitor is claiming that there is no evidence that Global Holdings transferred any cash to SAIL to satisfy the Purchase Price. That it true – Global Holdings did not have a bank account and never directly transferred any money to SAIL to satisfy the Purchase Price. That was never the intention and, as noted above, not how the transaction was structured.

30. Instead, the 2,400,600 euro Purchase Price was paid to SAIL as follows:

- a. by off-setting \$740,000 in rent payable from SAIL to Global Holdings at the Stoney Creek Property owing from December 2021 to January 2025; and
- b. by Global Holdings directing the following funds to be paid to SAIL to pay the amounts owing to SAIL:
 - i. \$1.9 million in January 2022 as mortgage proceeds secured against the Glover Road Property;
 - ii. \$2.68 million in September 2024 from the sale of the Glover Road Property; and
 - iii. \$824,000 in August 2024 from the sale of real property owned by Global Holdings in Townsville, Australia.

31. I understand from my review of the Monitor's materials on this motion that they are claiming that because the set-off transactions in SAIL's general ledger are for amounts

other than individual 120,030 euros payments, there is no ability to determine what consideration was actually paid in connection with the Purchase Price.

32. However, it was always Global Holdings' and SAIL's intention that the rent set-off and other amounts received by SAIL in connection with the sale of Global Holdings' real property (as set out above) would be put towards the Purchase Price first in SAIL's general ledger.

33. As described above, it was never Global Holdings' and SAIL's intention that the Purchase Price would be repaid in 120,030 euro instalments over 20 years, but they did have the option of paying in such instalments if it desired. Global Holdings wanted to ensure that it paid the Purchase Price as soon as possible so that SAIL would have cash on hand sooner to use for its operations. The term of the payments was developed using the same terms as the mortgage from the bank in Spain that holds a mortgage on the property, which I believe is also a 20-year term.

34. I also note that the Monitor's assertion that there is no evidence that Global Holdings paid anything on account of the transaction appears to be contradicted by the Monitor's own materials. At paragraph 86 of the Monitor's Report, the Monitor notes that at the time of the transaction, the "Due from Global Holdings" was originally \$3.02 million and then it went up to \$6.47 million as a result of the transaction. The Monitor then goes on to report at paragraphs 89-90 that Global Holdings paid \$5.448 million (net, including \$817,000 paid by SAIL to satisfy mortgage amounts on behalf of Global Holdings) between that time and commencement of these proceedings, bringing the balance of that account to \$1.01 million owing by Global Holdings to SAIL, which is less than the amount at the time of the December 31, 2021 transaction. That clearly demonstrates that Global Holdings repaid the amounts owing under the transaction and more since that time.

The Share Purchase Agreement Did Not Render SAIL Insolvent

35. I also understand from my review of the materials that the Monitor claims that the Share Purchase Agreement rendered SAIL insolvent. However, this is not the case.

36. Based on my review of SAIL's financial statements for years ended December 31, 2021, 2022, and 2023 (produced by the Monitor as Appendices W, X, and Y of their fifth report), it is clear that SAIL was solvent and in good overall financial health when the Share Purchase Agreement was executed.

37. SAIL is an important business to a number of industries. At the time of the December 31, 2021 transaction, SAIL employed approximately 450-500 people throughout the world. As the leader of the company, I understood the significant responsibility I had to ensure that we did not undertake any transactions that would jeopardize SAIL's business operations or the jobs of SAIL's employees.

38. SAIL is also an important business to the history of my family. SAIL was important to my parents and it is important to me to preserve SAIL's legacy. I would not undertake the December 31, 2021 transaction if it could jeopardize the financial health of the company at the time or going forward and I did not do so. The fact that I would not undertake a transaction that would jeopardize the health of SAIL is evidenced by the fact that in December 2024, I mortgaged my principal residence in Stoney Creek and my house in Atlanta, Georgia in order to provide funding to SAIL in order to address the financial issues that it was then facing. The fact that I personally borrowed and lent money to SAIL shows my commitment to SAIL's well-being and success.

39. SAIL's operational challenges in 2022 primarily arose when Continental acquired an American belting manufacturing company called WCCO Belting. WCCO Belting was the parent company of Calendaring Specialties Inc., which was a key supplier of rubber calendaring products to SAIL. Continental was one of SAIL's main competitors, and as such, Continental decided to stop supplying SAIL. SAIL managed to find an alternative supplier (Passaic Rubber Company). However, this new supplier supplied SAIL with defective products, causing SAIL to have to issue significant credits to its customers to mitigate the damage to its customer relationships. Supply chain issues caused by the COVID-19 pandemic exacerbated SAIL's operational difficulties in 2022.

Royal Bank of Canada and BDC Capital Inc. were Aware of the Share Purchase Agreement

40. I understand from my review of the Monitor's materials the Monitor claims that Royal Bank of Canada ("**RBC**") and BDC Capital Inc. ("**BDC**") were not informed of the December 31, 2021 transaction, despite being secured creditors of SAIL at the time, and that the transaction occurred without their knowledge or consent.

41. This is simply not the case. Both RBC (formerly HSBC Canada) and BDC were fully aware of the December 31, 2021 transaction and the Share Purchase Agreement.

42. Before the end of the year in 2021, I was present in conversations with John Borch at RBC (at the time HSBC) and Marvin Junop and Roger Wilson of BDC where Ryan Neufeld informed them of the transaction and provided them with draft financial statements and updated corporate charts showing that the Shares in Real Holdings were going to be transferred from SAIL to Global Holdings.

43. At no time did SAIL or Global Holdings intend to hide the Share Purchase Agreement or the nature of the December 31, 2021 transaction from RBC and/or BDC, and we did not do so as this was discussed with both parties in video conferences and telephone exchanges and of course declared in the financial statements.

The 2015 and 2017 Appraisals Do Not reflect the True Value of the Spanish Property in December 2021

44. I understand from my review of the Monitor's motion materials that the Monitor relies on two appraisals – one from 2015 and one from 2017 (attached as Appendix T and U to the Monitor's fifth report, respectively) to support their claim that the Spanish Property was worth 3,382,557.87 euros at the time of the December 31, 2021 Share Purchase Agreement transaction.

45. However, based on my understanding of the Spanish commercial real estate market in 2021, the value of commercial real estate dropped considerably in 2020 and 2021 following the onset of the COVID-19 crisis.

46. My understanding is further informed by a July 2021 article titled *Impact of the COVID-19 Pandemic on the Spanish Commercial Real Estate Market* (the “**Article**”) by Spanish economists Alejandro Fernández Cerezo, Matías Lamas, Irene Roibás and Raquel Vegas Sánchez (the “**Authors**”). The Article is attached hereto as **Exhibit “B”**.

47. In the Article, the Authors explain that “the COVID-19 crisis has triggered a sharp correction in activity, prices and new financing operations ... in the [commercial real estate market].” The Authors also explained that “during 2020 commercial real estate sales fell sharply” and that “the provisional data for 2021 Q1 point to a further loss of momentum in commercial real estate transactions.”

48. This is consistent with my experience and understanding of the Spanish commercial real estate market in 2020 and 2021. I therefore take issue with the Monitor attempting to extrapolate the 2015 and 2017 appraisals to December 2021. By December 2021, the value of the Spanish Property had decreased from the date of the 2017 appraisal. Based on my discussions with my Spanish realtor, I understand that the actual selling price for the Spanish Property is not represented by the 2015 and 2017 appraisals. If the Spanish Property was listed at the price in the 2017 appraisal (or even the 2015 appraisal), the Spanish Property would likely remain unsold for years. The design, size and configuration of the Spanish Property is not in demand in Jaén.

Affirmed before me: (select one): ☐ in person OR ☒ by video conference

AFFIRMED BEFORE ME by video conference by Timothy Glen Shaw of the Community of Stoney Creek, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on November 20, 2025 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

Signed by:

Joshua Hearn

A9FC4GE80E91478

Joshua Hearn

Commissioner for Taking Affidavits
(or as may be)

Signed by:

Timothy Shaw

2Z61081AE800400

TIMOTHY GLEN SHAW

THIS IS **EXHIBIT "A"** REFERRED TO IN THE AFFIDAVIT
OF **TIMOTHY GLEN SHAW** AFFIRMED NOVEMBER 20,
2025.

Signed by:



A9FC4CE80E91473

Joshua Hearn

*Commissioner for Taking Affidavits,
(or as may be)*

NOTARIAL ACKNOWLEDGEMENT

CANADA

PROVINCE OF ONTARIO

I, Cecile Alexandra Ladonna McKenzie, a Notary Public for the Province of Ontario, duly appointed by Royal Authority, residing in Toronto, Ontario, certify that Timothy Glen Shaw appeared before me and executed a Share Sale and Purchase Agreement dated December 31, 2021 (the "**Document**") in his capacity as director of Shaw Almex Industries Limited and acknowledged that he

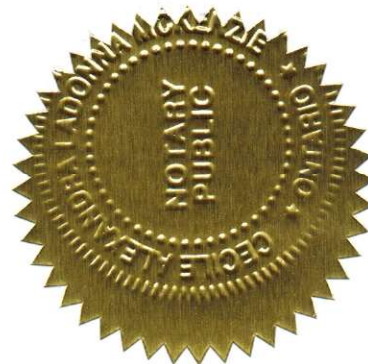
1. is the person described in the Document,
2. executed the Document freely and voluntarily and without any pressure or influence from or by any person, and
3. executed the Document for the purposes described therein.

As requested, I have acknowledged the execution of the Document by affixing my notarial seal of office to this acknowledgement.

Dated January 28, 2022.



A Notary Public for the Province of
Ontario. My commission does not expire.



NOTARIAL ACKNOWLEDGEMENT

CANADA

PROVINCE OF ONTARIO

I, Cecile Alexandra Ladonna McKenzie, a Notary Public for the Province of Ontario, duly appointed by Royal Authority, residing in Toronto, Ontario, certify that Ryan Clayton Kenneth Neufeld appeared before me and executed a Share Sale and Purchase Agreement dated December 31, 2021 (the "**Document**") for and on behalf of Shaw Almex Global Holdings Limited and acknowledged that he

1. is the person described in the Document,
2. executed the Document freely and voluntarily and without any pressure or influence from or by any person, and
3. executed the Document for the purposes described therein.

As requested, I have acknowledged the execution of the Document by affixing my notarial seal of office to this acknowledgement.

Dated January 28, 2022.



A Notary Public for the Province of
Ontario. My commission does not expire.



CONTRATO DE COMPRAVENTA DE PARTICIPACIONES	SHARE SALE AND PURCHASE AGREEMENT
En Ontario (Canada), a 31 de diciembre de 2021.	In Ontario (Canada), on 31 st of December 2021.
COMPARECEN	APPEARS
De una parte,	On the one hand,
Don Timothy Glen Shaw, mayor de edad, casado, de nacionalidad canadiense, con domicilio a estos efectos en 323 Glover RD, Stoney Creek ON L8E 5M2, Canadá, con pasaporte de su nacionalidad número BA 703048 y N.I.E. Y-2978405-B.	Mr. Timothy Glen Shaw, of legal age, married, of Canadian nationality, with address for these purposes in 323 Glover RD, Stoney Creek ON L8E 5M2, Canada, with passport of his nationality number BA 703048 and N.I.E. Y-2978405-B.
De otra parte,	On the other hand,
D. Ryan Clayton Kenneth Neufeld, mayor de edad, casado, de nacionalidad canadiense, con domicilio a estos efectos en 323 Glover RD, Stoney Creek ON L8E 5M2, Canadá, con pasaporte de su nacionalidad número AN128802 y N.I.E. Y-2978374-A.	Mr. Ryan Clayton Kenneth Neufeld, of legal age, married, of Canadian nationality, with address for these purposes in 323 Glover RD, Stoney Creek ON L8E 5M2, Canada, with passport of his nationality number AN128802 and N.I.E. Y-2978374-A.
INTERVIENEN	THEY ACT
Don Timothy Glen Shaw, en nombre y representación como director de SHAW ALMEX INDUSTRIES LIMITED , con domicilio Social en 323 Glover RD, Stoney Creek ON L8E 5M2, Canadá, número inscripción 95.408 y número de identificación fiscal (CIF) español N-4041388-B ("SAIL" o el "Vendedor").	Mr. Timothy Glen Shaw in the name and on behalf as director of SHAW ALMEX INDUSTRIES LIMITED , with registered office at 323 Glover RD, Stoney Creek ON L8E 5M2, Canada, registration number 95,408 and Spanish tax identification number (CIF) N-4041388-B ("SAIL" or the "Seller").
Don Ryan Clayton Kenneth Neufeld, en nombre y representación como apoderado de SHAW ALMEX GLOBAL HOLDINGS LIMITED , con domicilio Social en 323 Glover RD, Stoney Creek ON L8E 5M2, Canadá, número inscripción 2353708 y número de identificación fiscal (CIF) español N-4041642-B (en adelante, el "Comprador").	Mr. Ryan Clayton Kenneth Neufeld, for and on behalf of SHAW ALMEX GLOBAL HOLDINGS LIMITED , with registered office at 323 Glover RD, Stoney Creek ON L8E 5M2, Canada, registration number 2353708 and Spanish tax identification number (CIF) N-4041642-B (hereinafter, the "Purchaser").

<p>En adelante el Vendedor y el Comprador podrán ser denominados conjuntamente como las "Partes".</p> <p>EXPOSITIVOS</p> <p>I. Que SAIL es el titular de 2.400.600 participaciones sociales de UN EURO de valor nominal cada una de ellas, numeradas correlativamente de la 3.051 a la 2.403.650, ambas inclusive, (las "Participaciones") de la sociedad SHAW ALMEX SPAIN REAL ESTATE HOLDINGS, S.L., con domicilio en Calle del Conde de Aranda 24, 5ª, 28001 Madrid, y Número de Identificación Fiscal (NIF) B-87981924, sociedad debidamente constituida de conformidad con la legislación española en virtud de escritura pública otorgada el 14 de diciembre de 2017, ante el Notario de Madrid D. José Maria Mateos Salgado, con el número 4,646 de su orden de protocolo, constando inscrita en el Registro Mercantil de Madrid (en adelante, "SASREH").</p> <p>II. Que SAIL es el titular de pleno dominio de las Participaciones, en virtud de la escritura de aumento de capital otorgada el día 30 de diciembre de 2021 ante la Notario de Madrid, Doña Patricia Sotillos Fueyo con número 2.161 de su orden de protocolo.</p> <p>III. Que con la finalidad de regular los términos y condiciones de adquisición de las Participaciones, las Partes han acordado formalizar el presente Contrato de Compraventa de Participaciones (el "Contrato"), que se regirá por las siguientes</p> <p>CLÁUSULAS</p> <p>1. OBJETO</p> <p>SAIL vende al Comprador 2.400.600 participaciones sociales de UN EURO de valor nominal cada una de ellas, numeradas correlativamente de la 3.051 a la 2.403.650, ambas inclusive, (las "Participaciones") de la sociedad SHAW ALMEX SPAIN REAL ESTATE</p>	<p>Hereinafter, the Seller and the Purchaser could be referred to collectively, as the "Parties".</p> <p>RECITALS</p> <p>I. That SAIL is the holder of 2,400,600 shares with a par value of ONE EURO each, numbered sequentially from 3,051 to 2,403,650, both inclusive, (the "Shares") of the company SHAW ALMEX SPAIN REAL ESTATE HOLDINGS, S.L., with registered office at Calle del Conde de Aranda 24, 5ª, 28001 Madrid, and Tax Identification Number (NIF) B-87981924, a company duly incorporated in accordance with Spanish law by virtue of a public deed executed on December 14, 2017, before the Notary Public of Madrid Mr. José Maria Mateos Salgado, under number 4,646 of his order of protocol, recorded in the Commercial Registry of Madrid (hereinafter, "SASREH").</p> <p>II. That SAIL is the holder of full ownership of the Shares, by virtue of the deed of capital increase granted on December 30, 2021 before the Notary Public of Madrid, Ms. Patricia Sotillos Fueyo with number 2,161 of her order of protocol.</p> <p>III. That in order to rule the terms and conditions of the acquisition of the Shares, the Parties have agreed to enter into this Shares Sale and Purchase Agreement (the "Agreement"), which will be governed by the following</p> <p>CLAUSES</p> <p>1. OBJECT</p> <p>SAIL sells to the Purchaser 2,400,600 shares with a par value of ONE EURO each, numbered sequentially from 3,051 to 2,403,650, both inclusive, (the "Shares") of the company SHAW ALMEX SPAIN REAL</p>
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<p>HOLDINGS, S.L., bajo los términos y condiciones que se establecen en este Contrato.</p> <p>La venta de las Participaciones se realiza con todos los derechos y beneficios inherentes a las mismas y libres de cualquier gravamen, e incluye todo dividendo o distribución de cualquier naturaleza que corresponda a las Participaciones, ya sean en dinero u otra forma de pago.</p> <p>Con la formalización del presente Contrato y con efectos desde el presente, el Comprador adquiere la plena condición de Socio de SHAW ALMEX SPAIN REAL ESTATE HOLDINGS, S.L. En consecuencia, la presente compraventa de las Participaciones, será debidamente registrada en el Libro Registro de Socios.</p> <p>2. PRECIO DE ADQUISICIÓN</p> <p>El precio por las 2.400.600 participaciones es de DOS MILLONES CUATROCIENTOS MIL SEISCIENTOS EUROS (2.400.600.-€) (el "Precio de Adquisición").</p> <p>3. FORMA DE PAGO</p> <p>El precio de la compraventa se abonará en el plazo de veinte (20) años mediante pagos anuales de CIENTO VEINTE MIL TREINTA EUROS (120.030.-€). Los pagos anuales deberán realizarse en el último trimestre de cada ejercicio.</p> <p>4. MANIFESTACIONES Y GARANTÍAS</p> <p>4.1. Manifestaciones y garantías del Vendedor.</p> <p>El Vendedor, manifiesta y garantiza que las siguientes declaraciones: (i) son verdaderas, correctas, precisas, inequívocas y completas en todos los aspectos; y (ii) que el Vendedor asume la responsabilidad por la veracidad, precisión y corrección de las presentes manifestaciones y garantías, de conformidad con lo establecido en el presente Contrato.</p>	<p>ESTATE HOLDINGS, S.L., under the terms and conditions of this Agreement.</p> <p>The Shares are transferred jointly with all the inherent rights and benefits to them and free of any charge, and include every dividend or distribution, including any in kind, which may correspond to the Shares, being in cash or in any other kind of payment.</p> <p>With the execution of this Agreement and with effect since today, the Purchaser acquire the full condition of Shareholder of SHAW ALMEX SPAIN REAL ESTATE HOLDINGS, S.L. As a consequence, this sale and purchase of the Shares, will be duly registered on the relevant Shareholders Registry Book.</p> <p>2. ACQUISITION PRICE</p> <p>The price for the 2,400,600 Shares is TWO MILLION FOUR HUNDRED THOUSAND SIX HUNDRED EUROS (2.400.600.-€) (the "Acquisition Price").</p> <p>3. PAYMENT TERMS</p> <p>The purchase price shall be paid over a period of twenty (20) years by means of annual payments of ONE HUNDRED AND TWENTY THOUSAND AND THIRTY EUROS (120,030.-€). The annual payments shall be made in the last quarter of each year.</p> <p>4. REPRESENTATIONS AND WARRANTIES</p> <p>4.1. Representations and warranties of the Seller</p> <p>The Seller represents and warrants that the following declarations: (i) are true, correct, specific, unambiguous and fully in all of the aspects; and (ii) that the Seller assumes the liabilities for the truthfulness, accuracy and propriety of this representations and warranties, in accordance with this Agreement.</p>
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<p>(i) Manifestaciones y garantías respecto del Vendedor:</p> <p>(a) Que, el Vendedor es una sociedad debidamente constituida y vigente de conformidad con la legislación aplicable.</p> <p>(b) Que, la representación por la que el compareciente actúa en nombre y representación del Vendedor ha sido otorgada válidamente y consta vigente a la fecha del presente Contrato, pudiendo en consecuencia sus actos, vincular de manera válida y eficaz, al Vendedor.</p> <p>(c) Que, el Vendedor no se encuentra incurso en causa de insolvencia y a su leal saber y entender, a la fecha de firma del Contrato no es previsible que incurra en dicha circunstancia en los dos próximos años a contar desde la fecha del presente Contrato. Asimismo, que tampoco ha iniciado los trámites para solicitar el concurso de acreedores o la comunicación de iniciación del periodo de negociaciones de conformidad con los artículos 5 y 5bis de la Ley Concursal.</p> <p>(d) Que, la formalización y ejecución de este Contrato por parte del Vendedor no contraviene, ni requiere la previa aprobación por parte de ninguna autoridad gubernamental, nacional, autonómica o local.</p>	<p>(i) Representations and warranties about the Seller:</p> <p>(a) That, the Seller is a duly incorporated and existing company in accordance with the applicable regulations.</p> <p>(b) That, the appearers act, in the name and on behalf of the Seller, validly and the faculties granted are in force at the date of this Agreement, binding to the Company validly.</p> <p>(c) That, the Seller is not subject of any insolvency cause and at its knowledge, at on the signature date of this Agreement is unlikely to become insolvent for the following two years. Furthermore, it does not initiate an insolvency procedure or the notice of initiation of the negotiation period, in accordance with the articles 5 and 5bis of the Spanish Insolvency Act.</p> <p>(d) That, the formalization and execution of this Agreement by the Seller does not contravene, and non-require the prior approval by any governmental authority, national, autonomic or local.</p>
<p>(ii) Manifestaciones y garantías respecto de las Participaciones:</p> <p>(a) Que, el Vendedor es el válido y legal titular de pleno dominio de las Participaciones.</p>	<p>(ii) Representations and warranties about the Shares:</p> <p>(a) That, the Seller is a valid and legal owner with full control over the Shares.</p>

<p>Este Contrato contiene la totalidad de lo acordado entre las Partes en relación con los asuntos que constituyen su objeto y reemplaza todos los acuerdos, aseveraciones y entendimientos previos de las Partes en relación con dichos asuntos, sean orales o escritos.</p>	<p>This Agreement contains the totality of what has been arranged by the Parties in relation with the matters that constitute its object and substitute all the previous arrangements, asseverations and understandings of the Parties in relation with such matters, whether oral or in written.</p>
<p>8. MODIFICACIONES Y RENUNCIAS</p>	<p>8. AMENDMENTS AND WAIVERS.</p>
<p>Ningún suplemento, modificación o reforma de este Contrato será vinculante a menos que sea por escrito y esté firmada por ambas Partes.</p>	<p>Non supplement, amendment or change of this Agreement will be binding at least that is performed in writing and signed by both Parties.</p>
<p>9. LEGISLACIÓN APLICABLE Y JURISDICCIÓN</p>	<p>9. APPLICABLE REGULATIONS AND JURISDICTION</p>
<p>Este Contrato y todos los actos derivados de y vinculados al mismo, serán considerados celebrados y deberán ser interpretados de acuerdo con el Derecho Común español.</p>	<p>This Agreement and all of the acts that came from it and related to it, shall be considered celebrated and should be performed in accordance with the Spanish General Law.</p>
<p>Toda controversia que se suscite entre las Partes con relación a este Contrato y que no pueda ser resuelta amigablemente será sometida, con renuncia expresa a cualquier otro fuero al que pudieran acogerse, a los juzgados y tribunales de Madrid Capital.</p>	<p>All disputes that may arise between the Parties in relation to this Agreement and that cannot be friendly solved will be submitted to the courts of Madrid, by waiving any other jurisdiction that may be pertinent.</p>
<p>EN FE DE LO CUAL, se firma el presente Contrato en el lugar y fecha indicados al comienzo del presente.</p>	<p>IN ACKNOWLEDGEMENT OF IT, this Agreement is signed at the place and date abovementioned.</p>

EL VENDEDOR/SELLER



Mr. Tim G. Shaw
Shaw Almex Industries Ltd.

EL COMPRADOR/ PURCHASER



Mr. Ryan Neufeld
Shaw Almex Global Holdings Ltd.

THIS IS **EXHIBIT "B"** REFERRED TO IN THE AFFIDAVIT
OF **TIMOTHY GLEN SHAW** AFFIRMED NOVEMBER 20,
2025.

Signed by:



A9FC4CE80E91473

Joshua Hearn

*Commissioner for Taking Affidavits,
(or as may be)*

ANALYTICAL ARTICLES

Economic Bulletin

3/2021

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IMPACT OF THE COVID-19 PANDEMIC ON THE SPANISH COMMERCIAL REAL ESTATE MARKET

Alejandro Fernández Cerezo, Matías Lamas,
Irene Roibás and Raquel Vegas

ABSTRACT

The COVID-19 pandemic has had a major impact on the recent performance of the Spanish commercial real estate market. In particular, the crisis has led to a sharp decrease in non-residential investment and has triggered a correction in sale prices, transaction numbers and new financing operations. It has also affected Spanish real estate investment trusts specialising in this market, both in terms of the number of vehicles created and of their stock prices and the value of their real estate assets. By contrast, to date there has been no significant deterioration in credit quality linked to the commercial real estate market.

Keywords: commercial real estate market, COVID-19, real estate investment, commercial real estate assets, mortgage lending conditions, real estate investment trusts in Spain (SOCIMIs), real estate investment trusts (REITs).

JEL classification: E22, G23, R3, R31.

IMPACT OF THE COVID-19 PANDEMIC ON THE SPANISH COMMERCIAL REAL ESTATE MARKET

The authors of this article are Alejandro Fernández Cerezo and Irene Roibás of the Directorate General Economics, Statistics and Research, and Matías Lamas and Raquel Vegas of the Directorate General Financial Stability, Regulation and Resolution.

Introduction

This article analyses the impact the COVID-19 pandemic has had on the recent performance of the Spanish commercial real estate market. Commercial real estate assets are any kind of establishment in which firms physically pursue their activity, including, for instance, offices, industrial premises, logistics hubs and shops.

Analysing how the commercial real estate market evolves is important, especially in times of crisis such as now, because of its potential implications for the real economy and for financial stability. Investment in commercial real estate is part of investment in construction, so any deterioration in conditions in this market can affect economic growth. Moreover, a crisis in the commercial real estate market can have an adverse impact on banks' capital, as a result of the potential growth in defaults on real estate loans and in losses on the associated collateral.¹

The COVID-19 crisis has triggered a sharp correction in activity, prices and new financing operations (commercial mortgages) in the sector. This contrasts with the case of the housing market which has performed comparatively better to date.² There are at least two reasons for this different performance. First, the commercial real estate sector is per se more sensitive to the economic situation than the housing market. Therefore, while demand for retail premises fundamentally obeys the outlook for the economic cycle, housing is a staple which, together with other – such as demographic – factors, makes residential real estate market demand more stable. Second, owing to the nature of the present health crisis, at some points there have been restrictions on mobility and on the activity of small local retailers. These have exacerbated the negative dynamics of the indicators in certain branches of the sector (for instance, in hotels and other tourism establishments, and in retail outlets in general).

The article first describes the recent developments in non-residential real estate investment, drawing on data on building permits provided by the Ministry of

¹ See, for example, European Systemic Risk Board (2015).

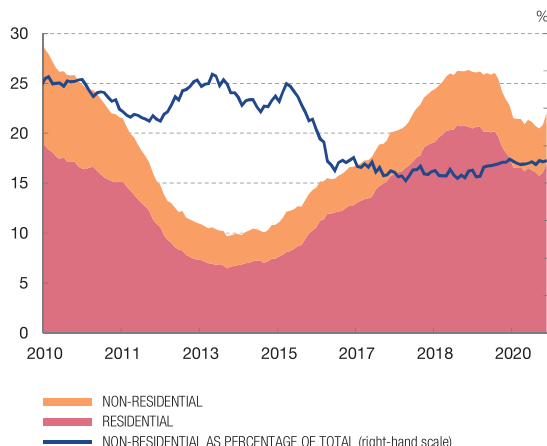
² For more details on the recent performance of the housing market, see Álvarez, Blanco and García-Posada (2020).

Chart 1

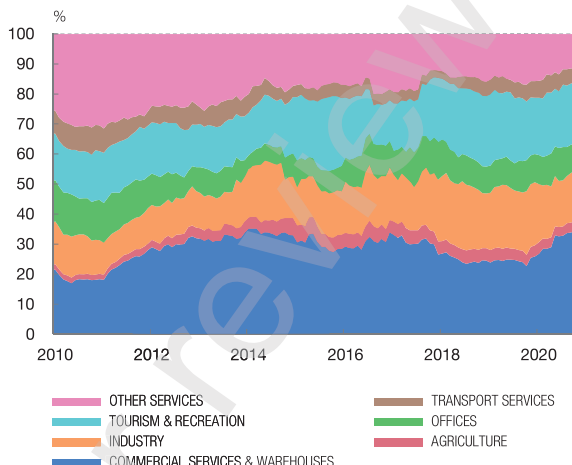
THE SUPPLY-SIDE IMPACT OF THE CRISIS HAS BEEN SIMILAR IN THE RESIDENTIAL AND NON-RESIDENTIAL MARKETS

Permits for new non-residential construction fell by 18% in 2020 overall; this was identical to the decline in the residential segment. But the non-residential segments have performed very differently, with sharp falls for industrial premises and offices, while commercial services and warehouses (linked to the logistics sector) have shown great resilience.

1 PERMITS FOR NEW CONSTRUCTION. FLOOR AREA (MILLION M²). 12-MONTH CUMULATIVE TOTAL



2 PERMITS FOR NEW NON-RESIDENTIAL CONSTRUCTION. FLOOR AREA (MILLION M²). 12-MONTH CUMULATIVE TOTAL



SOURCES: Ministerio de Transportes, Movilidad y Agenda Urbana and Centro de Información Estadística del Notariado, Colegio de Registradores.



Transport, Mobility and the Urban Agenda. It then goes on to examine the effects the crisis has had on activity in the sector, analysing how commercial real estate transaction numbers and prices have evolved, drawing on information from the Association of Property Registrars. This is followed by a review of Spanish banks' credit exposure to the sector and of the changes in commercial mortgage volumes and credit standards, in this case drawing on supervisory data and information from the Association of Property Registrars. Lastly, the article analyses the impact of the pandemic on the activity and stock prices of the Spanish real estate investment trusts (SOCIMIs, by their Spanish acronym) specialising in the commercial real estate market.

Commercial real estate market investment

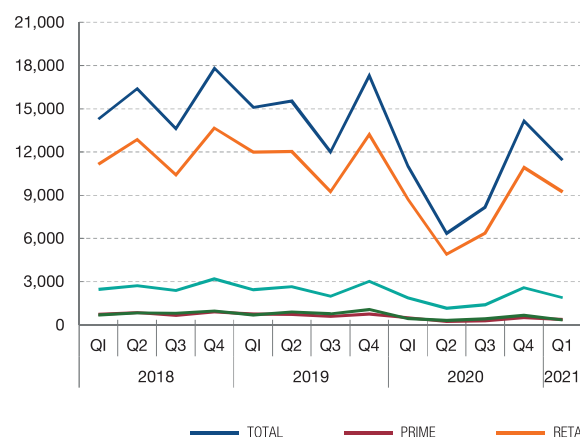
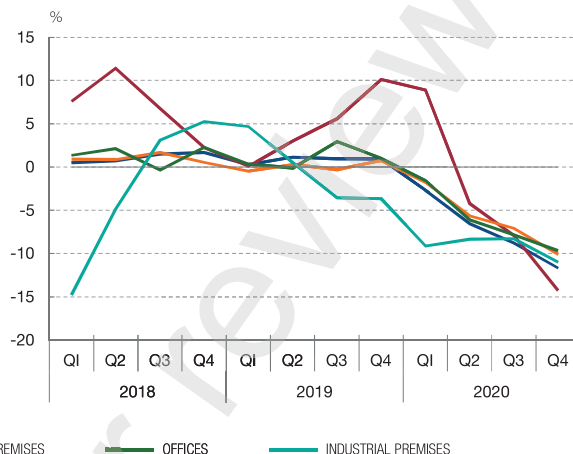
According to data from the Ministry of Transport, Mobility and the Urban Agenda, building permits for new non-residential construction fell by 18% in 2020 overall; this was identical to the decline in the residential segment (see Chart 1.1). Accordingly, the proportion of permits for non-residential construction has remained relatively stable, at slightly over 20%, which has been its approximate level in recent years. However, the non-residential segments have performed very differently recently, with industrial premises and offices down 39% and 20%, respectively, and

Chart 2

THE COVID-19 CRISIS HAS TRIGGERED A FALL IN TRANSACTION NUMBERS AND SALE PRICES IN THE COMMERCIAL REAL ESTATE SECTOR

Sales of commercial real estate assets fell sharply in 2020, especially in the first half of the year. In 2020 overall, transaction numbers were down 38.2% on 2019. Prices dropped across the board from March 2020, although less so than transaction numbers.

1 NEW TRANSACTIONS IN THE COMMERCIAL REAL ESTATE SECTOR (a) (b)

2 YEAR-ON-YEAR RATES OF GROWTH IN THE PRICE PER M² OF COMMERCIAL REAL ESTATE (b) (c)

SOURCE: Centro de Información Estadística del Notariado, Colegio de Registradores.

a The number of transactions recorded each quarter in each segment.

b The prime segment refers to retail premises in the main retail districts of Madrid, Barcelona, Bilbao, Palma, Valencia and Malaga.

c The commercial real estate price indices are calculated drawing on the four-period moving average of the median transaction prices for commercial premises in each quarter.



commercial services and warehouses (linked to the logistics sector) up 1%. This uneven performance may be related to how firms have responded to the crisis in the face of the growth of e-commerce and the increased importance of flexibility to adapt to demand conditions. On project cost estimation data, the non-residential segments are down 17%, with the most pronounced declines for industry and offices (37% and 16%, respectively), once again in contrast with the good performance of commercial services and warehouses (8%). Indeed, warehouses and tourism are the two segments with the highest proportion of building permits for non-residential construction (31% and 22%, respectively) (see Chart 1.2).

Transaction numbers and prices

As Chart 2.1 shows, during 2020 commercial real estate sales fell sharply, especially in H1 when transaction numbers were down 60% on 2019 H1. Data from 2020 Q3 and Q4 show some recovery, but not sufficient to offset the earlier sharp declines. Moreover, the provisional data for 2021 Q1 point to a further loss of momentum in commercial real estate transactions. These data suggest, therefore, that the lack of dynamism in these transactions is explained not only by the problems associated

with the restrictions on mobility, but possibly also by the fact that demand for these assets has been hit by worsening business expectations. In 2020 overall, commercial real estate sales fell by 33.8%.

Sales of commercial real estate were especially poor in areas that normally generate the most retail activity. Thus, sales in prime areas, located essentially in large city centres, fell by 47.9% in the year as a whole, with a particularly significant decline in Q2 (68.5%). However, it has to be borne in mind that sales in prime areas were already suffering before the onset of the pandemic. By asset type, the crisis has had most impact on office transactions, which fell by 47% year-on-year in 2020 overall, while in the case of industrial premises sales saw a slightly smaller correction in that period, down 30.6%, similar to sales of retail premises which fell by 33.6%.

Sales of offices have performed less well than sales of other kinds of commercial real estate, such as industrial premises. This could reflect the impact of certain pre-existing trends, which have been heightened by the pandemic. For instance, the growth of e-commerce, which requires well-situated logistics hubs, could have cushioned the impact of the crisis on this type of property. Likewise, the fall in the number of transactions in the prime segment could reflect the market response to new consumer patterns linked to the surge in online shopping, which took hold swiftly in 2020 as a result of the social distancing measures. All the above could have detracted from the appeal of commercial real estate purchases in what were traditionally prime areas. Similarly, the increase in remote working as a measure to prevent the spread of the pandemic could have reduced the demand for office space; this would explain the larger relative decline in the number of transactions in this segment.

Prices in the commercial real estate segment have fallen across the board since March 2020, but less so than transaction numbers. Specifically, in four-quarter moving average terms, the average year-on-year rate of change in commercial real estate prices fell from 0.9% at end-2019 to -8.8% in 2020 Q4 (see Chart 2.2). By segment, and unlike transaction numbers, prices in prime areas performed somewhat more favourably than in others, increasing in 2020 H1, although they too turned negative in H2 (-7.9% year-on-year in Q4). The worst performance was in offices, where prices fell back in year-on-year terms in 2020 Q1 (-3.6%), and far more than in the other segments in the following quarters (-8.3% in Q4). The provisional data for 2021 Q1 indicate that these price corrections continue.

Financing of purchases and banks' exposure to the commercial real estate sector

Consistent with the changes observed in sales of commercial real estate, new lending to the commercial real estate market has decreased significantly since the

Chart 3

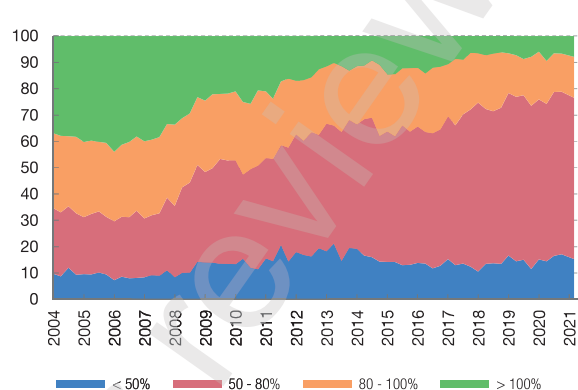
FINANCING CONDITIONS HAVE DETERIORATED SIGNIFICANTLY IN THE PAST YEAR IN THE COMMERCIAL REAL ESTATE MARKET

New lending has decreased significantly in the past year, but not as sharply as transaction numbers (the ratio of new lending to sales has increased slightly). Based on the changes in the loan-to-price ratio, credit standards have become somewhat more prudent since the onset of the pandemic. Despite the crisis, the indicators available do not signal a significant worsening of the quality of these loans.

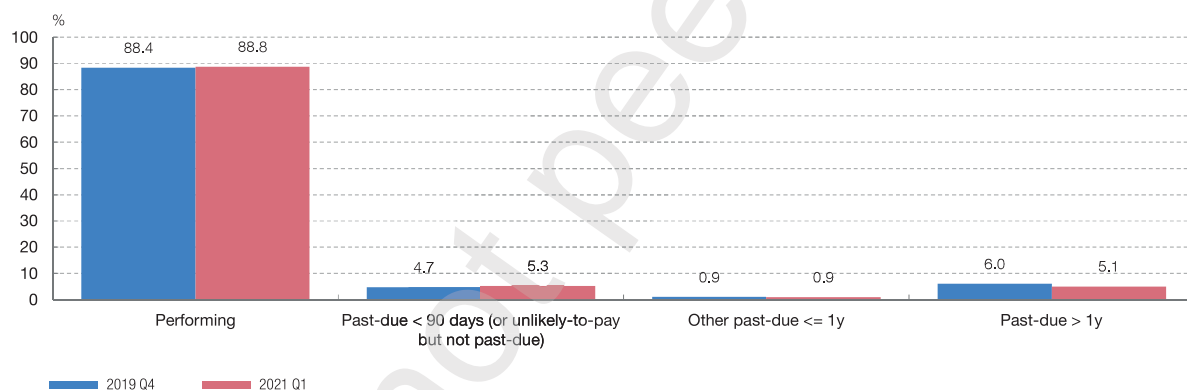
1 NEW LENDING COLLATERALISED BY COMMERCIAL REAL ESTATE (a)



2 LOAN-TO-PRICE RATIO FOR COMMERCIAL REAL ESTATE LOANS (b)



3 BREAKDOWN OF EXPOSURES TO COMMERCIAL REAL ESTATE LOANS (b) (c)



SOURCES: Banco de España and Colegio de Registradores.

a Four-quarter moving averages. Only lending secured by commercial property is included.

b Ratio of the principal amount of the mortgage to the property's registered price. Based on a sample of transactions.

c Exposures on an individual basis. Only loans valued at amortised cost (which includes the great majority) are considered, since for 2019 no more information is available for other portfolios.



start of the pandemic (see Chart 3.1). Specifically, in 2020 new commercial real estate mortgage volume was down 36% on 2019, close to the minimum of the last 15 years.

Chart 3.1 also shows that the ratio of new lending to sales rose slightly in 2020, reflecting a sharper fall in transaction numbers than in new lending. This pattern, which was also observed at the start of the financial crisis in 2008, albeit much more intensely, could

indicate growth in new refinancing operations destined to ease borrowers' liquidity needs which increase in recessions.³ In any event, the levels of credit granted and sales made in 2008-2009 were more than double the current levels.

Regarding credit standards, the tightening of credit conditions for commercial mortgages observed before the onset of the pandemic has continued in recent months. Specifically, Chart 3.2 shows that the proportion of new mortgages with a loan-to-price (LTP) ratio below 80% has increased. This is consistent with banks being more cautious when granting commercial mortgage loans.

At end-2021 Q1, the outstanding balance of mortgages secured by commercial properties amounted to €84 billion,⁴ accounting for 15% of the entire mortgage portfolio of credit institutions in Spain at that date.⁵ Even so, the volume of commercial mortgages is significant if measured in relation to banks' own funds. At end-2020 these portfolios accounted for 40% of the Tier 1 ratio, so a substantial impairment in the ability to pay by debtors in this segment could have a negative impact on the banking system's solvency.

Chart 3.3 provides a breakdown of credit institutions' exposures based on information on performing, past-due and unlikely-to-pay loans at end-2019 and 2021 Q1. For exposures classified as non-performing, those that may default in the short-term or in early arrears are distinguished from those in arrears for longer. In general, to date the impact of the crisis on the credit quality of these portfolios appears to be limited. Although the share of short-term troubled exposures (i.e. those defaulting in the short term or classified as unlikely-to-pay) increased slightly between end-2019 and 2021 Q1, the proportion of past-due and unlikely-to-pay mortgages has not changed significantly. The volume of loans without credit impairment but with a significant increase in credit risk (Stage 2 loans) accounted for hardly 0.7% of all exposures at end 2021 Q1.

The scant effect of the crisis on the quality of this type of credit to date is in contrast to the strong deterioration in economic conditions. This could be explained, in part, by the effect of certain support measures, such as the guarantee and moratoria schemes (in 2021 Q1, the moratoria granted in this segment amounted to €9 billion, according to consolidated reporting).⁶ Expiration of these measures could therefore be accompanied by a rebound in the volume of non-performing loans. It should also be noted that in commercial mortgages the debtor is often a legal person with limited liability and, accordingly, the risk of these exposures could be higher than that associated with residential mortgages, where in the event of default the bank has

³ There are no data available on loan purpose.

⁴ Exposures on an individual basis (excluding exposures to the commercial real estate sector outside Spain).

⁵ Total mortgage exposures include residential mortgages and those secured by commercial properties (e.g. offices).

⁶ Under the loan moratorium schemes, the payment commitments of debtors in a situation of vulnerability are deferred. On end-2020 supervisory data, 45% of the amount subject to moratoria in commercial mortgage loans had already expired; the remainder will expire over the course of 2021.

recourse not only to the loan collateral (the home) but also to the borrower's equity.⁷ In addition, the fall in real estate value reduces the recovery value of these loans in the event of default.⁸

SOCIMs specialising in the commercial real estate market

The impact of the COVID-19 pandemic on the commercial real estate market has also been reflected in the SOCIMs⁹ specialising in this segment, both in terms of the number of vehicles created and of the changes in their stock prices and in the value of their real estate assets.

Although SOCIMs continued to be created in 2020, the number of new vehicles entering the market was considerably lower than that observed in prior years (see Chart 4.1). Thus, 13 SOCIMs were floated in 2020,¹⁰ mostly specialising in the non-residential real estate market,¹¹ compared with an annual average of 21 vehicles admitted to trading since 2016. Also, five SOCIMs abandoned the market in 2020, three of which were engaged in commercial real estate rentals.¹² As a result, at end-2020 there were a total of 95 listed Spanish vehicles, 74% of which operated in the commercial real estate market. Of these SOCIMs, 17 specialised in office rentals, 12 in retail premises, ten in shopping centres, a further ten in hotels and four in logistics, while the remaining 17 had diversified assets in several segments.

As shown in Chart 4.2, SOCIMI listings have been particularly affected by the health crisis. From the global spread of the pandemic in February 2020 up to the cut-off date of this article (05/07/2021), the FTSE EPRA NAREIT REIT SPAIN index, which weights the stock prices of the largest and most liquid SOCIMs by free-float market capitalisation, has accumulated losses of 30%,¹³ compared with a 10% fall in the IBEX 35, the Spanish selective index. Stock prices of vehicles investing in the

⁷ In 2020 half of all purchases of commercial premises were made by legal persons.

⁸ The LTP ratio, which measures mortgage leverage at origination (the ratio of the principal amount of the loan to the price of the property purchased) is lower in commercial mortgages than in residential mortgages. However, this does not mean that the percentage of recovery in the case of default is higher in commercial mortgages, since this segment is in a price correction phase (lower present value of the collateral). In addition, lower recovery rates are to be expected in unsecured loans, which are not analysed in this article.

⁹ For a detailed analysis of the characteristics of this sector in Spain, see García-Vaquero and Roibás (2020).

¹⁰ In contrast with prior years, when most SOCIMs launched on the Spanish alternative market BME Growth, in 2020 more than half launched on the alternative market EURONEXT, which has much more flexible free-float and turnover requirements.

¹¹ Of these 13 new SOCIMs, four specialised in hotels, two in retail premises, two in offices and three in residential real estate, while the other two had a mixed real estate asset portfolio.

¹² Two in retail premises and one in offices.

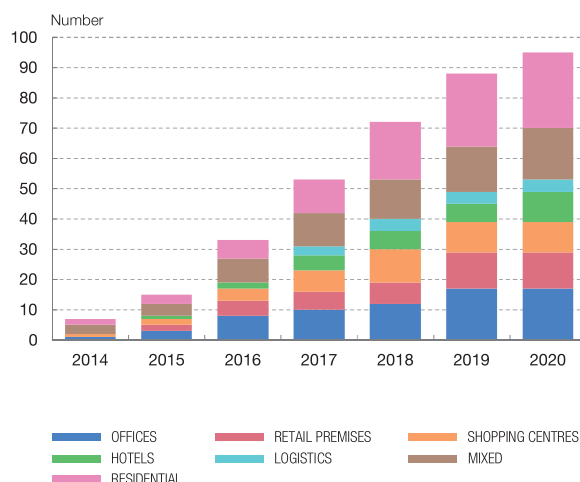
¹³ To be included in the FTSE EPRA NAAREIT REIT indices, SOCIMs or REITs must meet certain minimum free-float, liquidity and size requirements. In the case of Spain, this means that three of the four SOCIMs that are listed on regulated markets are included. The prices of most of the remaining ones, which are listed on alternative markets, have remained practically unchanged during the entire period, as a result of the minimum turnover owing to their low free-float. Except for three medium-sized SOCIMs that are listed on alternative markets, the remainder account for a very small part of the total capital of the sector as a whole.

Chart 4

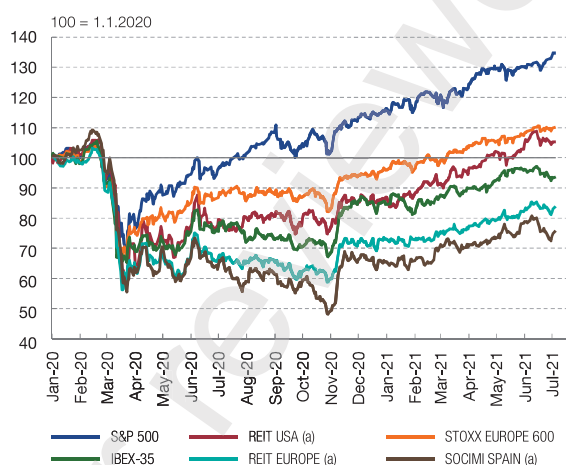
THE COVID-19 CRISIS HAS ALSO IMPACTED SOCIMIs SPECIALISING IN THE COMMERCIAL REAL ESTATE MARKET

The number of new vehicles entering the market in 2020 was considerably lower than that observed in prior years. Since the start of the pandemic SOCIMIs' stock prices have declined more than the IBEX-35 index and the market value of their real estate assets at end-2020 has decreased compared to 2019. This fall was concentrated in shopping centres, hotels and retail premises at street level.

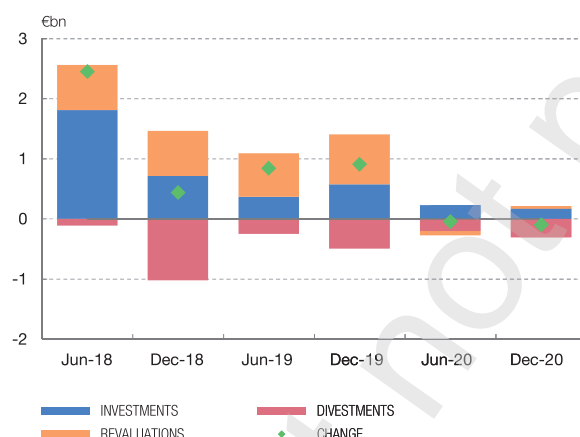
1 NUMBER OF SOCIMIs BY SEGMENT



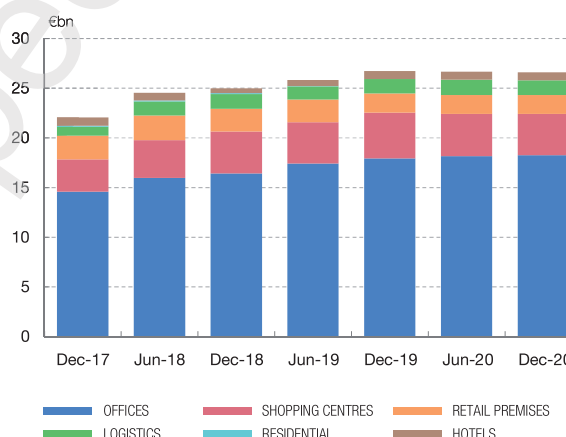
2 STOCK PRICES



3 CHANGE IN THE REAL ESTATE ASSET PORTFOLIOS OF SOCIMIs LISTED ON REGULATED MARKETS



4 MARKET VALUE OF THE REAL ESTATE ASSETS OF SOCIMIs LISTED ON REGULATED MARKETS



SOURCE: BME, Refinitiv Datastream, corporate quarterly reports and annual accounts.

a The FTSE EPRA NAREIT REIT indices use the free-float stock market capitalisation to weight the stock prices of SOCIMIs or REITs that meet certain minimum free-float, liquidity and size requirements. In the case of Spain, this means that three of the four SOCIMIs that are listed on regulated markets are included. The prices of SOCIMIs which are listed on alternative markets have remained practically unchanged during the entire period, as a result of the minimum turnover owing to their low free-float.



commercial real estate sector have declined across the board internationally, although comparatively more acutely in Spain. Thus, in the United States and Europe, while the S&P 500 and the STOXX EUROPE 600 indices have recovered their pre-pandemic levels, REITs' stock prices have declined by 1% and 17%, respectively, over the same period.

As regards real estate assets, at end-2020 the market value of the portfolios of the SOCIMIs listed on regulated markets,¹⁴ solely comprising commercial assets, was down €139 billion (0.5%) on the previous year. This was due to divestments exceeding investments and to negative valuation effects (see Chart 4.3). The fall in the prices of these properties was concentrated in H1, coinciding with the first state of alert in Spain and the total suspension of non-essential activity. Although these prices recovered in H2, the increase did not offset the losses incurred during the first months of the pandemic. Also, both divestments – concentrated in non-strategic assets – and, in particular, investments were lower than in the previous year. The moderate decrease in the market value of the portfolios of these SOCIMIs in 2020 is in contrast to the collapse in their stock prices over the same period. Thus, their stock price discount to net asset value (i.e. market value net of debt) rose to 41% at end-2020, compared with 12% recorded a year earlier. These developments could be influenced by the lower liquidity of the commercial real estate market compared with that of the stock markets on which these SOCIMIs are listed.

By asset type, the largest fall in the market value of the portfolios of SOCIMIs listed on regulated markets, on data as at December 2020, was in shopping centres (down 9.7% on 2019), mainly owing to the decline in the prices of these assets. The market value of the hotels portfolio also declined (by 2.4%), as a result of divestments, as did that of retail premises at street level (down 0.9%), because divestments and valuation losses exceeded investments. By contrast, the market value of the logistics and office portfolios increased (by 2.8% and 1.7%, respectively), owing to the good performance of prices in these segments and to the investments made (see Chart 4.4). The improved performance of the SOCIMIs' office portfolio prices is in contrast to the worse performance of other indicators in the sector, such as the transaction numbers and sale prices analysed above. This might suggest that SOCIMIs' office portfolios are of higher quality¹⁵ or that their tenants belong to sectors less affected by the crisis.

22.7.2021.

¹⁴ SOCIMIs listed on alternative markets do not usually provide market value data on their real estate assets. They are mainly classified as small and medium-sized enterprises and, although they are much more numerous than those listed on regulated markets, they account for approximately half of the sector's real estate assets. At end-2019, around 71% of their real estate portfolio was non-residential.

¹⁵ Most of the offices included in the SOCIMIs' portfolios are in prime city centre locations in Madrid, Barcelona and Paris.

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT
ACT, RSC 1985, C C-36, AS AMENDED AND IN THE MATTER OF A PLAN
OF COMPROMISE OR ARRANGEMENT OF SHAW-ALMEX INDUSTRIES
LIMITED AND SHAW ALMED FUSION, LLC**

Court File No. CV-25-00743136-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at TORONTO

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